

Tenancy Reform: Will it enable growth and investment?

Listening to the many voices across the Private Rented Sector

I rent to students and a three year rent term would be detrimental to them as well. It makes no sense as students need flexibility. HMOs should be excluded from such policy.

Alison, Edinburgh

Leave the private sector alone.

Edgar, Orkney

Rent controls in the 1970s were a complete disaster for the sector. We should not repeat these mistakes.

Bryan, Inverness

The private rental market has worked well to provide varied accommodation for different tenants. Leave a working system alone!

Amanda, Dundee

I strongly believe that there is no rational case for this in Scotland and would be forced to remove my investment from Scotland if this is introduced.

Siobhan, London

If rents were capped too low there would be no incentive to upgrade the property.

Robert, Edinburgh

The open market should set the rent, not government.

Mark, Edinburgh

Scottish Government should build more affordable homes quickly.

Peter, Elgin

This report comes at a critical time for the private rented sector (PRS) in Scotland.

Since our previous report published in April – see j.mp/Lettingstats15 – a great deal has happened. The PRS industry has responded to the Scottish Government’s 2nd round consultation on tenancy reform, which included the potential introduction of rent controls, as well as the removal of the so called ‘no fault’ ground, this despite very clear opposition from those actually operating in the PRS. If that were not enough the recent budget announcement on the loss of relief on mortgage interest payments for the higher taxed, will reinforce a sense among some within sector that the ‘powers that be’ have rather got it in for the PRS. These changes mean that some landlords will seriously be considering their long term future in the PRS. However, there are others with a more positive outlook that think ‘that which does not kill us makes us stronger’, and who believe the market will cope with the changes that are introduced. It is very hard to predict quite how the market in Scotland will actually respond to all the changes that are taking place but it is something we will endeavor to monitor.

One thing that is clear is that the industry supports the general intentions of the Scottish Government’s strategy for the PRS, which it outlined in “A Place to Stay, A Place to Call Home” j.mp/PlacetoStay, namely ‘improving management standards and quality of service for tenants and prospective tenants, as well as enabling growth and investment in the sector’.

However, consultation feedback from much of the sector suggests that the reforms as proposed will have some very nasty unintended consequences for certain parts of the PRS market, especially those needing to issue tenancies with fixed end dates. This includes all those landlords operating in the student market, whether it be the traditional Houses in Multiple Occupation (HMOs) which now number 14,331 in Scotland, the Scottish Universities who provide over 31,000 bed spaces, or the Purpose Built Student Accommodation (PBSA) providers that currently have over 13,000 bed spaces in Scotland.

We look at the specific concerns of the Universities in Edinburgh and the PBSAs to see what impact the new single Scottish tenancy will have on their businesses. In simple terms it seems the impact will be catastrophic, not only will the new tenancy arrangements remove a landlord’s ability to guarantee future provision of student accommodation but it will also stop them housing the huge influx of festival visitors, much of it business related. The economic consequences of all of this are deeply troubling and have barely been considered by the public bodies involved.

The specific issues relating to student and festival lets are further explored by two of the most experienced Edinburgh agents operating in these particular market, Tophe Boisseau of Factotum and Stuart Montgomery of Rettie.

You can read the 2nd round consultation responses here j.mp/2ndconsultation and get a true sense of the concerns felt.

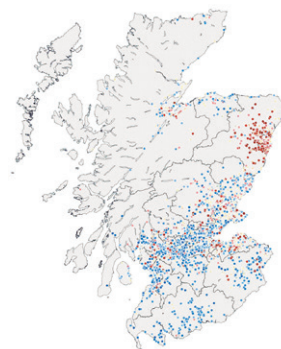
Agents, managers, landlords and developers tell us that their biggest concerns relate to how tenancy reform will interfere with the existing flexibility and efficiency of the student and festival markets. They also worry that investor confidence in Scotland’s PRS will be knocked by the possible interventions in the setting of rents.

We also review the feedback from the PRS4Scotland campaign against rent controls PRS.SCOT that ran in May. Over 1,500 landlords signed the campaign which was passed to the Scottish Government as part of the 2nd consultation process.

And as ever we present our usual array of statistics and interactive maps on the PRS which we hope will explain the full extent of the PRS market in Scotland.

Follow us on Twitter for latest news and analysis @lettingstats

Dan Cookson
Head of Research



Explore the map here:

j.mp/rentincome



Summary facts and figures

HOT SPOTS

Glasgow

 Population: 599,650
Students: 66,855

Ratio = 11.1%
2 Bed Avg. monthly rent **£679**



Edinburgh

 Population: 492,680
Students: 56,425

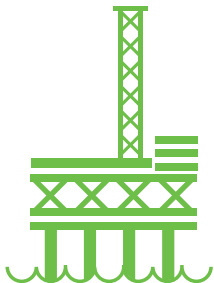
Ratio = 11.5%
2 Bed Avg. monthly rent **£812**



Aberdeen

 Population: 228,990
Students: 27,235

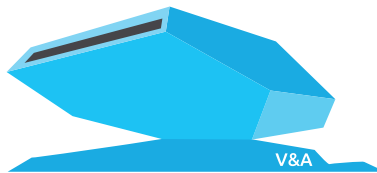
Ratio = 11.9%
2 Bed Avg. monthly rent **£951**



Dundee

 Population: 148,260
Students: 19,950

Ratio = 13.5%
2 Bed Avg. monthly rent **£581**



The rental statistics in this report:

- Are based on latest advertised rent levels on lettingweb.com
- Are not an indication of rent changes for existing tenants
- Research* shows that just 14% of sitting tenants have experienced rent increases

*tenant survey of 6,448 PRS tenants in Scotland Dec 2014.

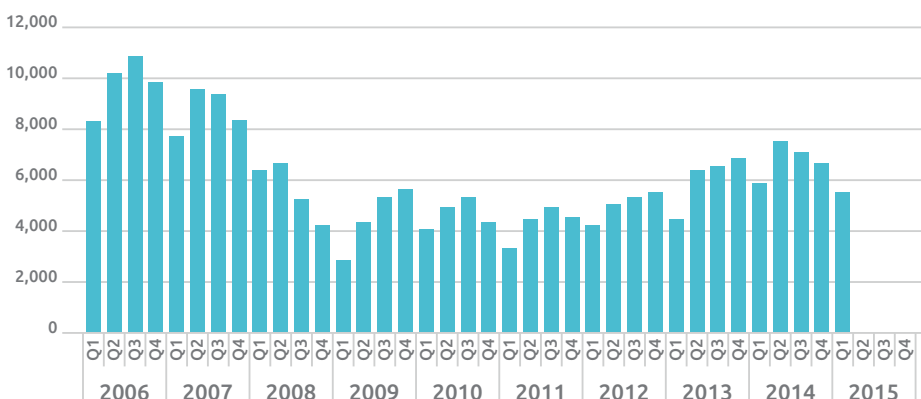
Average advertised monthly rent for Scottish 2-bed property was **£686**

- up 13% on year
- up £32 from prev. qtr.

Council of Mortgage Lenders (CML) data shows us that loans to first-time buyers in Scotland have generally been increasing over the last six years. This suggests FTBs are not being priced out of the market by B2L landlords.

First-time buyer affordability changed slightly in Scotland quarter-on-quarter with first-time buyers typically borrowing 2.86 times their gross income, less than the 2.90 income multiple in the fourth quarter 2014 and less than the UK average of 3.37.

Total number of first-time buyer loans advanced in Scotland per quarter



■ Total number of first-time buyer loans in Scotland

The Festival City No More?

By Dan Cookson Head of Research, Lettingweb



There is no doubting Edinburgh Festival is a national treasure and its success over the decades has to some extent been helped by Edinburgh's unique ability to offer the huge influx of performers and visitors with a whole variety of accommodation, much of it provided by private landlords and University accommodation providers.

The Fringe accommodation guide tells us that in 2014, more than 23,000 performers took to the stages of Edinburgh to present shows for every taste. Many participants are new to Edinburgh and require somewhere to stay for the duration. While hotels and individual rooms can meet some of the demand it is clear that the private landlords and university accommodation providers do much of the heavy lifting in terms of providing a base during the Festivals, especially for performers and production teams that need to stay together.

By good fortune the Festivals coincide with student holidays which means a proportion of landlords letting to students can also accommodate short term festival visitors for a month or so. This flexibility is of critical importance to the success of Edinburgh as both a Festival City and a University City. It is a win win situation for the city, festival organisers, tenants, landlords, agents and visitors alike – all who work in a symbiotic relationship that has evolved over many decades. These valuable win win relationships are nicely explained elsewhere in this report by Tophe Boisseu of Factotum Letting. We also hear the concerns of Stuart Montgomery, Managing Director of Edinburgh Festival Rentals.

However, all is about to change. The Scottish Government's proposed changes to the tenancy regime will introduce de facto unlimited tenancies with no clear end dates, thereby instantly removing landlords' ability to know whether their properties will be available to let at a specific future point in time. This will therefore make it impossible for landlords to market their properties in advance.

In the recent Thundering Hooves 2.0 report for Edinburgh Festival City the consultants identified accommodation as a key issue (see 2.3 below). An action from that report was for the City of Edinburgh Council and others to develop an accommodation strategy. Given what is at stake – namely Edinburgh's pre-eminence as the Festival City - the PRS industry believe the Festivals Forum and the Council's Economic Development Service should engage with the PRS and University accommodation providers as a matter of urgency, so that they can fully understand the implications the proposed tenancy reforms will have on the Festival and the City.

Who stays in a place like this?

Many Edinburgh hospitality businesses are effectively underpinned by festivals trade, and the quality of the whole range of accommodation on offer is an important factor in the festivals experience for visitors. There are concerns about capacity at all levels: there is a perceived shortage of 5 star accommodation; and, whilst steps are being taken to address the capacity issues faced by hosting a whole series of international events in a comparatively small city, including the utilisation of student accommodation and university infrastructure during the summer festivals, producers still complain that they cannot find low cost accommodation for performers within the city itself.

The festivals need to build more constructive relationships with owners ranging from multi-national groups to independent operators with a single property to ensure that the accommodation on offer matches the world-class quality of the festivals, and that of compelling cities. The idea that the accommodation sector should itself contribute directly to the sustainability of the festivals through funding, in the form of room levies and T-BIDS, has been looked at; but both mechanisms have risks and costs beyond their short term benefits to the festivals.

Source: Thundering Hooves 2.0

It is our belief that the largest providers of accommodation for the festival and student markets will be, to use the equine analogy, nobbled by this new one size fits all tenancy regime.

In this context we find it strange that the City of Edinburgh Council's own response to the Scottish Government's 2nd Consultation on tenancy reform completely fails to recognise the significance of the problem, in fact they even make a specific point of dismissing letting agents' advice on the matter and ruling out of the need for a specific ground that might enable landlords to service the festival and student markets effectively.

