

Scottish Private Rented Sector

This is our second quarterly report for 2012, covering the period April to the end of June. In this issue we consider the growth of the Private Rented Sector (PRS) and introduce a new 'volume index' which monitors the lettings advertised on the Citylets network. Our analysis shows that while the weather has been unquestionably miserable it has not put a dampener on the lettings market in Scotland which continues to expand.

National & Urban Profile

Average monthly rents in Scotland in the second quarter of 2012 reached £672, an increase of just 1.4% on the same period in 2011. This comparatively modest rise in rents is below the latest Retail Prices Index (RPI) inflation figure for June of 2.8%, and suggests that while the demand for rental property is high the market seems to be well balanced with sufficient supply to maintain stable prices.

Below inflation rent increases have not been experienced everywhere though. Aberdeen continues to be the most expensive city to rent and it also experienced the biggest jump in prices of any city, with average rents rising 4.5% year-on-year to £901. The typical monthly cost for a 3 bed property in the Granite City is now £1,225, up 8.1% on the year.

In Glasgow the mix adjusted average rent was up 1.3% on the year to £609, while in Edinburgh average rents rose 2.9%, a fraction over the rate of inflation, and are now £791.

Volume Index

As the PRS expands we felt it would be useful report the extent to which lettings volumes have increased on the Citylets network since 2008. Our 'volume index' is set at 100 in Q1 2008 and now stands at 198, which means that volumes are up 98% in that time. The chart also clearly illustrates the seasonality of the lettings market with the 3rd quarter invariably being the busiest.

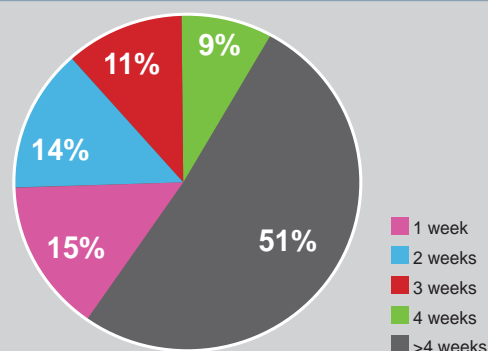
Time To Let

Average time to let (TTL) for all properties across Scotland in Q2 2012 was 39 days which is one day longer than a year ago, but five days better than the figure of 44 days recorded in the previous quarter.

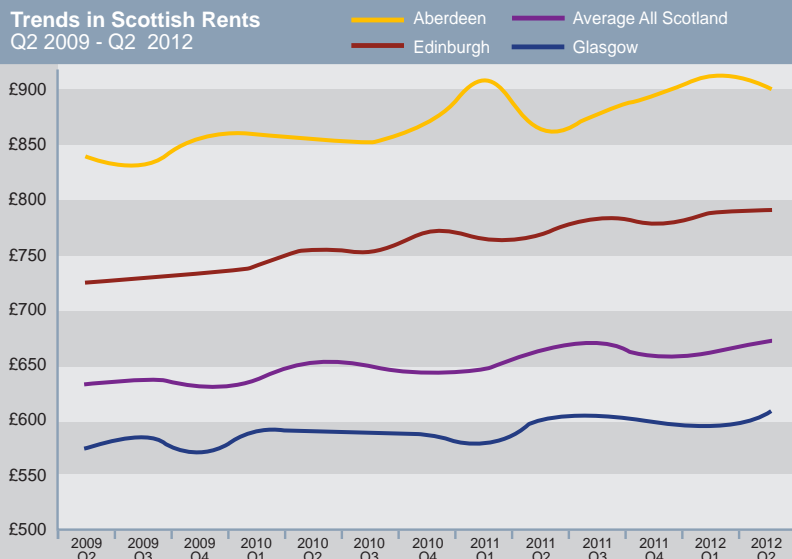
Our detailed chart of TTL across Scotland by property size shows that larger 3 and 4 bed properties have seen the most improvement in TTL on average. In Q2 2012 3 bed properties took 41 days to let while 4 bed properties were on the market for 37 days, which is the same TTL figure as 1 bed properties.

The pie chart below shows that just under a half (49%) of properties took 4 weeks or less to let during Q2 2012.

