

# The changing characteristics and motivations of Scottish private rented sector landlords and their investments- 30 years of surveys

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March 2025



Economic and Social Research Council



Arts and Humanities Research Council



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## About the Author

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## Acknowledgements

Thanks go to Peter Kemp, David Rhodes, Tony Crook, and Ed Ferrari for their pioneering work in Scottish landlord research, which led to the authors own interest in the topic. Thanks also to Ken Gibb and colleagues at Cache for their ongoing support.

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# 1. EXECUTIVE SUMMARY

Complementing the Scottish Government's long-term analysis of Scottish Private Rented Sector (SPRS) rents, this report summarises the findings of key Scottish private landlord surveys that have emerged sporadically over the last 30 years and identifies how the characteristics and motivations of landlords and their SPRS investments have changed during this time.

Echoing changes in the UK and beyond, the report finds that between the first national survey of landlords in 1992<sup>1</sup> and the latest survey in 2024<sup>2</sup>, the SPRS has become increasingly cottage-like, meaning that it has become dominated by a large number of small-scale, part-time, investor landlords. While there are some questions as to whether the trend has plateaued as a result of sector consolidation and shrinkage, the findings point to a continuing failure to engender a new class of professional landlords through institutional investment, which has been a shibboleth of policymakers from the outset of the sector's re-growth.

In the context of a housing emergency, and with alternative forms of private rented sector provision (i.e., build-to-rent and mid-market-rent) characterised by low levels of supply, the report concludes that policymakers need to focus on better understanding and supporting the small-scale private landlords that currently make up the bulk of the sector in order to prevent further attrition in terms of landlord and property numbers.

To this end, the report recommends that the Scottish Government introduce a periodic national survey of landlords commencing in 2025, which will allow policymakers to more regularly and more accurately track the characteristics and motivations of landlords and their investments. The report also recommends the creation of a landlord panel to help inform the evidence-based policy required to ensure sector stability and improvement.

## 2. INTRODUCTION

Over the last three decades, the Scottish Private Rented Sector (SPRS) has come to play a vital role in Scottish housing provision. Private landlords play a pre-eminent role in shaping the sector by influencing the number, type, location, and quality of homes within the sector. Despite their importance, there have been relatively few national surveys of Scottish private landlords over the last 30 years. Exceptions include publications by Kemp and Rhodes (1997), Crook et al. (2009), Watson (2023), and Evans (2024)<sup>3</sup>. Of these, only Crook et al. (2009), was funded by the Scottish Government. This contrasts with the track record in England where UK Government funded landlord surveys were published in 2001, 2003, 2006, 2010, 2018, 2021 and 2024.

1 See Kemp and Rhodes (1994) and Kemp and Rhodes (1997).

2 See Evans (2024).

3 The research was undertaken by IBP Research and Anna Evans. Although this report draws on the most recent 2024 Wave 3 report, it should be noted that an earlier 'baseline' report is available. See: <https://rentbetter.indigohousegroup.com/findings/>.

4 See Watson and Bailey (2021) for descriptions of the 'eviction ban' and 'rent cap', and evidence of increases in arrears. See: <https://www.gov.scot/>

The lack of regular data is problematic, as whilst the sector generally operates well, there are concerns about the behaviours of some landlords and letting agents, and the sectors suitability for the increasing number of 'vulnerable groups' living within it. These concerns have led to policymakers within the Scottish Government making frequent legislative interventions, largely focused on security of tenure and sector conditions. The UK government has also had an impact, principally through fiscal interventions, such as the removal of tax relief on finance costs.

The absence of a regular Scottish landlord survey, more general concerns regarding the availability and quality of SPRS data, and an overreliance by policy makers on feedback from consultations, which are often completed by a limited number of interested parties, make it difficult to claim that policy interventions are evidence based. They therefore risk being ineffective and prone to unintended consequences. The introduction of a regular national survey would not only provide policymakers with an opportunity to gain insights into how policy interventions impact the sector, but also to ensure that future policy interventions are evidence based and context appropriate.

This report seeks to temporarily fill the void. It does so by analysing and summarising the data from a smattering of Scottish private landlord surveys that have emerged from disparate sources over the last 30 years, and through identifying how the characteristics and motivations of landlords and their SPRS investments have changed in this time.

The report begins by providing a brief overview of the report context. Thereafter, there is a short overview of the report methodology and limitations. This is followed by three sections, which explore the secondary data relating to landlord characteristics, the nature of landlordism, and landlord's investment characteristics respectively. The report ends with conclusions and recommendations.

## 3. THE REPORT CONTEXT

At the time of writing, the Scottish housing system is facing unprecedented challenges spanning availability (supply), affordability, energy efficiency, and more besides. The still recent pandemic, subsequent cost-of-living-crisis, and the current 'housing emergency' have resulted in policy makers scrambling to generate solutions within a system that is not amenable to quick fixes, and which has been subject to years of cumulative legislative change. Many unintended, but not entirely unforeseen consequences have arisen in the SPRS from recent interventions. For example, a rise in rental arrears following the introduction of the 'eviction ban' and an increase in market rents following the introduction of the 'rent cap'<sup>4</sup>.

In the here and now, a range of positive actions are being undertaken to tackle the housing emergency, including the restoration of the affordable housing budget. However, policies focused on the SPRS would appear to discourage private investment and are likely to further contribute to imbalances between supply and demand. Specific examples include the Housing (Scotland) Bills<sup>5</sup> mooted introduction of rent controls, and the recent surprise increase in the Additional Dwelling Supplement from 6% to 8%<sup>6</sup>.

This increasing legislative burden, high costs, low yields, and the availability of lower risk and higher yielding investments elsewhere, have already made the sector less attractive to investment, and there is evidence that landlords are leaving the sector (Scottish Government, 2023b; Watson & Bailey, 2021; Watson et al., 2023)<sup>7</sup>. Therefore, it is more important than ever to reflect on what we know about landlords and to use this knowledge to re-evaluate the current direction of travel with the aim of stabilising investment patterns.

## 4. METHODOLOGY AND LIMITATIONS

This report draws on secondary data from landlord surveys, which have been undertaken by different entities at different junctures over the last 30 years, primarily Kemp and Rhodes (1997), Crook et al. (2009) and Watson (2023)<sup>8</sup>, with supplementary data from Watson and Bailey (2021), Watson (2024), Evans (2024), and others where feasible and relevant. English and UK data has also been analysed to aid comparison.

