



Buy-to-Let Index - Scotland

Data provided by the Your Move estate agency network.

August 2015

Rent growth does an about-turn in August

- Scotland experiences first month-on-month fall in rents since January, with 0.5% drop in August
- Means average residential rents have fallen back from summer record to stand at £546 per month
- Rents in Glasgow & the Clyde experience biggest monthly drop in August, down 1.3% since July
- Growth also slowing on an annual basis, down from 2.8% in July to 1.7% yearly rent rise in August
- Tenant arrears at record high, with 12.2% of all rent paid late – up from 9.6% the previous month

Scottish rents have fallen month-on-month for the first time since the start of the year, according to the latest Scotland Buy-to-Let Index from LSL Property Services, with data provided by Your Move, one of Scotland’s largest lettings agent networks.

Average rents in Scotland dropped 0.5% in the month of August, in the first monthly fall since January 2015. This means the average monthly rent in Scotland has dropped £3 from its summer peak of £549 in July to stand at £546 in August 2015.

Rent growth has also seen an about-turn on an annual basis. After an acceleration of annual rent rises throughout the first half of 2015, Scottish rents are now just 1.7% higher than a year ago, marking a downturn since July, when the annual change stood at 2.8%.

Brian Moran, Lettings Director at Your Move Scotland, comments:
“Scottish rents have retreated back from record levels, after an acceleration of rent rises in 2015.

“This should provide a welcome let-up for tenants, after only last month rents hit a new record level. This adjustment has also broken up the forward march of annual rent growth that’s been gathering speed recently.

“But peak lettings season is only around the corner, and this

Annual Change in Rents



breather may not last for long.

“The vast discrepancy between demand and supply of available homes to let has not disappeared – and this gap will only widen if landlords are scared out of the market by the government’s proposed regulatory changes and draconian rent controls.

Rents by region

Rents are higher than a year ago across four of the five regions of Scotland. The Highlands & Islands continues to show the strongest annual rent rise, accelerating from 5.4% in the year to July 2015 to 6.0% as of August. As a result, rents in this region have risen £32 over the past twelve months to a new record of £570 per month.

Average monthly rents in the South have increased at the second fastest rate over the past year, jumping 4.5% (or £22) since August 2014. Compared to a year ago, rents in Edinburgh & the Lothians and the East of Scotland have risen a milder 2.6% and 2.5% respectively.

Meanwhile, Glasgow & Clyde was the only region to experience a year-on-year drop in rents in August. Average rents are now 3.6% lower than in August 2014, equivalent to £21 cheaper.

On a monthly basis, there has been a more widespread slowdown. Average monthly rents have fallen in three out of the five regions of Scotland in August, up from only one region last month.

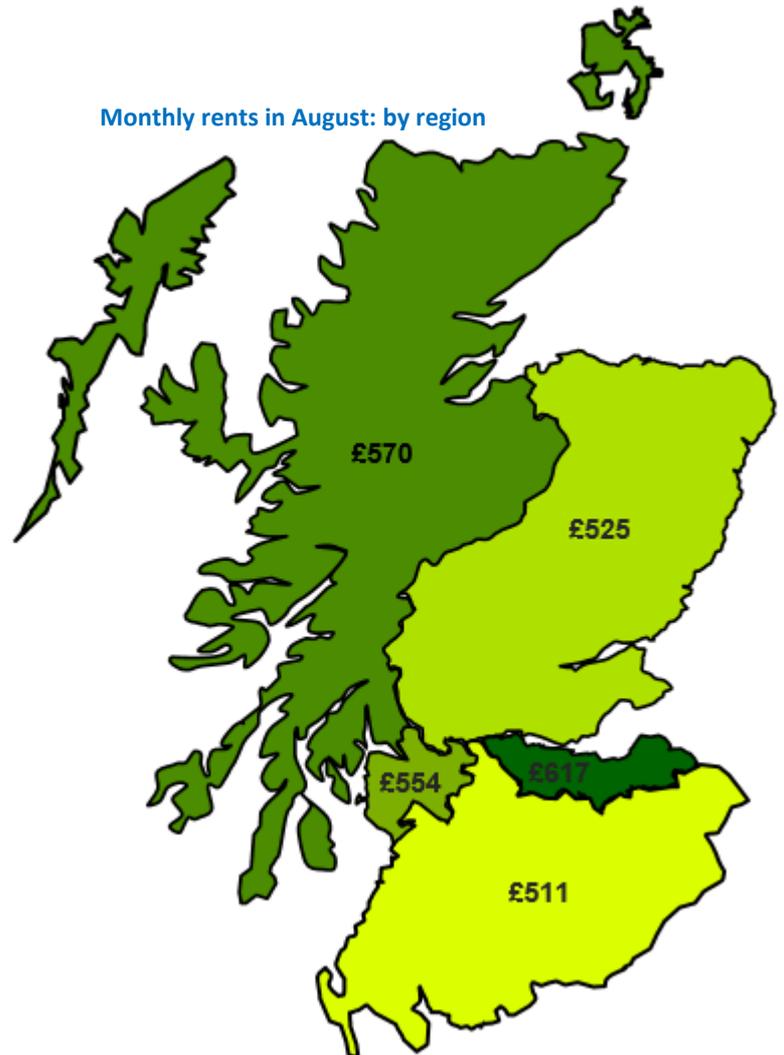
The biggest monthly drop was experienced in Glasgow & Clyde, where average rents have fallen 1.3% (or £7) since July. The typical rent in Glasgow now stands at £554 per month, and has fallen considerably from its peak of £575. In the East of Scotland, the typical monthly rent is now 1.1% lower than in July, or £6 in cash terms. The South also witnessed a 0.5% drop in rents during August.

