



Single-Family Housing: Why Scotland? Why Now?

The Scottish residential rental market is at a pivotal moment. The sudden rent freeze in 2022, aimed at easing the cost-of-living crisis, shook investor confidence, pushing Build to Rent (“BtR”) starts to their lowest level since 2015. In 2024, a national housing emergency was declared, with the root cause being a critical lack of supply. Despite these challenges, residential market fundamentals remain strong and, as a new Housing (Scotland) Bill progresses through Parliament, a fresh window of opportunity is opening for BtR investment, with Single-Family Housing (“SFH”) at its core.

The Opportunity

Scottish housing policy is navigating a critical phase. As regulatory certainty improves and structural supply-demand imbalances remain unresolved, SFH is poised to become a central solution. Investors who can mobilise quickly stand to capitalise on first-mover advantages in a stabilising market.

This is a marketing communication.

Scotland’s Evolving Rental Policy¹





Regulation

What has happened?

- ▶ In September 2022, the Scottish Government introduced **The Cost of Living (Tenant Protection) (Scotland) Act 2022**. This emergency legislation brought in rent control measures aimed at stabilising the rental market during a period of economic uncertainty.
- ▶ Initially, the Act imposed a rent freeze that was later replaced with a 3% cap (April 2024) on annual rent increases, with an allowance of up to 6% in certain exceptional circumstances.
- ▶ The Scottish Government lifted rent controls in April 2025. Whilst tenants retain a right to challenge rent increases, any referral to a rent officer or tribunal could result in the new rent being set at the current market level, which could potentially be higher than the landlord's initially proposed rent.

What happens next?

- ▶ The Housing (Scotland) Bill is expected to take effect from 2026 and will likely incorporate some form of rent control.
- ▶ The bill will introduce powers for local authorities to designate Rent Control Areas, where annual rent increases will be capped at CPI +1%, up to a maximum of 6%.
- ▶ The legislation also provides targeted exemptions for Build-to-Rent (BtR) schemes, recognising the huge role this segment must play in addressing the long-term structural demand / supply imbalance.

Market Failure

A combination of linked events has accelerated the housing crisis in Scotland leading to market failure.

Insatiable demand

Mirroring a trend seen across the UK, the increasing cost of home ownership has fuelled rising demand for private rented sector ("PRS") housing. Since the start of the century, in Scotland, the percentage of all households in the PRS has risen from 5% to 14%.² This burgeoning demand is set to continue.

Collapsing supply

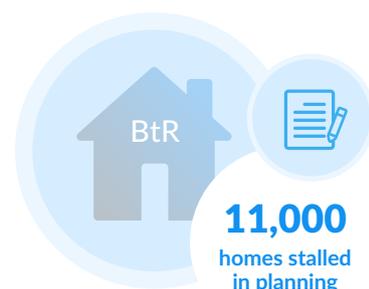
The conflict between government housing supply targets and the effects of rental regulation has triggered a supply-side strike in the Scottish BtR sector, resulting in market failure.

Declining stock

The resultant 12-month rolling count of rental listings in Scotland continues to track downward, highlighting this demand/supply imbalance.

BtR pipeline down 50%

BtR completions in Scotland continue to outpace new starts following the introduction of rent regulation in 2022. Most current deliveries stem from pre-2022 schemes, while new development has slowed significantly. Over 11,000 BtR homes now remain stalled in planning, constraining the future pipeline.³



Change of use

A number of developments have pivoted away from BtR, primarily due to the lower regulatory burden. Since the rent control announcements in 2022, c.2,700 BtR units have exited the pipeline, switching to Purpose Built Student Accommodation ("PBSA") or other uses.⁴

Spike in day one rents

This supply shock has caused unprecedented rental growth in day one rents, with these rising faster in Scotland than anywhere else in the UK as landlords have sought to protect themselves against future rental caps and rising costs.⁵ Over the last five years, average advertised rents across Scotland have increased by 45%.



