

What effect will the Independence Referendum have on Edinburgh's property market?



Glenham Property have attempted to answer this question for Edinburgh Reporter readers.

We're fast approaching the referendum have you noticed any difference in the property market (rental or investment) which you think can be attributed to this?

The demand in the rental market continues to grow due to the increasing numbers of people looking to the Private Rented Sector to meet their housing needs. However supply has been hit by a lack of investment for a period of time. Since the recession and the lack of Buy to Let mortgage products right up to the current day the supply of quality rental stock is not keeping up with demand.

The Private Rented Sector (PRS) has enjoyed a sustained and consistent growth in recent years. A structural change from owner occupation towards renting began a decade ago, long predating the economic downturn. The sector is home to an increasingly wide range of people—from young professionals to housing benefit claimants—and a growing number of families with children.

With the shortfall of new homes being built and by the lack of serious investors, compounded by the 'accidental' landlords selling their properties now that the sales market is more buoyant this has resulted in a lack of stock.

Clearly the coming referendum is having an impact on inward investment and this is a serious concern. Hopefully we will have some clarity come September and hopefully those investors currently waiting to see the outcome will come back into the market

However Edinburgh continues to be an excellent market to invest in residential property. We are still achieving yields of between 6% and 8% for new purchases and with capital appreciation once again growing a typical investor can achieve a leveraged investment of over 12% return per annum which favourably compares with any other investment.

24 March 2016 has been noted as the date that the Government would become independent, do you think up until this time the market will stagnate, improve, or no change?

Should Scotland vote for Independence come September then clearly there will be a long period of uncertainty leading up to March 2016 and probably beyond. Should a Yes vote win it will be absolutely fundamental to the Scottish economy that the Scottish Government provide instant clarity on areas such as currency etc. Without this the economy could quickly slip into recession and the rental market will no doubt be affected.

However the Private Rented Sector is fundamental for providing a significant amount of the housing needs in Scotland and due to the lack of supply I feel there is a level of resilience.

If there is a majority 'yes' vote what do you think the key implications for property owners in Scotland will be?

This is very difficult to predict as we do not have clarity over even the basics like the currency and exchange rate system Scotland would use. However should there be any level of uncertainty in the markets and the economy is hit then the first area to feel the cold will be property values. This could have a detrimental effect on current property

investments and further damage future investment.

Again if there is any level of uncertainty which effects areas like mortgages this could have dire consequences for all areas of the property industry.

Will there be a different impact for landlords and investors?

The majority of landlords are also investors however we have seen the phenomenon of the 'accidental' landlord over the last number of years with the recession and the crash of the housing market. Whilst a number of these 'accidental' landlords have taken the opportunity to sell now that the market has picked up the investor landlord is looking for long term returns from residential housing stock.

The truth is that we just don't know the full impact on the markets should Independence take place but what we do know is any level of uncertainty will have a dramatic impact on whether new investment takes place and also current investors deciding to cash in and leave. Therefore it is absolutely critical that there is clarity regarding the critical issues for investment as soon as possible.

Do you think this could lead to an increase in demand for rental property if there are questions over value of properties and mortgage availability?

If the sales market takes a fall or if there is further tightening of the mortgage criteria or products on the market this will clearly have an effect on the PRS. With the average age of the first time buyer now over 34 years old the pressure on the PRS is immense. Whilst this can be good for the investor with rising rents it is important to maintain an equilibrium between supply and demand to ensure all areas of the market are catered for and the PRS performs efficiently.

If this was the case then could this be a positive for

landlords and encourage them to invest more?

Without a doubt if there is a demand then there will be investors looking to supply. However this will only be the case if they feel that the medium/long term future is safe and secure.

What would be your five top tips for anyone considering investing in the Scotland property market, and in particular Edinburgh?

Obtain expert advice and understand your market

Only invest in the medium/long term

Always ensure the yield is sufficient to service the debt, provide a surplus and pay for any extraordinary costs throughout the year

Carry out due diligence and full investment analysis.

Don't over estimate your likely returns or hedge your bets on capital growth to make your investment stack up

Edinburgh has always been a very resilient and buoyant rental market and the Private Rented Sector in Scotland has grown by over 6% per annum since 2001. Whatever happens Edinburgh should continue to be a great City to study, live and work.

There are over 47,000 students and Edinburgh's working population has increased over 13% since 2000. Put all these factors in the mix and Edinburgh property should continue to perform strongly.

[Glenham Property](#) are specialists in property management and investment in Edinburgh.

Our bespoke and specialist services include property search and property investment in Edinburgh whilst the letting agency side of the business helps landlords quickly find tenants and

ensure that their property is well looked after throughout the lease period.

Find out how Glenham Property can help you with your property management needs today by calling 0131 557 5101 or [email](#).