It should be noted that each survey had different objectives, research designs and sources of funding. Critically, each survey used different samples, different sample sizes, and drew upon disparate sampling techniques. For example, some focus on sampled property locations and others the most recent PRS property acquired by a sampled landlord. Some weight their data geographically according to landlord register details and others using the profile of private renting within the Scottish Household Survey. Each of the sampling methods used can introduce bias, which can impact upon sample representativeness. For example, sample frames that rely on the landlord registration system or deposit protection schemes, automatically exclude landlords who are not registered and who do not protect tenant deposits, respectively. Sample bias can also arise from the likelihood that less engaged landlords are less likely to participate in surveys, particularly surveys based upon self-selection. Furthermore, whilst there is some cross over in the question sets used, the surveys often utilise different question framing.

Due to these and other factors, there are inherent limitations

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publications/private-sector-rent-statistics-scotland-2010-to-2024/ for evidence of rent increases.

5 See: <https://www.parliament.scot/bills-and-laws/bills/s6/housing-scotland-bill-session-6>.

6 The increase was announced in the recent Scottish Government budget. See: <https://revenue.scot/news-publications/news/scottish-budget-2025-2026-changes-land-buildings>.

7 See also Freedom of Information Request 202400394493 (available on request).

8 It should be noted that the survey dates differ from the research publication dates. Kemp and Rhodes undertook fieldwork in 1992/1993 and published results in 1994 and 1997, with the latter being referenced in this report. Crook et al. (2009) surveyed in 2008 and published in 2009. Watson (2023) surveyed in 2020 and published in 2023. Watson and Bailey (2021) surveyed in 2021 and published in 2021. Evans (2024) surveyed in 2023 and published in 2024. Watson (2024) surveyed in 2024 and published in 2024.

to the comparative approach undertaken in this report. Further details regarding the methodologies and limitations of each survey can be found at source.

## 5. THE CHARACTERISTICS AND MOTIVATIONS OF LANDLORDS AND THEIR INVESTMENTS

### 5.1 Landlord Characteristics

#### 5.1.1 Landlord age

In the earliest Scottish study, Kemp and Rhodes (1997, p. 120) found that most private landlords were 'middle-aged, though three tenths were aged 60 or over.' Using slightly different groupings, Crook et al. (2009) noted that 65% of their sample was over 45, with 35% over 55.

Fourteen years later, and the majority (80%) of respondents in Watsons' (2023) study were over the age of 45 and over half were over 55 (58%) (Table 5.1). This closely aligns with the 86% and 64% reported in the English Private Landlords Survey 2024 (MHCLG, 2024). The change may be explained by the time that has elapsed since earlier data collection periods and points to private landlords in Scotland as an ageing group. This supports Ronald and Kadi's (2017, p. 793) 'super cohort' thesis, which posits that those aged between 40 and 60 (in 2017), 'represent a super cohort where landlordism is ostensibly concentrated'.

Most recently, landlords in the Argyll and Bute sample were found to be older still (Table 5.1), which may be partially explained by regional differences in demographics. Specifically, the population of Argyll and Bute has a higher proportion of over 65's (27%) than the Scottish average (20%) (Scottish Government, 2023a).

**Table 5.1. Landlord age**

Source	Sample geography	<25	25 to 34	35 to 44	45 to 54	55 to 64	65 +	Prefer not to say
Watson (2024)	Argyll and Bute	0	2	5	16	35	39	3
Watson (2023)	Scotland	1	6	14	22	37	21	-
MHCLG (2024)	England	-	2	12	22	32	32	-

Source: As per column 1.

### 5.1.2 Ethnicity

In 1997, Kemp Rhodes, reported that 98% of landlords were white. Over a decade later, Crook et al. (2009) reported the figure at 95%. More recent studies<sup>9</sup> (Watson, 2023, 2024) found that SPRS landlords remain overwhelmingly white (94% and 93% respectively) (Table 5.2). Reflecting broader demographic changes, the figures are largely in line with the current ethnic make-up of Scotland, where 93% of the population is white<sup>10</sup>.

**Table 5.2. Landlord ethnicity**

Ethnicity	% of landlords	
	Watson (2024) (Argyll and Bute)	Watson (2023) (Scotland)
White Scottish	67	73
White other British	23	17
White Irish	1	1
Other white	2	3
Mixed ethnic	1	1
Asian or Asian Scottish or other Asian British	1	2
Black or Black Scottish or Black British	0	1
Chinese or Scottish Chinese or British Chinese	0	1
Other ethnic group	0	1
Prefer not to say	5	-

Source: As per table headings.

### 5.1.3 Sex & Relationship Status

Whilst Kemp and Rhodes (1997) did not provide details of the sex of respondents, Crook et al. (2009) reported that 52% of landlords were male and 48% female. Over a decade later, Watson (2023) reported a greater proportion of female landlords (55%) than male (44%), with the remainder

<sup>9</sup> Evans (2024) is most recent publication but does not include age details.

<sup>10</sup> See Scotland's Census 2022 - National Records of Scotland Table UV201 - Ethnic group

preferring not to say. This could suggest a growing role for women in the sector. Of course, the data could be influenced by other arbitrary factors, such as the sex of the individual who completed the survey in the case of 'couple' or 'family' landlords. Novelty however, Watson (2023) also reported on the relationship status of landlords, and found that in the 'single' category, the majority of landlords were female (62%). Women were also more likely to be landlords within the divorced category (58% versus 42% of men).

The data from Argyll and Bute tempers the observations relating to the sex of landlords. In fact, the findings are more in line with Crook et al. (2009), with 52% of landlords recording that they were male, 43% female, and 5% preferring not to say (Watson, 2024). However, the study had a relatively small sample size and narrow geographical focus, suggesting a need for further research in this area. With regards to relationship status, both Watson (2024) and Watson (2023) report that the majority of landlords are married (Table 5.3).

**Table 5.3. Landlord relationship status**

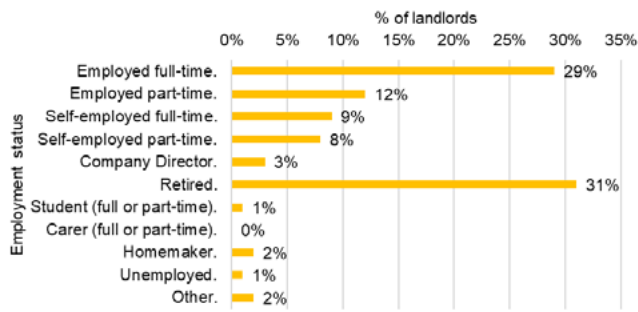
Relationship status	% of landlords	
	Watson (2024) (Argyll and Bute)	Watson (2023) (Scotland)
Single	10	12
Married	66	65
Civil partnership	2	1
Divorced	5	6
Widowed	6	3
Co-habiting	5	12
Other	5	1

Source: As per table headings.

