

A photograph of a city street featuring a row of red brick townhouses on the left. The townhouses have white columns and steps leading to their entrances. A black metal railing runs along the steps. To the right, there are lush green trees and a street sign that reads "ARTISTEN PL". A blue car is parked on the street. The sky is clear and blue.

Where is the property market heading?

Kate Faulkner OBE

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To carry out a property project successfully, you need to ask the right questions and know who to ask to get the right answers.

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What has been happening in the market?

- Average house prices in Scotland have risen by more than a quarter since the start of the pandemic, new figures reveal. Property values have soared by about 27 per cent since March 2020 with both Edinburgh and Glasgow increasing at a much greater rate than much of the rest of the country.

The Herald

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Scottish house prices: Expert analysis on recent double-digit growth

23rd January 2021

• <https://www.thetimes.co.uk/article/house-prices-in-scotland-up-27-since-pandemic-began-c6p2bf828#:~:text=Average%20house%20prices%20in%20Scotland,the%20rest%20of%20the%20country.>

And for rents....



Rents are growing at the fastest rate in the cities of Edinburgh (16.3%), Dundee (14.6%) and Glasgow (13.6%).



Renters looking for new lets in areas neighbouring Edinburgh and Glasgow are also seeing double-digit increases compared to August 2022.



<https://www.zoopla.co.uk/discover/property-news/rents-for-new-lets-rise-10-3-per-cent-over-the-last-year/>

So what are you all doing here?



<https://www.lamborghini.com/en-en>



<https://flywith.virginatlantic.com/nl/en/stories/it-s-better-in-the-bahamas.html>

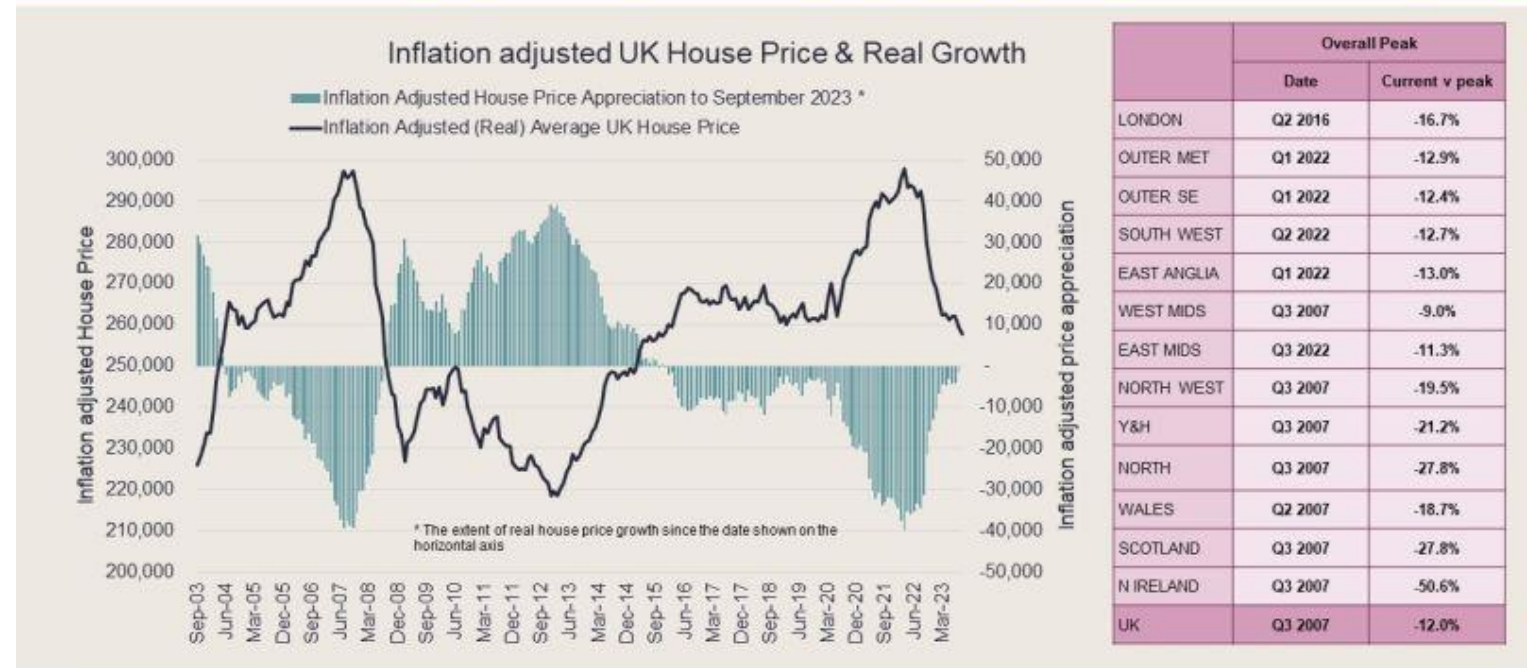
Even with price growth for some, prices are only just keeping up with inflation

Things aren't that simple....

