Rettie Research Report

Summer Market Briefing July 2026

Choppier Waters Ahead?

The Scottish housing market in 2026

Introduction

- In Jan-Apr 2026 (latest data), the average house price in Scotland is up 1.1% on the year. Rettie had forecast growth of 3.5% for 2026 at the start of the year, but this now looks optimistic given geopolitical events and possible rises in inflation and interest rates this year, although the recent US/Iran peace deal provides some hope that these will be limited. **Subdued house prices look the most likely scenario for the rest of 2026.**
- At the start of the year, our transactions forecast for 2026 was +2%. Up to April 2026, we have a similar number of sales as last year (up 0.6%), but the likelihood is that figure will turn down a little over the course of the year given wider economic forecasts.
- The rental market has settled after the Housing (Scotland) Bill was passed last year. Rental listings/ availability has increased, which has moderated rent rises.

The housing market in Scotland has experienced modest price growth in the year to date up to April (up 1.1%) and market activity growth (up 0.6%). However, this growth looks unlikely to continue as we progress through the year.

Average advertised rents have stabilised as the market adjusts to political change, but new listings are increasing again after four years of notable declines. The exemption of Build to Rent (BTR) from rent caps in the new Housing (Scotland) Bill should help to unlock delivery of new rental homes.

"We forecast at the start of 2026 that the Scottish housing market should continue to move at a steady pace this year, with modest uplifts in the key market metrics. However, this was before renewed conflict in the Middle East, which is causing global inflationary pressures and interest rates may rise to combat this. Rising interest rates will subdue housing market activity and the extent to which they do this will depend on how far and fast rates rise and that is a 'known unknown' for now. Current expectations are that such rises will be limited, particularly with the recent signing of the US/Iran peace deal. This will likely mean flat housing market conditions.

The new build sales market continues to show some improvement but remains well down on pre-2022 levels and it is difficult to see much further recovery with a weakening economic outlook. The rental market has cooled after substantial growth in rents and the increase in rental availability is a positive, although pressures may return if mortgage rates rise."

Dr John Boyle MRICS, Director of Research & Strategy.

Key *findings*.

01. **Price growth continues for now amidst global uncertainty.**

Average house prices have shown modest increases across much of Scotland in the last 12 months, with growth stronger in the main cities (up 4% in Edinburgh and Glasgow). However, the outlook will likely be subdued for the rest of 2026.

02. **New build market recovery continues (for now).**

New build sales are up 15% in Jan-Apr 2026 compared with the same period last year, although this only partially recovers ground lost since 2021. The outlook also will likely be subdued for the rest of the year.

03. **Rental growth has stalled.**

The average advertised rent has stabilised since 2024 after rising sharply post-pandemic, helped by increasing rental availability (with listings up 7% nationally since 2024).

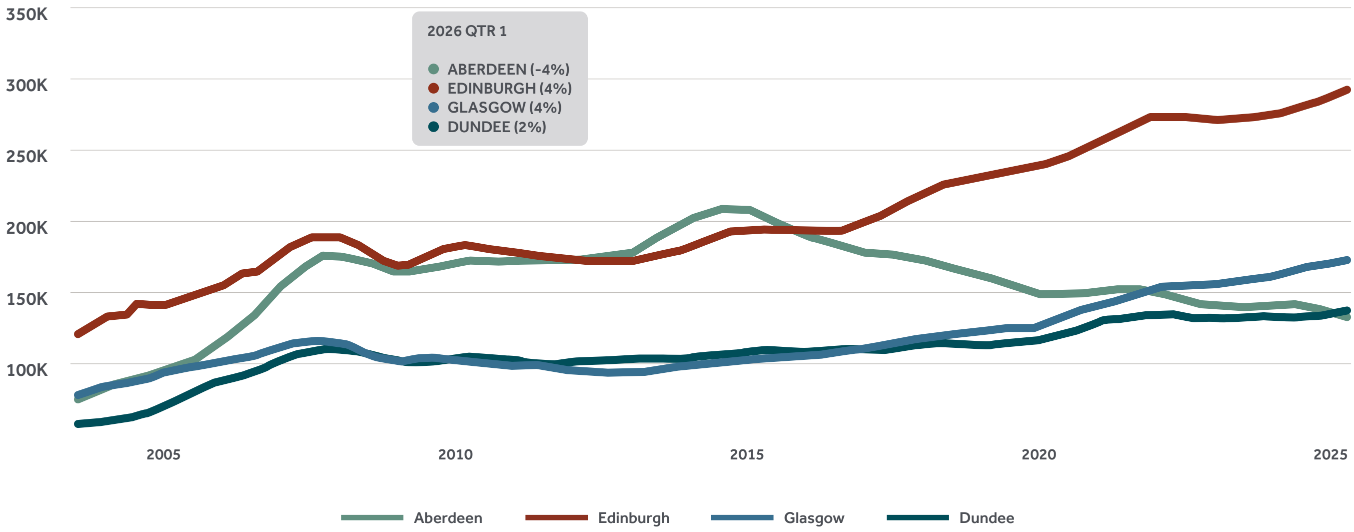
Key findings *explored*.

