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Scottish Private Rented Sector

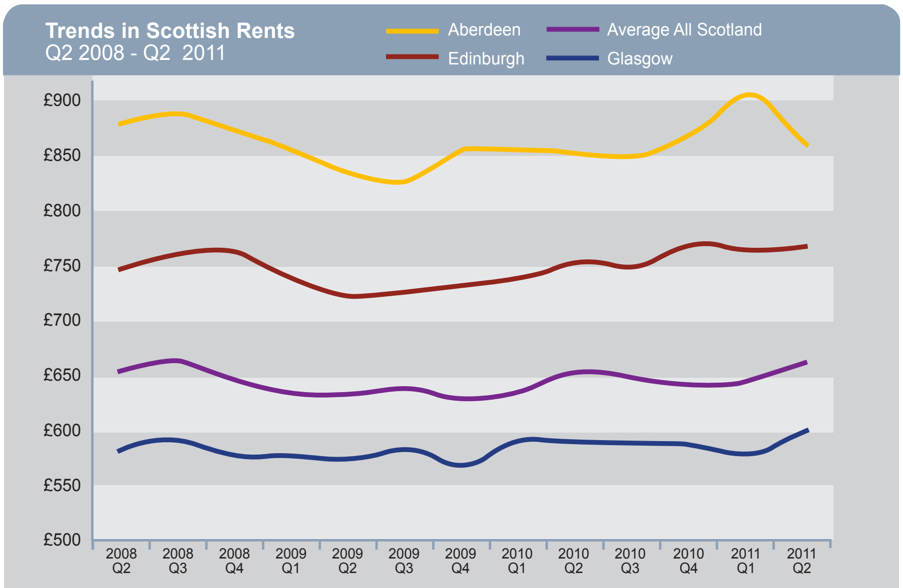
In the second quarter of 2011 Citylets processed a record volume of rental transactions and the average rent in Scotland reached £663 which is the highest level since the third quarter of 2008. This is partly due to the swell in popularity for rented accommodation caused by the continuing struggles that would-be homeowners are facing in financing their first purchase.

National & Urban Profile

The mix adjusted average for Scotland in Q2 2011 was 1.4% up on the previous year. While not a particularly dramatic increase it does indicate that the Private Rented Sector (PRS) is performing solidly and reliably. It is worth noting that Glasgow average rents were up 1.9% on the year and increased slightly in Q2 to £601, the first time Glasgow has exceeded the £600 barrier and a reversal of the slight downturn reported in Q1.

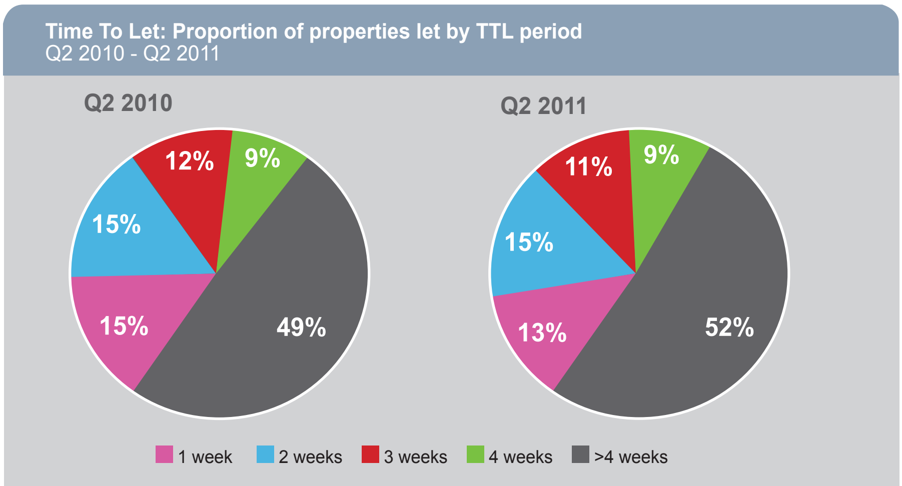
Rents in the City of Edinburgh also experienced a steady annual rise of 1.9% to £769 in Q2 2011. Looking over the last two years Edinburgh rents have risen 6.9% from a low of £724 in Q2 2009 which will encourage landlords in the Capital.

Aberdeen rents adjusted downwards in Q2 2011 from the peak of £907 seen in Q1 and now stand at £862 though this is still 0.9% up on the figure of a year ago.

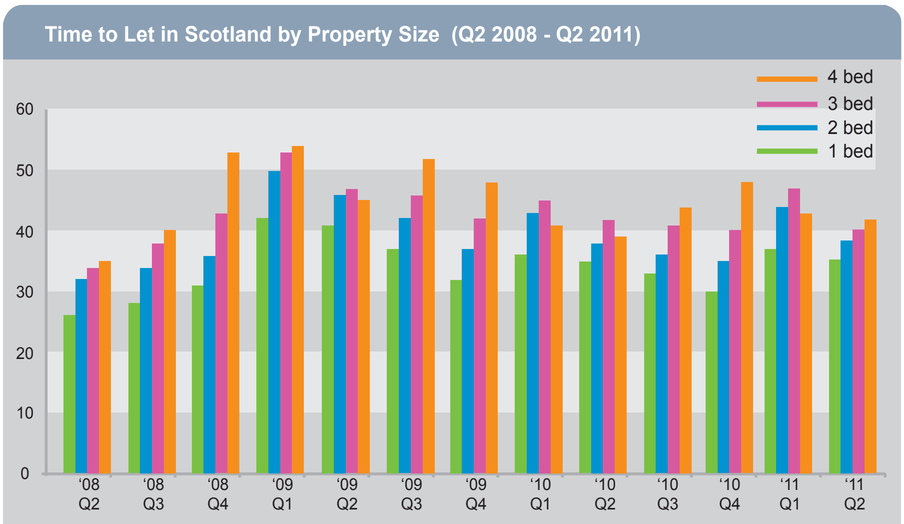


Time To Let

The average Time to Let (TTL) improved in Q2 2011 from the previous quarter. Just over half (51%) of properties took longer than 4 weeks to let during Q2 2011 compared to 52% in Q1 2011. This is slightly down on the figure recorded in Q2 2010 when just under half (49%) of properties exceeded this TTL. Over the last two years TTL figures have eased downwards which provides a reassuring stability for the PRS in Scotland.



The detailed chart of TTL across Scotland by property size shows that 1 bed properties remained the quickest to let at 35 days. 2 bed properties took 38 days and 3 beds 40 days while larger 4 bed properties took 42 days. With a national TTL average standing at 38 days this is a decent improvement of 4 days from the previous quarter but exactly the same as Q2 2010. It seems the market is performing well with TTL figures coming down from the peak in Q1 as we enter the busiest third quarter of the year.