Proportion of all Scottish properties let by TTL period Q2 2012

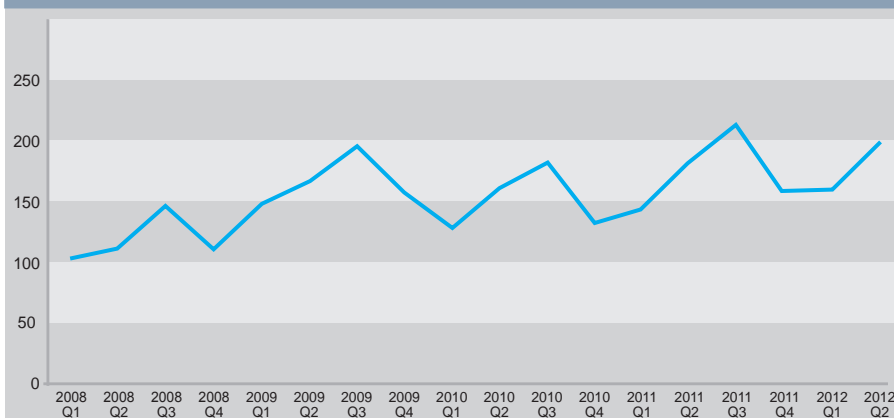


Trends in Scottish Rents
Q2 2009 - Q2 2012

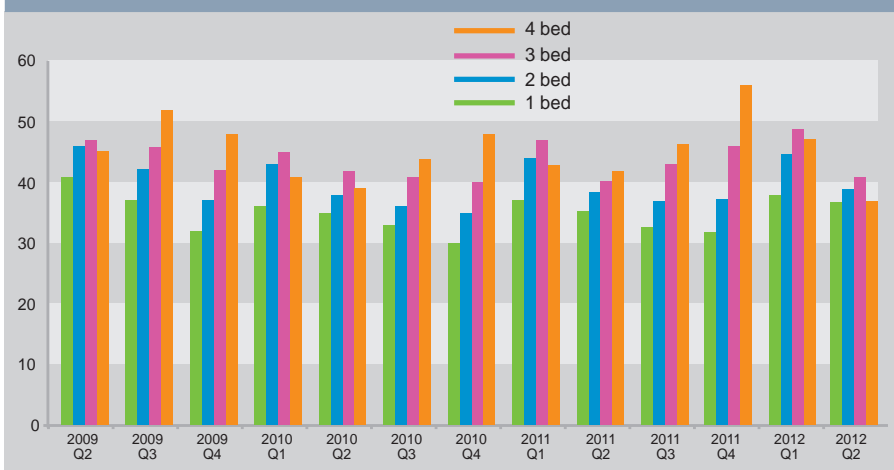


Citylets Scottish Rental Volume Index (Q1 2008 - Q2 2012)

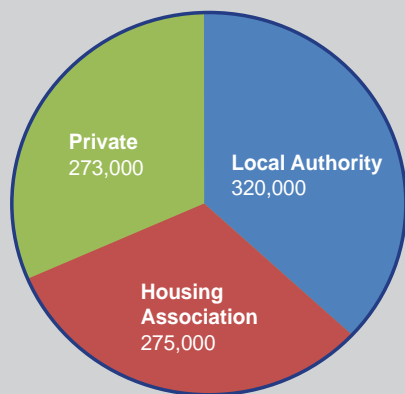
Index level (Q1 2008 = 100)



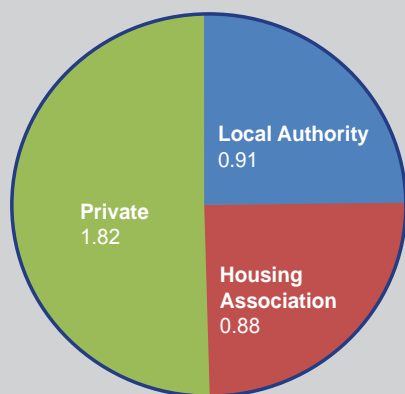
Time to Let in Scotland by Property Size (Q2 2009 - Q2 2012)



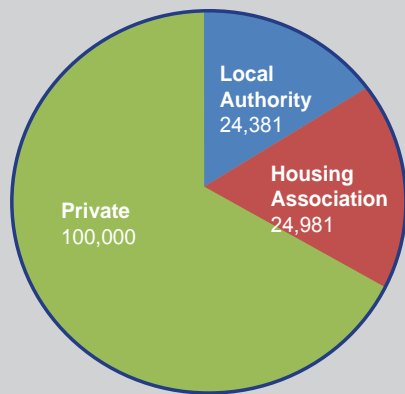
Economic and Social Trends



Scottish Rental Stock



Annual Scottish Rental Receipts (£billion)



Annual Volume of New Lettings

The Private Rented Sector (PRS) in Scotland is experiencing ongoing expansion and we felt it would be helpful to set this within the context of the social rented sector in terms of scale, volume and revenues.

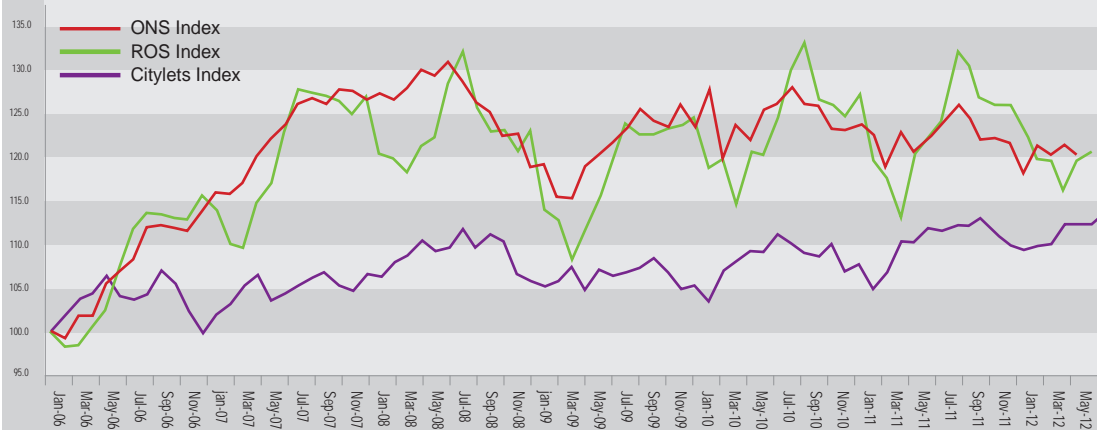
According to the most recent housing statistics published by the Scottish Government for the year 2010-11 the total stock of local authority owned dwellings was 320,000, with an average weekly rent of £54.63. This equates to an annual rental income of just over £900 million. On the other side of the social housing rental sector are the Registered Social Landlords (RSLs) such as Housing Associations (HA), and the total HA stock stood at just under 275,00 dwellings. Average weekly rents for HA tenants are slightly higher than council owned properties at £61.39, which gives an approximate total rental revenue of £878 million per annum. In the most recently published Scottish Household Survey there are estimated to be 273,000 privately rented dwellings in Scotland as of March 2010, a figure that has increased by more than 110,000 since March 2001. On this trajectory the stock of PRS property will exceed the 275,000 properties rented through housing associations and the 320,000 rented from councils within the next few years.