01. **Price growth continues for now amidst global uncertainty.**

On a 12-month rolling basis, average house price growth in the main Central Belt's cities has accelerated, with Glasgow and Edinburgh both up around 4%. Dundee has had more modest growth and similar to the national average. It has recently overtaken Aberdeen, where the average house price fell a further 4% in the last 12 months.

Figure 1: House price growth across much of Scotland has continued at the start of 2026.

12 Month Average Price.



Source: UK HPI

Glasgow

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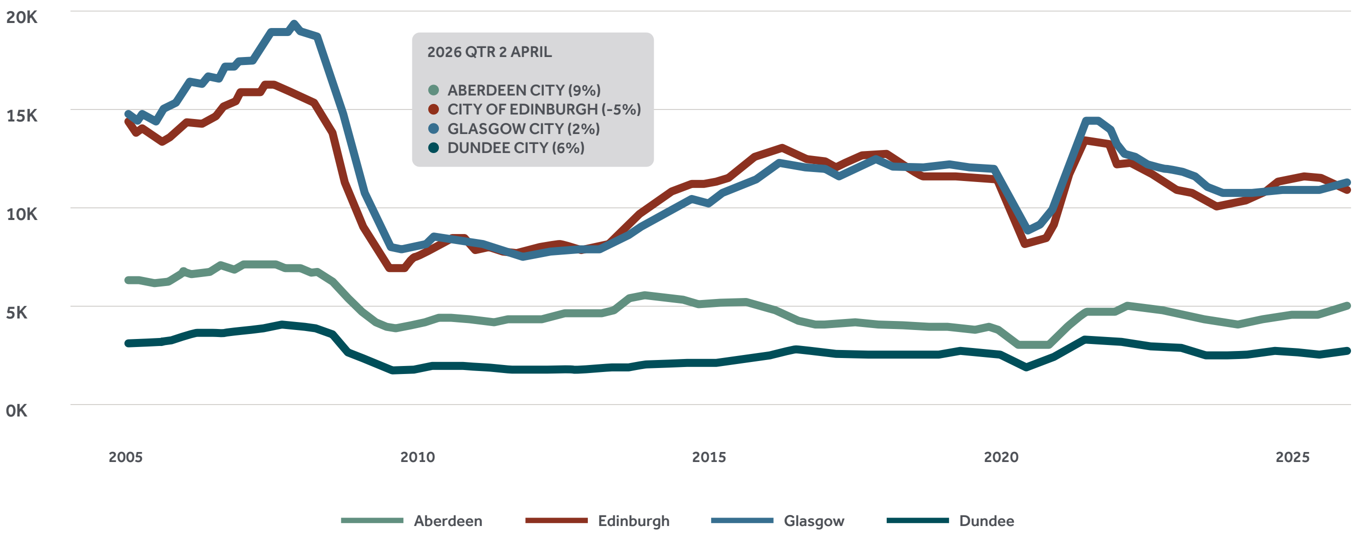
At the start of 2026, (Jan-Apr) the number of house sales has risen by just 0.6% YOY as the market shows signs of slowing due to geopolitical factors impacting on the cost of borrowing and economic outlook, although mortgage affordability for now is broadly good.

Sales have dropped back by 5% in Edinburgh and there has been modest growth of 2% in Glasgow. The lower priced markets of Aberdeen and Dundee have had more significant rises in activity in 2026 so far.

Figure 2: Transactions levels are generally rising across Scotland's main cities.

12 Month Average Transaction Volume.



Source: @ Crown Copyright Registers of Scotland

Innerleithen

Key findings *explored*.

02. **New build market recovery continues (for now).**

The recovery in overall market activity finally extended into the new build market in 2025, even if this was in a very limited way, with sales around 50% down on where they were in 2021-22. This nascent recovery has continued into 2026, with new build sales in the year up to April 2026 around 15% higher than in the same period last year.

Despite this increase, new build sales continue to make-up a smaller than typical proportion of Scotland's total sales. In 2025, new build sales only accounted for 11% of all Scottish house sales, down from the historical average of 15%.

New build average price growth has plateaued since 2024 and is down a fraction (1%) in Q1 2026 compared with Q1 2025. The average price currently stands at c.£336,000. When comparing new build, second-hand semi-detached and detached house prices, new builds continue to be near an historically high premium to second-hand houses. Part of this is due to product mix, with new builds having a higher proportion of larger house types, but it also reflects rising costs.