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Economic and Social Trends

Trends in Scottish Buy-to Let Mortgage Market

Source: CML

Scotland Mortgage Advances

	Q1 2011	Quarterly Change	Annual Change
All	8,000	-27.3%	-19.2%
FTB	3,200	-17.9%	-20.0%
FOO	4,900	-31.0%	-16.9%

UK Mortgage Advances

	Q1 2011	Quarterly Change	Annual Change
All	96,500	-26.2%	-15.6%
FTB	36,200	-23.0%	-17.0%
FOO	60,300	-28.0%	-14.8%

FTB = First Time Buyer,

FOO = Former Owner Occupier already in Market looking to move/remortgage

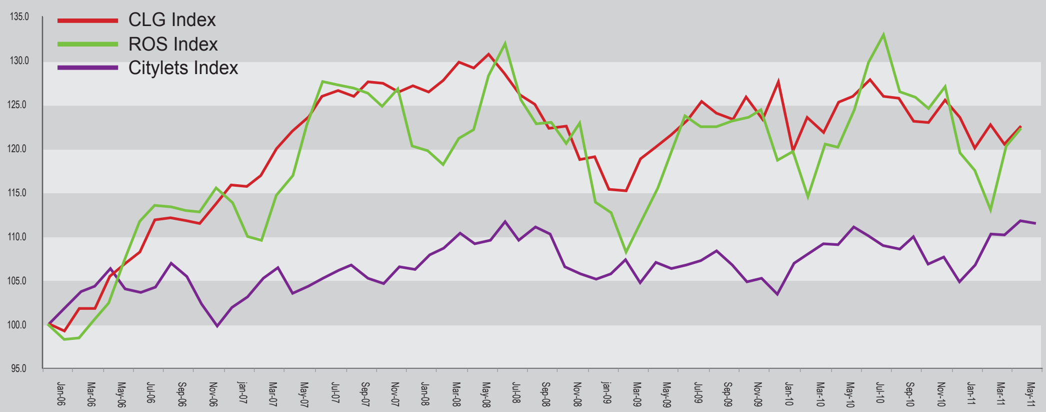
In the first quarter of 2011 there were 8,000 loans for house purchases in Scotland. This was a 27% decline from the previous quarter and down 19% from the first quarter of 2010 when there were 9,975 loans. This represents a substantial year-on-year decline in Scottish mortgage lending. In the equivalent period the volume of registered house sales as published by Registers of Scotland fell from 14,633 in Q1 2010 to 12,800 in Q1 2011 which equates to a 12.7% drop. This shows that the proportion of houses purchased with a mortgage has declined over the year.

The Council of Mortgage Lenders (CML) also publishes detailed information on the Buy-to Let mortgage market at the UK level. Its latest figures for Q1 2011 show that new Buy-to Let mortgage lending totalled £2.9 billion across 27,600 loans which was up on the £2.1 billion and 22,000 loans in Q1 2010.

While we have no specific Scotland data if we assume that the volume of Scottish Buy-to Let mortgages is in the same proportion as all Scottish mortgages (8,000) are to UK mortgages (96,500) namely 1/12th then there were an estimated (27,600/12) 2,300 Buy-to Let loans in Scotland in Q1 2011 compared with (22,000/12) 1,833 in Q1 2010. This indicates a significant increase in the percentage of mortgage loans in Scotland being made to landlords up from 18.4% in Q1 2010 to 28.8% in Q1 2011. Our analysis is based on the most recent year of CML data and suggests lenders are viewing the Buy-to Let market in a very positive way. In the UK Buy-to Let lending accounts for 12.3% of total outstanding mortgage lending by value, and 11.6% of mortgages by number.

Citylets Rental Index v CLG House Price Index v ROS Index (Jan 2006 - June 2011)

Index level (Jan 2006=100)

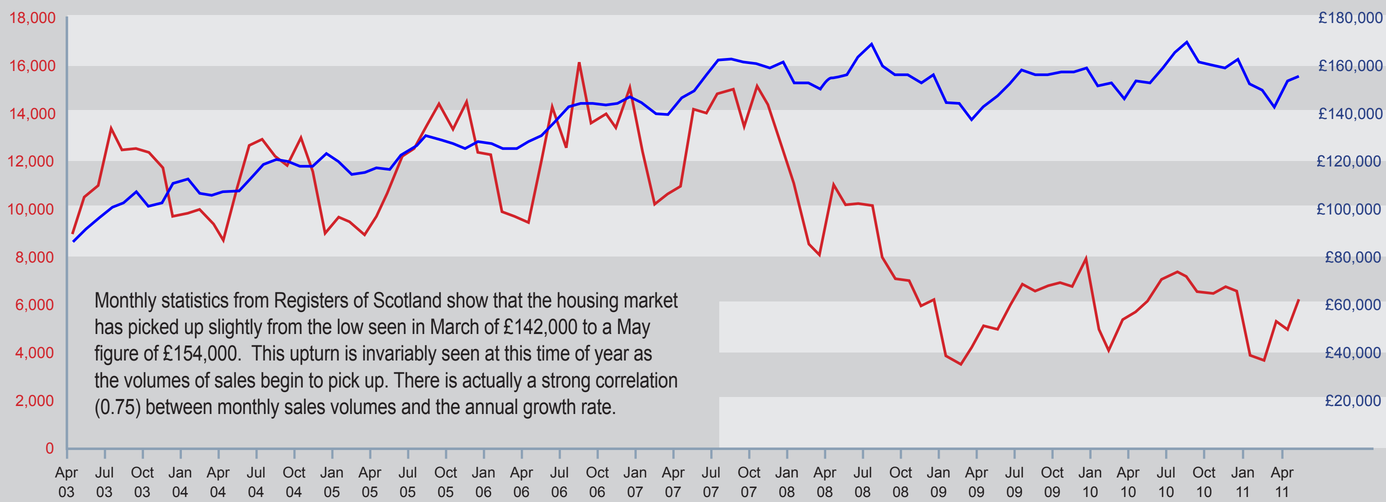


In June 2011 the Citylets Rental Index stood at 111.4 which was down very slightly from the record equalling peak of 111.7 in May a figure not seen since July 2008.

Communities and Local Government (CLG) reported that during the year to May average house prices decreased in Scotland (-2.5 per cent), England (-1.3 per cent), Wales (-6.1 per cent), and Northern Ireland (-13.2 per cent). Those landlords that are able to finance purchases will see improved yields as rents edge up and house prices deflate slowly.

Monthly Residential Sales in Scotland — Monthly Residential Average Price in Scotland