To estimate the total amount of rent paid by PRS tenants across Scotland we can simply multiply the Citylets average monthly rent (£672) by the total stock. However, we are conscious that our data is predominantly urban and that some cheaper rental properties are not advertised via the internet, so have discounted this figure by 10%. Also, rental properties do have void periods so have assumed rent receipts for 11 months in the year. This results in an estimated annual rental income of £1.82 billion which matches the total rental receipts of the entire social sector (£1.78 billion). On the basis that the average tenancy in the PRS is approximately two years, the total number of new tenancies in a year is estimated to be around 100,000 (allowing for void periods). Within the social sector in 2010-11 there were 24,831 new council lets and 24,981 new HA lets respectively, which is half the volume of new lettings in the PRS.

On the basis of these estimates we anticipate that the recently introduced tenant deposit schemes (TDS) will, when fully operational, take in approximately £60 million per annum in new rent deposits.

Citylets Rental Index v ONS House Price Index v ROS Index (January 2006 - May 2012)

Index level (Jan 2006=100)



In June 2012 the Citylets Rental Index stood at 113.6 which exceeds the previous high of 112.9 reported in September 2011. Meanwhile, Scottish house prices reported by both Registers of Scotland (ROS) and Office for National Statistics (ONS) can best be described as flat.

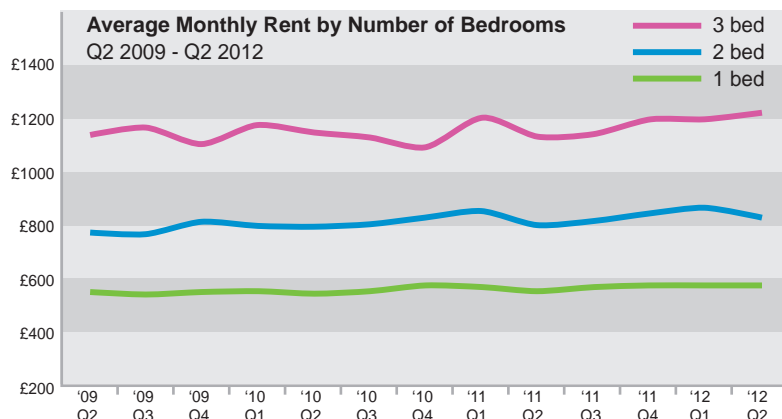
Aberdeen

Aberdeen continues to be the most expensive city for private tenants in Scotland with a mixed adjusted average monthly rent of £901 in Q2 2012, which is up 4.5% on the figure of a year ago. However, despite this annual growth Aberdeen still experienced a small downturn in overall rents from the high reported in the previous quarter (£913).

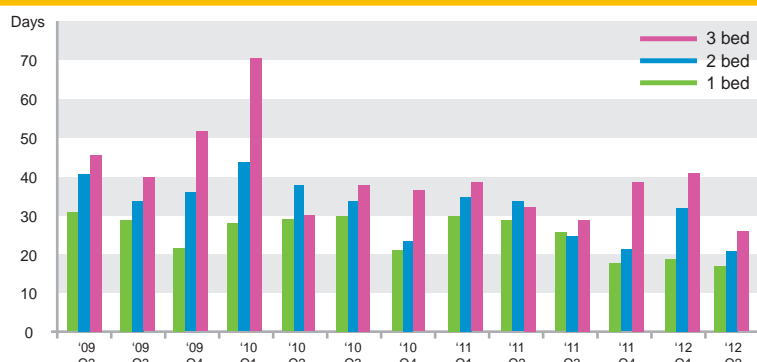
Average rents for 1 bed flats are now £576 which is up 3.6% on a year ago. 1 bed properties recorded a very short TTL figure of 17 days, and 80% of these smaller properties are being let within a month of being advertised. 2 bed properties saw rents rise by a similar amount, 3.4% over the year to £827 but their TTL has improved dramatically by 13 days and a typical 2 bed property now takes just three weeks to let. Rents for 3 bed property in Q2 were up by 8.1% on the year and TTL improved by 6 days over the year.