City of Edinburgh Council

"We are aware that some lettings agencies raised issues in the last consultation in relation to student lets, and the possibility of including a specific ground to end tenancies for student accommodation at the end of the academic year. Edinburgh has a significant student lettings market, making up a significant proportion of the private rented sector. We do not feel that a specific ground of repossession for student lets would be necessary...."

"We think that legislating for a separate student lettings market would be a heavy handed approach, and overly restrictive to tenants who may wish to stay on in a property regardless of student status."

<http://www.gov.scot/Resource/0047/00478446.pdf>

Since the City of Edinburgh Council seem disinclined to listen to letting agents who oversee so much of the PRS in the City we suggest they read and consider the 2nd consultation responses of the various University accommodation providers in the city. Their dire warnings mirror those of letting agents and landlord groups.

Napier University

"Currently the Scottish Universities provide over 31,000 bed spaces to students within the HE sector. The Purpose Built Student Accommodation (PBSA) providers currently have over 13,000 bed spaces in Scotland. In addition, both universities and PBSA providers in Scotland currently have plans in hand to increase their managed student accommodation stock. These student tenancies will in most cases be for an academic session (September to May/June/July) or for one trimester only. Within the university accommodation sector and for PBSA providers the intention is that their student tenancies will not continue after this period so that the accommodation is then made available to the next annual intake of students. Most if not all Universities offer a guarantee of accommodation to first year and new entrant students and this is a major recruitment tool for Universities. This specific sector of the market currently relies on the no fault ground for repossession."

"If the no fault ground was removed in this particular sector and guarantees of accommodation could not be given, this could lead to students opting to study out with Scotland where tenancy agreements are different. The economic consequences for Universities and for the Scottish economy could be severely affected by this."

"As well as housing students during the academic year, Edinburgh Napier University, along with other Universities in Edinburgh and also other cities, offers the accommodation during the summer months to short term courses, conferences and summer visitors to the Fringe and Festival. All of this summer commercial business supports the local economy and in the case of Edinburgh Napier helps to subsidise the cost of accommodation to the students during the academic year."

<http://www.gov.scot/Resource/0047/00478381.pdf>

University of Edinburgh

"The removal of the no fault ground would have a fundamental impact on the way all Universities in Scotland operate their residential estate. For The University of Edinburgh this amounts to 7,500 bed spaces. We would therefore like to seek some clarity on whether Universities, as landlords, would be exempt given that we build our tenancies and business around our clients' specific requirements. The problems that would arise and are discussed below are the same for the private providers of student accommodation, and the risk would be that their investment in the city might drop/cease. For our first year undergraduates we have 38 week leases. This suits their requirements as they typically wish tenancies to run from September through to the end of May. Thereafter The University uses much of this stock for visitors to Edinburgh and as such greatly supports the Edinburgh festival and general summer trade. The University HAS to know that these bed spaces will be available for the new intake the following September otherwise the accommodation that has been built and is staffed to assist first years in their transition of living away from home may not be available for them and they would be thrown back to the private sector. Such a move would also affect applications to The University as the offer of first year accommodation is important to new students, especially those from overseas. Exactly the same applies to postgraduate students who have 51 week tenancies. The summer income derived from commercial lettings helps to underwrite the cost of providing the student accommodation and helps to keep the cost to the students down. Reduction of this activity would lead to increased rents and would be another negative affect of the removal of the no fault ground."

<http://www.gov.scot/Resource/0047/00478362.pdf>

Unite Student

"The purpose of our accommodation is to accommodate only the student population just as the Universities operate within their own accommodation. We also have long standing agreements in place with our Universities where we accommodate thousands of their students within our accommodation (in the majority of cases under a nomination agreement, not a lease). These agreements require us to release students at the end of their tenancy to accommodate the Universities' next academic year population, and these agreements would be at risk if we were not in a position to repossess our properties at the end of the initial term. This would not only be unthinkable for our business but would also limit the Universities' opportunity to maintain their student numbers or stand by their commitment of guaranteed accommodation to first year and international students."

So why the reference to the Proclaimers' "Letter from America" in the title. In simple terms it is evident from the Universities and Purpose Built Student Accommodation (PBSA) feedback that the proposed single tenancy will destroy much of Edinburgh's current capacity to house the huge influx of people coming for the festival (or to study). Given that the city has identified the essential need for additional accommodation, it is bizarre that it does not see the grave threat that the proposed tenancy reform will have on its pre-eminence as the Festival City. The thundering hooves from competing cities are getting louder, but it seems the Scottish Government and City of Edinburgh Council would prefer placing some Grand National sized fences in the path of the PRS, rather than acknowledge the concerns of the PRS and engage with the PRS to explore how it can help to be a part of the Festival's future success.

The flexibility of PRS is under threat

Tophe Boisseau, Owner, Factotum Letting describes how the flexibility of the PRS which was key to Edinburgh's ability to house both the Festival and students is under threat.



Tophe Boisseau,
Owner, Factotum Letting

Edinburgh is unique in that its students can reduce the length of a tenancy from 12 months (as is the case in the rest of the UK) to as little as 8 or 9 months. The landlord being happy to cover the void by letting at a premium during August and have use of the flat in July for personal use, further income or improvements / renovations. Often Landlords permit sublets in return for a full 12 month let. Tenants usually recover (net) some 80% of the rent they would have otherwise spent while on summer vacation; Ergo some landlords considers they're 20% better off not going through the hassle themselves.

The relationship has been symbiotic, everyone has benefited:

- Tenants save money
- Landlords maintain income and flexibility
- Agent has commission (sometimes double with a sublet)
- Council benefit with increase in tourism and 2 to 3 months Council Tax (out-with sub lets)
- Edinburgh Festival continues to thrive.

In recent years much of the growth in Holiday letting has not been student lets but smaller flats that are better appointed and maintained. The Festival Fringe is more professional than in the past and visitors demand higher standard of accommodation. The loss of No Fault Grounds on a single tenant (let alone multiple tenants in a single tenancy with joint and several liability) will deter landlords who will soon realise the uncertainties involved. They, like everyone else, will miss the freedom they enjoyed to augment occasional short, holiday lets with traditional long lets (SATs)

Having been active in the Festival for the past 30 years it's not quite as big for us as it has been in the past, when we alone were accommodating some 3,000 visitors during the month of August. The sector has grown considerably but has also dissipated to an ever wider selection of providers. Airbnb and Holiday Let companies to mention but a recent few. The point is the sector has grown enormously and flexibility has been the key to its success.

The Scottish Government's intention is to remove that flexibility through its tenancy reform legislation. They are demonstrably ignoring the concerns of the PRS and University accommodation providers who have highlighted the catastrophic impacts these changes will have on their ability to house students and the festival.

As an agency we have been informing landlords that they should actively get their properties up to standard thereby maximising the Heritable Value to (a) Establish a top rent in face of not being able to increase it later. (b) Convert solely to Short term holiday lets (c) Have it in better condition to sell. This is working! The fear factor is a real consideration with owners.

So rents are already going up as a consequence of the threatened legislation. By the time the Acts come into force rents will be at an all time high. Thereafter rents will level off and diminish. In five years, and with government's insatiable appetite for further regulation at any cost, these properties will not represent a viable return nor future for their owners. Available stock will diminish. There will be waiting lists for any decent property and only the top echelons of the population will be successful in applying. Dismal! Scotland shot itself in the foot.

Tophe Boisseau

Owner
Factotum Letting

www.factotumletting.com



Threats to the student and festival lettings market explored

Stuart Montgomery, Director Lettings & Management Rettie & Co. Ltd spells out how damaging the loss of the fixed end date will be for particular markets within the PRS.



Stuart Montgomery,
Director of Lettings & Management, Rettie & Co. Ltd

While I welcome measures which bring much needed modernisation to the current tenancy regime the removal of the ability to have tenancies with a fixed end date is not one of them. I am also of the view that a single model tenancy agreement cannot span what is a wide and varied private rented sector. De-facto unlimited tenancies will have a catastrophic effect on the student letting market. Without a fixed end date and therefore the certainty of vacant possession at the conclusion of an academic term the entire student lettings market will cease to function.

Student letting is a specific subset of the wider PRS and works in a very different and far more structured way to the rest of the market. Students expect to be able to secure accommodation in March/

April for the following academic term in September and the University sector needs the certainty of such accommodation being available when they undertake their admissions process. Under a system where tenancies do not have a fixed end date it will only be possible to market student properties once notice has been received from the incumbent student tenants just two months prior to their chosen vacating date which will be far too late in the Year for this market to operate properly causing significant distress to new student tenants who already find the process of securing accommodation in the face of constrained supply to be a hugely stressful experience.

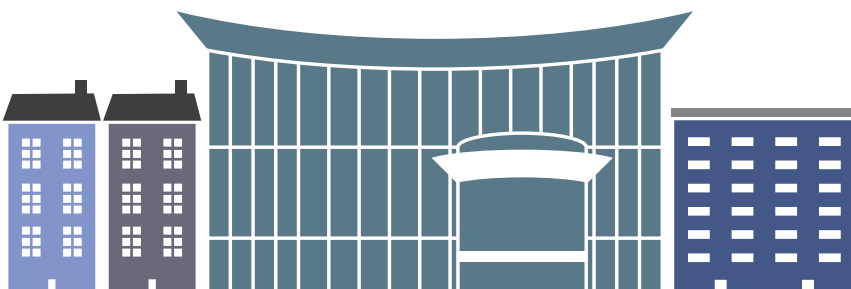
For Edinburgh specifically this change will also have a disastrous effect on the provision of the accommodation required to make Edinburgh's Festivals possible. A substantial proportion of Edinburgh's student stock is let in a structured manner with academic tenancies running for circa 10 months and then used to provide much needed accommodation for those working at Edinburgh's Festivals during the months of July and August. Edinburgh's Festivals are already under significant threat with other major cities vying for the very substantial economic benefit that it brings. Those that bring shows to Edinburgh do so at substantial risk with no guarantee of return, without a thought out accommodation strategy to provide quality accommodation at a reasonable cost the sustainability of Edinburgh as host will come under even further threat.

The idea that the PRS evicts tenants from their homes in order take advantage of premium Festival rents is a fallacy, in practice the only properties run in a cycle of short assured tenancies and Festival lets are those which are in a structured academic cycle. In these cases the use of the property for the Festival period enables student tenants to secure accommodation for the duration of their academic term without being forced to pay for the summer months, provides the breadth of accommodation that performers and production companies require and provides the respective landlords with a sufficient yield for them to maintain an investment in the sector. The inevitable result of reform which removes the opportunity to operate in a structured manner will be a very significant outflow of capital from the PRS to another asset class where a better net yield can be achieved. The disastrous effects on Students, Scotland's Universities and the economic benefits of Edinburgh's Festivals are plain to see to all the businesses that actually operate in the PRS.

Stuart Montgomery

Director of Lettings & Management,
Rettie & Co. Ltd
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Managing Director,
Edinburgh Festival Rentals
www.edinburghfestivalrentals.com



Message from Letscotland



Call to action for all letting agents, investors and landlords to get involved

The Scottish Government is carrying out an ongoing consultation process to deliver a new regime under which the Private Rented Sector delivers a better quality of home and related services to all tenants. This will involve a new form of tenancy agreement, letting agent regulation and possibly rent control.