Source: Registers of Scotland



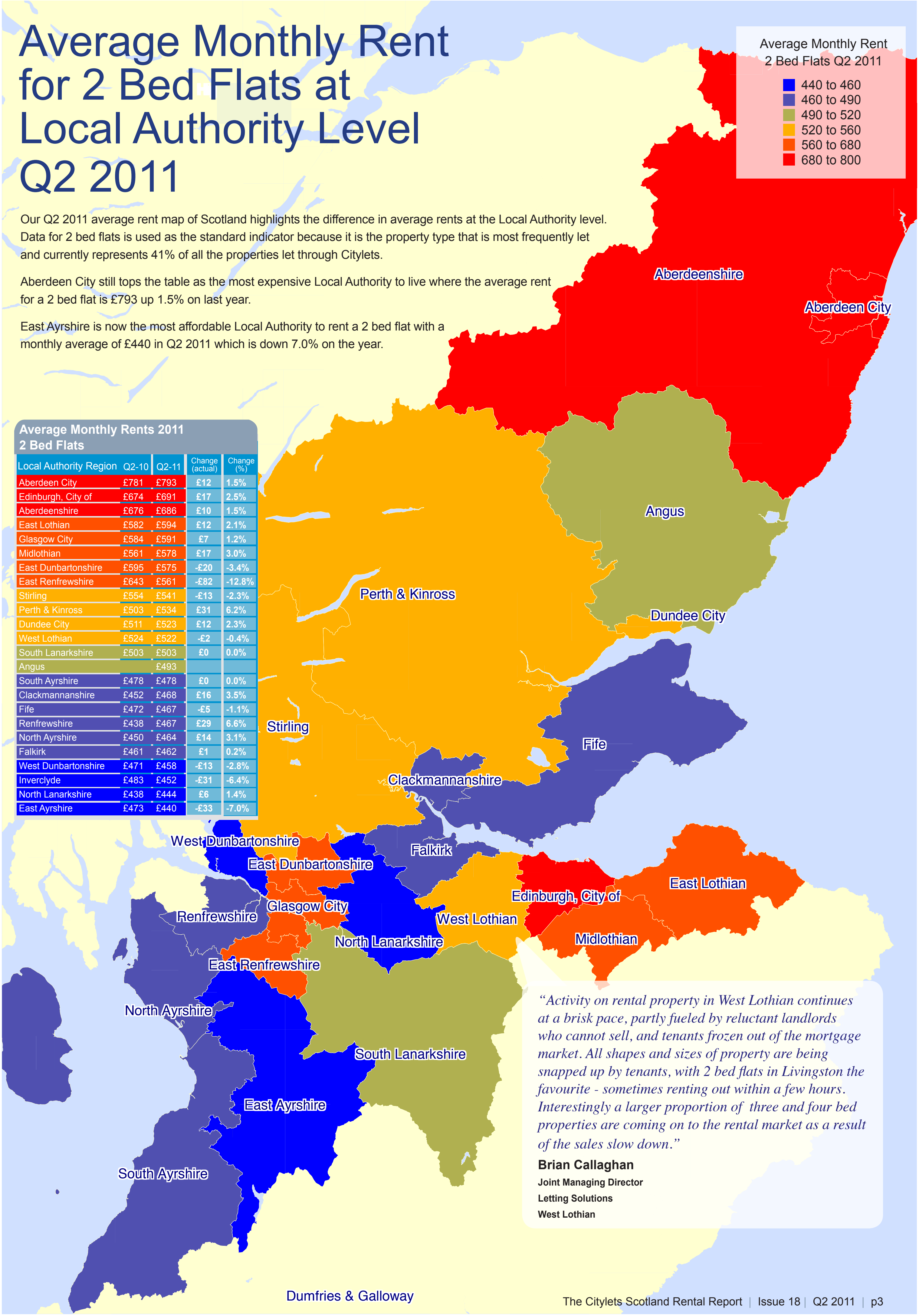
Monthly statistics from Registers of Scotland show that the housing market has picked up slightly from the low seen in March of £142,000 to a May figure of £154,000. This upturn is invariably seen at this time of year as the volumes of sales begin to pick up. There is actually a strong correlation (0.75) between monthly sales volumes and the annual growth rate.

Average Monthly Rent for 2 Bed Flats at Local Authority Level Q2 2011

Our Q2 2011 average rent map of Scotland highlights the difference in average rents at the Local Authority level. Data for 2 bed flats is used as the standard indicator because it is the property type that is most frequently let and currently represents 41% of all the properties let through Citylets.

Aberdeen City still tops the table as the most expensive Local Authority to live where the average rent for a 2 bed flat is £793 up 1.5% on last year.

East Ayrshire is now the most affordable Local Authority to rent a 2 bed flat with a monthly average of £440 in Q2 2011 which is down 7.0% on the year.



Average Monthly Rents 2011
2 Bed Flats

Local Authority Region	Q2-10	Q2-11	Change (actual)	Change (%)
Aberdeen City	£781	£793	£12	1.5%
Edinburgh, City of	£674	£691	£17	2.5%
Aberdeenshire	£676	£686	£10	1.5%
East Lothian	£582	£594	£12	2.1%
Glasgow City	£584	£591	£7	1.2%
Midlothian	£561	£578	£17	3.0%
East Dunbartonshire	£595	£575	-£20	-3.4%
East Renfrewshire	£643	£561	-£82	-12.8%
Stirling	£554	£541	-£13	-2.3%
Perth & Kinross	£503	£534	£31	6.2%
Dundee City	£511	£523	£12	2.3%
West Lothian	£524	£522	-£2	-0.4%
South Lanarkshire	£503	£503	£0	0.0%
Angus		£493		
South Ayrshire	£478	£478	£0	0.0%
Clackmannanshire	£452	£468	£16	3.5%
Fife	£472	£467	-£5	-1.1%
Renfrewshire	£438	£467	£29	6.6%
North Ayrshire	£450	£464	£14	3.1%
Falkirk	£461	£462	£1	0.2%
West Dunbartonshire	£471	£458	-£13	-2.8%
Inverclyde	£483	£452	-£31	-6.4%
North Lanarkshire	£438	£444	£6	1.4%
East Ayrshire	£473	£440	-£33	-7.0%

"Activity on rental property in West Lothian continues at a brisk pace, partly fueled by reluctant landlords who cannot sell, and tenants frozen out of the mortgage market. All shapes and sizes of property are being snapped up by tenants, with 2 bed flats in Livingston the favourite - sometimes renting out within a few hours. Interestingly a larger proportion of three and four bed properties are coming on to the rental market as a result of the sales slow down."

Brian Callaghan

Joint Managing Director
Letting Solutions
West Lothian

Edinburgh

In Edinburgh rental growth in Q2 2011 was inversely proportional to property size with smaller 1 bed properties witnessing the largest annual increases of 3.3%. In the same period the larger 4 bed properties had growth of 1.1% to £1,392. Average rents for 2 bed properties now stand at £698 up 2.6% and 3 beds have broken through the £1,000 barrier up 1.7%.

An analysis of the size of properties renting in Edinburgh highlights that it is the smaller properties of 1 or 2 beds that account for over 70% of the total number of lets within the City with 3, 4 and 5 bed properties taking 29%. The precise breakdown by size is: 1 bed 28.9%, 2 bed 42.1%, 3 bed 18.2%, 4 bed 7.7%, 5 bed 2.9%.

Edinburgh Analysis Q2 2011

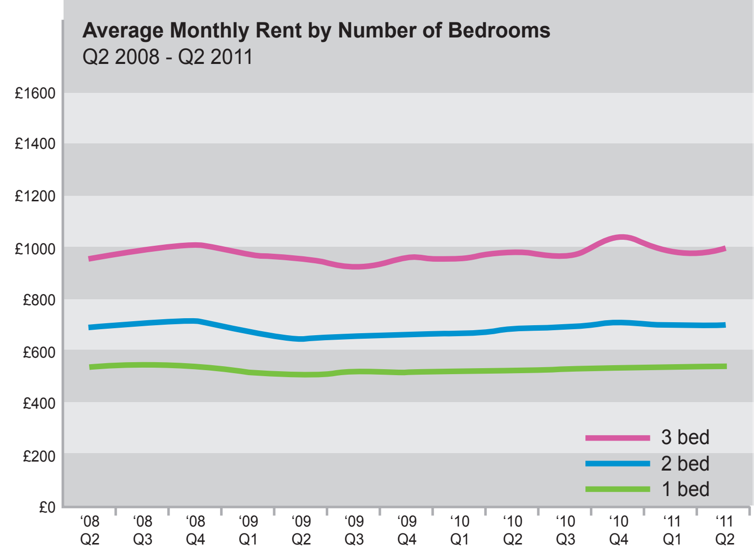
Beds	Average Rent Q2 2011	Growth Q2 2010 Q2 2011	Average TTL (days) Q2 2011	Change Q2 '10 - Q2 '11	Let within a week	Let within a month
1 bed	£537	3.3%	30	-1	18%	59%
2 bed	£698	2.6%	31	-2	16%	57%
3 bed	£1,002	1.7%	35	-5	15%	50%
4 bed	£1,392	1.1%	35	0	24%	54%

While the larger 4 bed properties had smaller rental gains over the year and their TTL remained static at 35 days it is interesting to note that 24% of these larger properties were snapped up within a week. This suggests demand for family sized rental property could be on the up.