Aberdeen Analysis Q2 2012

Beds	Average Rent Q2 2012	Growth Q2 2011 Q2 2012	Average TTL (days) Q2 2012	Change Q2 '11 - Q2 '12	Let within a week	Let within a month
1 bed	£576	3.6%	17	-12	37%	80%
2 bed	£827	3.4%	21	-13	32%	74%
3 bed	£1,225	8.1%	26	-6	30%	66%



Time to Let in Aberdeen by Property Size (Q2 2009 - Q2 2012)



Aberdeen Average Monthly Rents Q1 2012

postcode	1 bed	2 bed	3 bed	4 bed	TTL days
AB10	£591	£841	£1,083		22
AB11	£564	£794	£1,240		20
AB15	£685	£1,009	£1,396	£1,782	39
AB24	£565	£793	£1,073		22
AB25	£559	£790	£1,148		22

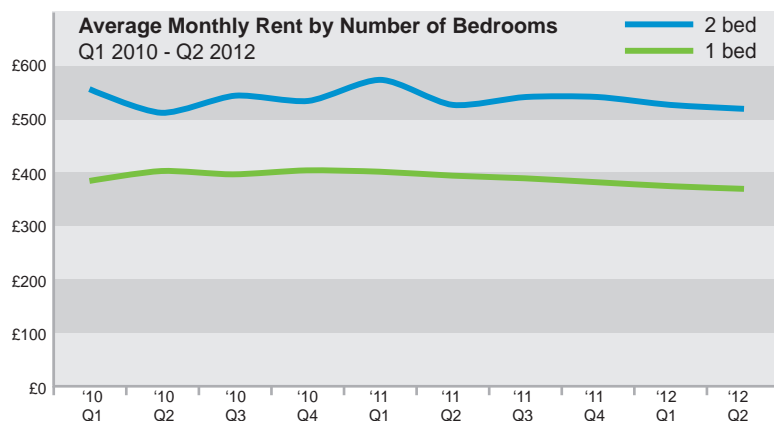
Dundee

Dundee remains the most affordable city in Scotland with rents for 2 bed properties standing at £522, down by 0.8% on the same quarter in 2011. Smaller 1 bed properties let for an average £374 per month which is 5.6% down on the figure from last year.

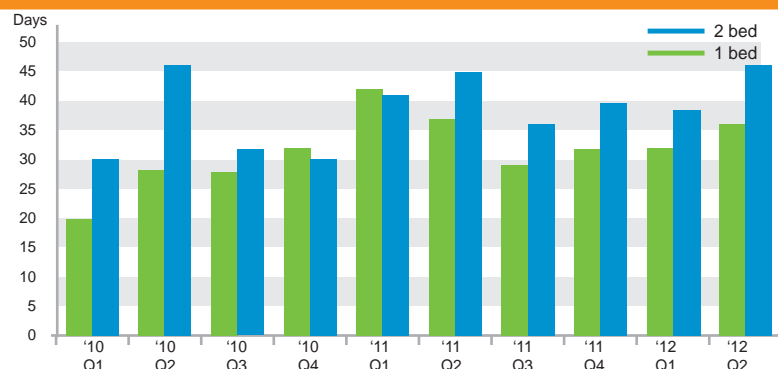
In Q2 2012 Citylets increased the volume of Dundee lets it advertised by 55% over the year, though there was a slight drop in volumes from the previous quarter. The annual increase in volumes is the result of the growing use of Citylets by agents and landlords as well as the expansion of the PRS as a housing tenure within the city.

Dundee Analysis Q2 2012

Beds	Average Rent Q2 2012	Growth Q2 2011 Q2 2012	Average TTL (days) Q2 2012	Change Q2 '11 - Q2 '12	Let within a week	Let within a month
1 bed	£374	-5.6%	36	-1	10%	52%
2 bed	£522	-0.8%	46	1	6%	36%



Time to Let in Dundee by Property Size (Q2 2010 - Q2 2012)



TTL figures for Q2 2012 have changed very little since last year and 1 bed flats now have a TTL of 36 days which is a 1 day improvement from Q2 2011 while 2 bed properties have a more considerable TTL of 46 days which is 1 day worse than Q2 2011.

2 bed flats in Dundee make up 48% of the rental transactions analysed in Q2 2012 and 1 bed flats represented 29%. These proportions are somewhat higher than the equivalent figures for Scotland which are 41% and 26% respectively. Currently the proportion of larger houses (3, 4 and 5 bed) rented in Dundee (4%) is lower than for Scotland as a whole (12%).

Edinburgh

In the second quarter of 2012 the average rent for a 2 bed property in Edinburgh was £718 which is 2.9% up on the figure last year. In the same period 3 bed properties experienced an identical annual increase of 2.9% and average rents now stand at £1,031. Typical 1 bed properties had an average monthly rental of £538 which equates to an annual growth of just 0.2%.

It is evident from agent feedback that there is a wave of new landlords in the capital who are recognising that the sales market is still very slow and are choosing to rent out their property to get some much needed income at the same time as having the property on the market for sale. Keeping both landlords and tenants happy in this situation requires some experienced management by the sales & letting agent. If all parties are fully aware of their obligations it can be a mutually beneficial arrangement.