### 5.1.4 Employment Status

Kemp and Rhodes (1997, p. 121) discovered that 'seven out of ten addresses owned by private individuals had landlords who were in full-time employment, while two-thirds of the remainder were retired.' Crook et al. (2009) are silent on landlord employment status but note that around 92% are part-time landlords i.e., landlordism is not their full-time occupation. This is the same percentage as found in Watson (2024) over a decade later. Watson (2023) provides a wider range of insights, finding that the majority of individual landlords were in some form of work (62%), with 41% in employment and 17% self-employed (Figure 5.1). Almost one in three (31%) were retired with the remainder consisting of carers, homemakers, students, the unemployed and others. It is worth noting that women were more likely to be employed on a part-time basis than men (83% vs 17%) and less likely to be a company director (24% vs 74%).

**Figure 5.1. Landlord employment status**



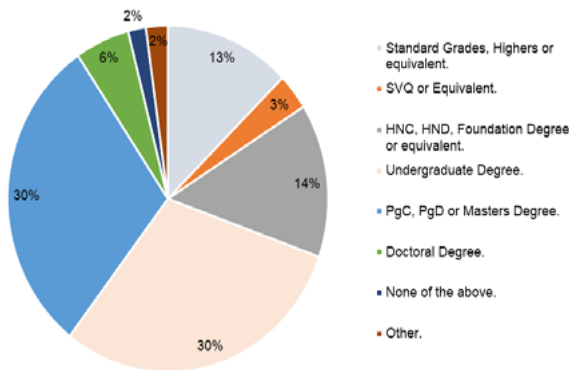
Source: Watson (2023)

A similar proportion of landlords reported being in full-time employment (29%) and retired (36%) in the English Private landlord survey, (MHCLG, 2024). In short, most surveys suggest that the bulk of landlords are either in full-time employment or retired.

**5.1.5 Education**

The earlier studies do not consider landlord education levels. Watson (2023) however, found that the majority (83%) of landlords had undertaken some form of further or higher education, with around two thirds (66%) having an undergraduate or postgraduate qualification (Figure 5.2). In the main, those who selected the 'other' category held a professional qualification, for example, chartered accountants.

**Figure 5.2. Level of educational attainment (% of landlords)**



Source: Watson (2023)

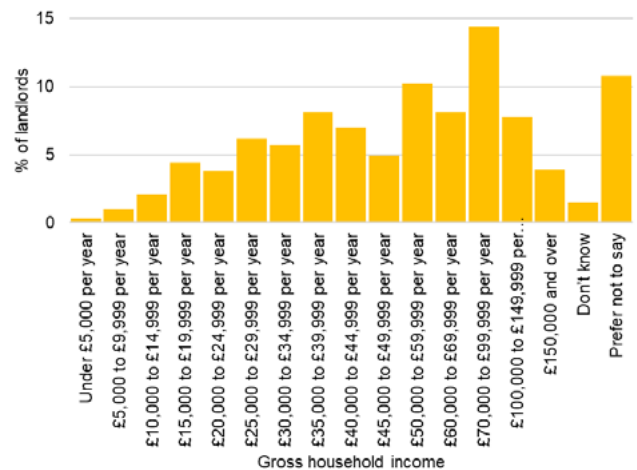
Given that just 32% of the Scottish population over the age of 16 has a university degree or professional qualification (Scottish Government, 2019) , it would appear that landlords are generally more qualified than the population at large<sup>11</sup>.

**5.1.6 Gross Income**

Neither Kemp, nor Crook et al., asked landlords about their gross household income. However, Watson (2023) found that landlord incomes ranged from under £5k per year to £150k and over (Figure 5.3). Around a third (32%) earned less than £40k a year, a further third (30%) earned between £40k and

£70k, and a quarter (26%) earned over £70k a year<sup>12</sup>.

**Figure 5.3. Approximate gross household income**



Source: Watson (2023)

Comparison of this data with other surveys is difficult owing to the plethora of methods utilised. However, the English data does reveal similar income distributions (MHCLG, 2024; Scanlon and Whitehead, 2016).

The median gross household income in Scotland in 2018 was £550 per week or £28,600 per annum (Scottish Government, 2018). Although this figure falls between the bandings used in Watson’s (2023) survey, it is clear that the majority of landlords have gross incomes in excess of the median even after accounting for inflation. However, ‘while landlords are rarely poor in relative terms, neither are they universally wealthy’ (Watson & Bailey, 2021, p. 48) with some landlords earning below £30k (close to the median).

**5.2 Nature of Landlordism**

**5.2.1 Landlord Type**

Table 5.4 highlights a significant increase in the proportion of individual landlords at the expense of company landlords between 1997 and 2009. The trend continues thereafter but appears to reach equilibrium in the early 2020s with around 90% of landlords as individuals or couples and 10% as companies, partnerships or property trusts. Evans (2024) adopts a different approach focused upon business characteristics, which are not directly comparable. They do make clear however, that most landlords are not a ‘private limited company’ (10%), with the majority having an ‘informal arrangement’ (38%) or identifying as a ‘sole trader or partnership business’ (42%).

11 It is of course feasible that landlords with a university education may be more pre-disposed to completing research questionnaires than those without.  
 12 The figures include earnings from landlord activity and are not adjusted for household size/composition.

**Table 5.4. Landlord type**

Type of landlord <sup>13</sup>	Watson (2024) (Argyll and Bute)	Watson (2023) (Scotland)	Watson and Bailey (2021) (Scotland)	Crook et al. (2009) (Scotland)	Kemp and Rhodes (1997) (Scotland)
	%	%	%	%	%
Individual or couple	91	92	90	84	47
Company, partnership, or property trust	9	7	9	14	39
Institution / other	0	1	1	2	15

Source: As per table headings.

### 5.2.2 Landlord Motivation

Landlords have a range of motivations for entering the SPRS. However, in the 1990s, just 43% of landlords regarded the SPRS as an investment (Kemp & Rhodes, 1997) (Table 5.5). And while the typology of investors proposed by Crook et al. (2009, p. 32) does not include a detailed breakdown of motivations, they make clear that 72% 'of Scotland's private rented sector is owned for business and investment purposes.' This marks a rapid financialisation of the SPRS. The latter figure remained largely unchanged in Watson (2023) at 73%. The data for Argyll and Bute reveals a regional variation with its landlords being less driven by investment motivations and more driven by alternative factors, including a desire to secure a future home and sentimentality (Watson, 2024). Evans (2024, p. 8) uses a different categorisation making comparison difficult but highlights that 63% of landlords 'acquired the property with the intention of letting it from the start'. Furthermore, 51% describe their 'business' as an investment, a further 16% as a 'portfolio', and 1% as 'business'. Taking the latter two categories to be akin to investment, this would equate to 68% having an investment motivation, which is similar to Watson (2023) (73%). Scanlon and Whitehead (2016) point to a slightly higher figure of 76% at the UK level.