Figure 3: New build sales volumes are up 15% YOY as of April 2026 but from an historically low base.

New Build 12 Month Rolling Transaction Volume.

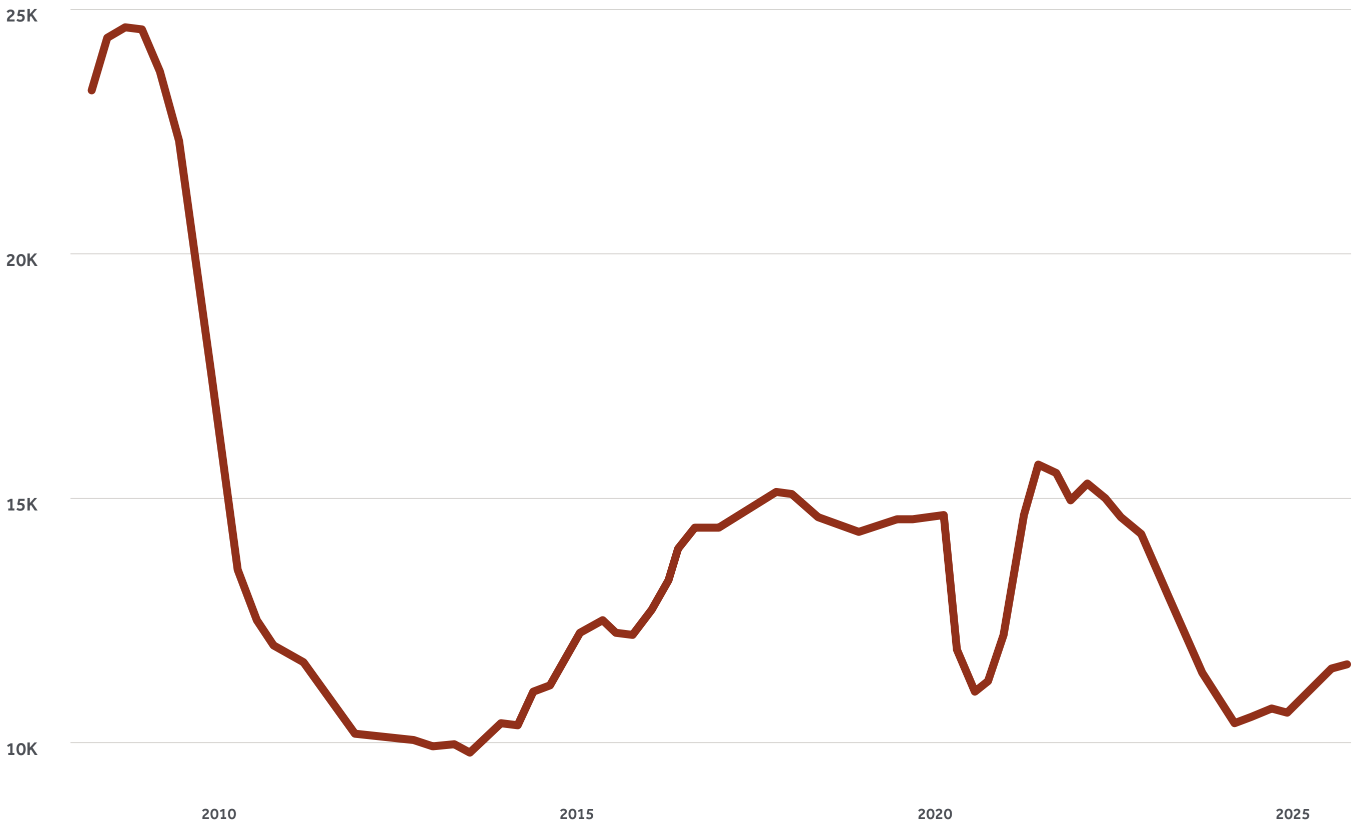


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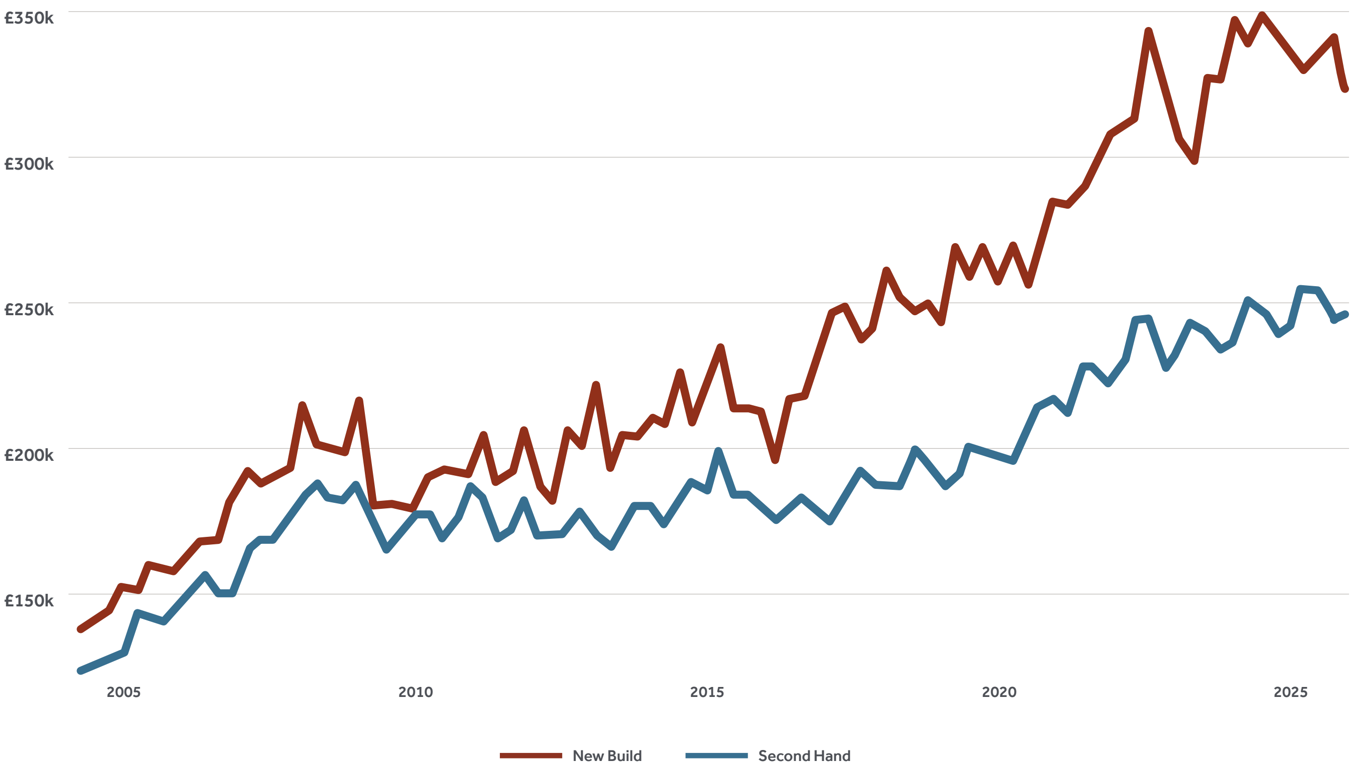