Edinburgh Analysis Q2 2012

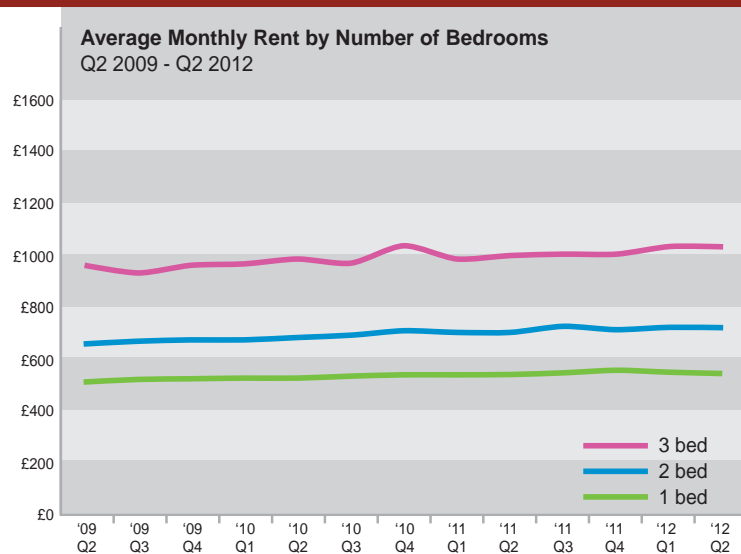
Beds	Average Rent Q2 2012	Growth Q2 2011 Q2 2012	Average TTL (days) Q2 2012	Change Q2 '11 - Q2 '12	Let within a week	Let within a month
1 bed	£538	0.2%	35	5	16%	54%
2 bed	£718	2.9%	35	4	14%	53%
3 bed	£1,031	2.9%	41	6	12%	44%
4 bed	£1,436	3.2%	31	-4	20%	57%

Average rents for larger 4 bed properties experienced the most growth over the last year with an increase of 3.2% to £1,436. These larger 4 and 5 bed properties account for just 12% of the volume of rentals in Edinburgh while 3 bed properties make up 19% of the total. However, 4 bed properties were the only type to see an improvement in TTL, down 4 days to 31 days, a total that unusually is less than the TTL for smaller sized properties. Volumes of lets for Q2 2012 in Edinburgh were up 6.9% on a year ago which shows that the PRS is continuing to expand in the capital.

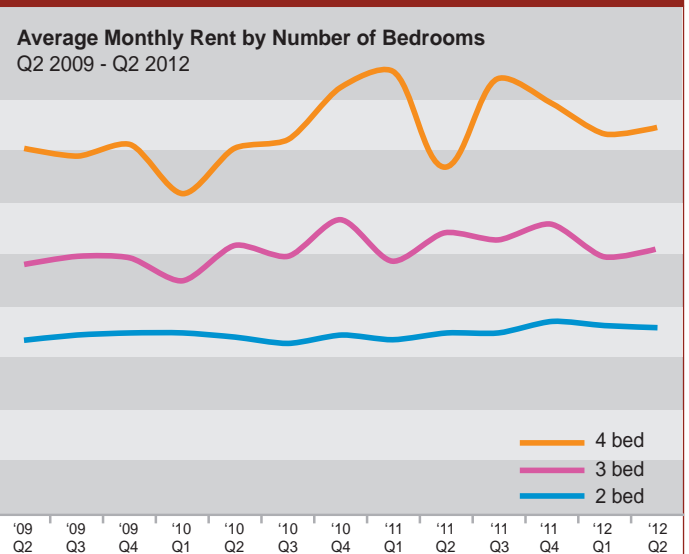
Edinburgh Average Monthly Rents Q2 2012

postcode	1 bed	2 bed	3 bed	4 bed	5 bed	TTL(days)
EH1	£588	£808	£1,123	£1,569	£1,892	32
EH2	£645	£1,012	£1,279	£1,982		38
EH3	£603	£872	£1,236	£1,441	£1,969	33
EH4	£583	£735	£924	£1,581		40
EH5	£504	£623	£849	£1,443		36
EH6	£517	£657	£859	£1,137	£1,295	40
EH7	£516	£681	£946	£1,239	£1,742	38
EH8	£535	£682	£1,005	£1,357	£1,784	31
EH9	£570	£749	£1,097	£1,518	£1,954	26
EH10	£564	£758	£1,036	£1,390	£1,819	39
EH11	£502	£657	£912	£1,259	£1,648	39
EH12	£547	£715	£1,062	£1,439	£2,074	40

1,2,3 Bed Flat Rent Trends



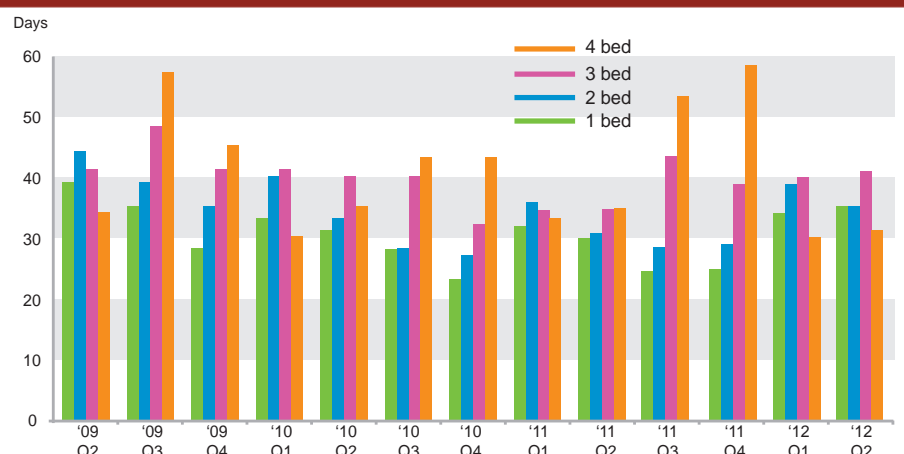
2,3,4 Bed House Rent Trends



Our detailed TTL chart for Edinburgh highlights the improvement seen in TTL numbers for 3 and 4 bed properties since the second half of 2011. However, these improvements contrast with the somewhat longer average TTL figures for smaller properties in Q2. Anecdotal evidence from agents suggests inexperienced new landlords are trying to achieve unrealistically high rents for smaller properties which is leading to longer void periods and hence longer TTL.