Property Prices - Regions & Cities	Average price in 2005	Latest month's data Aug 23/ Q2 23	Year on year change in price in Aug 23/ Q2 23	Annual average increase since 2005	Annual average increase since 2005 - as at Feb 20 pre-pandemic
Scotland	£93,982	£194,000	1.1%	4.1%	3.2%
England	£158,572	£310,000	0.0%	3.8%	3.0%
Wales	£123,815	£217,000	-0.1%	3.2%	2.0%
Northern Ireland (Q2)	£111,920	£173,898	2.7%	2.5%	1.5%
Glasgow	£96,182	£179,000	0.9%	3.5%	2.3%
Edinburgh	£162,810	£336,000	0.9%	4.1%	3.6%
Aberdeen	£86,233	£141,000	-4.6%	2.8%	3.4%

Property prices – typically – aren't keeping up with inflation

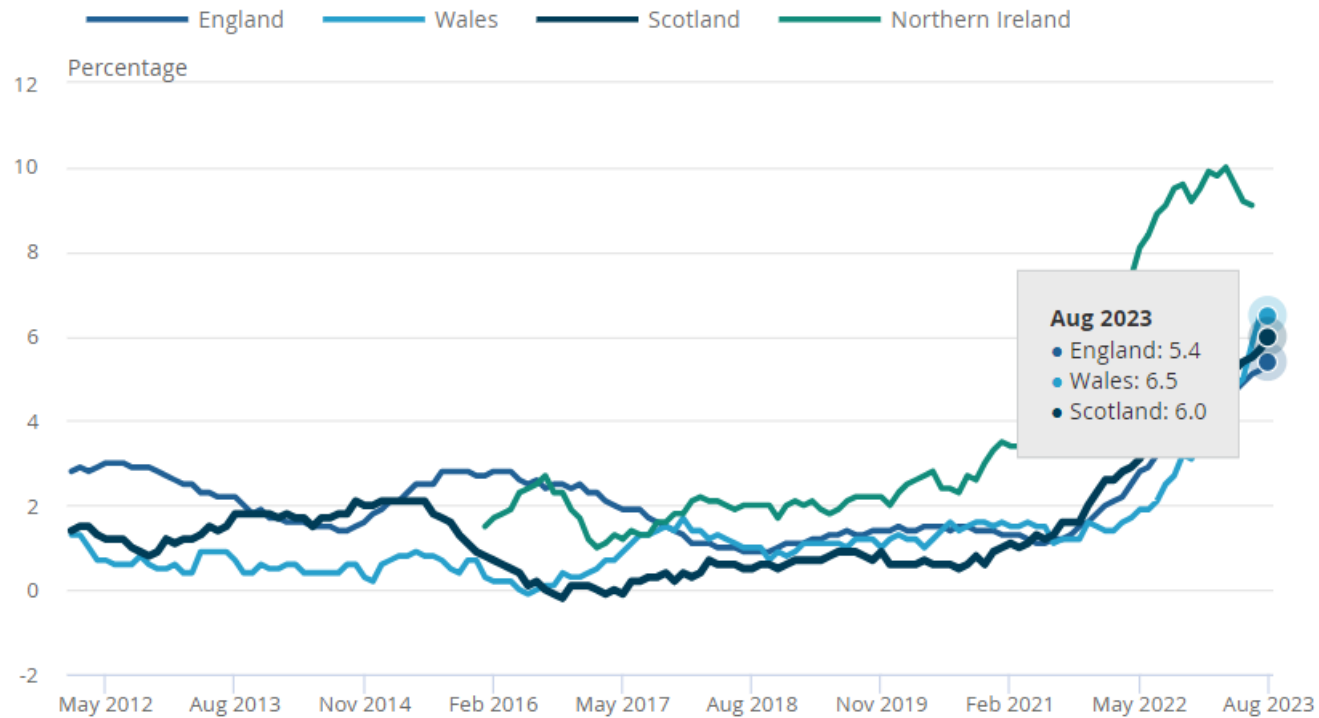
An absence of sustained real house price growth over 15-20 years



Source: Savills Using Nationwide

- <https://propertychecklists.co.uk/articles/property-market-slowng-it-all-bad-news#Ci>

Private rental price percentage change over 12 months for countries of the UK, January 2012 to August 2023



- <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/august2023>

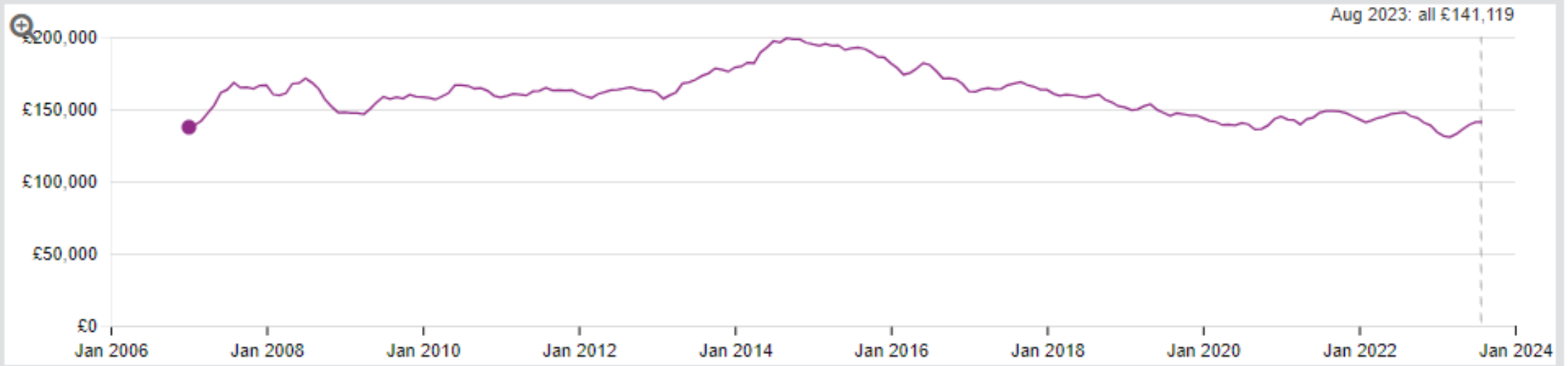
Rents are rising – but typically below inflation

