



Buy-to-Let Index – Scotland

Under embargo until 00:01 Wednesday 24th February 2016

January 2016

Scotland's tenants move back into the black

- Six-month low for late rent, with only 11.1% of January rent falling in arrears – lowest since July 2015
- Scotland's average rent rises stand at 2.3% over past year, while January's £548 the same as December
- Average rent rises distorted upwards by some exceptional regions, up 6.4% in Edinburgh & Lothians
- Rents in East of Scotland in fact 1.7% lower than a year ago – while Glasgow's tenants pay 0.2% less
- Slower house price growth is hampering landlords' returns, falling to 5.8% in the year to January

Scottish tenants are paying off late rent, amid improving household finances, according to the latest Scotland Buy-to-Let Index from [Your Move](#), one of Scotland's largest lettings agent networks.

As of January the proportion of late rent has fallen to represent 11.1% of all rent due in the month.

This is an improvement on 11.4% seen in December – and represents the lowest level of late rent in Scotland seen since July 2015.

Previously, arrears surged over the autumn to reach a record high of 13.8% in October 2015, before beginning to improve. Tenant's finances remain in worse shape than twelve months ago, when in January 2015 as little as 7.1% of all rent due was late.

However the change in direction is now clear – in the third consecutive month-on-month drop in Scottish tenant arrears.

Brian Moran, lettings director at [Your Move](#) Scotland, comments: "With a record number of Scots in work by the end of 2015, there finally seems to be some momentum pushing down the frequency of late rent payments. Over the

Proportion of rent in arrears



course of last year we saw a considerable increase in the proportion of tenants unable to keep pace with their bills, but tenants appear to be over the hump – putting us on a much firmer footing for 2016. With Christmas now firmly behind us and employment levels beginning to take off, many tenants are feeling much more in control of their incomes, and this is a very positive start to 2016.

“But we’re not on the home straight just yet. The Scottish unemployment rate is still above UK levels, and parts of Scotland are also on the frontline of the current oil price slump. Wider economic factors will be decisive in determining whether tenant arrears continue in this downward direction.”

Rent rises dominated by Edinburgh & Lothians

In January 2016, rents in Edinburgh & the Lothians were 6.4% (or £38) higher than a year ago – the fastest annual rent rise on record. This is nearly three times quicker than average rent growth across the whole of Scotland.

On average, across Scotland as a whole rents climbed 2.3% in the twelve months to January 2016, equal to £12 in absolute terms. This is only slightly faster than 2.2% in the twelve months from December, though represents an annual acceleration compared to the 1.3% annual lift recorded in January 2015.

As of January 2016, the average residential rent in Scotland now stands at £548 per month, just £1 shy of the historic record set in July 2015.

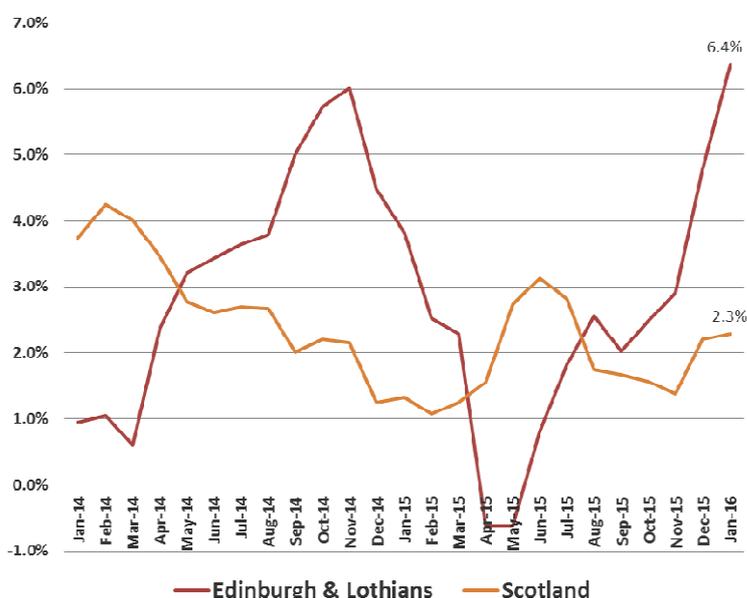
Rents across Scotland remain the same on a monthly basis as in December, steady at £548 per month.