Letscotland along with others agrees that change is necessary, we also need to ensure those changes allow the industry to deliver the new homes urgently needed. The AT5, Section 33 notice and SAT etc as we know them will soon be gone.

Now is the opportunity for all letting agents and investors to play their part in ensuring that the new tenancy works and the regulations surrounding it function as they should to deliver improved homes and services on a viable and sustainable basis for many years to come. Many letting agents and landlords are members of a range of professional and trade organisations and we encourage everyone to play their part with whichever organisation they may wish. Please support whatever organisation it is which you believe reflects your position on this issue.

Our concerns are for:

1. rent controls and the negative impact this would have on the provision of new homes in the rented sector
2. tenancy reform which does not address the student and HMO market generally
3. the lack of proper enforcement of current legislation in particular the use of information from and enforcement of Landlord Registration
4. cities such as Edinburgh have a large student population who require certainty in their markets along with the provision of summer accommodation to artists and companies who visit on annual basis frequently booking a 4 to 6 week period each summer 12 months in advance

5. it is recognised that there are estimated to be about 80,000 families renting homes out of a total of approx. 330,000 properties in the PRS in Scotland. Over 14,000 of these are HMO licensed and are therefore providing accommodation for upwards of 60,000 people who may be students or working professionals. The balance of over 130,000 properties are rented by tenants who have a wide range of different circumstances. This diversity and the flexibility they need must be allowed for in any new form of tenancy
6. the vision is for a thriving, viable, sustainable rented sector providing new homes for tenants at a selection of locations and prices to meet the varying demands of the diverse market the rented sector serves

Letscotland has had continuous involvement with others from the Scottish Property Federation, CLA/SAL, RICS, ARLA, Homes for Scotland and others all of whom are working hard whilst consulting with Scottish Government officials to ensure the outcomes of the legislation deliver a model tenancy which encourages landlords and investors to provide more new homes to rent.

PRS4Scotland has recently assembled some excellent feedback [@j.mp/PRSFeedback](https://www.j.mp/PRSFeedback) from many landlords and letting agents. Over the coming months there will be further need for more involvement by everyone in the industry to ensure the Scottish Government has full and up to date statistics and data of the length and breadth of housing provision by the PRS in Scotland. Letscotland is supportive of this and wishes to encourage all stakeholders to be involved.

Yours

Malcolm Warrack,
Chairman of Letscotland



Regional Rents, Flat Prices and Yields

Mean Monthly Rent for 2 bed properties

Sales Analysis of Flats

Compound Annual Growth Rate - CAGR

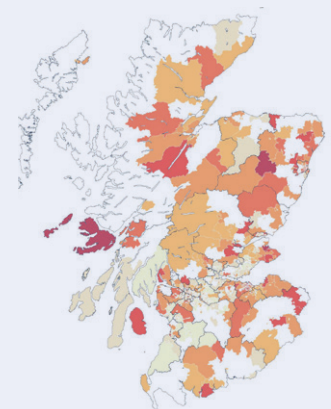
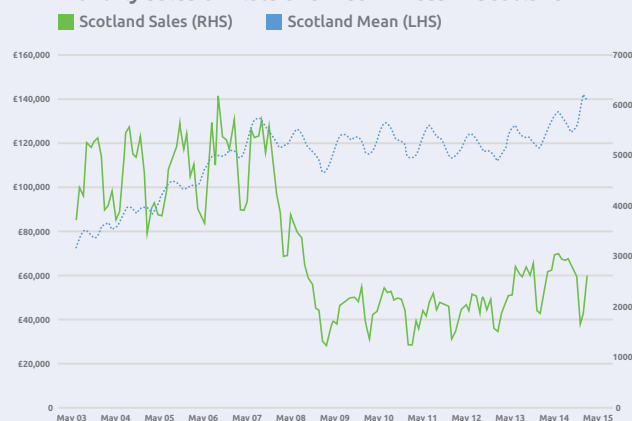


Local Authority	Spring 2014	Spring 2015	Annual Rent Change %	Average Flat Price May 2015	Count of flat sales	Annual Price Change %	10yr CAGR	Gross Initial Yield
Aberdeen City	£960	£951	-0.9%	£176,271	157	9.9%	7.9%	6.5%
Aberdeenshire	£807	£833	3.1%	£159,017	48	19.2%	9.4%	6.3%
Angus	£490	£518	5.7%	£102,589	49	28.6%	6.3%	6.1%
Argyll and Bute	£516	£534	3.4%	£107,664	47	2.8%	2.9%	6.0%
City of Edinburgh	£777	£812	4.5%	£230,746	589	26.9%	4.2%	4.2%
Clackmannanshire	£464	£448	-3.4%	£99,511	17	19.0%	7.7%	5.4%
Dumfries and Galloway	£436	£464	6.4%	£114,937	26	44.4%	4.0%	4.8%
Dundee City	£547	£581	6.1%	£100,858	84	3.3%	4.6%	6.9%
East Ayrshire	£438	£439	0.2%	£75,703	34	54.2%	2.5%	7.0%
East Dunbartonshire	£579	£642	10.9%	£144,770	30	16.9%	3.6%	5.3%
East Lothian	£601	£637	6.0%	£159,017	42	12.8%	4.2%	4.8%
East Renfrewshire	£538	£646	20.3%	£170,463	38	5.2%	4.8%	4.6%
Falkirk	£456	£471	3.2%	£61,746	57	3.8%	1.0%	9.2%
Fife	£490	£521	6.3%	£108,137	122	19.5%	4.4%	5.8%
Glasgow City	£606	£679	12.1%	£117,266	542	8.3%	1.2%	6.9%
Highland	£606	£619	2.2%	£139,615	55	23.2%	5.9%	5.3%
Inverclyde	£498	£497	-0.1%	£86,038	39	-4.7%	-0.9%	6.9%
Midlothian	£615	£624	1.6%	£123,474	19	15.1%	5.5%	6.1%
Moray	£487	£531	9.0%	£99,835	14	7.1%	3.0%	6.4%
North Ayrshire	£455	£418	-8.1%	£77,857	54	4.3%	1.3%	6.4%
North Lanarkshire	£441	£462	4.7%	£71,260	88	26.6%	2.8%	7.8%
Perth and Kinross	£537	£535	-0.3%	£126,918	51	31.6%	4.5%	5.1%
Renfrewshire	£470	£486	3.4%	£70,951	70	-1.1%	0.2%	8.2%
Scottish Borders	£447	£533	19.2%	£109,749	33	35.2%	4.0%	5.8%
South Ayrshire	£503	£492	-2.3%	£108,397	45	17.0%	3.6%	5.4%
South Lanarkshire	£472	£518	9.8%	£89,922	121	25.6%	3.1%	6.9%
Stirling	£571	£606	6.0%	£125,515	43	15.1%	2.7%	5.8%
West Dunbartonshire	£480	£497	3.5%	£79,584	50	19.6%	1.9%	7.5%
West Lothian	£536	£554	3.2%	£108,548	39	28.9%	4.1%	6.1%
Scotland	£609	£686	13%	£139,852	2610	18.3%	4.1%	5.9%

A word on the sales market

In May there were 2,610 flats registered for sale which is slightly down (2.5%) on volumes of a year ago, though the overall trend line has been moving gradually upwards in 2014/15. Across Scotland our 3 month smoothed average flat price rose by a dramatic 18.3% but much of this increase was caused by unprecedented numbers of high end sales (£330k+) in March that were rushed through to beat the introduction of the new LBTT tax on April 1st. This was a particular issue in high value markets such as Edinburgh and Aberdeen. We fully expect the average price to drop back over the coming months as the influence of the high value sales is lost.

Monthly sales of Flats and Mean Prices in Scotland



Go online to view interactive flat price map here www.lettingstats.com/j.mp/flatpricemap

Rents and Sales in Edinburgh

The average rent levels of two bed properties advertised during the spring period increased by 4.5% from last year to £812, while one bed properties rose by 7.1% to £629. Three bed properties averaged £1,159 up 2.9% on the year. All the evidence indicates that continued high demand is meeting a constrained supply of available property which is resulting in higher rents. Spring saw the introduction on April 1st of the new Land & Building Transaction Tax (LBTT) to replace stamp duty. With slightly lower levels of tax for properties under £325,000 but considerably higher levels over this price point the introduction of LBTT brought forward many expensive sales. This resulted in a big but temporary spike in average flat prices in high value markets such as Edinburgh, though we fully expect to revert back to trend in the near future.

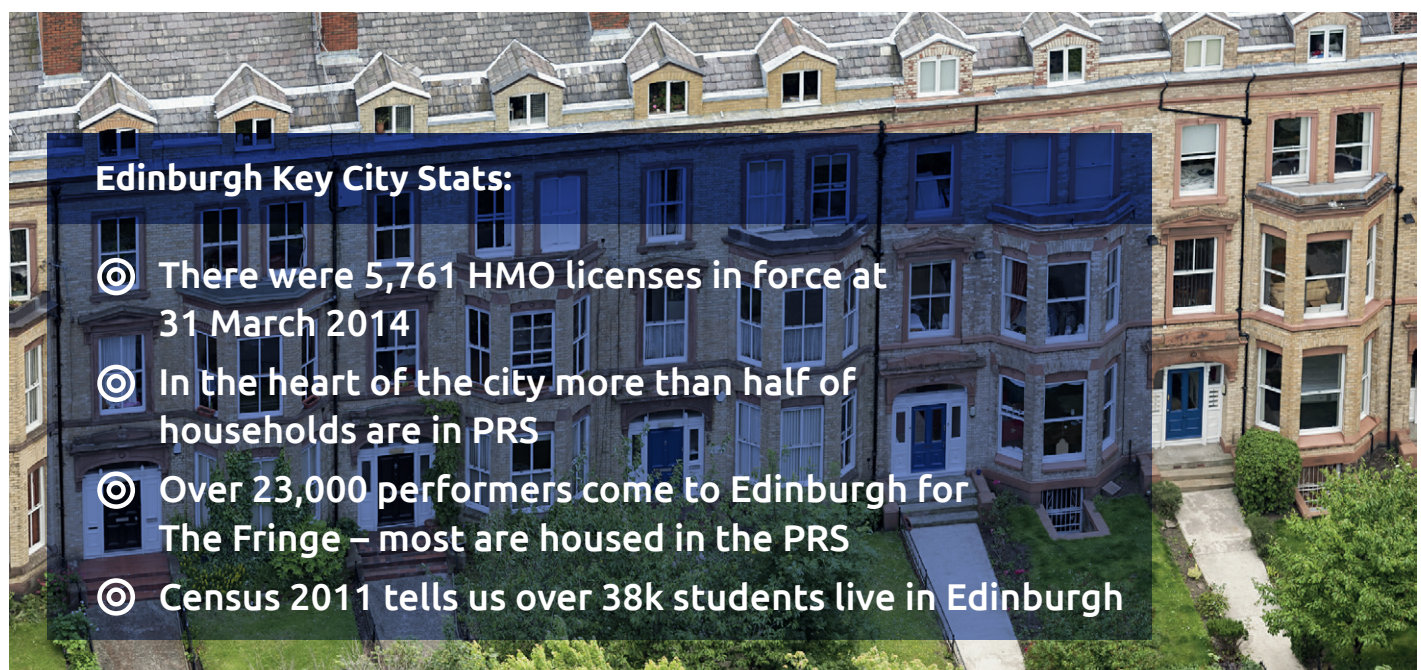
Postcode Analysis (Mean Rents and Marketing Period) Spring 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	Marketing Period (days)
EH1	£717	£940	£1,338	14
EH2	£763	£1,007	-	19
EH3	£766	£948	£1,202	16
EH4	£697	£853	£945	18
EH5	£557	£749	£969	18
EH6	£587	£740	£953	13
EH7	£588	£791	£1,045	15
EH8	£625	£813	£1,085	15
EH9	£616	£936	£1,231	17
EH10	£643	£902	£1,209	17
EH11	£577	£740	£1,068	15
EH12	£614	£788	£1,047	16
EH13	£577	£723	£670	22
EH14	£611	£728	£929	17
EH15	£552	£682	£975	18
EH16	£615	£730	£1,039	13
EH17	£538	£697	£868	18
Edinburgh	£629	£812	£1,159	16