It is good to see that the TTL for the larger 4 bed properties has settled down and is currently well below the long run average TTL of 40 days.

Time to Let in Edinburgh by Property Size (Q2 2009 - Q2 2012)

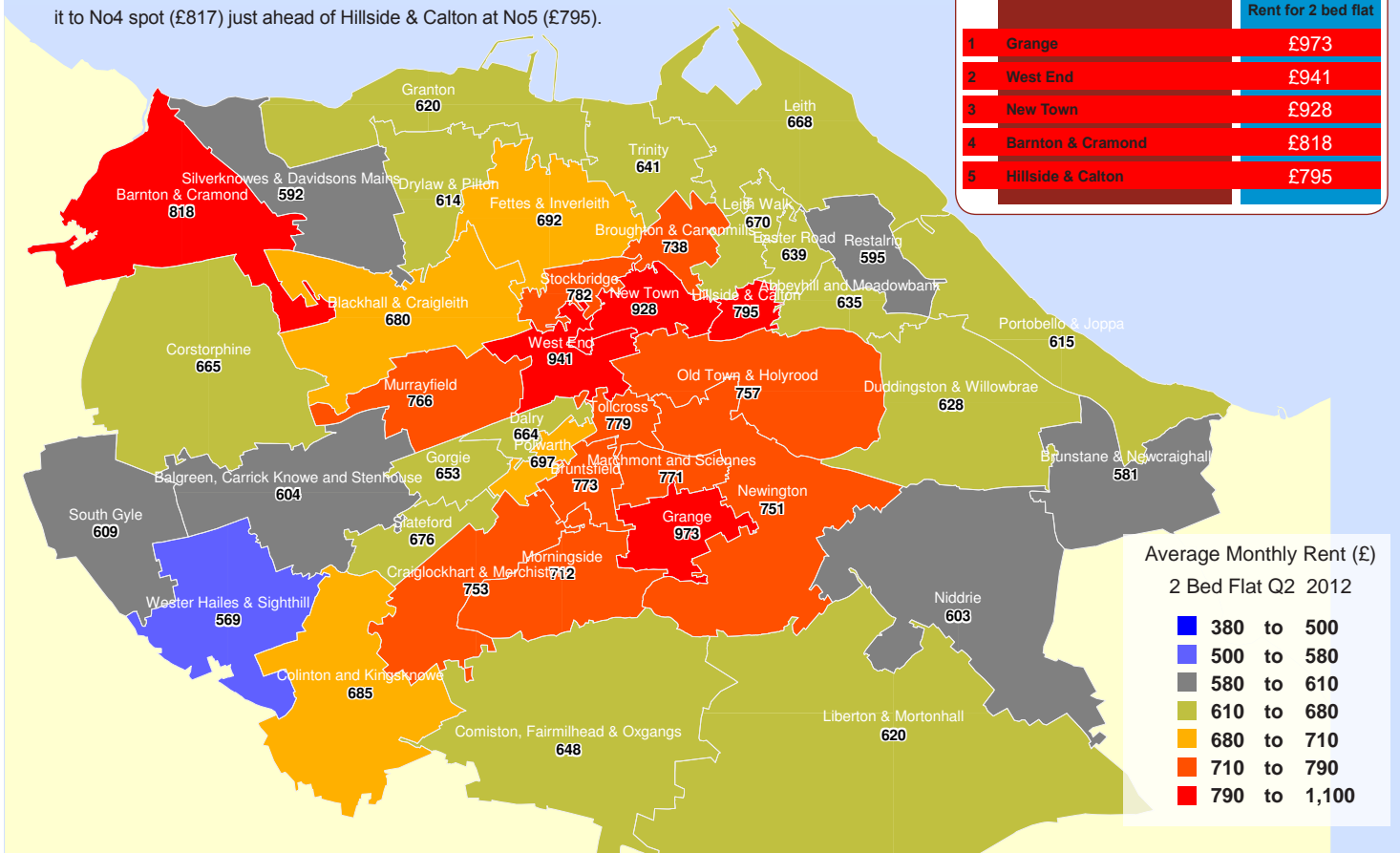


Average Monthly Rents for 2 Bed Flats in Edinburgh (all figures in pounds)

In Q2 2012 the Grange (£973) was the most expensive area to rent a 2 bed flat in Edinburgh, ahead of West End (£941) and the New Town (£928) though it is worth highlighting that the volume of 2 bed flats let in the Grange is far smaller than any of the other top 5 areas. This quarter Barnton & Cramond made it to No4 spot (£817) just ahead of Hillside & Calton at No5 (£795).