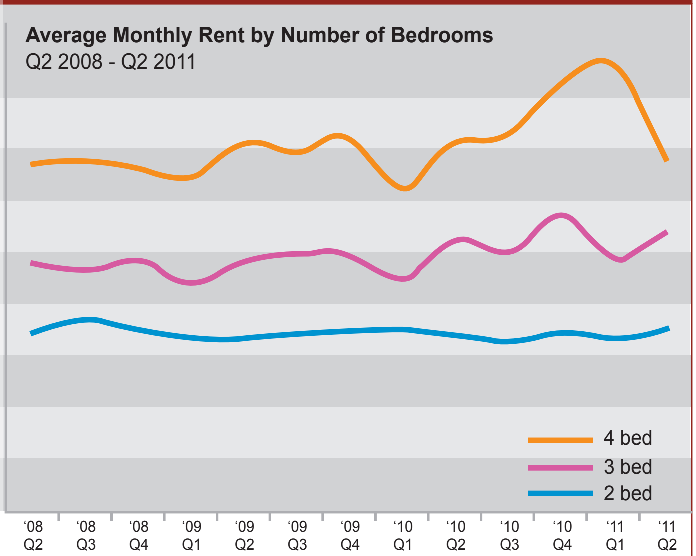
Edinburgh Average Monthly Rents Q2 2011

postcode	1 bed	2 bed	3 bed	4 bed	All	TTL(days)
EH1	£588	£777	£1101	£1514	£934	29
EH2	£636	£881	£1141	£1894	£955	35
EH3	£586	£827	£1188	£1568	£907	28
EH4	£591	£703	£864	£1423	£758	34
EH5	£500	£620	£767	£1499	£646	38
EH6	£502	£645	£868	£1107	£651	38
EH7	£518	£667	£920	£1279	£682	34
EH8	£528	£664	£1006	£1373	£846	31
EH9	£574	£747	£1064	£1431	£1009	26
EH10	£570	£765	£1035	£1433	£940	32
EH11	£496	£637	£879	£1223	£647	34
EH12	£537	£694	£936	£1352	£815	38

1,2,3 Bed Flat Rent Trends

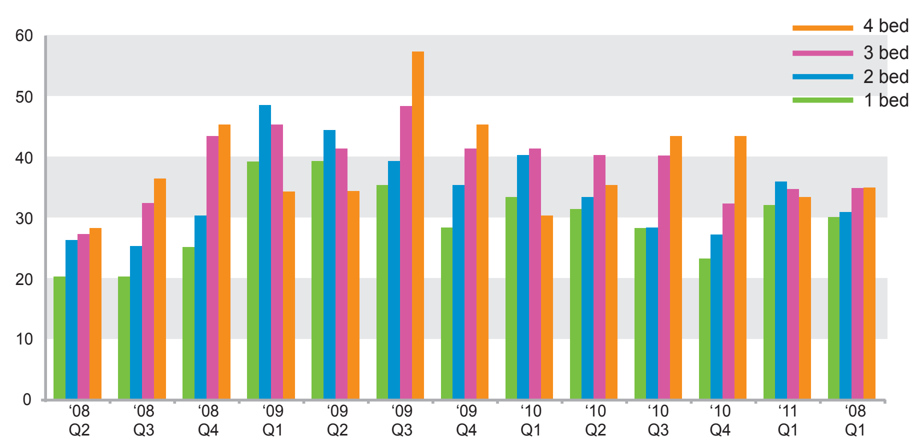


2,3,4 Bed House Rent Trends



TTL figures for Edinburgh by property size now stand at 1 bed 30 days, 2 bed 31 days, 3 bed 35 days, 4 bed 35 days. These figures are encouraging in that they show a general improvement in TTL from the highs seen in 2009 though they have yet to reach the exceptionally short TTL averages seen in Q2 2008 which was when the full impact of the credit crunch was felt within the private rented sector.

Time to Let in Edinburgh by Property Size (Q2 2008 - Q2 2011)

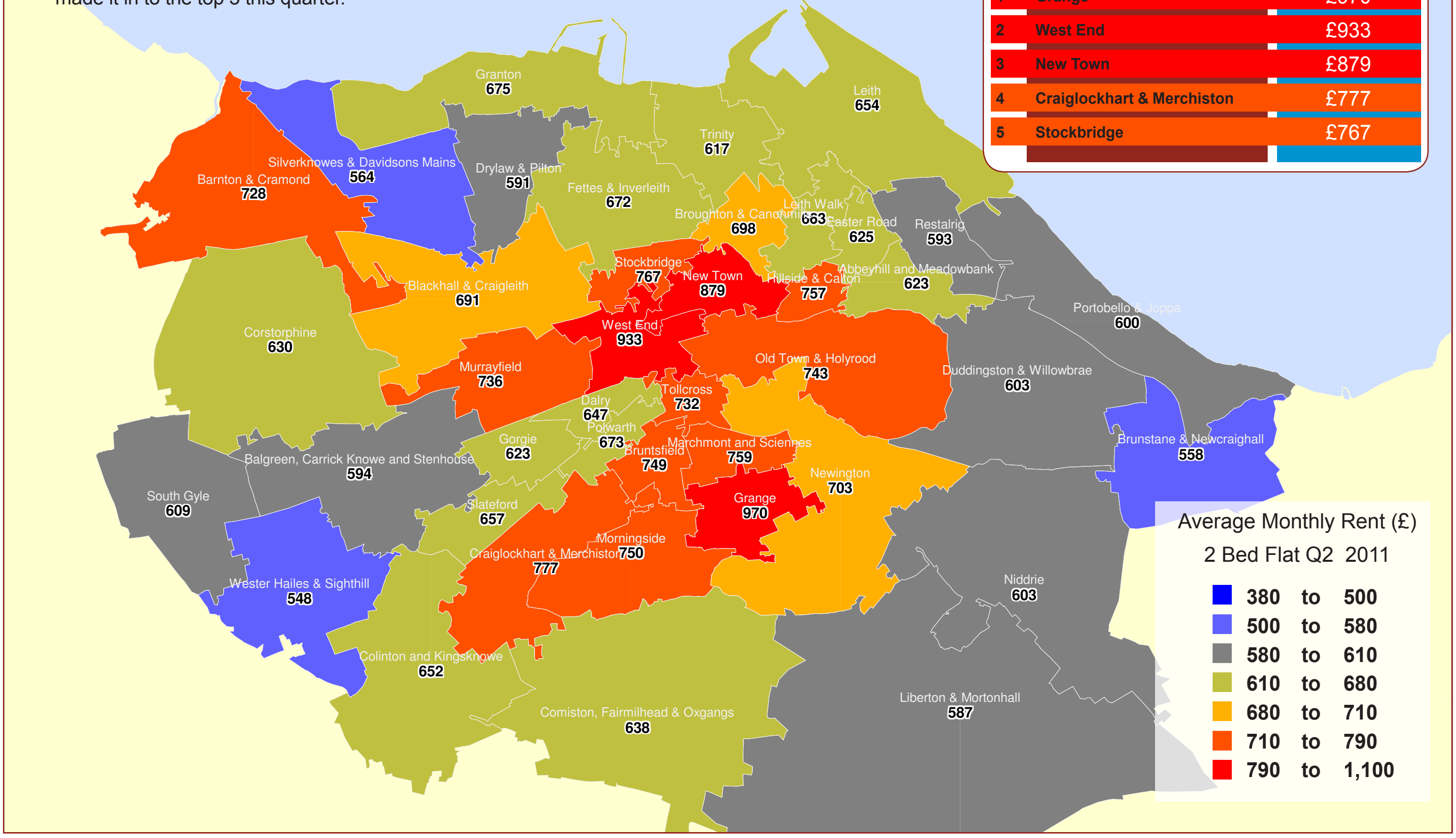


Average Monthly Rents for 2 Bed Flats in Edinburgh (all figures in pounds)

In Q2 2011 Grange (£970), West End (£933) and New Town (£879) retained their positions as the three most expensive areas to rent a 2 bed flat in Edinburgh. While these average rents were generally slightly down on the previous quarter they do demonstrate that these traditional neighbourhoods still attract the highest rents in the City. Craiglockhart & Merchiston (£777) and Stockbridge (£767) also made it in to the top 5 this quarter.