Figure 4: New build average house prices are continuing to accelerate at a faster pace than second hand homes.

Second Hand vs NB Average Semi-Detached & Detached Prices.



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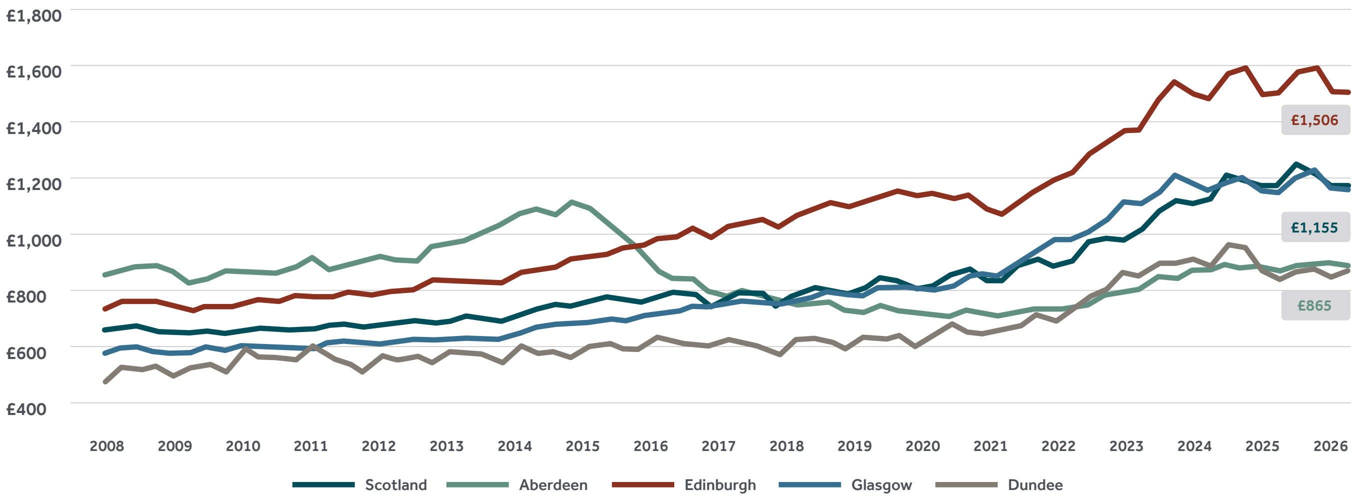
Key findings *explored*.