5 Most Expensive Areas in Edinburgh

	Neighbourhood	Average Monthly Rent for 2 bed flat
1	Grange	£973
2	West End	£941
3	New Town	£928
4	Barnton & Cramond	£818
5	Hillside & Calton	£795

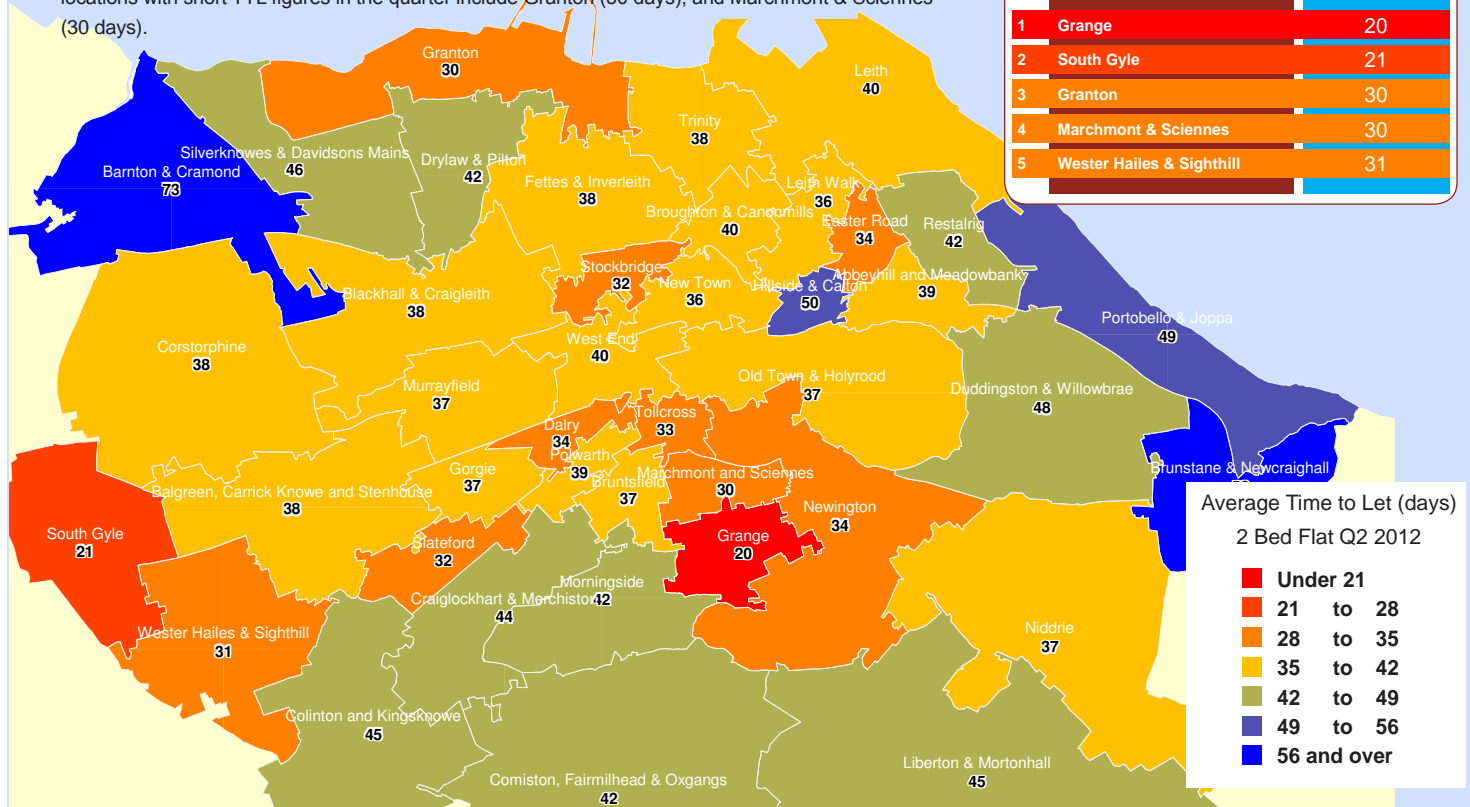


Average Time to Let (days) 2 Bed Flat Q2 2012

The TTL map of Edinburgh highlights the speed with which 2 bed flats are being let across the City. In most of the neighbourhoods TTL figures are in the 35 to 42 days range. The Grange achieved a TTL of 20 days in Q2 2012 while 2 bed flats in South Gyle took 21 days to let on average. Other locations with short TTL figures in the quarter include Granton (30 days), and Marchmont & Sciennes (30 days).

5 Shortest Time to Let in Edinburgh

	Neighbourhood	TTL (days) 2 Bed Flats
1	Grange	20
2	South Gyle	21
3	Granton	30
4	Marchmont & Sciennes	30
5	Wester Hailes & Sighthill	31



Glasgow

Glasgow's mix adjusted average rent in Q2 2012 was £609, while this figure is up just 1.3% from Q2 2011, it is still the highest figure we have recorded. In direct contrast to Edinburgh it is the smaller properties (1 beds) that had the largest annual rise of 2.4% to £468, while 2 bed properties were up 2.0% on the year to £614. The average monthly rent for 3 bed properties was up by just 0.4% to £847.

Glasgow Analysis Q2 2012

Beds	Average Rent Q2 2012	Growth Q2 2011 Q2 2012	Average TTL (days) Q2 2012	Change Q2 2011 - Q2 2012	Let within a week	Let within a month
1 bed	£468	2.4%	41	5	13%	44%
2 bed	£614	2.0%	40	1	15%	47%
3 bed	£847	0.4%	40	6	16	49%