5 Most Expensive Areas in Edinburgh

	Neighbourhood	Average Monthly rent for 2 bed flat
1	Grange	£970
2	West End	£933
3	New Town	£879
4	Craiglockhart & Merchiston	£777
5	Stockbridge	£767

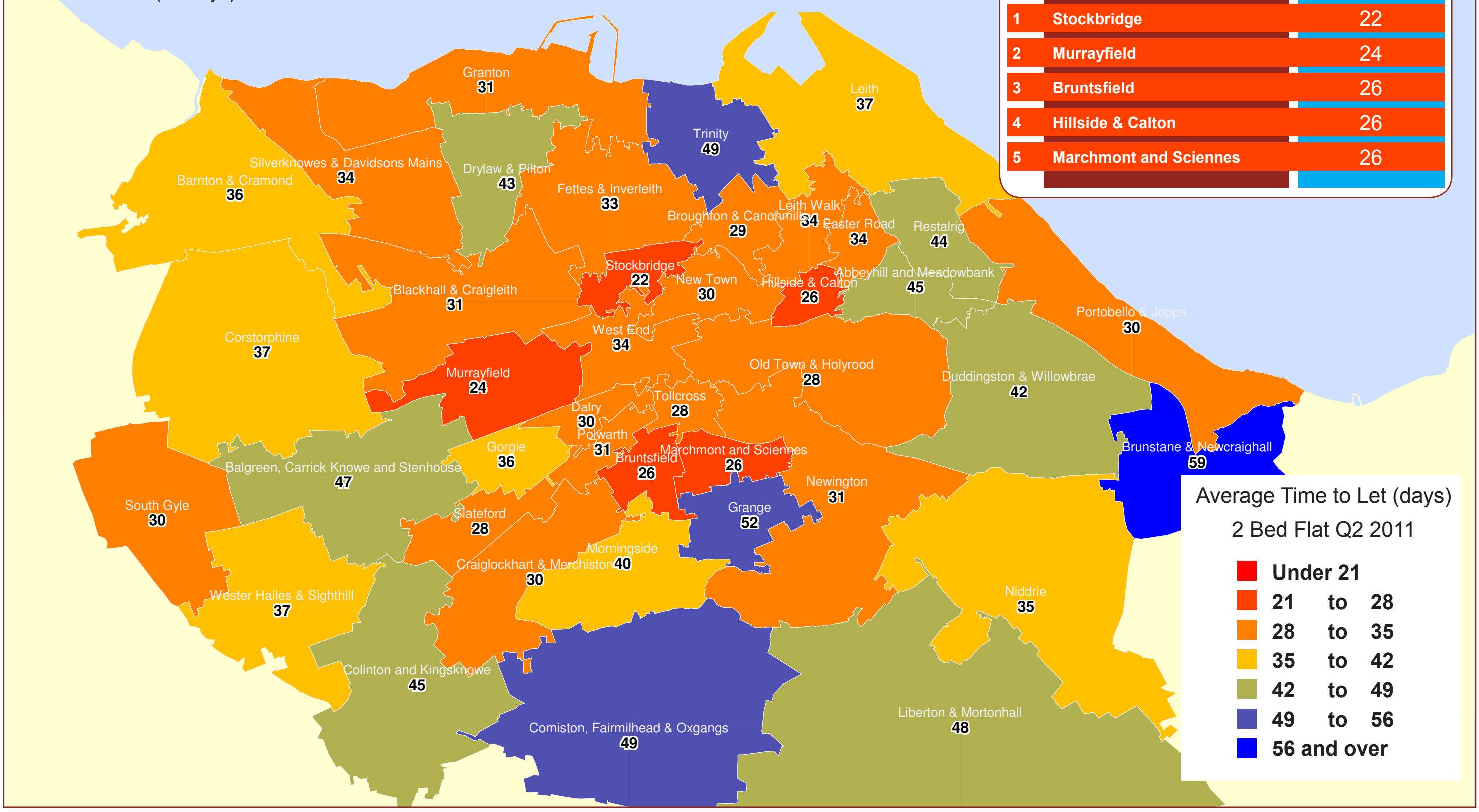


Average Time to Let (days) 2 Bed Flat Q2 2011

The TTL map shows how quickly 2 bed flats are letting across the City. While no neighbourhood has achieved a sub three week TTL in Q2 2011 Stockbridge still tops the list with a TTL of 22 days. Other locations with particularly short TTL figures in the quarter include Murrayfield (24 days) and Bruntsfield (26 days).

5 Shortest Time to Let in Edinburgh

	Neighbourhood	TTL (days) 2 Bed Flats
1	Stockbridge	22
2	Murrayfield	24
3	Bruntsfield	26
4	Hillside & Calton	26
5	Marchmont and Sciennes	26



Glasgow

Glasgow average rents increased for properties of all sizes in Q2 2011. A 3.3% annual rise in rent for 3 bed properties somewhat countered the drop of 7.3% reported in the previous report. These fluctuations in rental values for larger properties is partly due to the relatively low volume of 3 bed properties that are let in Glasgow where 1 and 2 bed properties make up 83% of the total volume of lets.

2 bed properties had a slight rise of 1.2% and the average is now £602 while 1 bed properties saw a 2% rise to £457 over the year.

