



Buy-to-Let Index – Scotland

Under embargo until 00:01 Wednesday 25th November 2015

October 2015

Scottish rent rises halved in four months

- Annual rent rises in Scotland slow to 1.6% in October, down from 3.1% in June 2015
- But after autumn downturn, October also marks first month-on-month rise in rents since summer
- Rents at record high of £630 in Edinburgh & the Lothians after 1.1% monthly boost in October
- Fifth consecutive monthly rise in late rent payments, with tenant arrears now standing at record 13.8%

Scottish rents are rising at half their summer speed, according to the latest Scotland Buy-to-Let Index from LSL Property Services plc, with data provided by [Your Move](#), one of Scotland's largest lettings agent networks.

The average residential rent in Scotland is now 1.6% higher than a year ago, meaning the typical tenant is paying £9 extra every month than in October 2014. However the rate of rent growth has almost halved since the summer, slowing from a 3.1% annual rise in June 2015.

After peaking at record prices in the summer, Scottish rents have been falling in recent months. But there are signs that growth is starting to rally following this autumnal dip, with residential rents in Scotland climbing a modest 0.2% between September and October 2015. This is the first month-on-month rise in Scottish rents since July, and takes the average monthly rent in Scotland to £546, £1 higher than the previous month in cash terms.

Despite widespread recognition that tenant demand is currently outpacing supply of available homes to let, landlords believe that rent rises are likely to continue on a slower trajectory than witnessed earlier this year. According to the latest [Landlord Survey](#) from Your Move, landlords expect rents to increase by just 1.4% over the next twelve months. Only a third of landlords (32%) are intending to raise their rents next year, with the main motivation being to cover the cost of inflation.

Brian Moran, lettings director at [Your Move Scotland](#), comments: "While the debate rages on regarding the

Average Scottish rent in October



Private Tenancies Bill in Holyrood, on the ground in the lettings market, tenants have actually been granted somewhat of a breather. With the change of season has come a change in the pace of rent increases. This is giving Scottish tenants a much smoother ride than a few months ago, and there are indications from landlords that this trend will continue until 2016.

“Ultimately, rents in the private rented sector reflect what people are willing and able to pay, and are delimited by household incomes and monthly earnings – and that’s the fundamental market mechanism that is being lost in the noise surrounding enforced rent control zones and other government interventions. If the self-regulation of the private rented sector is disrupted, landlords will be more vulnerable to legislative headaches, and rents will find themselves at the mercy of limited supply.”

Rents by region

Rents are higher year-on-year in every region of Scotland except Glasgow & Clyde in October. Scotland’s second city has seen a 0.9% drop in rents since October 2014, equivalent to £5. This means the typical rent in the area now stands at £560, down from a record of £575 in the summer of 2014.

Compared to a year ago, the Highlands & Islands has experienced the biggest increase in rents – up 5.7%, or £31 in twelve months. However this rate of growth is starting to slow after a monthly price drop in October, and rents have come down from their historic peak in September. After this, average rents in the South of Scotland are up 2.6% (£13) year-on-year.