Monthly rents are still rising in Edinburgh & the Lothians, climbing 1.0% in the month of August to £617 on average. The Highlands & Islands also recorded a positive change, with a monthly uplift of 0.3%.

Tenant arrears accelerate to reach record

The proportion of rent paid in arrears reached a record high in August, rising to 12.2% of all rent due in the month. This has increased steeply from 9.6% the previous month, and has also risen from rental arrears of 6.5% in August 2014.

Monthly rents in August: by region

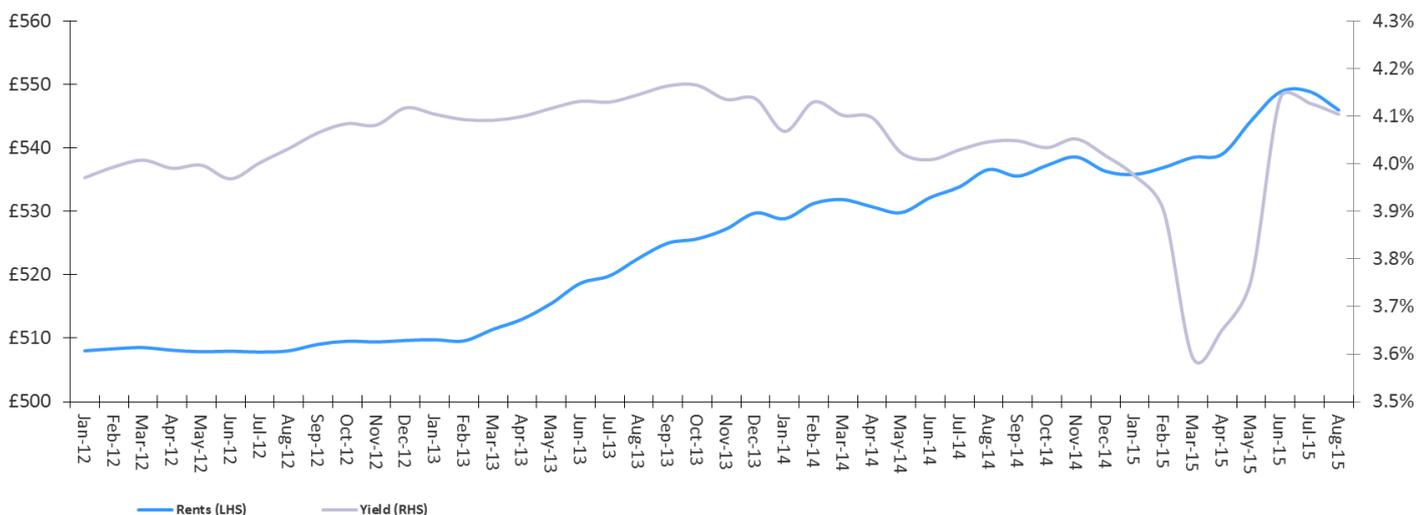


Brian Moran comments: *"This is the latest in a long line of setbacks for Scottish tenant finances, meaning that more rent than ever before is now being paid in arrears. The long-term trend has been worsening for a while now, and action needs to be taken soon to break this cycle."*

"Paying the rent on time is clearly a deeper-rooted problem that goes beyond rental prices, which have actually gone down this month. Not every household is tasting the fruits of Scotland's economic recovery, or all Scots seeing their incomes rise substantially to lift themselves out of the red. Supply of available homes to let is also struggling to keep up with demand, and there is an urgent need for further buy-to-let investment in Scotland to ease some of the financial pressure."