03. **Rental growth has stalled.**

The average advertised rent in Scotland rose sharply following the Covid-19 pandemic but has stabilised in recent years.

This partly reflects the affordability ceiling in the market (with minimal real wage growth in recent times) but is also partly due to an easing in mortgage lending and rates, which has encouraged more people into home ownership and reduced demand levels in the rental market. The passing of the Housing (Scotland) Bill in 2025 has also settled the market after a number of years of political interventions that created significant market uncertainty and dislocation.

Figure 5: The national average advertised rent has stabilised in recent years.



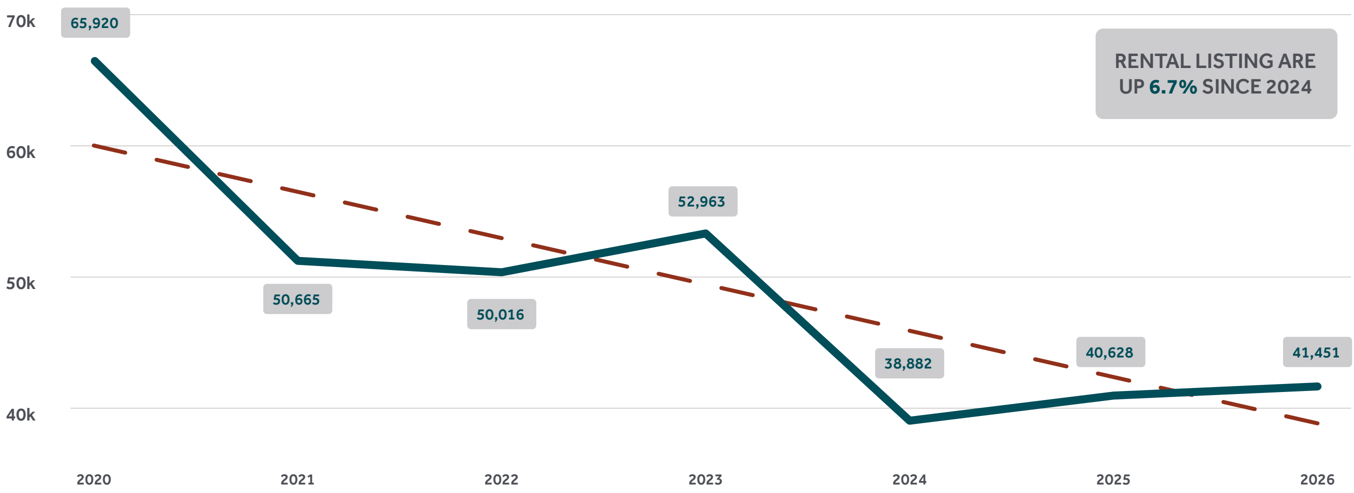
Source: Citylets

The number of listings in the rental market in Scotland fell significantly following the pandemic and were over 40% lower by the end of 2024 compared to the pre-pandemic period. The fall came from a combination of landlords leaving the sector due to tighter regulation and an unfavourable taxation environment, along with tenants staying in properties longer due to a reduction in choice.

Since this nadir, the number of rental properties listed on Rightmove in Scotland has increased by 7% as of Q1 2026. This reflects a rise in the number of BTR completions and reduced sectoral uncertainty after the passing of the Scottish Government's Housing Bill.

Figure 6: Rental property listings have rebounded in 2025-26.

Count of new listings.