It is possible to define a simple typology of landlords from Watson's (2023) data as follows: 'investor landlords' (shaded blue in Table 5.5), who view the SPRS as an investment capable of producing rental income, capital appreciation, or both; 'home banking landlords' (shaded purple), who view the SPRS as a means to securing a future home for themselves or a family member; 'circumstantial landlords' (shaded green), whose involvement in the SPRS is situational and ultimately temporary in nature; 'ancillary business landlords' (shaded yellow), whose SPRS activity stems from another investment or activity; 'charitable landlords' (shaded grey), whose SPRS

13 Slightly different terminology/categories are used in each survey.

investments are driven by altruism; 'sentimental landlords' (shaded orange), who use the SPRS to retain connections to people and places, and others.

**Table 5.5. Motive for investing in SPRS property (%)**

Reason for acquiring most recent SPRS property	Watson (2024) (Argyll and Bute)	Watson (2023) (Scotland)	Kemp and Rhodes (1997) (Scotland)	Scanlon and Whitehead (2016) (UK)
As an investment to provide rental income.	27	34	15	10
As an investment to provide capital growth (house price increase).	3	5	11	4
As an investment to provide rental income and capital growth.	20	34	17	62
To provide a future home for myself/my family.	12	5	6	7
To provide a current or future home for a relative.	3	4	-	-
A property I'd like to sell but can't.	4	5	2	8
To house an employee.	3	0	27	0
To house someone in need.	4	1	4	-
It's incidental to another activity.	3	1	7	-
As a safety net whilst cohabiting with a partner.	-	1	-	-
To cover costs during a temporary relocation.	1	1	-	-
I have sentimental attachment to the property and don't want to sell it.	11	4	-	-
Don't know.	1	0	1	4
Other.	9	4	11	5

Source: As per table headings.

### 5.2.3 Full- or Part-Time Landlord

Watson (2024) finds that landlordism is a part-time activity for the majority of landlords (94%). This is broadly in line with



studies by Watson (2023) and Watson and Bailey (2021), which each report 92%. Interestingly, the figure has not changed in over a decade, with Crook et al. (2009, p. 31) also placing the figure at 92%. Earlier English and UK studies also concur at 92% and 94% respectively (MHCLG, 2011; Scanlon & Whitehead, 2016). Kemp and Rhodes (1997, p. 117) do not report a percentage but note that landlordism is a 'part-time activity'.

Interestingly, 97% of retirees in Watson's (2023) study viewed the SPRS as a part-time job, apparently seeing no contradiction, with 3% viewing it as a full-time role. This would appear to challenge retirement conventions.

Overall, these results reinforce the notion that landlordism is very much a secondary activity. Whilst the literature focuses on the amateur status this appears to confer, an interrelated concern is that many landlords will face investment management time constraints, particularly those in full-time (non-SPRS) employment.

### 5.2.4 Property Portfolio Size

Kemp and Rhodes (1997) reported that almost one in four

**Table 5.6. Landlord portfolio size comparison (%)**

		Watson (2024)	Watson (2023)	Watson and Bailey (2021)	Crook et al. (2009)	Kemp and Rhodes (1997)	MHCLG (2024)	Scanlon and Whitehead (2016)
Sample geography		Argyll and Bute	Scotland	Scotland	Scotland	Scotland	England	UK
No of properties	1	71	46	48	39	23	45	62
	2 to 4	24	38	35	34	15	38	31
	5 or more	4	16	17	26	62	17	7
	Prefer not to say	1	-	-	-	-	-	-

Source: As per table headings.

Watson (2023) expanded on the topic and found statistically significant relationships between portfolio size and key landlord characteristics. Specifically, larger portfolios were associated with legal entities, older and retired landlords, men, and those in a relationship. He also found that landlords with higher incomes had larger portfolios (Figure 5.4), as did landlords who been in the sector for longer (Figure 5.5). Small portfolio sizes have a number of implications for landlords, such as limiting their ability to diversify risk and reducing opportunities to benefit from economies of scale.

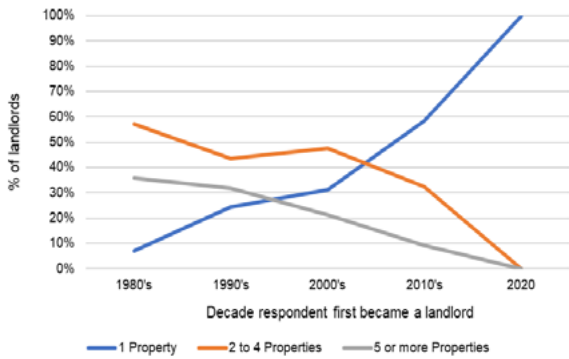
landlords (23%) owned just one property (Table 5.6). By the time of Crook et al.'s (2009) publication, this number appeared to have grown significantly, with 39% of landlords owning just one property. The trend continued with Watson and Bailey (2021) reporting 48% and Watson (2023) 46%. Evans (2024) reports a slightly lower proportion of landlords with just one property (40%). The bandings adopted by Evans make further direct comparison difficult, however, most landlords in their sample had small portfolios. The Argyll and Bute study found a much higher percentage (71%) (Watson, 2024) but this is likely due to geographical variation.

Curiously, the Scottish Government report that 94% of all registered landlords own just one property (Scottish Parliamentary Corporate Body, 2020). Since the landlord register underpins several of the survey sampling methodologies, it is not clear how this discrepancy arises. One possible explanation is sample bias (discussed earlier) with the samples used in each study over-representing landlords with more properties, because they are more likely to respond to survey requests as they have a greater stake in the sector. This would be a useful area for future research.