Glasgow Analysis Q2 2011

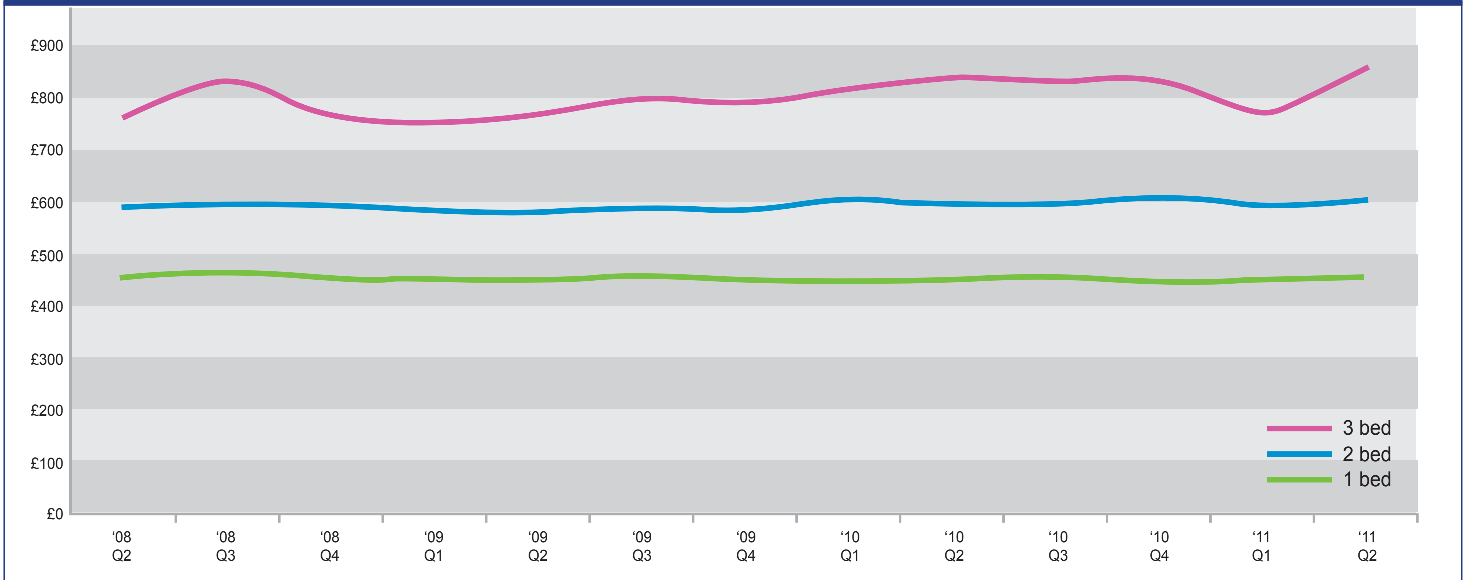
Beds	Average Rent Q2 2011	Growth Q2 2010 Q2 2011	Average TTL (days) Q2 2011	Change Q2 2010 - Q2 2011	Let within a week	Let within a month
1 bed	£457	2.0%	36	-1	11%	50%
2 bed	£602	1.2%	39	0	11%	47%
3 bed	£844	3.3%	34	-8	14%	56%

Glasgow Average Monthly Rents Q2 2011

postcode	1 bed	2 bed	3 bed	4 bed	All	TTL(days)
G1	£536	£728	£1099		£648	31
G2	£526	£708			£694	31
G3	£519	£704	£975	£1236	£749	32
G4	£469	£615	£842	£1335	£685	33
G5	£461	£567	£720		£575	42
G11	£485	£683	£1053		£655	36
G12	£536	£737	£1026	£1528	£847	32
G20	£455	£593	£708		£615	37
G31	£387	£503	£645		£474	44
G32	£357	£474	£521		£445	39
G40	£395	£526	£661		£495	44
G41	£436	£548	£713		£539	44
G42	£395	£508	£586		£457	40
G44	£403	£522	£519		£483	48
G51	£373	£499	£599	£682	£458	47

1,2,3 Bed Flat Rent Trends

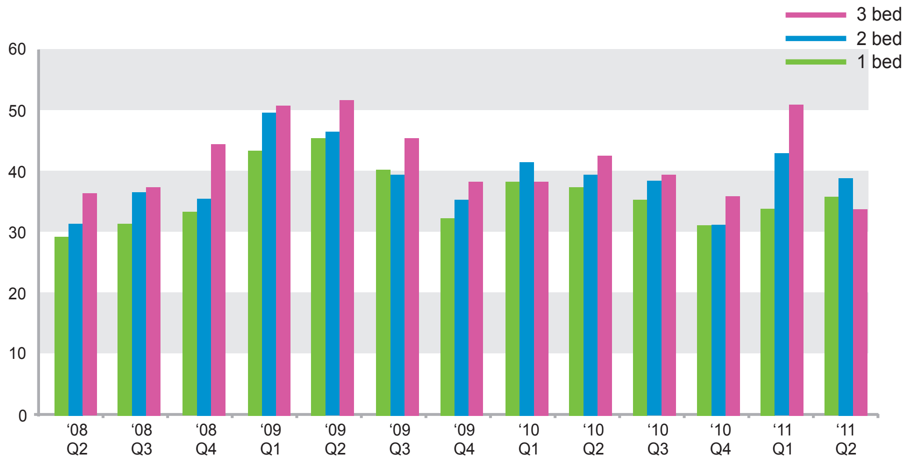
Average Monthly Rent by Number of Bedrooms Q2 2008 - Q2 2011



Time to Let in Glasgow by Property Size (Q2 2008 - Q2 2011)

Over the year the TTL for 1 bed properties has come down by 1 day and now stands at 36 days.

Larger 3 bed properties saw much bigger TTL improvements over the same period coming down by 8 days. In fact they were taking 51 days to let in Q1 2011 but are now averaging 34 days to let which is less than eve the smaller 1 and 2 bed properties. While 2 bed property saw no TTL change in Q2 over the year and remain at 39 days it is encouraging to see the figures are down on the unusually high TTL seen in Q1. It is also worth noting that Glasgow is now well down on the average TTL of 46 days that prevailed in Q2 2009.