Average price by type of property in **City of Aberdeen**



- All property types
- Detached houses
- Semi-detached houses
- Terraced houses
- Flats and maisonettes

[See data graph](#) [See data table](#) [Download this data](#) [Compare with location ...](#)



- <https://landregistry.data.gov.uk/app/ukhpi>

Aberdeen – not looking great

Beds ▲	Average Rent ▲	Rent Change 1yr ▲	Rent Change 5yrs ▲	Rent Change 10yrs ▲
1 bed	£527	10.7%	11.4%	-16.2%
2 bed	£757	9.7%	10.8%	-18.1%
3 bed	£1,108	11.8%	6.5%	-16.2%
4 bed	£1,610	0.7%	12.0%	-19.9%
All	£832	7.8%	11.7%	-17.0%

- <https://www.citylets.co.uk/research/reports/property-rental-report-aberdeen-2023-q3/>

Rents even worse...depending on investment timings



Big questions for landlords:

Is buy to let delivering for you?

Is it delivering better than other financial investments?

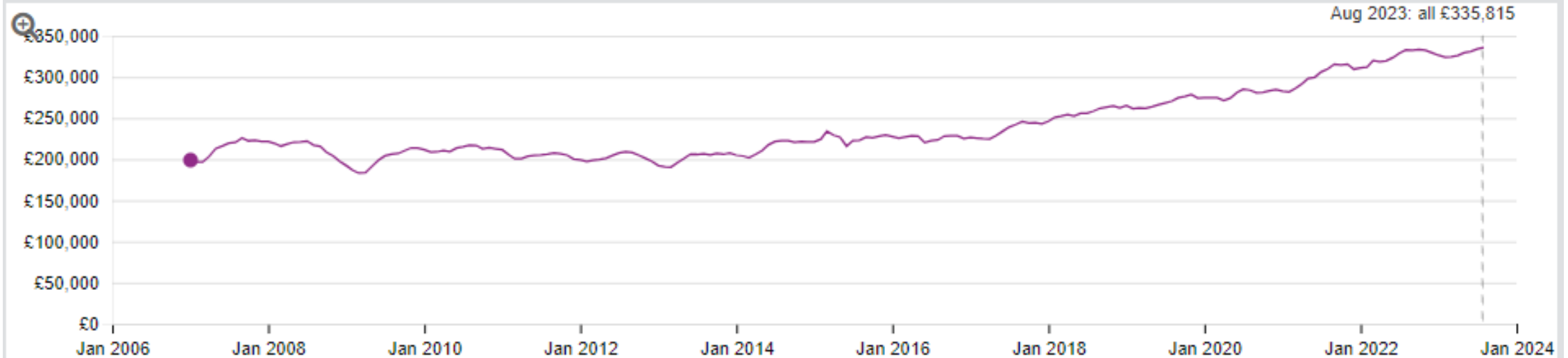
A black and white photograph of a stack of newspapers. A pen is resting on top of the stack. The text "Would you like some good news?" is overlaid in white. Some newspaper text is visible at the bottom, including "KSR", "guest", "Shocker, all roads led to the", "the venue", "Palace Grounds", "any", "a critical situation", and "positive step".

Would you like some good news?

Average price by type of property in City of Edinburgh

All property types Detached houses Semi-detached houses Terraced houses Flats and maisonettes

[See data graph](#) [See data table](#) [Download this data](#) [Compare with location ...](#)



- <https://landregistry.data.gov.uk/app/ukhpi>

Edinburgh is looking a lot better!

Beds ▲	Average Rent ▲	Rent Change 1yr ▲	Rent Change 5yrs ▲	Rent Change 10yrs ▲
1 bed	£999	15.1%	31.8%	76.5%
2 bed	£1,362	17.4%	38.1%	83.6%
3 bed	£1,917	12.7%	35.3%	80.5%
4 bed	£2,729	15.5%	37.1%	82.3%
All	£1,477	15.1%	35.9%	80.6%

<https://www.citylets.co.uk/research/reports/property-rental-report-edinburgh-2023-q2/>

Edinburgh is looking a lot better!

An aerial photograph of a dense urban skyline, likely Chicago, featuring numerous skyscrapers and a large body of water (Lake Michigan) in the background under a cloudy sky. The text "Property delivers a return on an individual basis" is overlaid in white, centered in the image.