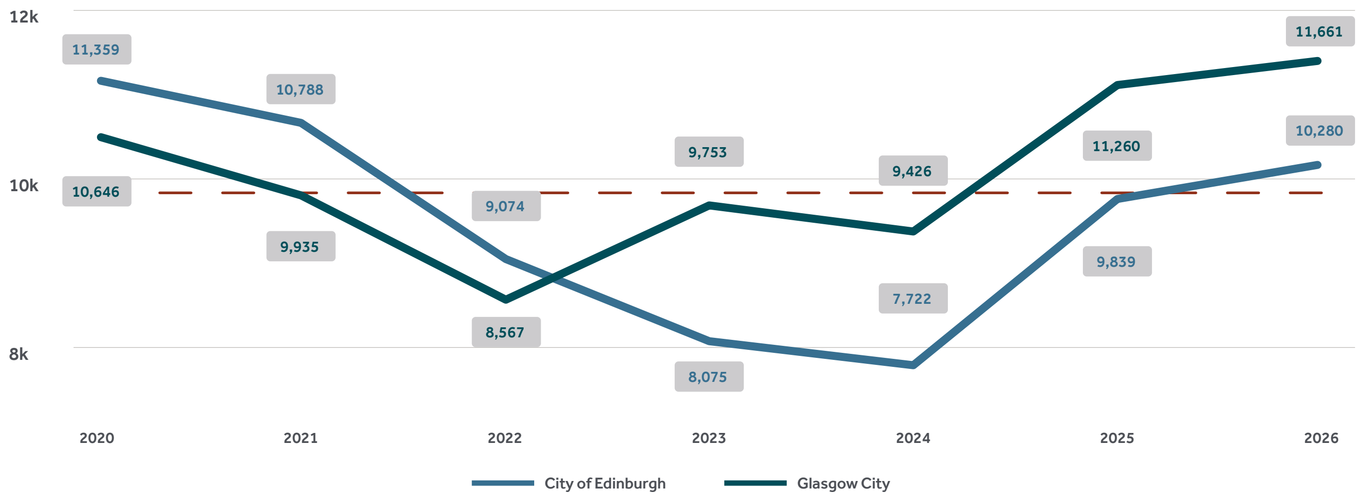


Source: Rightmove

In Scotland's largest cities, the rental supply has rebounded more substantially. Glasgow's rental stock has completed a full recovery after significant reductions in listings over 2021-24. Glasgow's recovery in rental availability has been more robust compared to Edinburgh's, in part due to the release of new BTR developments such as Candleriggs Square. The count of rental listings in Edinburgh is still below 2020 levels.

Figure 7: Glasgow's rental stock completes full recovery.

Count of new listings.

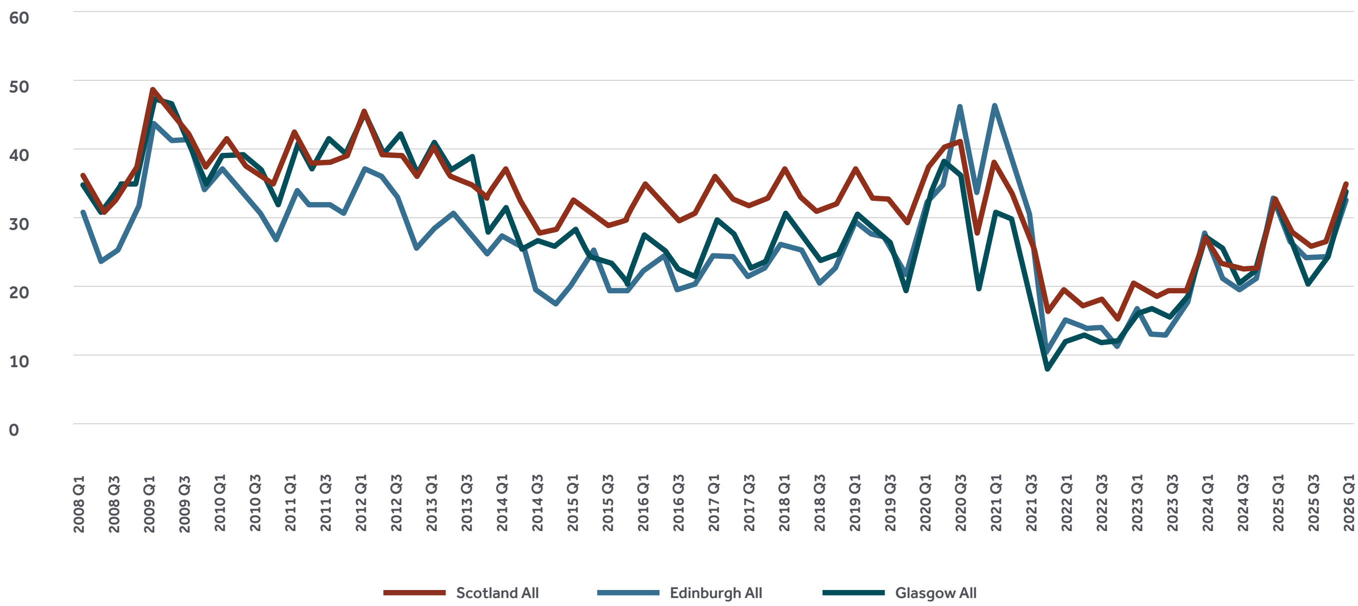


Source: Rightmove

The time-to-let (TTL) a rental property in the private rental sector (PRS) has continued to rise over the last year and has recovered to pre-pandemic averages in Glasgow and Edinburgh. This rise reflects the increase in the number of advertised listings and an easing of demand pressures.