Brian Moran continues: *“In different parts of Scotland, powerful interplays between supply and demand are shaping the regional rent patterns that are emerging. In popular cities like Edinburgh – where the jobs market is hottest – the competition to find homes means tenants have to act quickly. As a result, we’re seeing exceptional rent growth in some parts of the country – while in others, lettings market activity is much calmer.”*

“However there’s also another ingredient added to the mix now. The private rented sector is in a state of uncertainty, as landlords wait with baited breath while the Private Tenancies Bill progresses through the Scottish Parliament. Nervous landlords may be acting now before their hands are tied, and they lose control of the rent they can charge. This could have prevented a seasonal dip between January and December instead of the steady picture we have seen.”

“Encouragingly, the latest rent rises are underpinned by good news. We should also be looking at tenants’ bottom line. Arrears are falling – which speaks volumes for affordability right now. With rents below their price peak, many tenants have been seizing the opportunity to move out of season, while good deals are available.”

Annual Change in Rents



Rents by region

In total, three of the five regions of Scotland have seen rents rise in the year to January 2016.

Witnessing the biggest boost of any region over the past twelve months, average monthly rents in Edinburgh & the Lothians have now reached a new record high of £642 per month. The 6.4% annual growth in this region marks a steep acceleration, up from 4.8% in the twelve months to December 2015 – and also represents a record level of rent rises.

Edinburgh & the Lothians isn't the only area which has seen record-breaking annual rent rises. Hot on its heels, rents in the South have risen 6.0% (£29) in the year to January – the fastest increase on record.

After this, the Highlands & Islands have also experienced relatively strong growth in rents over the last twelve months, with typical rents climbing 3.7% since January 2015, equal to £21 in cash terms.

At the other end of the spectrum, in the East of Scotland, there has been a downturn in rents.

The average monthly rent in the region is now 1.7% (or £9) lower than a year ago. The average rent currently stands at £519, down from a peak of £531 in summer 2015.

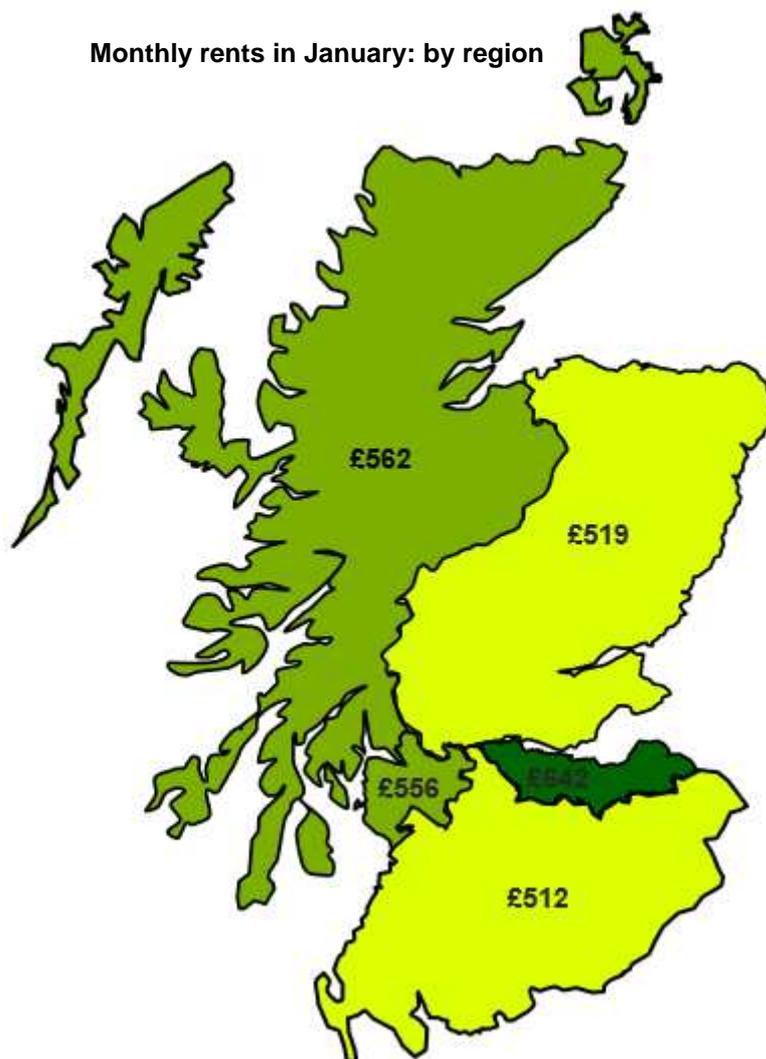
Rents in Glasgow & Clyde have also fallen year-on-year, recording a 0.2% annual drop in January.