**Figure 5.4. Landlord portfolio size by gross income**



**Figure 5.5. Number of properties owned vs SPRS entry decade**



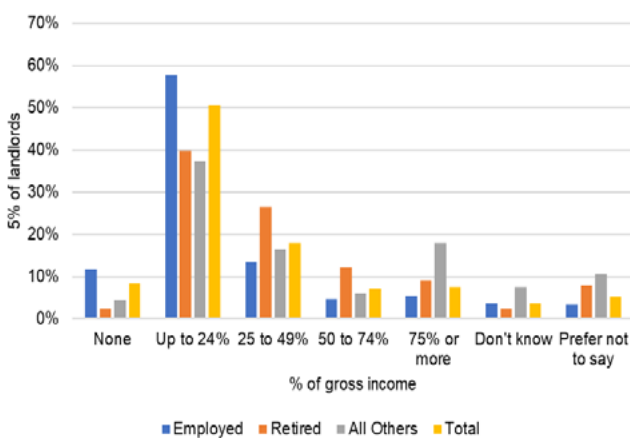
Source: Watson (2023)

**5.2.5 Rental Income as a Proportion of Gross Income**

Kemp and Rhodes (1997) reported that 80% of landlords derived between 0 and 25% of their income from landlordism. For Crook et al. (2009) the figure was 68%, and for Watson (2023) 57%<sup>14</sup>. Whilst Crook noted a high proportion of landlords who responded 'don't' know', the trend broadly suggests that SPRS income has become increasingly important for landlords.

Watson (2023) looked more closely at gross income in relation to landlord employment status and found that the SPRS represented under a quarter of the gross income of the majority (58%) of landlords in employment (Figure 5.6) and two fifths (40%) in the case of retired landlords. The latter indicates that many do not fully rely on their SPRS investment(s) for their retirement income. In actuality, just 9% of retired individuals receive 75% or more of their gross income from the SPRS. However, while the majority of landlords draw less than a quarter of their gross income from the SPRS, nearly one third (32%) draw over a quarter of their income from the sector.

**Figure 5.6. % of gross income from the SPRS vs. employment status**



Source: Watson (2023)

**5.2.6 The Allocation of SPRS Surplus/Profits**

Neither Kemp and Rhodes (1997) nor Crook et al. (2009)

14 Using Crook et al's., (2009) 'none' and 'under 25%' categories and Watson's (2023) 'none' and 'up to 24%' categories.

explored how landlords allocated SPRS surplus/profit. However, Watson (2023) found that many (40%) used their SPRS profits to support their 'day-to-day cost of living', and a further 12% used the income to fund general consumption (i.e., 'to pay a regular bill' and 'to pay for holidays and luxuries') (Table 5.7). Just under a third (31%) saved or re-invested the income, and 9% did not make a surplus or profit. Many of those who selected the 'other' category would have been better categorised in one of the previous groups. In open text comments, several pointed to re-investing profits in the property via repairs, maintenance, and general improvement, however, this does not technically make the funds surplus.

**Table 5.7. How SPRS surplus/profits are used**

What SPRS surplus/profit is used for	% of landlords
To support your day-to-day cost of living.	40
To further pay down the property's mortgage/loan.	15
To pay a regular bill (e.g., school fees, car loan).	2
To pay for holidays and luxuries.	10
To save for a specific objective (e.g., a wedding, a child's education etc.).	4
To save for a deposit(s) to buy more property.	5
To re-invest in another type of investment.	7
I do not make a surplus/profit.	9
Not applicable.	2
Other.	6

Source: Watson (2023)

Unsurprisingly, the characteristics of landlords had a bearing on the availability of surpluses and how surpluses were used (Figure 5.7): men were more likely to report surpluses/profit than women; legal entities were more likely to re-invest surpluses than non-legal entities; younger landlords were more likely to re-invest surpluses than older landlords; those in relationships were less likely to use surpluses to support their day to day living than those not in relationships; and the employed were less likely to make a surplus and be more likely to be paying down debt than the retired.

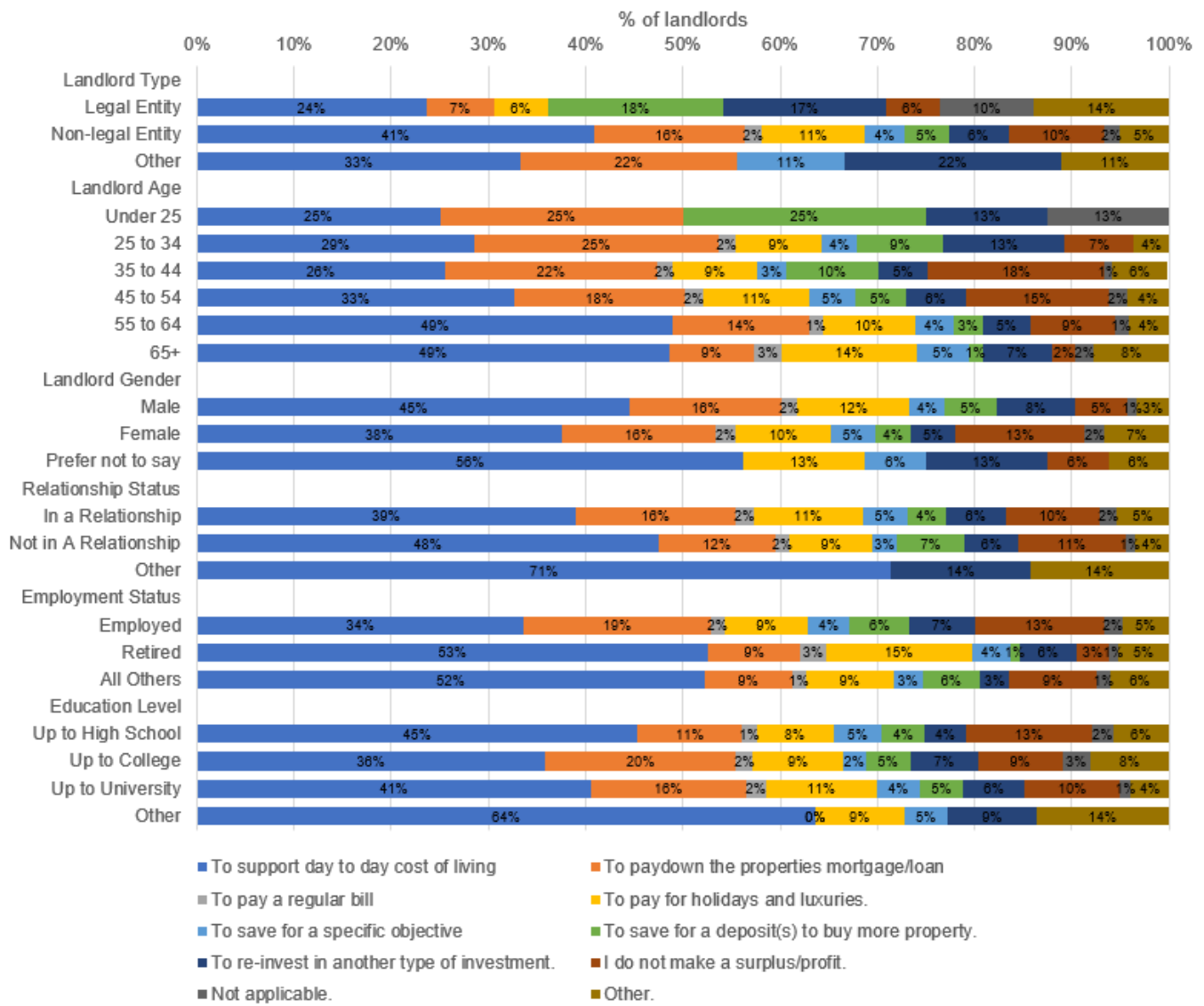
The findings offer a fresh perspective on the behaviours of landlords and the purposes of their SPRS investments. Though for many, the SPRS represents a small part of their gross income (Figure 5.3), it still clearly plays a role in supporting many landlords' current consumption levels. While some of these results were expected, it was anticipated that a much larger proportion of landlords would be re-investing their surpluses/profits. Instead, many landlords appear to be simultaneously retaining their cake and eating it, with clear implications for the quantum of the long-term funds that will accrue.