Figure 8: Time to let has risen with increased rental stock.

Time to let (days).



Source: Rightmove

Legislative Change

On the legislative side, the new SNP administration in Scotland is establishing a First Home Fund. This is a shared equity scheme, where the Scottish Government will provide financial support of up to £10,000 towards the purchase of a property for first-time buyers up to £300,000 in value. It opened at the end of June this year and funding of up to £100 million a year has been committed. While a welcome boost to the demand side of the market, especially as first-time buyers are the 'life blood' that keep the market moving, previous evaluations of these Help to Buy type schemes show that their overall influence is quite limited and can have negative impacts by increasing house prices and squeezing affordability for those it is targeting for support.

The SNP also pledged that private tenants would have 'first refusal' if landlords wanted to sell their property, i.e. provided with a period of exclusivity at a 'fair market rate'. More precise details on this policy have still to be provided. Again, the impact may be minimal as it is unclear what proportion of private tenants are interested in purchasing their current rental property and whether they could afford it if they were. Even then, it would be dependent on whether the landlord was wanting/willing to sell.

Finally, it does look like a 'mansion tax' of sorts may be introduced, as planned down south. However, this looks like an additional two Council Tax bands for properties between £1m-£2m and for properties over £2m in value. More details are still to emerge, but the plan is to bring this forward in April 2028 and may involve a national revaluation exercise for properties in these price bands. Only minimal revenue claims have been made to date for this initiative, suggesting that the additional burden will not be punitive. In England, the increased costs are to be between £2,500 and £7,500 per annum.

Edinburgh

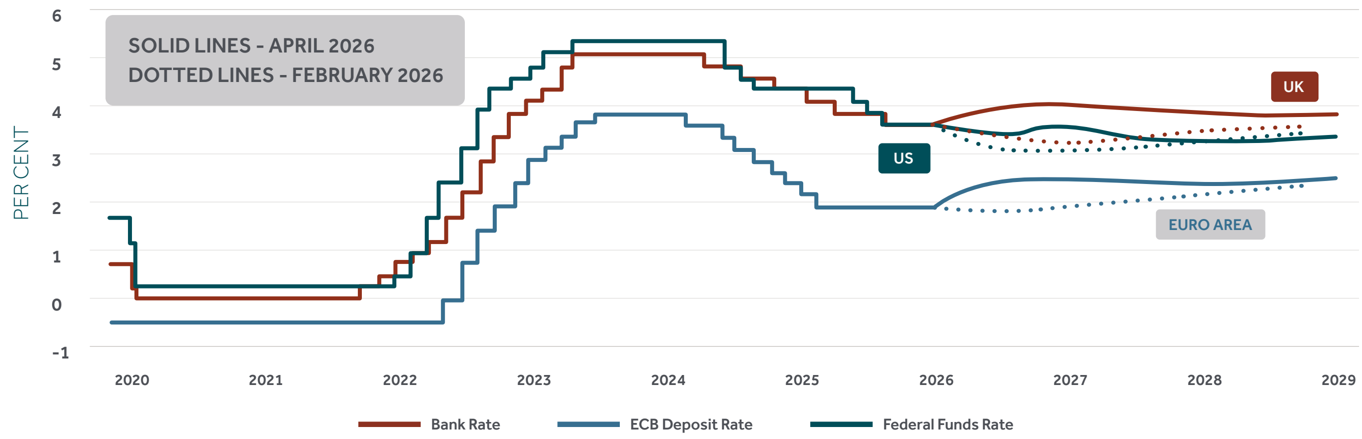
Market Outlook & Forecasts

The outlook for the UK economy and, by extension, the housing market is uncertain over the next year or so as we deal with the fallout of the 2026 Middle East conflict.

The current market expectations (covered off in the latest Bank of England Monetary Policy report) is that base rates will rise modestly over 2026 to around 4.25% (0.5 percentage points higher than the current rate) and hover around that level for the next few years, possibly coming back down by mid-2027. It is a similar story for the US and Eurozone economies and is illustrated below.

Figure 9: The market-implied paths for policy rates were higher relative to the February Report across major.

Policy rates and instantaneous forward curves for the UK, US and euro area (a).