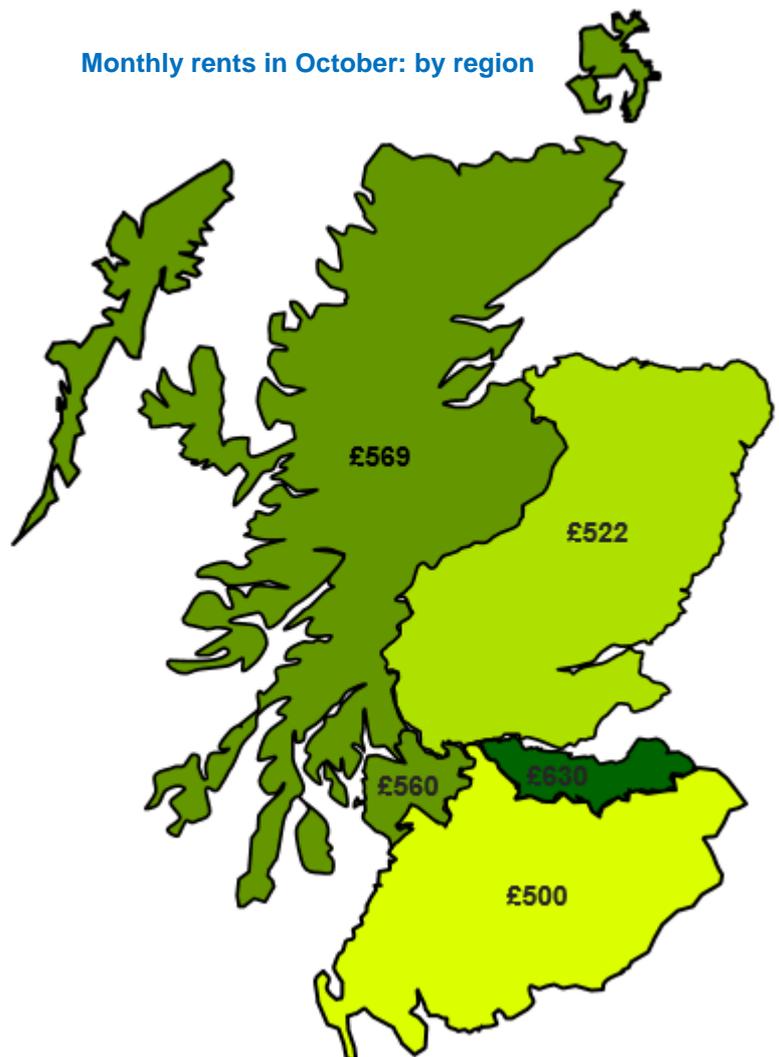
Annual rent growth in Edinburgh & the Lothians has accelerated from 2.0% in September to 2.5% in October, meaning that rents are now £15 more expensive than a year ago in Scotland’s capital city. Standing at £630 per month, this is a new record for rent prices in the region, and 15% higher than the average rent in Scotland overall.

The East of Scotland has experienced a more modest 1.0% uptick in rent prices in the past twelve months, with monthly rents rising by £5 to £522.

Three of the five regions of Scotland have seen rents increase in the past month. The urban centres of Edinburgh & the Lothians and Glasgow & Clyde have seen the strongest month-on-month rises, with rents up 1.1% since September. The East of Scotland has seen a 0.2% monthly increase in rent prices, in the first month-on-month rise since July.

The South of Scotland have experienced the biggest drop in rents on a monthly basis. Here, rents are 1.0% lower (£5)

Monthly rents in October: by region



than in September. Average monthly rents have also fallen in the Highlands & Islands, down 0.5% month-on-month, the first monthly drop since April, following a sustained summer of growth.

Tenant arrears

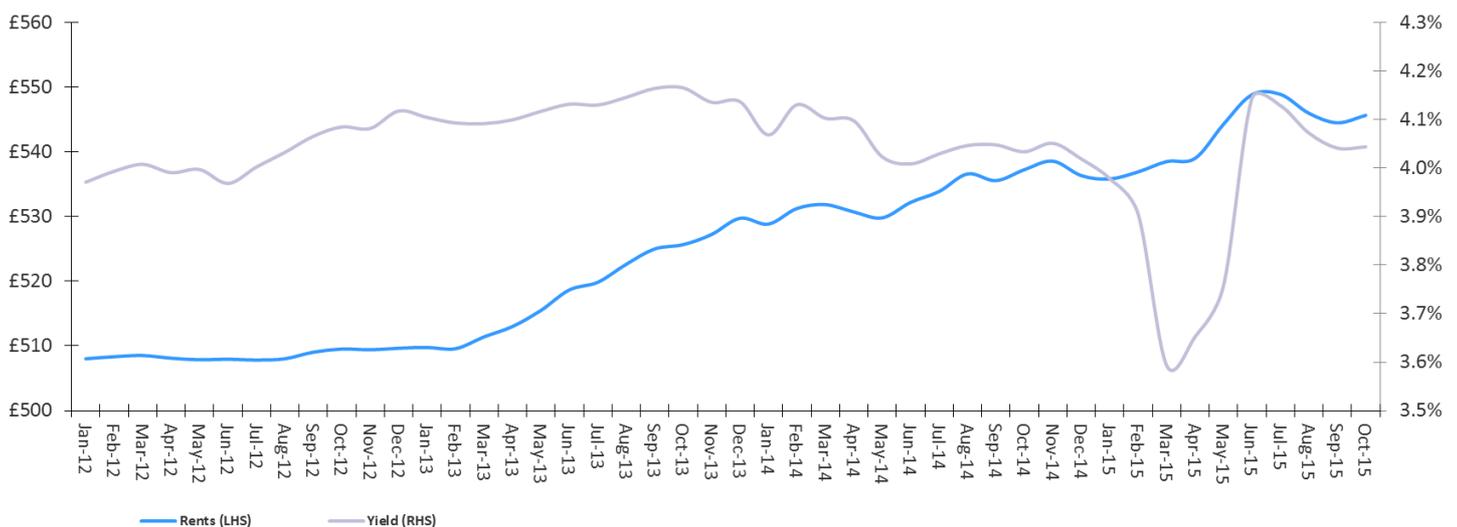
Scottish tenant arrears have climbed to a fresh record in October, with the proportion of rent in arrears rising to 13.8% of all rent due in the month. This is the fifth consecutive month that tenant arrears have worsened, rising from 8.8% in May of this year, and up from 13.2% the previous month. On an annual basis, rental arrears have more than doubled – increasing from 6.5% of all rent in October 2014.