Whilst not all landlords have investment motives, and some

that do are focused purely on capital growth, the observation that 9% do not make any profit raises some questions

regarding the rationality of these investments.

**Figure 5.7. How SPRS surplus/profits are used vs. key characteristics**



Source: Watson (2023)

## 5.3 Landlord’s Investment Characteristics

### 5.3.1 Property Funding

In 1997, Kemp and Rhodes identified that a large proportion of landlords inherited their property (40%) with just 11% using a loan or mortgage<sup>15</sup> to acquire it (Table 5.8). This position had changed considerably by 2009 when Crook et al., suggested figures of 14% and 61% respectively.

Some years later, both Watson and Bailey (2021) and Watson (2023) found a higher proportion of cash buyers, although the majority of landlords (56% and 59% respectively) funded

their most recent SPRS property via a loan/mortgage. The data from Argyll and Bute again points to regional variations with a higher proportion of cash buyers (40%) and a lower proportion of loan/mortgage buyers (37%) (Watson, 2024). Evans (2024) uses different categories but finds that 90% ‘bought’ the property, which matches Watson (2023) at 91% and Watson and Bailey (2021) at 90%<sup>16</sup>.

The overall growth in loan/mortgage funding is likely a consequence of the proliferation of buy-to-let mortgage products from the nineties. Although English and UK surveys have different methodological approaches, they too find that the majority of landlords rely on mortgages or loans (MHCLG, 2024; Scanlon & Whitehead, 2016).

15 It should be noted that the earlier surveys (Crook et al., 2009; Kemp & Rhodes, 1997) relate to the sampled address and not the most recent purchase.

16 Using the ‘bought it with cash’ and ‘bought it with a loan/mortgage’ categories.

**Table 5.8. Most recent property funding comparison**

How property was obtained	Evans (2024) <sup>17</sup>	Watson (2024)	Watson (2023)	Watson and Bailey (2021)	Cook et al (2009)	Kemp and Rhodes (1997)
Sample geography	Scotland	Argyll and Bute	Scotland	Scotland	Scotland	Scotland
Bought it with cash.	90	40	32	34	19	34
Bought it with a loan/ mortgage.	90	37	59	56	61	11
Inherited it.	10	13	5	7	14	40
Received it as a gift.		2	1	1	-	3
Rent it from another landlord.		0	0	-	-	-
Acquired it as part of another transaction.		3	1	1	-	-
Built it.		1	2	1	-	6
Acquired it some other way.		4	1	1	6	6

Source: As per table headings.

Using statistical analysis, Watson (2023) found that legal entities were equally likely to have obtained their most recent property using cash (41%) or a loan/mortgage (40%). On the other hand, non-legal entities were more likely to have used a loan/mortgage (60%) than cash (31%). Furthermore, those over the age of 65 were more likely to have used ‘cash’ and less likely to have used a ‘loan/mortgage’ than younger age groups with the exception of those under 25. The latter is believed to be anomalous due to the small number of landlords in this category. There are signs of intergenerational wealth transfer via both inheritance and gifting. The former was more spread across the bandings than the latter, which is concentrated in the younger age groups. There was little difference between the funding methods of male and female landlords, nor between those in a relationship or not in a relationship. However, landlords who were employed were far more likely to have used a ‘loan/mortgage’ (70%) than landlords who were retired (44%). Finally, those who attended university appeared to be marginally more likely to have used a ‘loan/mortgage’ than those who had a ‘high school’ or ‘college’ educational level.

The analysis points to the pivotal role of mortgage debt in SPRS acquisition, which presents clear risk implications for landlords, tenants, and more broadly, the financial system.

### 5.3.2 Market Entry

Cook et al. (2009) asked landlords when they first entered the market. This snapshot found that 65% of landlords entered the market in the ten years prior to the studies publication. Just ‘14 percent of dwellings had landlords who first started letting before rent deregulation in 1989...’ More recently, Watson (2023)<sup>18</sup> asked landlords what year they first let in the SPRS and found that the majority (53%) became landlords during the 2010s, closely followed by the 2000s (33%) and 1990s (8.9%) (Figure 5.8). Evans (2024) reported that 59% of landlords (up

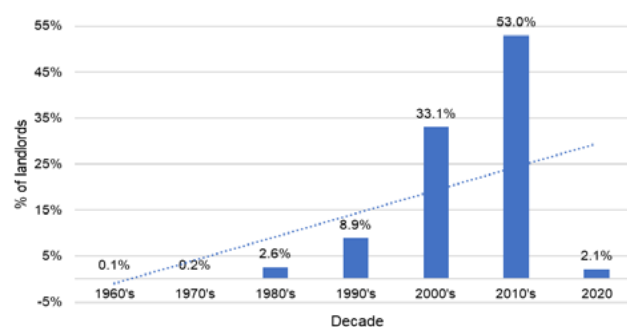
from 52% in 2019) had been active in the sector for 10 years.

The findings are similar to previous English and UK studies. According to the MHCLG (2024), in England, 58% first became landlords over ten years ago and 42% started within the last ten years. Scanlon and Whitehead (2016) reported UK figures of around 41% and 59%, respectively.