Mean Rents by size

Bed	Mean Rent 2015 Spring	Annual Change
1	£629	7.1%
2	£812	4.5%
3	£1,159	2.9%

The average sale price of Edinburgh flats in the 3 months to May was £230,746 which was a dramatic 26.9% up on the year. This spike in prices was caused by the introduction of LBTT.

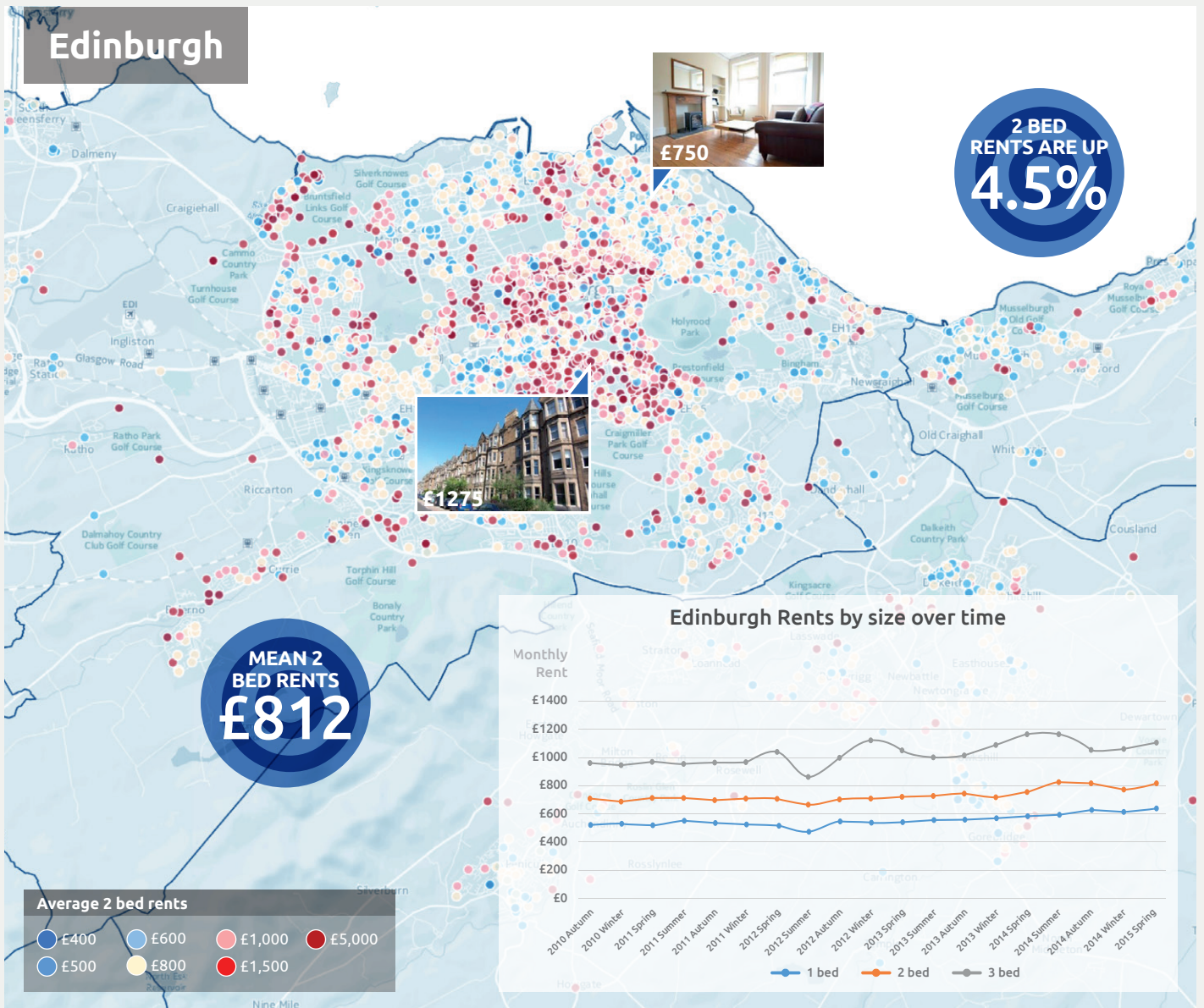


Edinburgh Key City Stats:

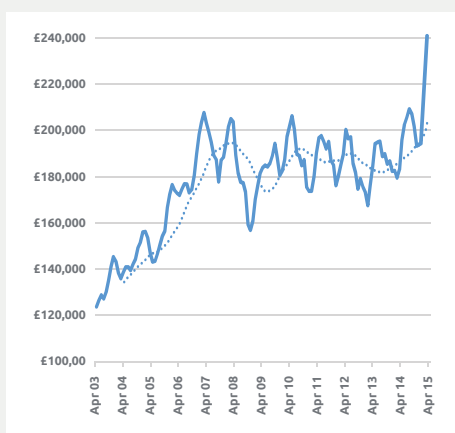
- © There were 5,761 HMO licenses in force at 31 March 2014
- © In the heart of the city more than half of households are in PRS
- © Over 23,000 performers come to Edinburgh for The Fringe – most are housed in the PRS
- © Census 2011 tells us over 38k students live in Edinburgh

A Year of Lettings on Lettingweb (to end May 2015)

Explore the Scottish Rental Market using our unique interactive map here: www.j.mp/yearoflettings

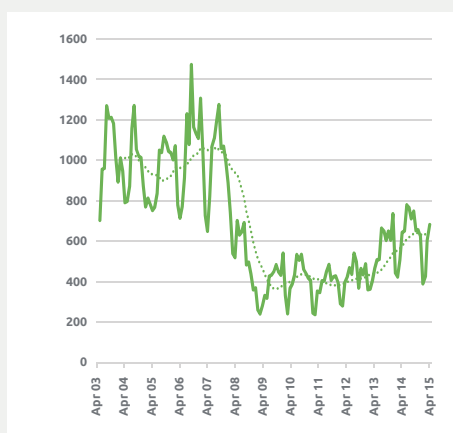


Average flat price



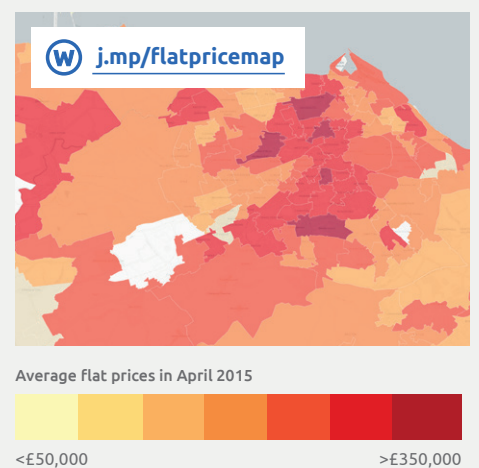
Edinburgh

Monthly sales



Edinburgh

Map of flat prices



Rents & Sales in Glasgow

The average rent levels of two bed properties advertised during the spring period increased by 12.1% from last year to £679, while one bed properties rose by 10.1% to £503. Three bed properties averaged £831 up 9.6% on the year. With continued high demand meeting a lower supply it is no surprise that the pressure on rents in Glasgow is upwards.

The sales market for flats in Glasgow has increased in volume by 50% over the last three years and the 12 month smoothed trend now stands at 600 per month which is at 60% of the peak sales volume seen in 2007. It is not known what proportion of sales are B2L but given the uncertainty of tenancy reform and very recent budget changes it is felt that majority of landlords will not be expanding portfolios at this time.

Gross initial yields for 2 bed flats remained at 6.9% - these are only an indication of possible returns before management, finance costs, or tax are taken in to account.

Postcode Analysis (Mean Rents and Marketing Period) Winter 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	Marketing Period (days)
G1	£637	£829	£895	18
G11	£557	£766	£1,012	20
G12	£611	£853	£1,056	21
G13	£441	£608	£673	20
G14	£401	£538	£795	26
G2	£650	£829	£900	11
G20	£506	£672	£944	19
G21	£340	£525	£680	31
G22	-	£536	£550	24
G3	£585	£806	£1,038	17
G31	£398	£573	£822	24
G32	£417	£515	£613	26
G33	£450	£558	-	21
G4	£531	£737	£1,161	20
G40	£459	£562	-	21
G41	£493	£613	£788	17
G42	£407	£563	£762	18
G43	£425	£638	£532	12
G44	£423	£535	£586	22
G46	£457	£586	£695	15
G5	£548	£650	£749	16
G51	£445	£546	£550	24
G52	-	£532	£635	17
G53	£480	£620	£598	15
Glasgow	£503	£679	£831	20

Mean Rents by size

Bed	Mean Rent 2015 Spring	Annual Change
1	£503	10.1%
2	£679	12.1%
3	£831	9.6%

Average flat prices in Glasgow were £117k in the 3 month period to May, up 8.3% on the year but still well down on the peak of £131k (Aug 2007) when they also matched the Scotland average. Over the last three years sales volumes of flats have picked up in Glasgow though the average flat price is now well below that of Scotland's (£140k).