Property delivers a return
on an individual basis

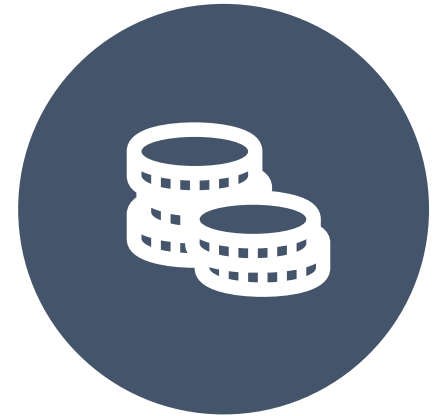
What will happen next: PPE



PROPERTY



POLITICS



ECONOMICS

TDM	729.89	915.51	185.62	▲25.43%
HUM	749.73	924.29	174.56	▲23.28%
DMW	833.72	1004.01	170.29	▲20.43%
YZJ	903.49	1127.46	223.97	▲24.79%
GLY	982.07	1219.39	237.32	▲24.17%
VDA	113.74	143.41	29.67	▲26.09%
UVV	468.08	535.41	67.33	▲14.38%
HJS	545.49	659.05	113.56	▲20.82%
EGC	566.96	664.69	97.73	▲17.24%
FLR	660.27	745.28	85.01	▲12.88%
UVD	155.59	181.57	25.98	▲16.70%
QUV	440.55	540.21	99.66	▲22.62%
HZT	285.51	344.98	59.47	▲20.83%
PCW	811.44	1029.66	218.22	▲26.89%
AIK	361.77	451.39	89.62	▲24.77%
ZJJ	858.36	994.57	136.21	▲15.87%
RHJ	894.79	1046.68	151.89	▲16.97%
VDV	425.08	509.95	84.87	▲19.97%

PPJ	912.63	1038.36	125.73	▲13.78%
UAQ	1309.55	1655.62	346.07	▲26.43%
DAQ	1295.17	1641.66	346.49	▲26.75%
PNR	654.33	775.84	121.51	▲18.57%
ZIM	181.99	220.52	38.53	▲21.20%
ZBK	391.59	491.48	99.89	▲25.51%
BNY	969.21	1130.65	161.44	▲16.66%
SDM	735.44	913.39	177.95	▲24.20%
TQQ	1323.91	1646.42	322.51	▲24.36%
OIS	543.42	667.24	123.82	▲22.79%
ZLB	1465.17	1822.58	357.41	▲24.39%