“ The rented sector is a critical part of Scotland’s overall housing system. ”

Paul McLennan,
Minister for Housing of Scotland

The Opportunity

Current market dynamics present a compelling case for first-mover advantage in Scotland’s nascent Single-Family Housing (“SFH”) sector.

Generation rent

Market fundamentals for SFH in Scotland mirror those seen across the UK, driven by a sustained and pronounced supply-demand imbalance resulting from escalating house prices and growing affordability pressures. This dynamic is increasingly shifting younger households from home ownership toward long-term renting.

Softening government policy

The Scottish Government has shown a willingness to engage with BtR developers as a solution to the major problems they are facing, with the Housing Minister stating in October 2024 that “The rented sector is a critical part of Scotland’s overall housing system.”

Stable platform for future returns

As Scotland moves toward a more stable regulatory framework, with Build-to-Rent expected to benefit from targeted exemptions from rent controls, the proposed framework offers greater visibility on rental growth and the potential for attractive long-term investment returns.

Deeply discounted market

The dearth of investors into Scottish BtR means a lack of competition and an ability to acquire at scale from housebuilders at deeper discounts than elsewhere around the UK. This will help drive future life-cycle investment returns. Combined with the targeted exemption for Build-to-Rent from rent controls, the evolving regulatory framework also provides greater visibility on rental growth, creating potential for long-term outperformance relative to other UK markets.

First mover advantage

Having shuddered to a halt in September 2022, it will take time for the Scottish BtR sector to get moving again but those who are able to act quickest will reap the rewards.

How to access the market

Fiera Real Estate Single-Family Housing Strategy (“FRESH”)

Scottish exposure is delivered through FRESH, Fiera Real Estate’s UK Single-Family Housing strategy, which invests across structurally undersupplied regional markets supported by strong rental demand fundamentals.

Fiera Real Estate and Packaged Living work in partnership to scale institutional SFH delivery across the UK, including in Scotland, through disciplined forward funding and forward commitment transactions with leading volume housebuilders.

Within this broader UK mandate, Scotland represents a highly compelling deployment opportunity. Current market dislocation, constrained supply and improving regulatory clarity create attractive entry pricing relative to other UK regions. Capital will be allocated dynamically based on relative value and risk-adjusted return potential, with Scotland expected to form a meaningful component of deployment where opportunities meet underwriting criteria.

A Summary of Key Terms



Focus on **forward funding and forward commitment transactions** with volume housebuilders for long-term rental ownership, to take advantage of income and capital growth derived from favourable market dynamics;



Open-ended vehicle with a three-year lock in to enable completion of development projects;



Impact focused agenda with overarching goals and objectives to increase the delivery of high quality, low carbon homes to underserved communities;



Target returns of **10-12% per annum** post costs and fees.⁶

Target returns are not guaranteed. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

Endnotes

- 1 Scottish Government Policy – May 2025
- 2 Scottish Government Policy – May 2025
- 3 Scottish Property Federation, 2025: <https://scottishpropertyfederation.org.uk/our-work/scottish-build-to-rent-construction-contraction-zero-planning-growth-confirms-the-chilling-effects-of-proposed-rent-controls/>
- 4 Rettie, Build to Rent in Scotland 2024 – November 2024
- 5 Scarlett – June 2024
- 6 Target returns are not guaranteed. Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

uk.fieracapital.com

Contact Details



Mandy Adamou
 Managing Director, Head of LGPS
 & Consultant Relations EMEA & Asia
madamou@fieracapital.com
 07521 755 326



Fred McNeil
 SVP, Institutional Markets
fmcneill@fieracapital.com
 07834 841 728



Charles Allen
 Head of European Real Estate
charles.allen@fierarealestate.com
 07809 607 378



Jonathon Ivory
 Chief Investment Officer,
 Packaged Living
jonathon.ivory@packagedliving.co.uk
 07970 833 904

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