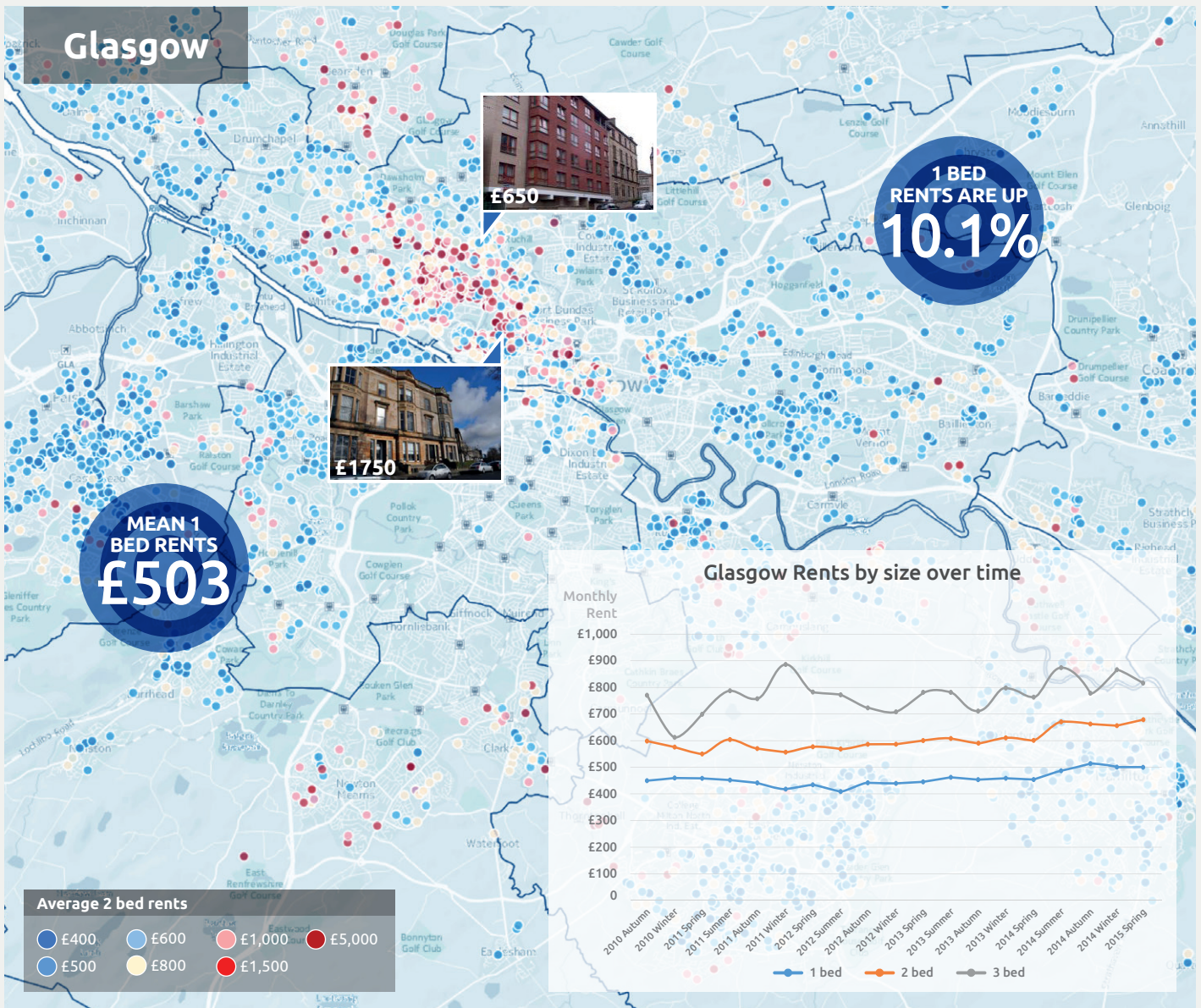


Glasgow Key City Stats:

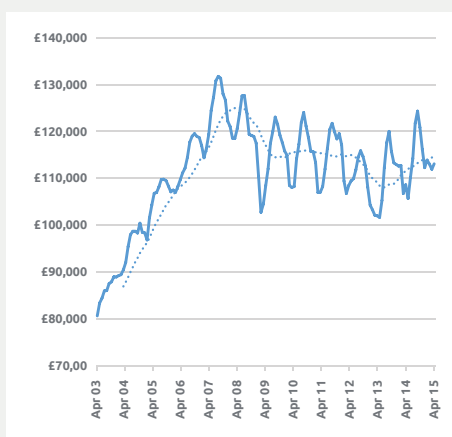
- ⊙ There were 2,969 HMO licenses in force at 31 March 2014
- ⊙ In the heart of the city 49.2 % of households live in PRS
- ⊙ Census 2011 tells us 40k students live in Glasgow

A Year of Lettings on Lettingweb (to end May 2015)

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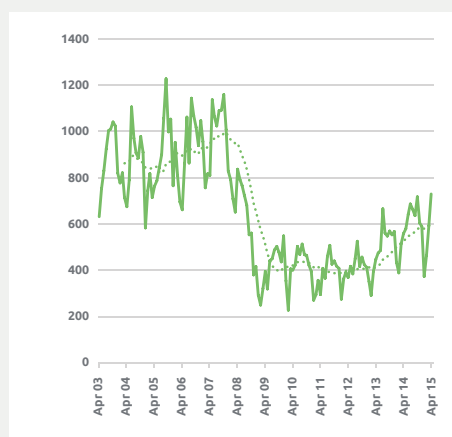


Average flat price



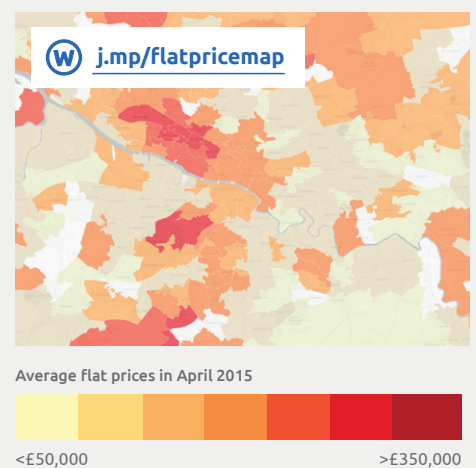
Glasgow

Monthly sales



Glasgow

Map of flat prices



Rents and Sales in Aberdeen

The Aberdeen economy has been adjusting to the new lower oil price over the last 8 months and it is evident that high end of the rental market has adjusted accordingly. Three bed properties averaged £1,255 in the months of March, April and May which is 5.6% down on the same period last year, but it should be noted this was still higher than the previous quarter's figure of £1,216. Two bed properties were still below the thousand mark at £951, down slightly 0.9% on the year. One bed properties bucked this trend and experienced a 2.5% increase to £673.

Our chart of the sales market on the next page shows that flat prices are at an all time high. Average sale prices for flats were £176k in the 3 months to May, up 9.9% on the year, though these figures will have included a proportion of high end sales in March avoiding the LBTT. We anticipate flat prices will ease back slightly over the summer as the mix of sales reverts to normal.

Postcode Analysis (Mean Rents and Marketing Period) Spring 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	Marketing Period (days)
AB10	£666	£954	£1,313	15
AB11	£689	£948	£1,342	16
AB12	-	£925	£950	12
AB13	-	-	-	12
AB14	-	£813	-	38
AB15	£725	£1,102	£1,100	22
AB16	-	£767	£1,000	13
AB21	£600	£800	£950	20
AB22	£667	£945	£1,150	15
AB23	£700	£875	£1,040	20
AB24	£662	£907	£1,320	14
AB25	£669	£918	£1,263	18
Aberdeen	£673	£951	£1,255	18

Mean Rents by size

Bed	Mean Rent 2015 Spring	Annual Change
1	£673	2.5%
2	£951	-0.9%
3	£1,255	-5.6%

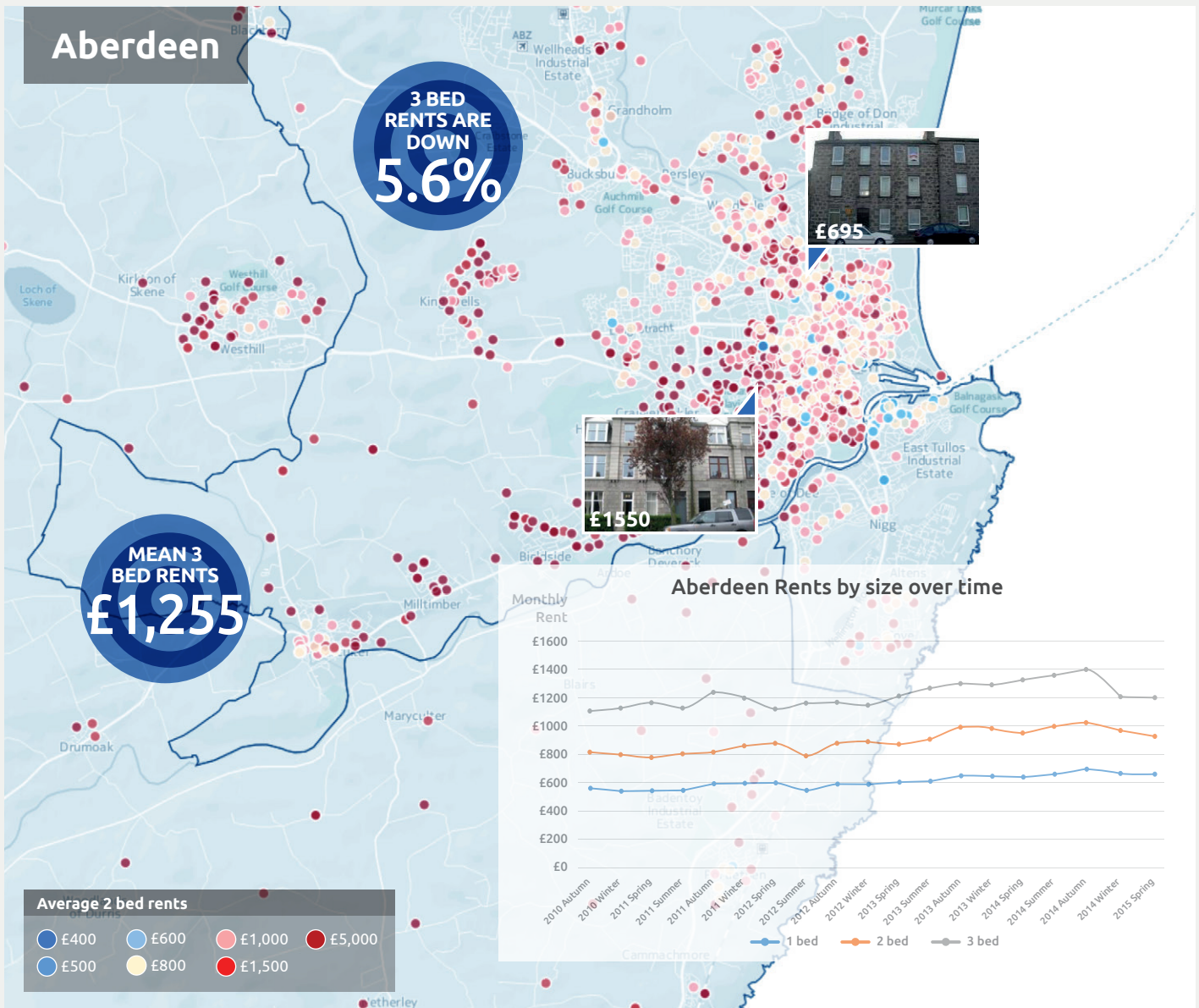


Aberdeen Key City Stats:

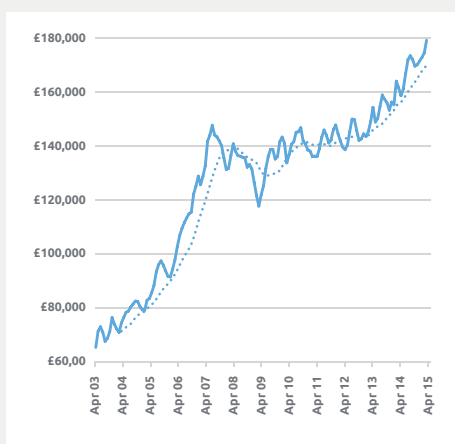
- 🕒 There were 1,051 HMO licenses in force at 31 March 2014
- 🕒 Gross initial yields in Aberdeen are currently 6.5%
- 🕒 More than 27,000 students study at universities in Aberdeen
- 🕒 Overall marketing period is now 18 days

A Year of Lettings on Lettingweb (to end May 2015)

Explore the Scottish Rental Market using our unique interactive map here: www.lettingweb.com/j.mp/yearoflettings

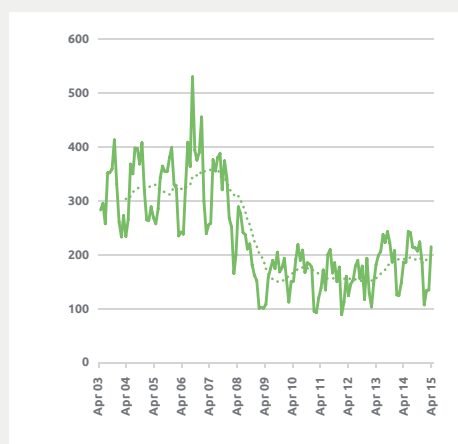


Average flat price



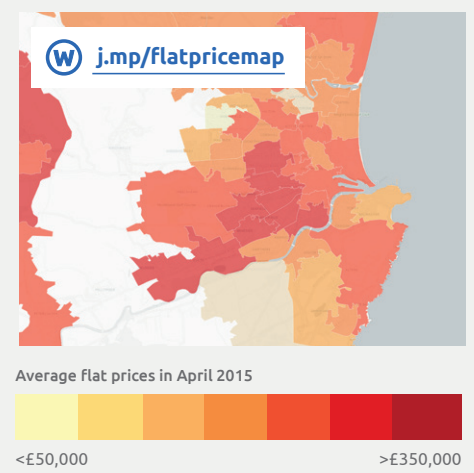
Aberdeen

Monthly sales



Aberdeen

Map of flat prices

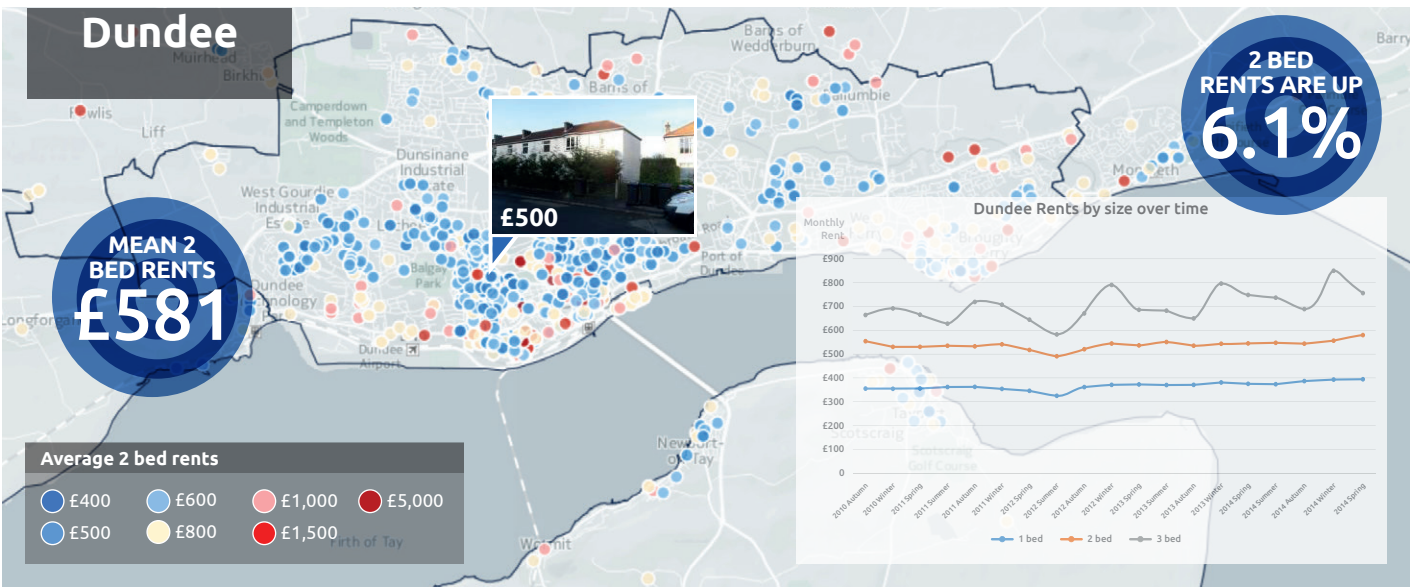


Rents & Sales in Dundee

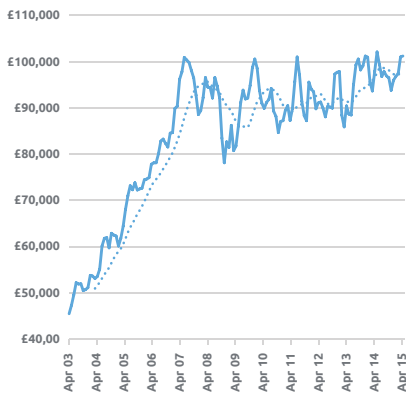
Monthly rents for two bed properties are now averaging £581 (up 6.1% on the year). One bed properties averaged just £390 per month up 4.2% on the year. Flats in Dundee now cost £101k on average, which is actually above the pre creditcrunch high of £100k reported in August 2007, as the chart below shows. The gross initial yield now stands at 6.9%. Dundee's huge investment in its waterfront is transforming the city and its sales and rental markets will reflect this in future years.

A Year of Lettings on Lettingweb (to end May 2015)

Explore the Scottish Rental Market using our unique interactive map here: www.lettingstats.com/j.mp/yearoflettings

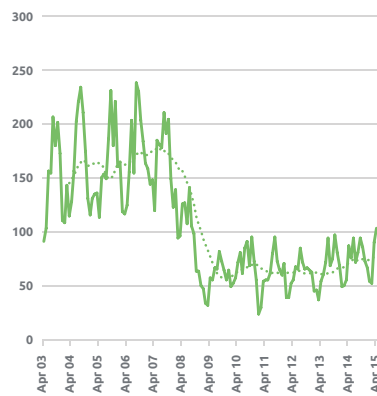


Average flat price



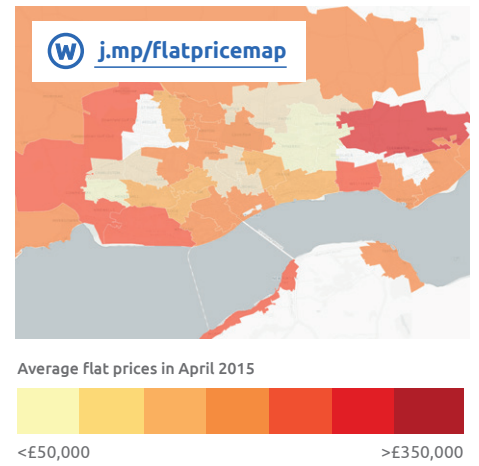
Dundee

Monthly sales



Dundee

Map of flat prices



Postcode Analysis (Mean Rents and Marketing Period) Winter 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	Marketing Period (days)
DD1	£395	£621	£797	19
DD2	£411	£560	£821	21
DD3	£351	£504	£600	23
DD4	£371	£522	£690	19
DD5	£451	£648	£730	22
Dundee	£390	£581	£749	22

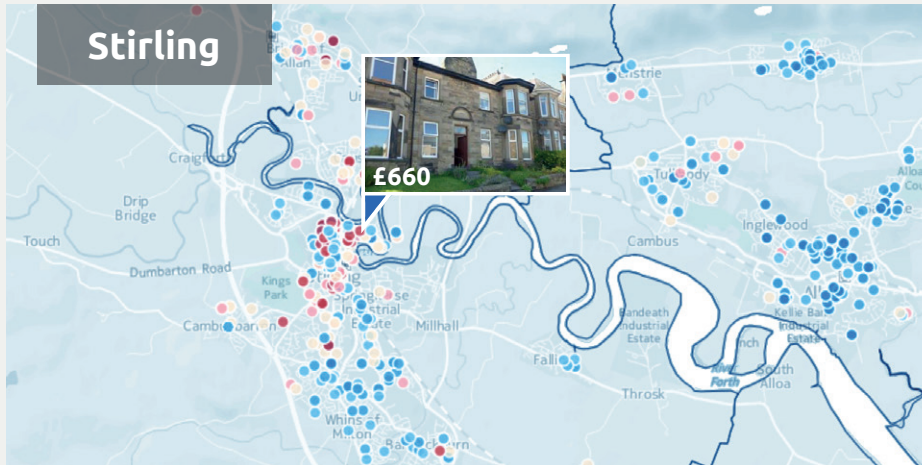
Mean Rents by size

Bed	Mean Rent 2015 Spring	Annual Change
1	£390	4.2%
2	£581	6.1%
3	£749	1.0%

Rents & Sales in Stirling

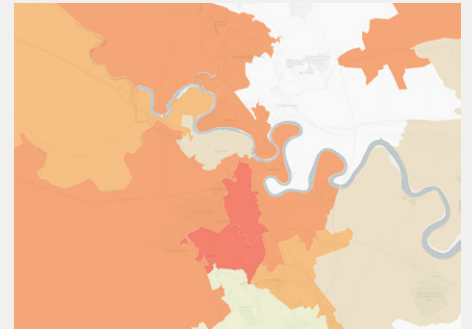
Explore the Scottish Rental Market using our unique interactive map here:

j.mp/yearoflettings

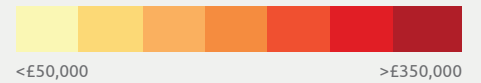


Flat prices and transactions j.mp/flatpricemap

(Our unique map reveals flat prices and sales activity at the local level)