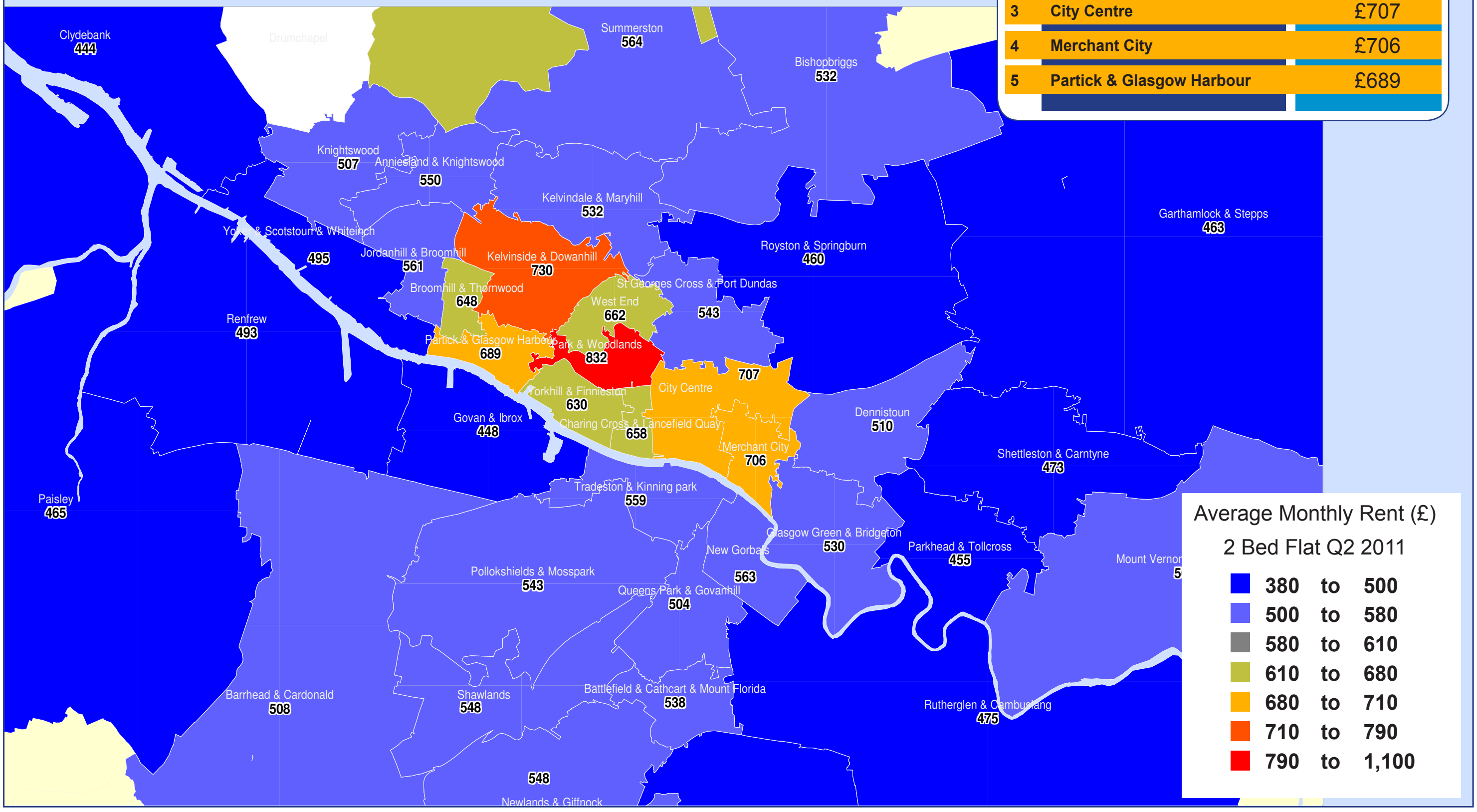


Average Monthly Rents for 2 Bed Flats in Glasgow (all figures in pounds)

In Q2 2011 Park & Woodlands had an average rent for a 2 bed flat of £832 which means it again tops the list of the most expensive neighbourhoods in Glasgow. In fact average rents increased by precisely £50 from Q1 and Park & Woodlands is now sixth in the ranking of Scottish neighbourhoods. Kelvinside & Dowanhill (£730) the second ranked Glasgow neighbourhood only makes it as far as 26th in the Scottish ranking. City Centre (£707) and Merchant City were in 3rd and 4th respectively with Partick & Glasgow Harbour moving to 5th from 3rd spot last quarter.

5 Most Expensive Areas in Glasgow

	Neighbourhood	Average Monthly rent for 2 bed flat
1	Park & Woodlands	£832
2	Kelvinside & Dowanhill	£730
3	City Centre	£707
4	Merchant City	£706
5	Partick & Glasgow Harbour	£689

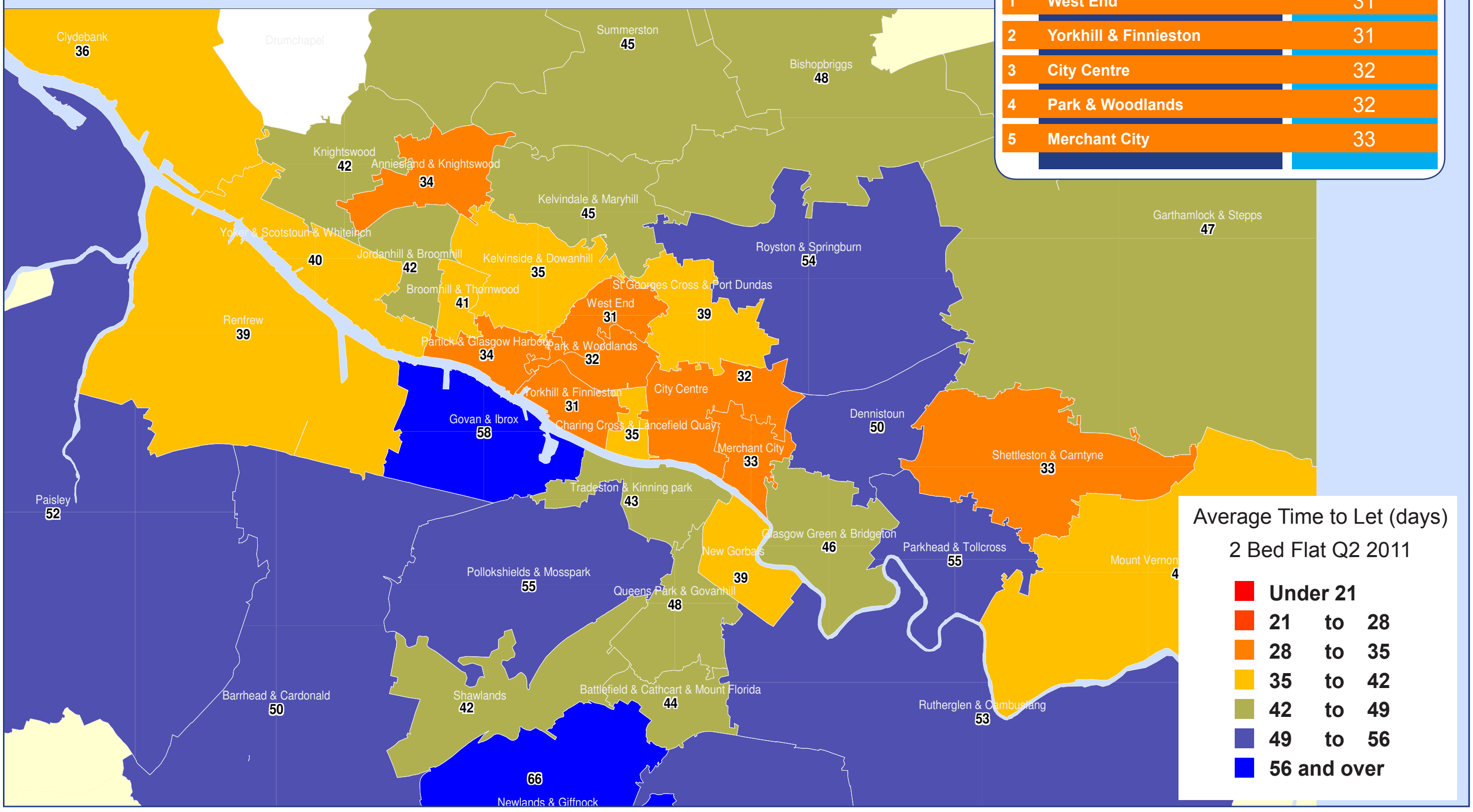


Average Time to Let (days) 2 Bed Flat Q1 2011

Park & Woodlands is again the area with the shortest Time To Let (31 days) equalling Yorkhill & Finnieston. However it is worth noting that these leading TTL figures are 7 days greater than they were last quarter. All of the City centre locations now have TTL figures of over 4 weeks which may be an indication that demand and supply in the premium areas of Glasgow are well balanced.

5 Shortest Time to Let in Glasgow

	Neighbourhood	TTL (days) 2 Bed Flats
1	West End	31
2	Yorkhill & Finnieston	31
3	City Centre	32
4	Park & Woodlands	32
5	Merchant City	33



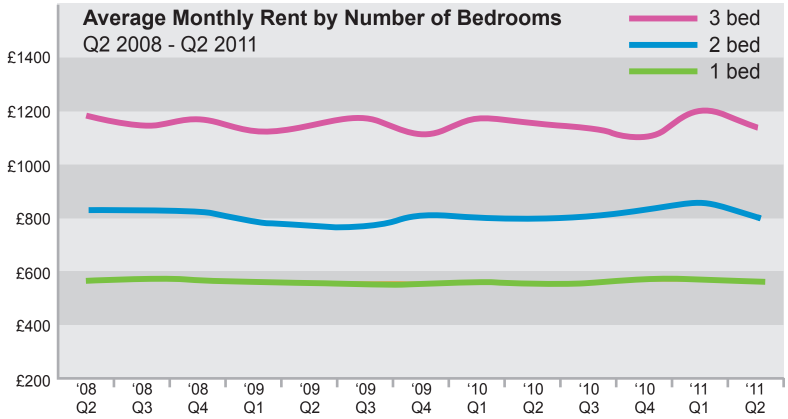
Aberdeen

Aberdeen is still the most expensive City to rent in Scotland with an average property costing £862 per month. While it experienced a short term quarterly downturn (£45) in rents our preferred statistic for year on year change was very slightly up (0.9%).