Brian Moran comments: *“Since May, rental arrears have been moving in only one direction – and it’s not where we want them to be heading. More needs to be done to turn tenant fortunes around and divert them back onto the right road, but in the meantime, it’s vital that the channels of communication are kept open between landlords and their tenants.”*

“Scottish rent growth is coasting along at a sustainable speed, and can hardly be accused of going off the rails. It is unemployment in Scotland that has been accelerating over the summer, and is now higher than the UK average. Weaker job creation is a crucial factor holding back many households from paying their bills on time north of the border, and the rising proportion of Scots out of work needs to be halted in its tracks.”

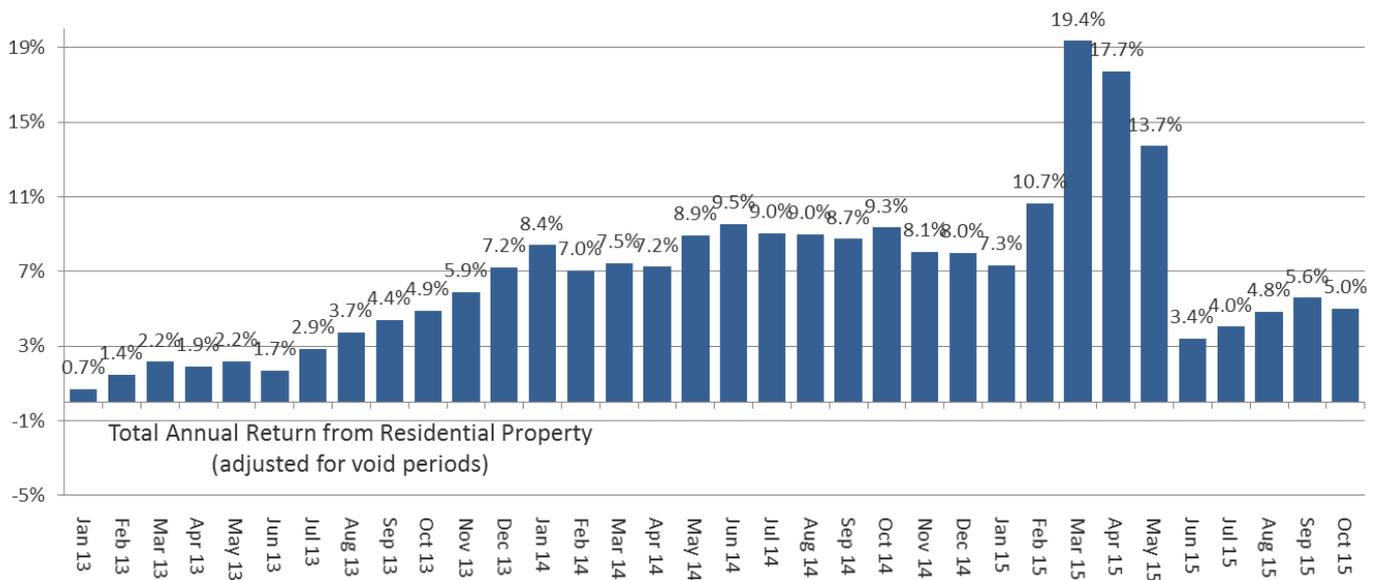
Yields hold firm, but returns dip

As of October 2015, the average gross yield on a Scottish rental property stands at 4.0%, consistent with the previous month. Compared to a year ago, gross yields are also holding steady with October 2014, but there has been significant volatility within these twelve months, as a result of house price distortions surrounding the implementation of the new Land and Buildings Transactions Tax.



Taking into account property price growth and void periods between tenants, but before any costs such as mortgage repayments or maintenance, the average total annual return on a buy-to-let property in Scotland stands at 5.0% in the year to October 2015. This represents a modest dip from 5.6% in September, but a more significant fall from 9.3% in the twelve months to October 2014.

In cash terms this means the typical landlord in Scotland has seen a return, before any mortgage payments or maintenance costs, of £8,000 in the last year. Rental income makes up £5,900 of this sum, while capital appreciation on buy-to-let property amounts to £2,100 in the twelve months to October 2015.



If house prices continue to climb at the same rate as witnessed over the last three months, the average buy-to-let investor in Scotland could expect to make an overall annual return of 9.8% in the next year, equivalent to £15,900 per property.

Brian Moran concludes: *“Landlord’s rental yields are boosted when house prices stabilise, so as the purchase market comes back down to earth after the distortions of the past year, this renewed stability should help the investment case for buy-to-let. This is especially welcome at a time when there otherwise may not appear to be too much to recommend the industry. Dependable rental income and the added bonus of healthy annual returns on property values may boost the confidence of existing landlords – but there are many other factors threatening to rain on the parade at the moment.*