Average flat prices in January 2015



Postcode Analysis (Mean Rents and Marketing Period) Winter 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	Marketing Period (days)
FK15	£475	£648	£588	23
FK17	-	-	£750	42
FK7	£450	£481	£646	27
FK8	£472	£638	£1,006	21
FK9	£425	£667	-	17
G63	-	£488	£650	26
Stirling	£464	£606	£857	24

Mean Rents by size

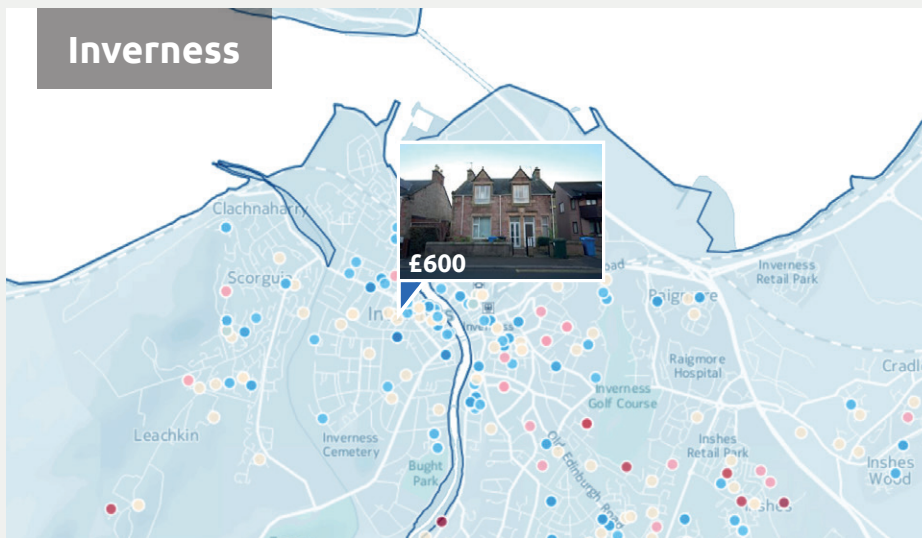
Bed	Mean Rent 2015 Spring	Annual Change
1	£464	4.4%
2	£606	6.0%
3	£857	22%*

*low volumes

Rents & Sales in Inverness

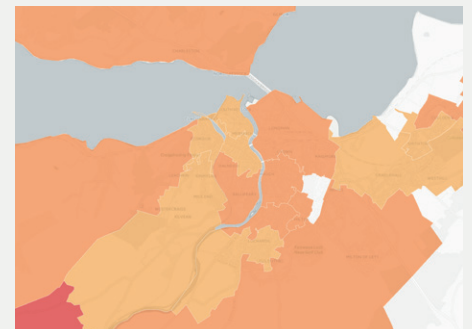
Explore the Scottish Rental Market using our unique interactive map here:

j.mp/yearoflettings



Flat prices and transactions j.mp/flatpricemap

(Our unique map reveals flat prices and sales activity at the local level)



Average flat prices in January 2015



Postcode Analysis (Mean Rents and Marketing Period) Winter 2015

Postcode District	1 Bedroom	2 Bedroom	3 Bedroom	4+ Bedrooms
IV1	£525	-	-	29
IV2	£511	£616	£824	19
IV3	£555	£638	£750	21
Highlands	£513	£619	£796	

Mean Rents by size

Bed	Mean Rent 2015 Spring	Annual Change
1	£513	11%
2	£619	2.2%
3	£796	9.5%

Attitudes to Rent Controls in Scotland

Our previous report touched on some of the extensive literature regarding rent controls and we came to the conclusion that price regulation often has unintended consequences which can restrict supply and impact negatively on overall quality of stock. Here we explore the issues further.

Since then there has been plenty of fascinating debate on the issue amongst housing practitioners and economists working in Scotland, and we share some of their views here. On the opposite page we have re-published an extract from Rettie's 'Rent Bomb' blog piece on rent controls which looked at the international experience with particular reference to Germany. And below we have quoted from Professor Ken Gibb's thoughtful blog piece 'Complete Control' which questions whether the standard models of rent control accurately represents the market, and argues that limiting rents need not be anti-investor or anti-landlord.

[j.mp/kengibbrentcontrol](https://www.lettingweb.com/j.mp/kengibbrentcontrol)

"The interesting reflections on the standard model of rent controls for me are: first, is it an accurate representation of the market and second, is it an accurate representation of actual rent regulation in practice?"

We should certainly be skeptical about new regulations but there is much distance between the abstract market model framework and a more nuanced representation of an imperfectly competitive market and how actual rent/tenancy length/rules for possession policies would actually operate in practice.

"I am squarely against badly designed policies that have detrimental effects and consequences. Rent controls have had and can readily produce such bad effects. However, policies that seek to reduce tenant exploitation through licensing good landlords and policing or correcting the behaviour of bad landlords – may have administrative costs but they can set a floor that most would widely support (ie the social benefit exceeds the cost). At the same time, negotiating a context for longer leases and for those contracts to have subsequent indexing of rent increases within that contract, alongside reasonable rules over possession and eviction – need not be anti-investor or anti-landlord, particularly over time. Limiting rent increases to inflation plus X% for the life of a longer tenancy but not the initial contracted rent may also be helpful for the housing system as a whole, create much more certainty for all players in the housing system and in the long term provide genuine competition and choice for those who would rent housing."

The keynote speaker at Shelter Scotland's recent PRS conference, Kath Scanlon of the London School of Economics (LSE), talked about her recent analysis of proposals for regulation of the PRS. Her interim report can be found here [j.mp/LSEPRSRegulation](https://www.lettingweb.com/j.mp/LSEPRSRegulation) and it is telling that she highlights the possibility of a rapid shrinking of the sector if incentives change:

"The UK is perhaps unusual in that it is simple and frictionless to transfer a dwelling between owner-occupation and the private rented sector and vice versa, both because there are no planning controls related to tenure of private housing and because of short-term leases. This gives us a flexible and responsive housing sector, and means it is easy to grow the PRS from existing stock when investors perceive benefits. The UK's experience in more than doubling the size of the PRS over just 20 years is almost without parallel internationally. Equally,

however, the sector could shrink very rapidly if the incentives were to change."

In May we carried out some of our own research. We helped coordinate a campaign (PRS4Scotland) to encourage landlords to give their feedback to the 2nd consultation's specific question on the regulation of rent limitations in Scotland. The web site PRS.SCOT was built specifically for the purpose and collected 1,553 signatories from those opposing the introduction of rent controls. We submitted these responses to the Scottish Government as part of the consultation. This complemented the wider petition that was run by the Scottish Association of Landlords (SAL) at the same time.

[j.mp/SAL38DEGREES](https://www.lettingweb.com/j.mp/SAL38DEGREES)

We felt it important to also ask landlords what impact the introduction of rent limits in Scotland would have on their future investment in the sector. Their responses were stark and are summarised in the chart below:



It is fair to say that this sample might not be representative of all landlords but 0% of the 1,746 respondents state they would invest more, and 66% said they would be likely to dis-invest if rent limits are introduced. This suggests there will be serious implications for the PRS in Scotland if rent limits do come in.

You can also read the views of more than 500 landlords from across Scotland here: [j.mp/PRSFeedback](https://www.lettingweb.com/j.mp/PRSFeedback)

Their responses are telling and give a hint of both the depth of feeling and the risk of dis-investment which would be an enormous concern for the sector.

Dan Cookson,
Head of Research, Lettingweb

Rent Controls and the German Model

Extract from a longer article from Rettie Research looking at Rent Controls and the German approach which first appeared in Rettie's Nuggets. Read full article here: [🌐 j.mp/rentbomb](https://www.rettie.co.uk/j.mp/rentbomb)

Over the course of the 20th Century, numerous policies, such as the post WW2 local authority building programme, the introduction of Right to Buy, the 1988 Housing Act and the liberalisation of mortgage lending in the 1990s, have all had notable impacts on the tenure balance of the country. Rent Control is often cited as one of the main policies that started the decline of the PRS and rise of owner occupation through the 1960/70s.

Why Rent Control?

Advocates of rent control point to the stability of the German model in providing both tenant and landlord with a predictable and secure relationship, therefore allowing for longer term investments.

However, rent control has its critics, and the social justice case has to be set against the wider economic, legislative and fiscal context.

A 1992 survey of American and Canadian economists found 93% agreed with the statement, "A ceiling on rents reduces the quantity and quality of housing available." ...to achieve this level of consensus amongst economists speaks volumes. A reduction of quantity and quality of housing in Scotland would also be in stark opposition to the Scottish Government's aims to increase the delivery and quality of Scottish housing, as laid out in the Homes Fit for the 21st Century.

Swedish economist Assar Lindbeck summarises these concerns in perhaps a more pithy judgement on Rent Control stating "In many cases rent control appears to be the most efficient technique presently known to destroy a city—except for bombing it."

German approach

In countries such as Germany, which is held up as a strong case study, 60% of the population live in a highly regulated PRS. Some of the core principles of the German PRS market include unlimited leases, requiring specific breaches in lease or returning the property for family use. Rents are freely negotiable at the start of the tenancy, if they do not exceed the local average by 50%. Rent increases are capped to no more than 20% in 3 years and cannot rise above the local rent index.

While Germany does utilise rent controls, there are differences between Scotland and our large European neighbour.

Germany has a tax structure that is predominantly tenure neutral and mortgage lending that is stricter and at lower Loan to Values (LTVs).

Germany has a fiscal and planning environment that has encouraged investment in new homes and tax benefits weighted towards investment in PRS, such as offsetting losses against overall tax bills.

If Scotland wishes to achieve a Germanesque PRS sector through the use of rent restriction, this would also require the associated overhaul of our taxation and planning systems. No bad thing, of course, but bringing in tenancy reform and hoping our PRS is going to behave like Germany's is somewhat far-fetched.

In Germany, there have also been recent sharp rises in rent in the major cities, with landlords using the maximum increases allowed, and this has created pressure for increased rent control. However, both the IW Institute in Cologne and the Bundesbank have warned against a 'knee jerk' reaction, stating respectively that, "International experience shows that the

withdrawal of investors from the market for rental apartments can have negative consequences for renters," and "further robust growth in the construction of multiple-family dwellings can only be expected for as long as investors continue to see enough yield potential in the buy-to-let market.

More broadly, other fundamental issues that arise from rent control can include the reduction of supply as tenants remain in a property longer and choose not to move due to the prospect of higher rents and the creation of hoarding.

A colourful, if extreme, case of this issue is that of her Imperial Highness Zeynep Osman and her battle to remain in her \$390 per month 1,600sqft apartment on Lexington Avenue in Manhattan which was occupied from 1945, two years after the introduction of the current rent control system in New York. In 2011, the three storey building was bought for over \$10m and, since then, the owner has been trying to evict the Princess to enable development of the site.

While extreme, this showcases both the underperformance of the asset return over the long term, prevention of development, social bias and legal issues that can arise from rent controls and removal of no fault possession. Landlords may choose to be more selective, preferring more reliable or affluent tenants, once again harming those who were struggling with affordability in the first place.