Economic forecasts



Chart

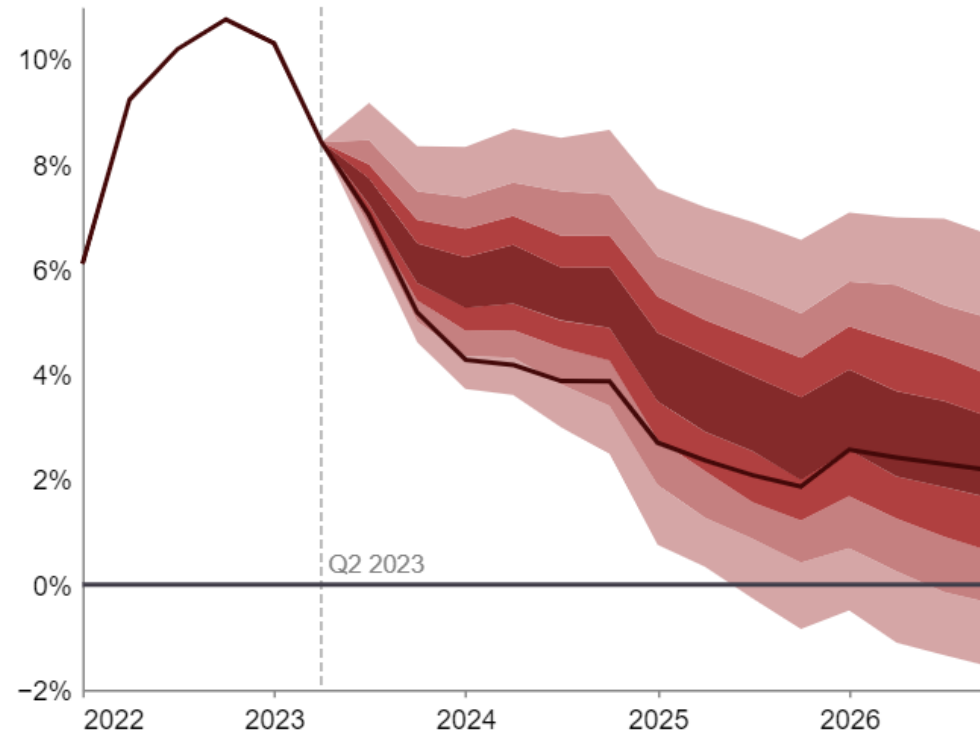


- <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms>

Economics: Incredibly low unemployment

Economics: Inflation key indicator

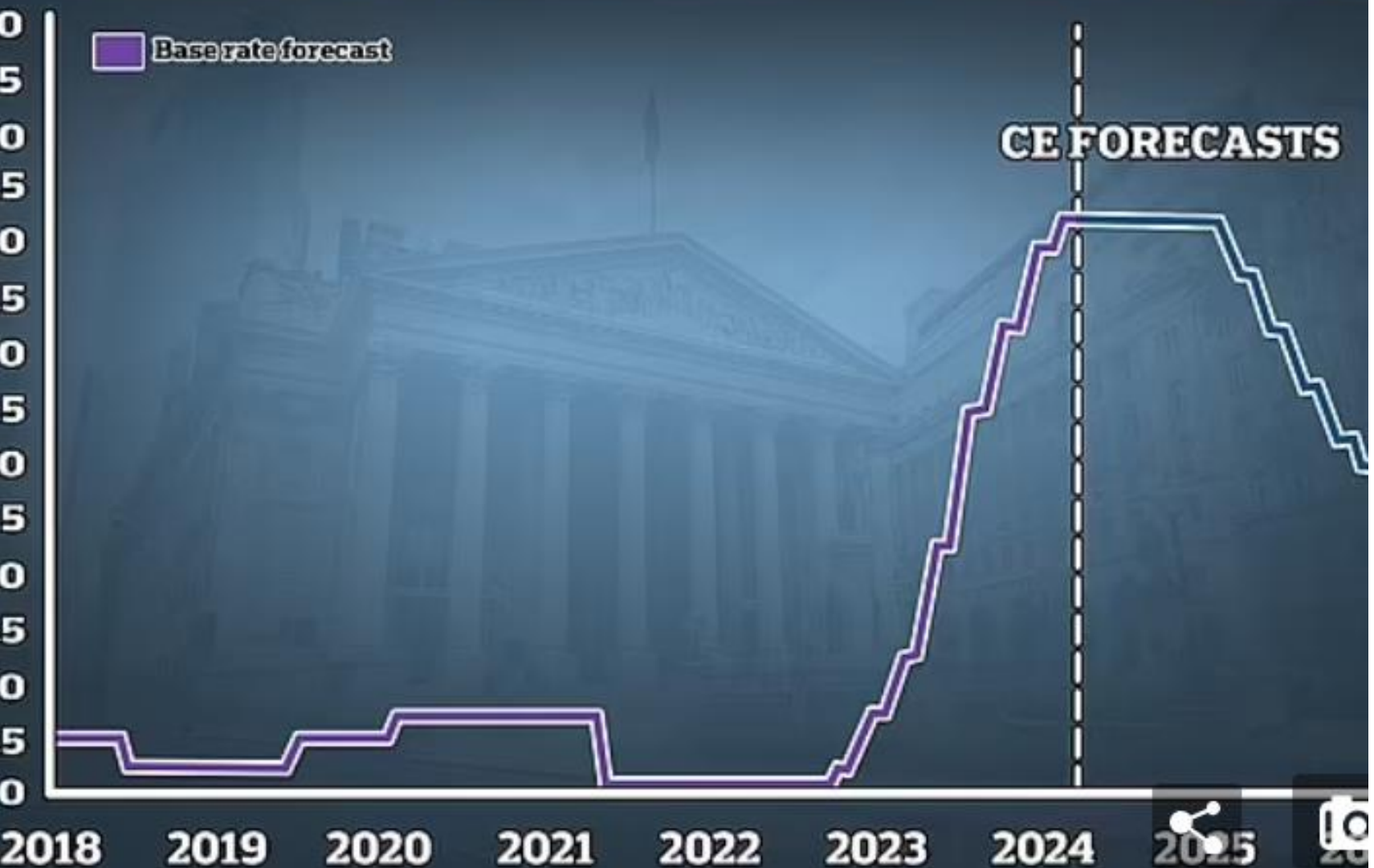
Figure 3: The UK's medium-term inflation forecast



Source: NIESR (NiGEM database, NIESR forecast and NiGEM stochastic forecasts)

The Summer 2023 NIESR [forecast](#) is for CPI inflation to fall to 5.2% by the end of 2023 and be in the range of 2-4% by the first quarter of 2025

BANK OF ENGLAND BASE RATE FORECAST GRAPH



Economics:
Base Rate forecasts

- <https://www.thisismoney.co.uk/money/mortgageshome/article-11885727/When-rates-start-fall-Base-rate-forecasts.html>

alls: Capital Economics is forecasting the the bank rate will be cut to 3% by 20:

A close-up, low-angle shot of a person's legs and feet as they hike on a rocky trail. The person is wearing dark brown hiking shoes with red accents and light blue socks. The ground is covered in dry, golden-brown grass and scattered grey rocks. The background shows a blurred, hilly landscape under a bright sky. The text "Impact of mortgage rate hikes" is overlaid in white, sans-serif font across the center of the image.

Impact of mortgage rate hikes

Savills: Impact on owners

Over the next 18 months we estimate 1.9m fixed rate deals will end.

Case study of a two year fix at 1.29% moving to 5.44%

Potential additional cost of £4,433 per year

Takes the cost of their mortgage from 15% of income to 21%

That's because

- Strict stress tests they went through when they first took on a mortgage prevented them from maxing out on debt.
- Over the past two years, average earnings have risen by 13%
- They will have paid down their mortgage due to repayment
- Should have a better LTV due to being on a repayment mortgage / price rises

Savills: Impact on owners

1. Coming off a 2 year fix; painful but not fatal

Average First Time Buyer who bought in 2021 & fixed for 2-years and remortgages on same basis (including term length)

	Original June 2021	Re-mortgage June 2023	Difference
Property value (£)	255,857	274,721	18,864
Mortgage (£)	189,999	179,109	-10,890
Household income (£)	54,789	61,666	6,877
Mortgage Rate	1.29%	5.44%	4.15%
Mortgage Term (years)	27.1	27.1	N/A
Interest Repayment (£/pa)	2,451	9,744	7,293
Capital Repayment (£/pa)	5,907	3,047	-2,859
Mortgage Payment (£/pa)	8,358	12,791	4,433
As a % of income	15.30%	20.70%	5.50%

The background is a dark blue field filled with abstract patterns. It features numerous small blue and yellow dots scattered across the space. Overlaid on these dots are thin, wavy lines in blue and yellow. Additionally, there are several overlapping, semi-transparent rectangular outlines in blue and yellow, some of which are slightly tilted. The overall effect is a complex, layered, and somewhat chaotic visual texture.