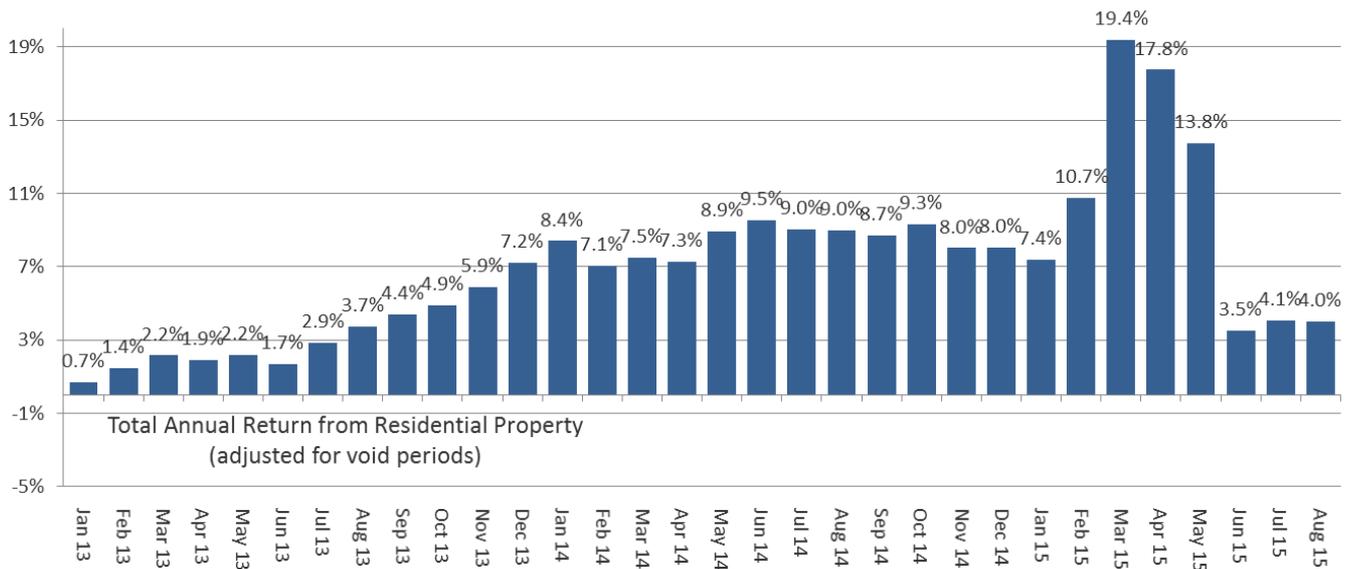
Yields on the rise, while returns dip

As of August 2015, the average gross yield on a Scottish rental property stands at 4.1%, on par with the previous month. On an annual basis, gross yields have improved from 4.0% in August 2014, and have recovered from some volatility at the start of 2015.



The average total annual return on a buy-to-let property in Scotland stands at 4.0% in the twelve months to August 2015, when taking into account property price growth and void periods between tenants, but before any costs such as mortgage repayments or maintenance. This has dipped marginally from 4.1% in July, but represents a more significant decrease on an annual basis, compared to total annual returns of 9.0% in the year to August 2014.

In absolute terms this means the average landlord in Scotland has seen a return, before any mortgage payments or maintenance costs, of £6,400 in the twelve months to August 2015. Of this, rental income amounts to £5,900, while capital appreciation on buy-to-let property accounts for £500 in the last year.



Brian Moran concludes: *“In the face of the tax changes afoot in the Scotland purchase market this year, rental yields have cushioned some of the house price reverberations for landlords. Total annual returns are now mirroring the correction we’re seeing in the property market, and starting to stabilise, but it’s climbing gross yields which are the most important barometer for aspiring property investors. With house price growth at more measured levels, and cheap mortgage finance readily available, this is a great time to invest in buy-to-let.*”

“The only blot of the horizon is Holyrood’s planned intervention, and future regulatory changes. Rent controls and the red tape outlined in the Private Tenancies Bill will end up being more of a hindrance than a help to tenants, if landlords are dissuaded from investing in the private rented sector as a result, and if competition for available properties mounts.”

- ENDS -

	Rents August	1 month change	Annual Change	Yields August 2015	Yields August 2014
East	£525	-1.1%	2.5%	3.6%	3.5%
Edinburgh & Lothians	£617	1.0%	2.6%	3.6%	3.4%
Glasgow & Clyde	£554	-1.3%	-3.6%	4.8%	5.1%
Highlands & Islands	£570	0.3%	6.0%	4.4%	4.4%
South	£511	-0.5%	4.5%	4.5%	4.4%
Scotland	£546	-0.5%	1.7%	4.1%	4.0%

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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.

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