In addition, the majority of regions in Scotland saw rents fall between December and January. The steepest monthly drop was in Glasgow & Clyde, with rents now 0.7% (£4) lower than in December. Average monthly rents here now stand at £556, considerably below the record level reached in August 2014 (£575) after a steady decline.

Similarly, rents in the East of Scotland have dropped 0.5% in January. In the Highlands & Islands, average rents have also dipped a modest 0.2% on a monthly basis.

Only two regions of Scotland reported a month-on-month increase in rents. The South of Scotland witnessed the fastest rise in rents on a monthly basis, with rents up 1.0% since December 2015, equal to £5. The East of Scotland also experienced a positive movement in rents in January, with a 0.3% month-on-month upswing.

Monthly rents in January: by region

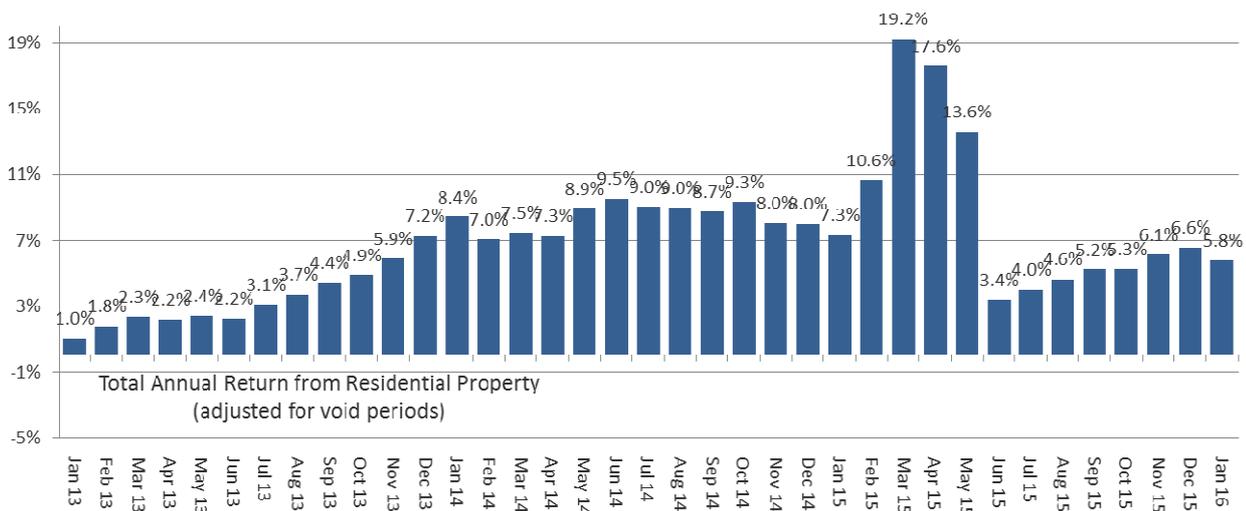


Property prices put pressure on landlords' returns

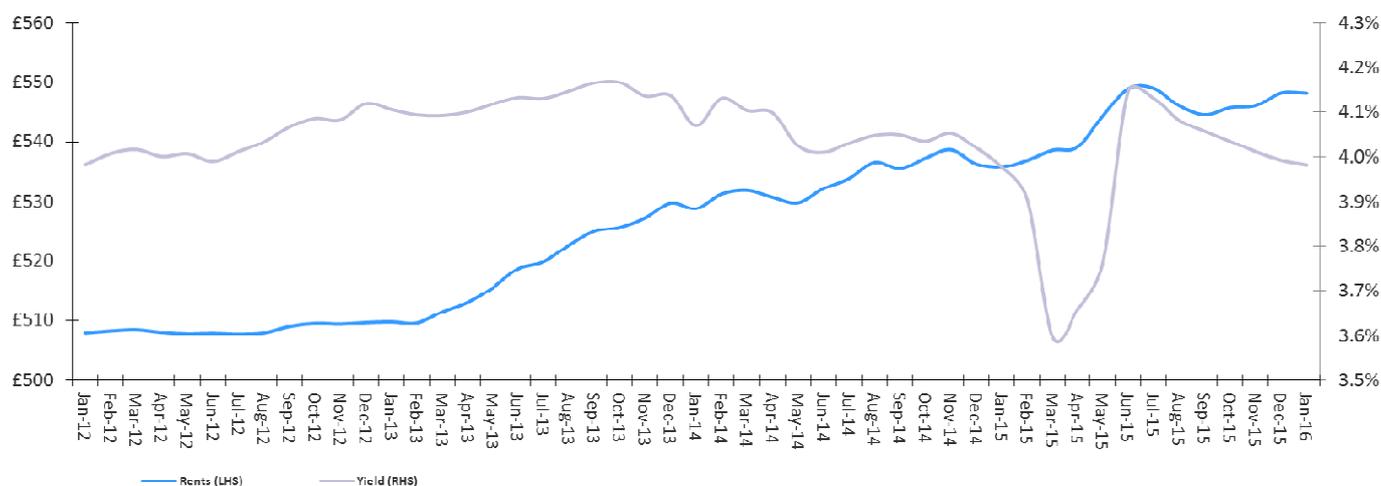
Taking into account house price growth and void periods between tenants, the typical landlord in Scotland has seen a total annual return of 5.8% in the year to January 2016 – before any costs such as mortgage repayments or maintenance. On a monthly basis, total annual returns have fallen from 6.6% recorded in December, as a result of slowing Scottish house price growth. Compared to a year ago, returns are also down from 7.3% in the year to January 2015.

Translating into absolute terms, this means the average Scottish landlord has seen a return, before any mortgage payments or maintenance costs, of £9,400 in the past twelve months. Rental income makes up £5,900 of this total, while capital appreciation on a buy-to-let property adds up to £3,500 in the year to January 2016.

But if house price growth continues at the same rate as experienced over the last three months, the average Scottish landlord could expect to see an overall annual return of 10.7% in the next twelve months, equivalent to £17,700.