The findings are not unexpected, given that they mirror the sector’s re-growth, which began in the 1990s, and continued throughout the 2000s and 2010s.

Unsurprisingly, Watson (2023) found that landlords who reported their employment status as ‘retired’ were more likely to have been landlords for longer than those who reported being ‘employed full-time’. In total, 48% of those who became landlords during the 1980s are now retired and just 4% are currently ‘employed full-time’. Conversely, 10% of those who became landlords during the 2010s are now ‘retired’ and 60% are ‘employed full-time’.

**Figure 5.8. The decade in which landlords first rented a property**



Source: Watson (2023)

Cook et al. (2009) also asked respondents when the sampled

17 The source table includes other categories, but percentages are not shown.

18 Figures for the 2020's are only partial.

dwelling was most recently let. Watson (2023) took a slightly different tack and asked landlords when they first let their most recently acquired property. The majority of respondents (66%) in this case reported that the first let occurred during the 2010s (Table 5.9). The Table also shows the percentage of landlords who first became landlords in each decade.

**Table 5.9. Year most recent property was rented**

Decade	% of respondents who let their most recent property in this decade	% of respondents who became landlords in this decade
1960's	0	0
1970's	0	0
1980's	1	3
1990's	4	9
2000's	24	33
2010's	66	53
2020's	5	2

Source: Watson (2023)

Although 3% of respondents first became landlords in the 1980s, just 1% of landlords first let their most recently acquired property in that decade. This pattern continues in the 1990s and 2000s but reversed in the 2010s.

### 5.3.3 Property Location

Crook et al. (2009, p. 39) provide a detailed analysis of the distance from the sampled property to the landlord's home address and found the median distance was under 3.7km. They also found that large portfolio landlords had a 'slightly more dispersed stockholding', and that landlords who use letting agents tend to live 'further away from their properties'.

Watson (2023) also found that landlords tend to buy SPRS properties in close proximity to their home location. Table 5.10 reveals that the majority of landlords live in the same geographical area<sup>19</sup> in which they acquired their most recent SPRS property, although the percentages do vary. For example, 81% of landlords who live within the grouping 'Edinburgh and Glasgow' also bought within this grouping. However, just 54% of landlords living in the 'rest of the central belt', acquired their most recent property in that grouping<sup>20</sup>.

**Table 5.10. Location of most recent property vs. landlord home location**

Land-lord loca-tion	Property location (% of landlords)					Total
	Edin-burgh & Glas-gow	Aber-deen & Dun-dee	Rest of the cen-tral belt	Rural areas	Prefer not to say	
Edinburgh & Glasgow	81	2	11	6	0	100
Aberdeen & Dundee	6	84	0	10	0	100
Rest of the central belt	37	1	54	8	1	100
Rural areas	14	11	4	71	0	100
Prefer not to say	33	0	17	33	17	100
I do not live in Scotland	32	11	10	34	14	100

Source: Watson (2023)

Watson (2024) reports that in the case of Argyll and Bute, 60% of landlords in the sample lived in the area in which their most recent SPRS property was located (i.e., Argyll and Bute). At the UK level, Scanlon and Whitehead (2016, p. 28) also found that the 'spatial pattern of rental properties owned was very similar to that of landlords' home bases'.

### 5.3.4 Property Capital Value

The identification of the capital values of SPRS properties allows for a better understanding of the type of properties landlords are acquiring and the implications for housing supply within different markets/price points. Whilst not covered by earlier surveys, Watson (2023) asked landlords to estimate the capital value of their most recent SPRS acquisition when it was first rented. The mean capital value was £120,903 and the median £100,000. The spread was large (£15,000 to almost £900,000) although more than three quarters (77%) were valued at less than £150k (Table 5.11).

The data also finds that a sizeable portion of landlords target the bottom end of the market. In fact, 23% of the respondents' most recent RPS acquisitions fall within the sub-£65k bracket, which is identified by Watson (2022) as constituting the bottom end. Caution is required here; these figures relate to when the property was first rented (nominal data), which in some cases, is some time ago (Table 5.9). However, Table 5.11 attempts to address this by providing landlord estimates of property values at the point of survey<sup>21</sup> in column 3 (real data). Re-applying the notional £65k threshold to these capital values points to 14% of respondents' most recent acquisitions falling within this threshold. Applying inflation to Watson's

19 As per groupings suggested by Crook et al. (2009). It should be noted that in this classification rural includes some larger conurbations such as North Lanarkshire.

20 Watson (2023) also provides a more granular analysis utilising local authority areas and finds that most landlords acquire SPRS property in the local authority in which they reside.

21 The survey took place in Q4 2020.

(2022) figure increases this to around 28%. Regardless, a sizeable proportion of landlords operate in this space.

Using the landlords' estimates, the mean current value of the respondents' most recent SPRS acquisition was £142,793 and the median £120,000. This mean is slightly lower than the mean property value in Scotland at the time of the survey. The spread in the survey data remains large and finds both capital losses and gains within the cohort.

The most prevalent capital value banding both at point of acquisition (38%) and at point of survey (33%) was £50,000 to £100,000. Furthermore, 77% of all properties were under £150K when first purchased, 69% in the case of current landlord capital value estimates. This points to a landlord capital value investment 'sweet spot'.

The mean property value in the English PRS is considerably higher than in Scotland (MHCLG, 2024).

**Table 5.11. Capital value of most recent property when first rented vs. current value**

Property capital value	% of landlords by property value when first rented	% of landlords by property value at point of survey
Less than or equal to £50,000	13	7
£50,001-£100,000	38	33
£100,001-£150,000	26	29
£150,001-£200,000	13	15
£200,001-£250,000	5	7
£250,001-£300,000	2	4
£300,001-£350,000	1	1
£350,001-£400,000	1	2
Greater than £400,000	1	2

Source: Watson (2023)

## 6. CONCLUSION

Responding to a deficit in the Scottish Government's SPRS statistical publications, this report has analysed key Scottish landlord surveys from the past 30 years to showcase the data and identify how the characteristics and motivations of landlords and their SPRS investments have changed over time.

In some respects, very little has changed; landlords tend to be over the age of 45, white, married, well-educated, and either employed or retired with higher gross incomes than the Scottish median. It does appear however, that there has been a growth in the number of female landlords, and it is clear that Scottish landlords are an ageing group.

Few of these insights are particularly surprising. For example: the ethnicity of landlords broadly aligns with that of Scotland; it is reasonable to expect that landlords would tend to be better educated, given that educational attainment is positively correlated with wealth; and middle age is the time when earnings/wealth/inheritance<sup>22</sup> traditionally peak enabling SPRS investment.