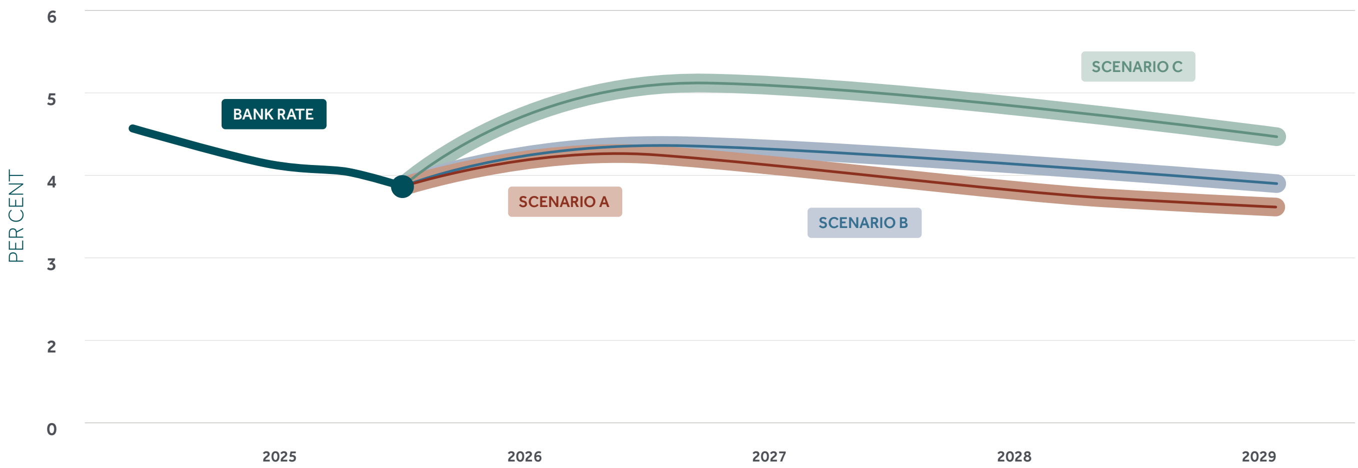
Source: Bloomberg Finance L.P. and Bank calculations.

That would likely give us a subdued housing market, with a probable small reduction in sales and stagnant prices.

However, there are a range of scenarios that the Bank of England has modelled, all with very different outcomes. While Scenario B largely follows the pattern above, a more optimistic Scenario A sees the interest rate rises quickly reversed and the base rate gently moving back down to c.3.5% by the end of 2027 (based on a short-lived energy shock). The more pessimistic Scenario C anticipates a spike in inflation that is sustained based on an energy price shock pushing up global export prices and causing an inflation spiral. This sees base rates climb back over 5% by the end of 2026 and remain around 5% into next year and the start of 2028. The relevant chart from the Bank of England report is provided below.

Figure 10: Policy decisions will be affected by policymakers' views on the trade-off between the speed with which inflation returns to target and output volatility.

Illustrative model-based policy projections (a).



Source: Bank of England

Our sales market forecasts need to take account of this shifting economic backdrop. The market now looks like it will not be moving along at a steady pace as it has done in 2023-25. Under all modelled scenarios above, base rates rise, which we reflect in our forecast scenarios below. Our current central forecast is that house price growth is 0% in Scotland this year, with a downside forecast of -2.5% if inflation and base rates spike harder and faster. We do not anticipate a 'house price crash', even when spikes in inflation and base rates happened during the Liz Truss premiership in late 2022, the main hit was in transactions rather than prices as people just took themselves out of the market. If conditions are more benign, we think average prices may rise 2%. Going forward, price growth looks like it will be stunted but still positive post-2027 and in line with recent historical averages.

Transactions now look likely to drop back in 2026, possibly back to 2024 levels, which would be a decline of around 5% YOY. A more pessimistic forecast would see them go back to 2023 levels (after being impacted in a similar way to the previous sharper base rate rises in 2022). Our optimistic forecast sees sales at a similar level to 2025.

Recovery should happen in subsequent years, but the pace of this recovery will be determined by the pace of change this year.

In terms of the rental market, as expected, rental growth has been limited at the start of 2026 due to a notable return of rental stock back onto the market. Rising base and mortgage rates, however, could mean increased demand for rental properties again, pushing rental growth, although the First Homes Fund may counterbalance this to some extent. Affordability pressures have also kept a lid on rents in recent times and the lack of economic and earnings growth may be another factor limiting rent inflation. We expect it to be modest, around 2-3% up over 2026.

Scottish Average House Price Forecasts.

Year	Lower	Central	Upper
2026	-2.5%	0%	2%
2027	0%	2%	3.5%
2028	1.5%	3.5%	4.5%
2029	2.5%	4%	5.5%
2030	3%	4.5%	6%

Scottish Transactions Forecasts.

Year	Lower	Central	Upper
2026	93,000	98,000	102,000
2027	95,000	100,000	105,000
2028	98,000	103,000	108,000
2029	100,000	105,000	110,000
2030	105,000	110,000	115,000

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