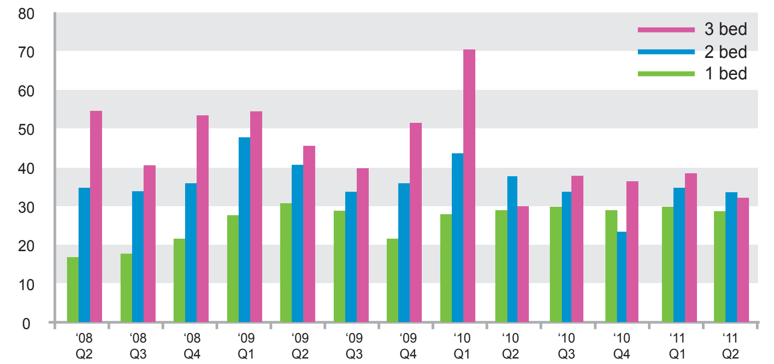
Despite rental prices falling slightly in Q2 2011 compared to Q1 2011 the TTL figures have improved which will be good news for landlords. 1 bed properties are now taking just over 4 weeks to let (29 days) which is a day quicker than Q1 and the same as Q2 2010. Average rents for 1 beds are now at £556 which is up 2.4% on a year ago. 2 bed properties are up (1.3%) over the year and saw their average TTL improve by a respectable 4 days. Meanwhile in Q2 rents for 3 bed properties came down 1.6% on the year and saw TTL lengthen by 2 days though this was still a 7 day improvement on Q1.

Aberdeen Analysis Q2 2011

Beds	Average Rent Q1 2011	Growth Q1 2010 Q1 2011	Average TTL (days) Q1 2011	Change Q1 '10 - Q1 '11	Let within a week	Let within a month
1 bed	£556	2.4%	29	0	18%	61%
2 bed	£800	1.3%	34	-4	17%	56%
3 bed	£1,133	-1.6%	32	2	20%	57%



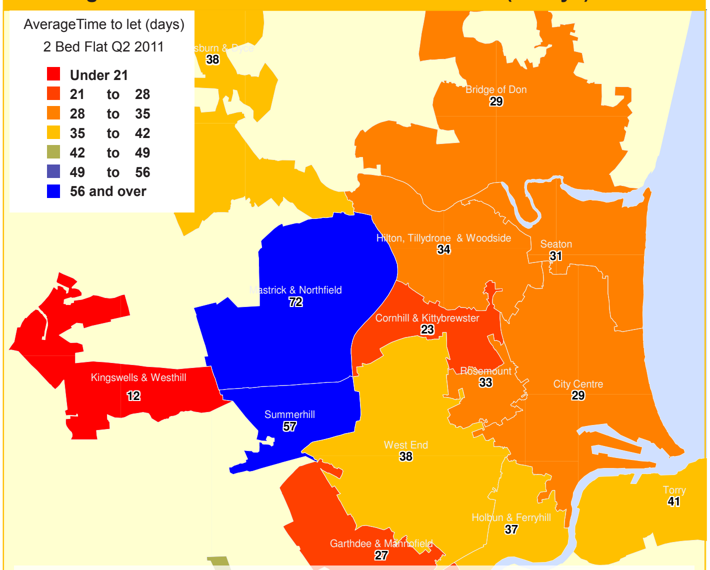
Time to Let in Aberdeen by Property Size (Q2 2008 - Q2 2011)



Aberdeen Average Monthly Rents Q2 2011

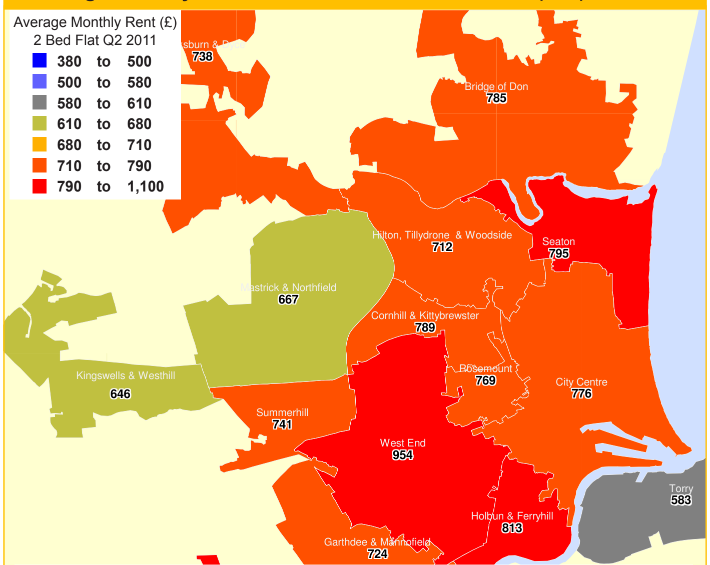
postcode	1 bed	2 bed	3 bed	4 bed	Total	TTL days
AB10	£565	£779	£1187		£741	28
AB11	£554	£807	£1163		£770	34
AB15	£700	£987	£1271	£1950	£1275	46
AB24	£541	£758	£1039		£765	32
AB25	£558	£762	£1013		£689	31

Average Time to Let for 2 Bed Flats in Aberdeen (in days)



The areas of Aberdeen with the busiest rental activity for 2 bed flats are City Centre, West End and Holburn & Ferryhill and in Q2 2011 they accounted for 66% of Aberdeen lets. They had TTL figures of 29, 38 and 37 days respectively.

Average Monthly Rents for 2 Bed Flats in Aberdeen (in £)



The West End (£954) remains the most expensive area to rent a 2 bed flat in Aberdeen and is the second most expensive area in Scotland behind only to Grange (£970) in Edinburgh.

About Citylets

Founded in 1999, Citylets is Scotland and Northern Ireland's original residential lettings portal & network advertising more than 50,000 properties per year on behalf of over 300 letting agents. Citylets Network is an exclusive group of sites for property to rent including s1homes, FindaProperty, Primelocation and Globrix. Privately owned, Citylets is fully independent of any estate / letting agent group, media or financial organisation and is managed by its founding team in the West End of Edinburgh.

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Enquiries

Please feel free to get in touch with us if you would like to discuss any aspect of this report or would like to consider advertising property on the Citylets Web site.

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Methodology

The statistics are based on rental properties advertised on Citylets. Rather than employ snapshot sampling our observations are recorded when a property is removed from the site as let. We believe such transaction-based observations provide a better reflection of the market.

The data is cleansed to remove multiple entries and other anomalies. Our cleansing process continues to guide refinements to data recording.

Averages are calculated on a monthly or quarterly basis as weighted (mix-adjusted) means. Indices are constructed holding composition (property type and number of bedrooms) fixed at the average of the last three years. This ensures that changes in the index reflect rent changes and not changes in composition, which are likely to occur seasonally.

Disclaimer

Whilst we have made every effort to ensure information published in this report is correct Citylets gives no warranty or representation as to the accuracy or completeness of the information. The report does not constitute legal or other professional advice. We reserve the right to change methodology, discontinue or revise indices or other analysis at any time.