“There is a dangerous perception problem now, perpetrated further by the Private Tenancies Bill, that investing in buy-to-let property is becoming too embroiled in regulatory red tape. Already, a tenth of existing landlords are considering selling up – despite widespread recognition of rising demand from tenants – as the legislation involved in letting out properties becomes more complicated. Landlords are still grappling with the loss of tax relief, and this proposed bill doesn’t help to attract new buy-to-let investment in Scotland.

“We need a bigger reservoir of rental properties to draw on, not a bigger web of regulation to be caught on. A rising population requires a rising supply of housing across all tenures. The number of properties in Scotland available to rent simply isn’t sufficient, and this will have a considerable bearing on affordability for tenants as demand for homes rises and rises.”

- ENDS -

	Rents October	1 month change	Annual Change	Yields October 2015	Yields October 2014
East	£522	0.2%	1.0%	3.6%	3.6%
Edinburgh & Lothians	£630	1.1%	2.5%	3.5%	3.5%
Glasgow & Clyde	£560	1.1%	-0.9%	4.8%	5.0%
Highlands & Islands	£569	-0.5%	5.7%	4.4%	4.3%
South	£500	-1.0%	2.6%	4.3%	4.3%
Scotland	£546	0.2%	1.6%	4.0%	4.0%

For further information please contact:

Emily Barnes, Instinctif Partners 0207 427 1403

Melanie Cowell, Your Move 01904 698860

METHODOLOGY:

The index is based on analysis of approximately 3,000 properties across Scotland. Rental values refer to the actual values achieved for each property when let. Gross yield figures are unadjusted, and do not take account of void periods or arrears. Annual returns are based on annual rental property price inflation and void-adjusted yield twelve months prior to the reference month. These figures are subject to revision as more data becomes available.

This Buy-to-let index has been prepared by Instinctif Partners for Your Move. It has been compiled using information extracted from Your Move's management information. The copyright and all other intellectual property rights in the Buy-to-Let Index belong to Your Move. Reproduction in whole or part is not permitted unless an acknowledgement to Your Move as the source is included. No modification is permitted without Your Move's prior written consent.

Whilst care is taken in the compilation of the Buy-to-Let Index, no representation or assurances are made as to its accuracy or completeness. Your Move reserves the right to vary the methodology and to edit or discontinue the Buy-to-Let Index in whole or in part at any time.