There has, however, been a more pronounced change relating to the nature of landlordism, including a decrease in the number of landlords who are companies<sup>23</sup> and an increase in the number of individual landlords. Portfolio sizes are also smaller with just under half of landlords owning one property and the vast majority owning fewer than four. Landlords have also become increasingly investment focused in their motivations with an increase from 43%, citing an investment motivation in 1997 to 72% in 2023. However, whilst landlordism firmly remains a part-time activity, SPRS income has become more important, with more landlords now deriving more than 25% of their income from landlordism. Chiming with observations made by Watson and Bailey (2021), Watson (2023) finds that, despite landlords having different levels of reliance on their rental income, the SPRS plays an important role in landlord consumption.

With regards investment characteristics, the analysis points to a marked change in how private landlords obtain properties. Between the studies published in 1997 and 2009, there was an explosion in the number of landlords purchasing properties via a loan/mortgage as a result of the growing popularity and availability of buy-to-let mortgage products. However, this popularity may be on the wane because of generally higher levels of interest rates<sup>24</sup>, tighter lending criteria, and broad changes in taxation policy, which include the introduction of the Additional Dwelling Supplement (ADS), the removal of interest rate relief on finance costs<sup>25</sup>, and a reduction in capital gains allowances. In terms of market entry, the data suggests that most landlords first entered the market and rented their most recent property in the 2010s, pointing to the relative infancy of the sector. The observation that landlords tend to invest in SPRS property close to their home address is entirely rational. Proximity allows landlords to 'know the area', thereby potentially reducing a variety of investment risks. For those who choose to self-manage, geographical proximity could be viewed as a critical success factor, due to the potential to reduce management costs. However, this strategy also points to a lack of geographical diversification, meaning that many landlords are subject to the vagaries of local markets. Finally, it is apparent that the majority of landlords buy properties with capital values that are below average Scottish house prices, with many focused-on properties at the low to mid-range of the market. This is likely due to a number of factors, including affordability, mortgage rent cover requirements (in the case of BTL landlords), and yield expectations.

The bulk of the fundamental changes in the characteristics and motivations of SPRS landlords and their investments, can be observed between the studies by Kemp and Rhodes (1997) and Crook et al. (2009). In many respects, the intervening

22 Particularly likely for those 'households in the top quarter of the income distribution in Britain' (Nolan et al., 2020, p. 22).

23 An emerging small-scale resurgence in company landlords is in progress due to changes in the tax treatment of property finance costs.

24 The base rate is currently trending downward. However, this follows a period in which rates rose rapidly from 0.1% in March 2020 to 5.25% in August 2023.

25 See: <https://www.propertymark.co.uk/static/61be0732-1894-480a-93181ff947f94644/Impact-of-Section-24-on-buy-to-let-landlords-August-2024.pdf>.

period has largely seen the persistence of key trends, i.e., the growing dominance of a large number of small portfolio owning, part-time, individual, investment-focused landlords.

While the implications are manifold, the focus here is on policymakers. The current composition of the sector points to a continuing failure to engender a new class of professional landlords, which has been a shibboleth of SPRS advocates from the outset of the sector's re-growth. Specifically, there has been no fundamental shift from small-scale individual investment to large-scale institutional investment via the build-to-rent sector, which has attracted significant policy attention and preferred consideration in policy outputs. Furthermore, whilst BTR is a welcome addition to the Scottish housing system, it is somewhat peculiar that policymakers view it as the solution to the sector's ills, especially as most large-scale investors/providers have little interest in servicing the markets in which the SPRS faces most challenges, and which therefore drive most of the Scottish Government's legislative interventions.

Whilst it would be far simpler for policymakers if the SPRS was managed by a small number of more-easily governed high-volume 'professional' suppliers, this composition is not likely to occur in the short, mid, and potentially long-term. As such, there is a clear need for policymakers to understand and work more closely with the landlords who currently comprise the sector.

Some urgency is required. Whilst this report has provided useful insights, some of which were not previously in the public domain, it relies on a series of sporadic surveys with different purposes, different sponsors, and different methodological approaches. For example, Watson (2023) refreshed the landlord characteristics and motivations data, but his primary focus was on landlord investment behaviours, he later benchmarked the characteristics and motivations of rural landlords in Argyll and Bute (Watson, 2024), but the main focus was on the challenges faced by landlords in a rural context. Similarly, Evans (2024) provides some data on the characteristics and motivations of private landlords and their investments, but the principal focus was upon the impact of changes stemming from the private residential tenancy regime. Despite these differences, much of the core data compares well. However, for policymakers to better understand and more accurately track the characteristics and motivations of landlords and their investments, they need to stop relying on the disparate and sporadic research outputs of others and embark on a regular survey program, which can reliably capture the data required to create effective evidence-based policy.

## 7. RECOMMENDATIONS

To improve SPRS landlord data and support the delivery of evidence-based policy making, the Scottish Government should undertake a regular survey of SPRS landlords. Although an annual survey would be welcome, a three-yearly cycle commencing in 2025 is likely to be far more palatable to both the Scottish Government and landlords. It would also have the benefit of matching the current landlord registration cycle.

The survey schedule should be continuously reviewed and revised when events arise that could adversely impact the sector. The survey should include the key areas covered in the existing surveys relating to the characteristics and motivations of landlords and their investments but also incorporate a broader range of measures similar to those captured by Watson (2023) and Evans (2024). It would also be beneficial to focus on other areas suggested by this report, which are critical to the stability of the sector, but which are absent from extant policy debates. Specifically: how does old age impact the ability of SPRS landlords to manage their investments; what happens when the current 'super cohort' of landlords begins to age out of the sector; and to what extent are landlords with low levels of income/financial resilience able to sustain investments and tenancies in times of difficulty? Each survey cycle could also broach topical areas, e.g., testing the effectiveness of recent policy changes or understanding landlord intentions.

While the survey offers a robust method for improving information flows between private landlords and the Scottish Government, there is also a need for direct engagement. The creation of a landlord panel is one way to achieve this. The landlord typology detailed in Section 5.2.2 could be leveraged to support the creation of a panel weighted according to landlord type and geographical location.

It should be noted that the SafeDeposits Scotland Charitable Trust has recently commissioned a national survey of landlords that will include data on landlords' characteristics. It is also likely that other sector stakeholders will continue to commission research that will capture data pertaining to SPRS landlordism. Whilst any addition to the research landscape is welcome, the onus remains on the Scottish Government to invest in the statistics required to inform policymaking in the long-term.

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