On Budgets and Bank of England Financial Stability Reports

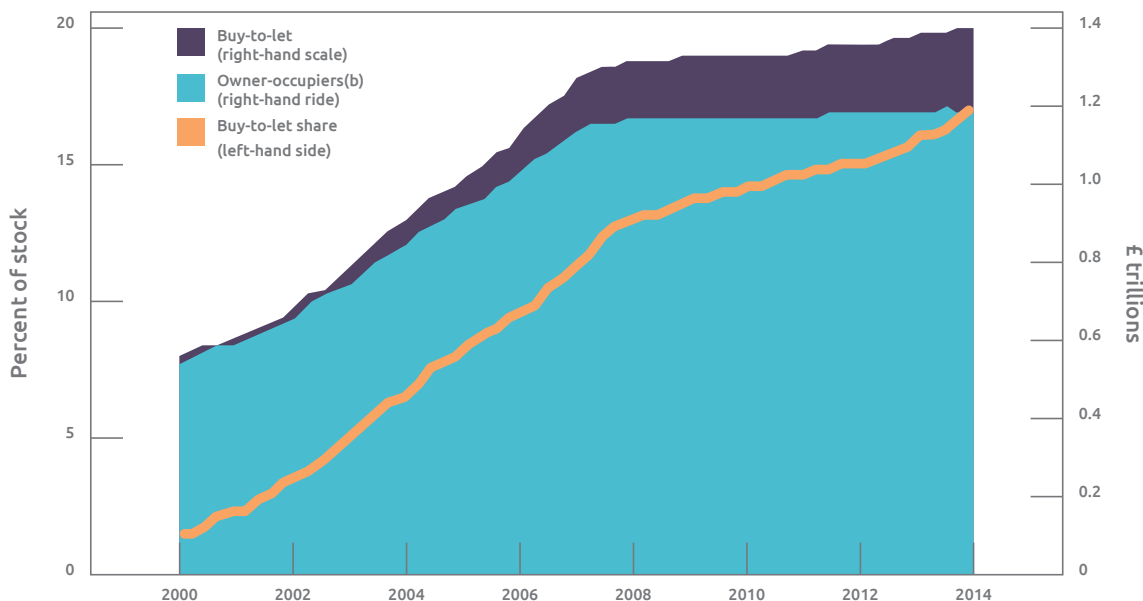
While the recent announcement in the Budget regarding the loss of relief on mortgage interest payments for landlords on higher tax rates came as a shock for the sector, it was maybe less of a surprise to those on the Bank of England's (BoE) Financial Policy Committee (FPC). Only a few days before the Budget it was the FPC that had highlighted the need to investigate the potential risks to financial stability that the B2L market might pose. In this context one can see why George Osborne might want to dampen the appetite for B2L borrowing in the future, though another more obvious reason is that it will raise considerable amounts of additional tax.

The FPC prepares and publishes a Financial Stability Report (FSR) twice per calendar year. The FSR sets out the FPC's view of the outlook for UK financial stability, including its assessment of the resilience of the UK financial system and the current main risks to financial stability, and the action it is taking to remove or reduce those risks.

The most recent FSR, July 2015 (www.bankofengland.co.uk/financialstabilityreports) came out just before the Budget and highlighted that B2L lending has accounted for most of the growth in mortgage stock since 2008. B2L lending now accounts for 15% of the stock of outstanding mortgages in UK, and 18% of the total flow of new mortgage lending. The report states "This strength is consistent with a structural trend towards a larger private rental sector, driven by demographic changes and higher house prices relative to incomes."

Buy-to-let lending has accounted for most of the growth in mortgage stock since 2008

Composition of outstanding mortgage stock^(a)



Sources: Bank of England, Council of Mortgage Lenders and Bank Calculations.

It is significant that the Financial Stability Report does highlight B2L risks. "The actions of B2L investors affect the broader housing and mortgage markets as individuals compete to buy the same pool of properties. And in a downswing, investors selling B2L properties into an illiquid market could amplify falls in house prices, potentially raising losses given default for all mortgages. This could be a particular concern in a rising interest rate environment, if properties become unprofitable given higher debt-servicing costs. B2L borrowers are potentially more vulnerable to rising interest rates because loans are more likely to be interest only and extended on floating-rate terms, and affordability tends to be tested at lower stressed interest rates than owner-occupied lending."

"HM Treasury will consult on tools for the FPC related to buy-to-let lending later in 2015, with a view to building an in-depth evidence base on how the operation of the UK buy-to-let housing market may carry risks to financial stability."

It is unknown what proportion of the PRS in Scotland is funded by B2L lending or to what extent interest only mortgages are used, so any local risks are hard to assess. Maybe of more immediate concern is the impact the proposed Scottish tenancy reforms and possible rent controls might have on landlords' propensity to dis-invest given the BoE warns that the process of selling into an illiquid market could amplify falls in general house prices. Some might argue this was a good thing but with household consumption being such an important part of the Scottish economy a significant drop in house prices would likely cause quite a shock. I wonder if any of these risks have been fully considered.

Dan Cookson,
Head of Research, Lettingweb

Drastic changes ahead for Private Rented Sector Tenancies

Extract from article by Jane Rattray, Solicitor – Housing and Private Letting at Lindsays Solicitors



Jane Rattray,
Housing and Private Letting Solicitor
at Lindsays Solicitors

In October 2014 the Scottish Government launched a Consultation on “A New Tenancy for the Private Sector” which proposes major changes to the current private rented tenancy system and is

intended to create a new private tenancy system in Scotland.

One of the most controversial proposals by the Scottish Government is the removal of the ‘no-fault’ procedure for ending tenancies despite the majority of landlords and letting agents arguing this procedure should remain. If the proposals are introduced, landlords will no longer be able to serve notices which terminate the lease at the end of the initial period of let, or raise proceedings for repossession without there being any “fault” on the part of the tenant or change in circumstances of the landlord (for example a need to sell the property). If the proposals are implemented, there would be greater risks and less flexibility for landlords in entering and leaving the rental market, which could ultimately reduce growth and investment in the private rented sector.

While there are aspects of the Consultation’s proposal which may have a detrimental impact on the Scottish Private Rented Sector and which require further clarification, there have also been several positive proposals which will be beneficial to landlords and agents, such as:

- Removal of pre-tenancy notices;
- Introduction of a Notice to Leave to replace the Notice to Quit and Notice of Proceedings;
- A model tenancy;
- A new ground to evict when a tenant has abandoned the property.

To take advantage of the one hour complimentary consultation offered by Lindsays to all Lettingweb Members, call **0131 656 5710** or email **lettinglegal@lindsays.co.uk**

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Suzy Hershman , Head Adjudicator at mydeposits Scotland discusses managing landlords expectations throughout the tenancy?



Suzy Hershman,
Head Adjudicator at mydeposits Scotland

Top Tips for managing the Landlord's expectations:

I am the Head Adjudicator at my|deposits Scotland and have been making decisions on dispute resolution cases between letting agents, landlords and tenants for over seven years. This experience has offered an in-depth understanding of how landlords think and feel about their properties and tenants.

The vast majority of landlords act very reasonably when a tenancy ends; some pay for cleaning and some redecoration at the end of each tenancy, and many have never had a dispute. They believe this is a small price to pay if the tenant has paid their rent on time and looked after the property, with no major issues throughout the tenancy. However a small minority of landlords, and tenants too, are unaware of the fundamentals of deposit protection and may act unreasonably at the tenancy end.

Agents need to act as facilitators and should be able to look at both parties position and find an agreeable solution. Here are my 10 Top Tips for managing the landlord's expectations and key points to remember:

At the start of the tenancy:

1. Highlight the importance of good documentation as it is a fact that deposit disputes are won and lost at the start of the tenancy;
2. Make sure the *Inventory and Schedule of Condition* is well detailed and descriptive, on both cleanliness and condition in each area and embed photographs into the report. Then a landlord can clearly see exactly how each area of the property has been given to the tenant and what can be expected when the tenancy ends.
3. Clearly explain the criteria for fair wear and tear to landlords and send them guidance. Remember, *fair wear and tear* is the depreciation of the property due to the normal use of the property, on a day to day basis, over the entirety of the tenancy.
4. Remember if the landlord has lived in the property, prior to letting, there may be an emotional attachment and their view of its condition may be slightly 'rose-tinted'.

During the tenancy:

5. Mid-term inspections are valuable and should be carried out to check on how a tenant is getting on in the property. It is an ideal opportunity to spot any damage to the property such as mould or anything else in excess of what is reasonable (remembering you can't tell a tenant how to live in the property unless it is causing damage).
6. Follow up any issues found or reported, in writing to both parties, explaining what was found, what needs to be done by whom with reasonable timescales; then if possible follow it up to see that advice and action has been taken. Written evidence and keeping communication flowing is a very valuable tool at the end of the tenancy for any negotiation and potential disputes.

DO NOT leave problems to the end of the tenancy; deal with them and any associated costs at the time to avoid escalation.

7. If the landlord and tenant fall out, early intervention on any issue can be fundamental to keep the channels of communication open and adverse feelings to a minimum.

At the end of the tenancy (for negotiation and/or adjudication):

8. Use the Inventory and Schedule of Condition for comparison when carrying out the final inspection and be as descriptive as possible when recording the final detail. Photographs of any damage/cleaning etc can add weight to your negotiations;
9. Make it clear that adjudication is to compensate for damage caused in excess of fair wear and tear, and not to put the landlord in a better position than they would otherwise have been. The purpose of dispute resolution is not to provide new for old.
10. If the landlord is being reasonable in their deduction proposal and the tenant is refusing to negotiate, advise both parties to consider what evidence is required and relevant to resolve the dispute.

Key points:

Attention to detail in the evidence:

a. Cleaning is the most common issue in dispute and the reason for much negotiation at the end of the tenancy. If the Inventory and Schedule of Condition clearly describes the level of cleanliness in each area, then an accurate comparison from start to end can prevent a tenant denying liability for a specific area or a landlord claiming for areas that do not need further cleaning.

TIP: most cleaning claims end up with a split decision for this very reason.

b. Emails/correspondence can tell a story and weigh in favour of the landlord or tenant.

c. Make sure that all contractors reports breakdown each job and the costs.

d. Make sure all photographs are embedded into reports or are digitally date stamped on the front.

Advise all landlords to hold on to all receipts/invoices for items purchased for the property, no matter how small, and explain the potential downside of not being able to provide these if a formal dispute is raised by the tenant.





A good relationship is required between tenant and owner. This will be jeopardised if rent controls come in.

Helen, Glasgow

I am of the opinion that the current system works well for both tenants and landlords.

George, Killearn

I do not think a rent control would be the answer to what would be a housing shortage if rents were too high. If there is competition in the market then a better deal could be found.

Robert, Glasgow

It would be great if the government would help landlords with bad tenants instead of putting barriers in front of us.

Saleem, Glasgow

If this measure is implemented it is my belief that many landlords will disinvest and this would lead to greater housing issues.

Marlene, Findochty

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