Property

Fundamentals of property have changed

Buyers and sellers

Over 50% homeowners own outright

Large proportion owners have fixed mortgages

- Many pandemic buyers won't remortgaging until 2024/5

1:2 buyers buy

- With cash
- LTVs <50%

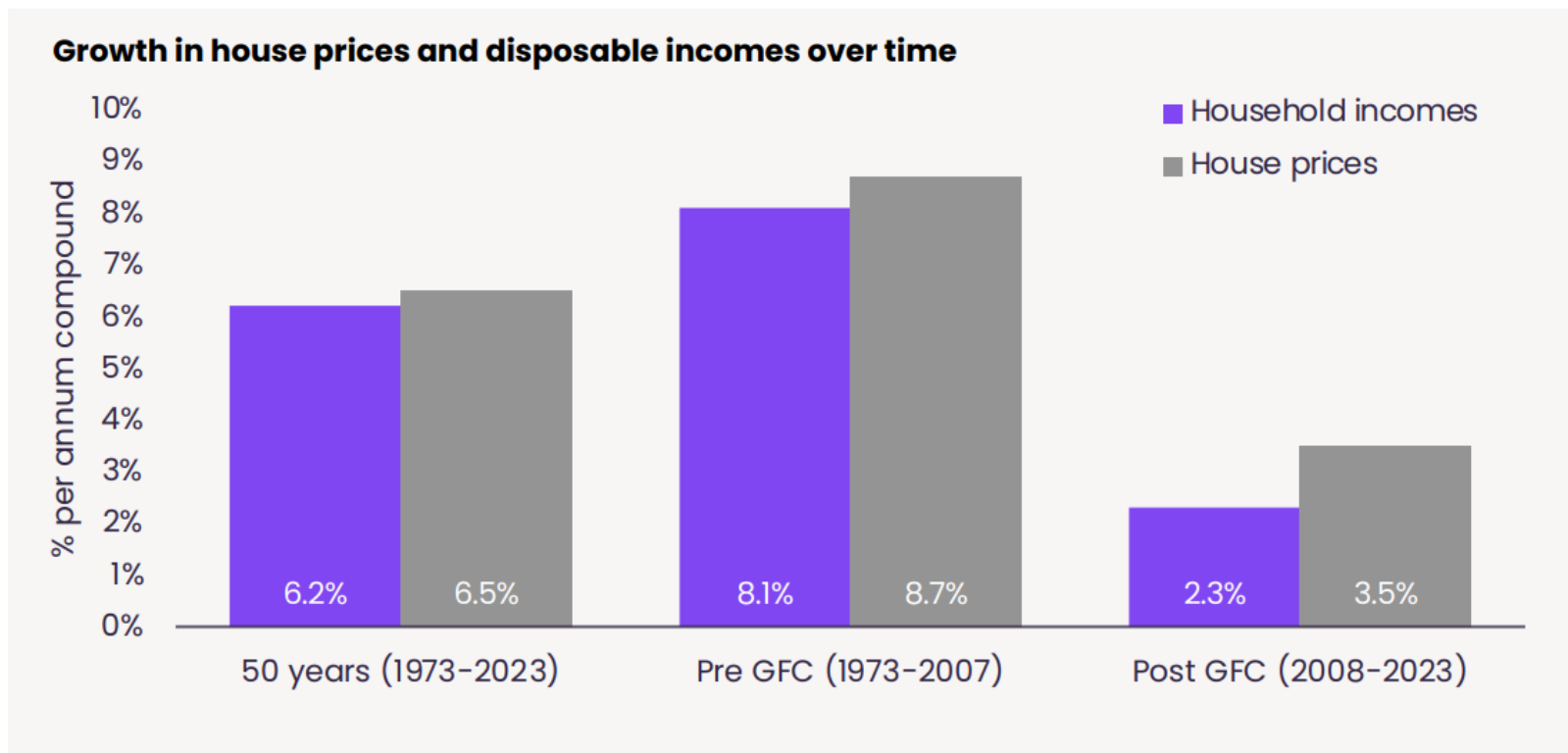
Levels of equity are better than previous recessions