As of January 2016, the average gross yield on a Scottish rental property stands at 4.0%, in a continuation of recent stability. Compared to a year ago, gross yields are also holding steady.



Brian Moran concludes: “Steadier house price rises have calmed buy-to-let returns recently, but landlords today should be looking beyond their short-term balance sheets.

“Scotland is forecast to be one of the UK’s fastest growing private rental markets, and with almost half of Scots expected to be renting in some form by 2025. This housing shortage isn’t just a headline – it’s a harsh reality. With interest rates on savings stuck in the doldrums, households are increasingly reliant on the private rented sector, until dreams of homeownership can be realised. Buy-to-let investment will be needed more than ever before, and those who strike while the iron is hot will be looking at excellent rates of return on their portfolios. Gross yields in Scotland are showing enviable consistency off the back of solid rental income. There’s only a few months left for those expanding their portfolio or planning to start up as a landlord, before the property purchase costs will start to stack up.

“The Private Tenancies Bill will send shockwaves through the sector, and be detrimental if it puts off future investors. With tenant demand spiralling, the Scottish government doesn’t need to enforce arbitrary rent controls – it needs to stimulate a fresh supply of homes available to let.”

– ENDS –

	Rents January	1 month change	Annual Change	Yields January 2016	Yields January 2015
East	£519	-0.5%	-1.7%	3.5%	3.5%
Edinburgh & Lothians	£642	0.3%	6.4%	3.5%	3.4%
Glasgow & Clyde	£556	-0.7%	-0.2%	4.7%	5.0%
Highlands & Islands	£562	-0.2%	3.7%	4.4%	4.2%
South	£512	1.0%	6.0%	4.4%	4.2%
Scotland	£548	0.0%	2.3%	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.