- 2014 buyers have owned via repayment mortgages

Wage growth over the last 5 years

- 13% on average

FTBs are used to being assessed at 6-7% rates on repayment mortgages

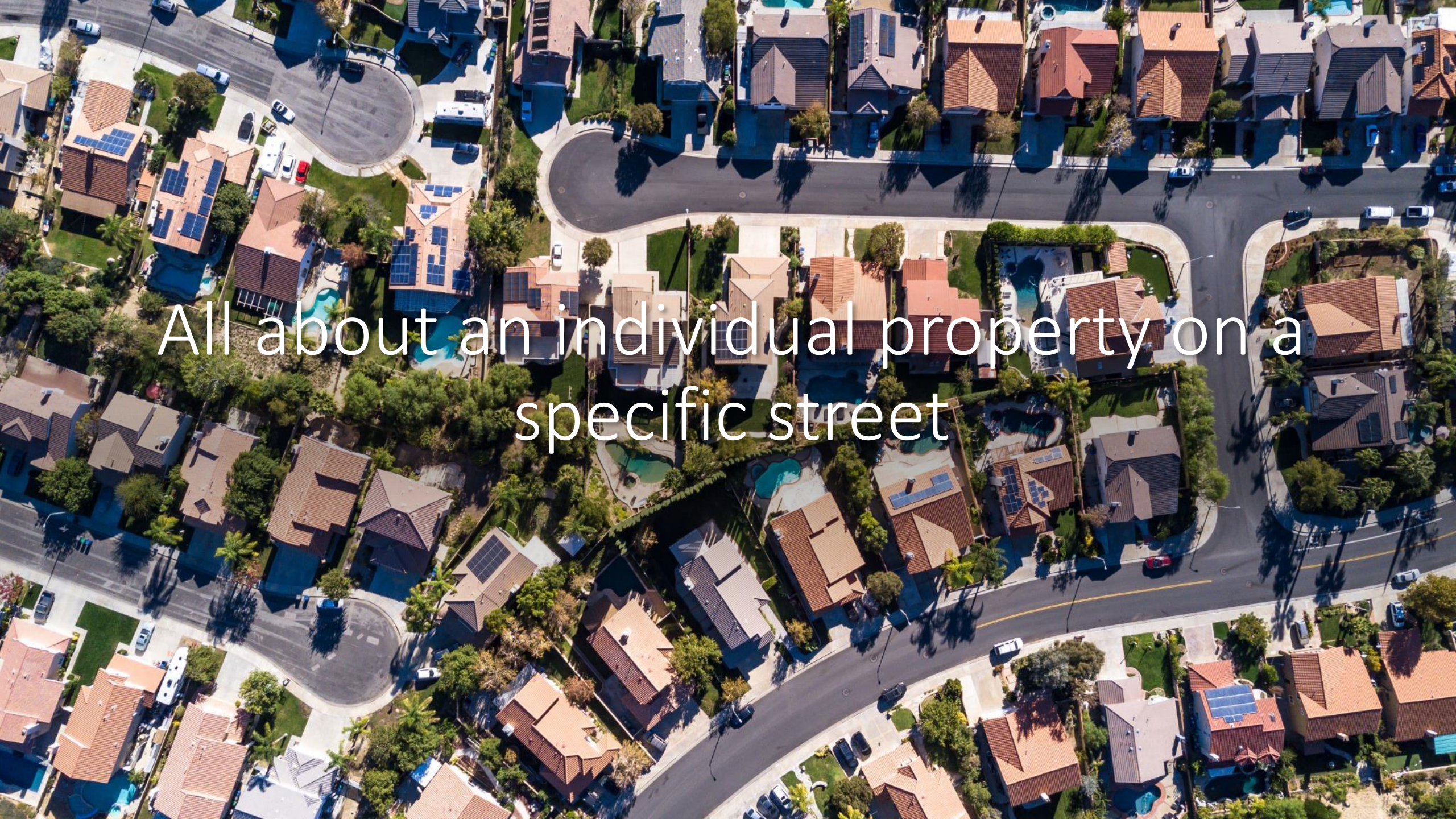


Source: Zoopla research & ONS

ZOOPLA

- Mortgage delivers higher returns, but it makes investing more risky
- Cash isn't likely to deliver the returns in the future due to lower capital growth

Investors dilemma: Mortgage or cash investment?



All about an individual property on a
specific street

Property price and rental forecasts

- Property values in Scotland are expected to plunge by 15.7pc from their peak last year until 2025 – Oxford Economics
 - <https://www.telegraph.co.uk/money/property/buying-selling/scotland-suffer-worst-house-price-slump-all-uk-nations>

Property Price Forecasts	Savills 2023	Knight Frank 2023	Hamptons 2023	JLL 2023	UK HPI actuals	Savills 2024	Knight Frank 2024	Hamptons 2024	JLL 2024
<i>Date of publication/source</i>	(Nov 22)	(Jun22/Mar 23)	(Sep 23)	(Oct 22)	(Aug 23)	(Nov 22)	(Jun 22/Mar 23)	(Sep 23)	(Oct 22)
Scotland	-9.0%	0.0%	-0.5%	-5.0%	1.1%	2.0%	2.0%	-1.5%	1.0%

UK City Centres rental forecast

Rental growth (% pa)	2023	2024	2025	2026	2027	Cumulative Average pa 2023-27	
Edinburgh	1.0	5.0	3.5	2.5	3.5	16.4	3.1
Glasgow	1.0	5.0	3.5	2.5	2.5	15.3	2.9

https://res.cloudinary.com/global-cms-assets-np/image/upload/v1667401050/resi/gb/Articles/PDFs/JLL_UK_Residential_Forecasts_Q4_2022.pdf

The background is a complex, abstract composition of various colors and patterns. It features large, organic shapes in shades of blue, orange, and green. These shapes are filled with different textures: some have a fine dot pattern, others have wavy lines, and some have a grid of small crosses. The overall aesthetic is modern and graphic.

Politics

Political parties - what will happen next?

Conservatives

- Rent Reform Bill
 - Already holding back on dropping S21 until the courts are reformed
 - Withdrawn need for properties to be EPC rated 'C' for the near future
 - They have dropped individual HMO rooms being assessed for council tax
 - HMO providers for asylum seekers don't have to meet licensing rules and regulations
 - For two years

Labour

- Intend to strengthen tenants rights, but....
- Clive Betts who chairs the cross party select committee, was supportive of landlords, for the first time!
- May end S21, but they may not be as 'harsh' as previously expected

SNP and housing policy

Deliver 110,000
affordable homes by
2032

70 per cent of
which will be for
social rent
and £538m of
that will be
available for
Glasgow

£60m available to
councils and
social landlords
to buy empty and
private sector
houses.

The Scottish
government will
issue its first
bond on capital
markets by 2026

- Raise money for
affordable housing
and other
infrastructure
projects

Paying young
people to move
to the Highlands

- Population is
declining and key
workers struggle to
access
accommodation.



SNP: new deal or disaster for tenants?

“Aims to ensure all tenants, whether living in private or social rented homes, can access secure, stable, tenancies, with affordable choices - whilst also benefiting from good quality of homes and professional levels of service and rights.”

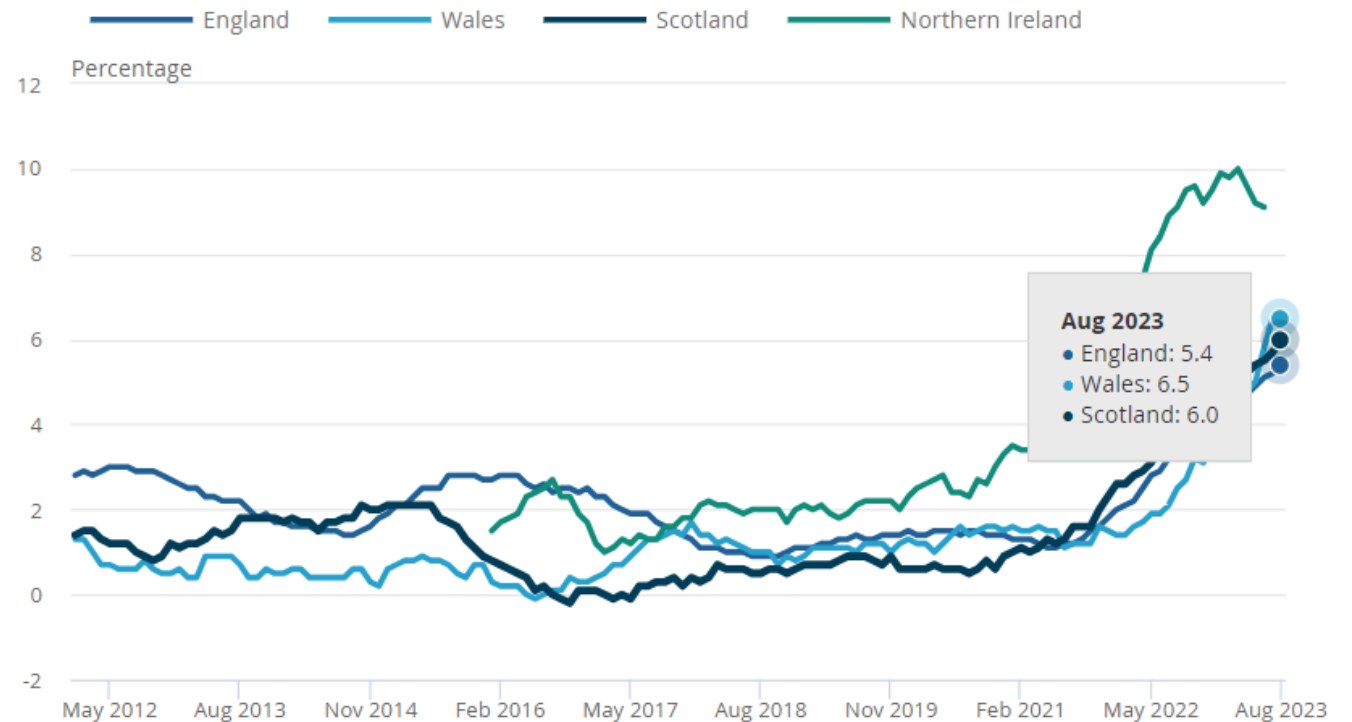
But:-

Implementing a national system of rent controls for the private rented sector, whilst exploring what further action we can take to ensure rents in the social rented sector are affordable by the end of 2025

Before government interference:

Rents rose 2-3%

Private rental price percentage change over 12 months for countries of the UK, January 2012 to August 2023



What's the outlook for agents, landlords and investors?



- For landlords and investors:-
 - Depends on an individual property on an individual street
 - How well you run your property portfolio or investment as a long-term business
- For agents:-
 - Depends on how well you research and manage the portfolio you have
 - Services you provide to support your agents
- Reality is:-
 - It will be more difficult to fund and find property investment in the future
 - For those that can 'weather the political storm', it will be worthwhile
- But you really need to know what you are doing
 - If you are new to investing, work with those that do know what they are doing!

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