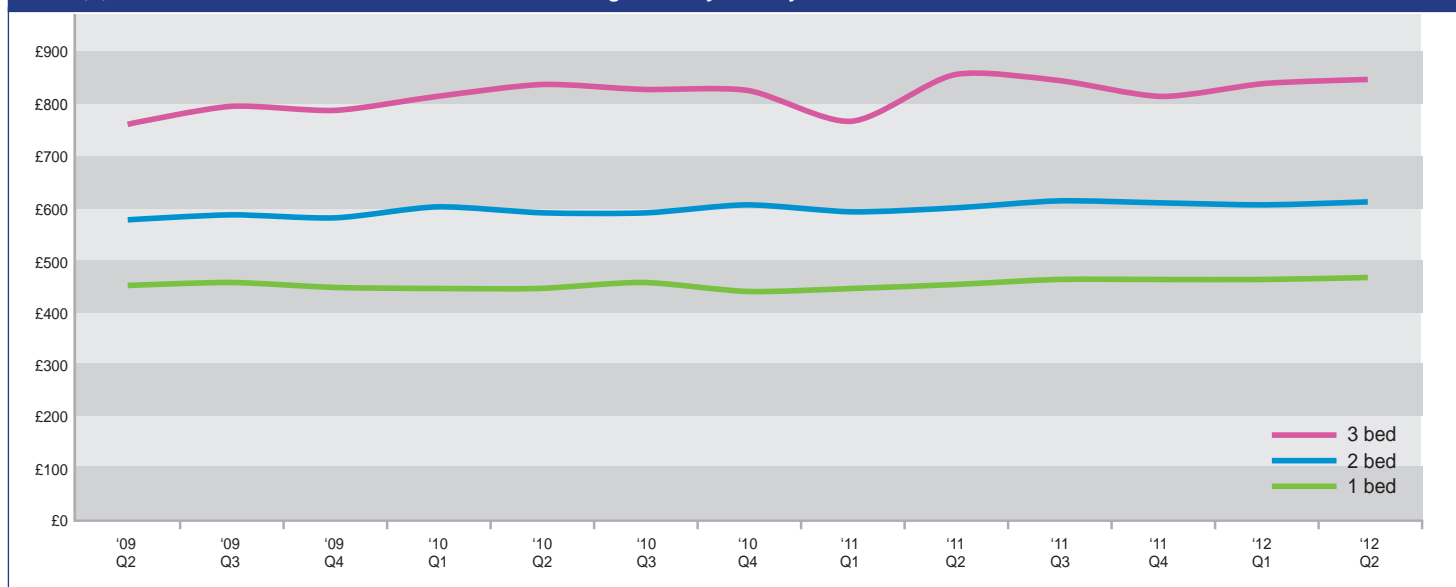
Our analysis of the type of properties privately rented in Glasgow during Q2 2012 shows the very high proportion of property which is 1 or 2 bed flats (83%) while houses make up just 2% of lets. This predominance of smaller flatted property in the city suggests there might be an under supply of larger family sized dwellings in the PRS within Glasgow.

Glasgow Average Monthly Rents Q2 2012

postcode	1 bed	2 bed	3 bed	4 bed	TTL(days)
G1	£547	£715	£946		36
G2	£532	£707	£1,192		28
G3	£509	£713	£1,000	£1,308	36
G4	£492	£644	£914	£1,379	39
G5	£507	£577	£761		48
G11	£504	£685	£991		40
G12	£566	£763	£1,086	£1,310	36
G20	£463	£575	£756		46
G31	£399	£512	£630		41
G32	£378	£482			44
G40	£401	£494			49
G41	£446	£552	£700	£937	47
G42	£392	£502	£672		46
G44	£392	£543	£613		46
G51	£382	£484	£574		51

1,2,3 Bed Flat Rent Trends

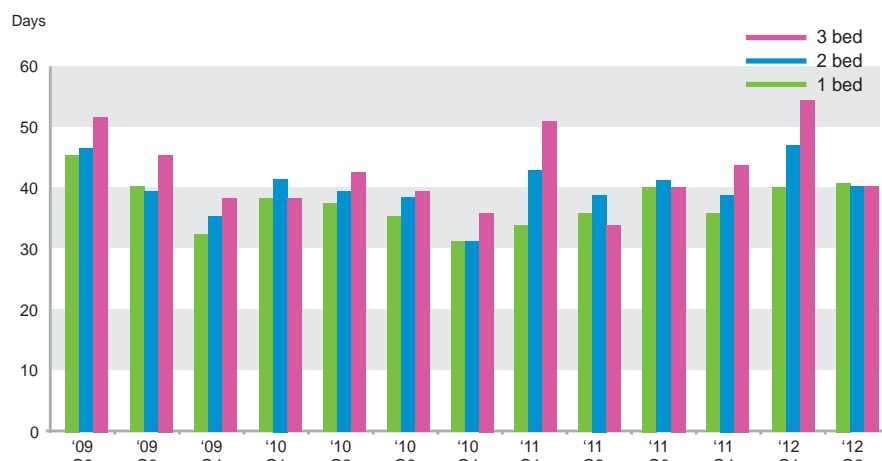
Average Monthly Rent by Number of Bedrooms Q2 2009 - Q2 2012



Time to Let in Glasgow by Property Size (Q2 2009 - Q2 2012)

For Q2 2012 the TTL increased year on year across all sizes of properties. TTL for larger 3 bed properties increased by 6 days over the year and now stands at 4 days while TTL for 2 bed properties edged up by 1 day and now stand at 40 days. Smaller 1 bed properties have a similar TTL of 41 days which is 5 days up on the equivalent figure of a year ago.

While Glasgow TTL figures have increased over the year the overall city TTL now stand at 39 days which is identical to the current national average. It is worth emphasising that the core city centre and West End rental markets achieve TTL figures that are well below this national average.

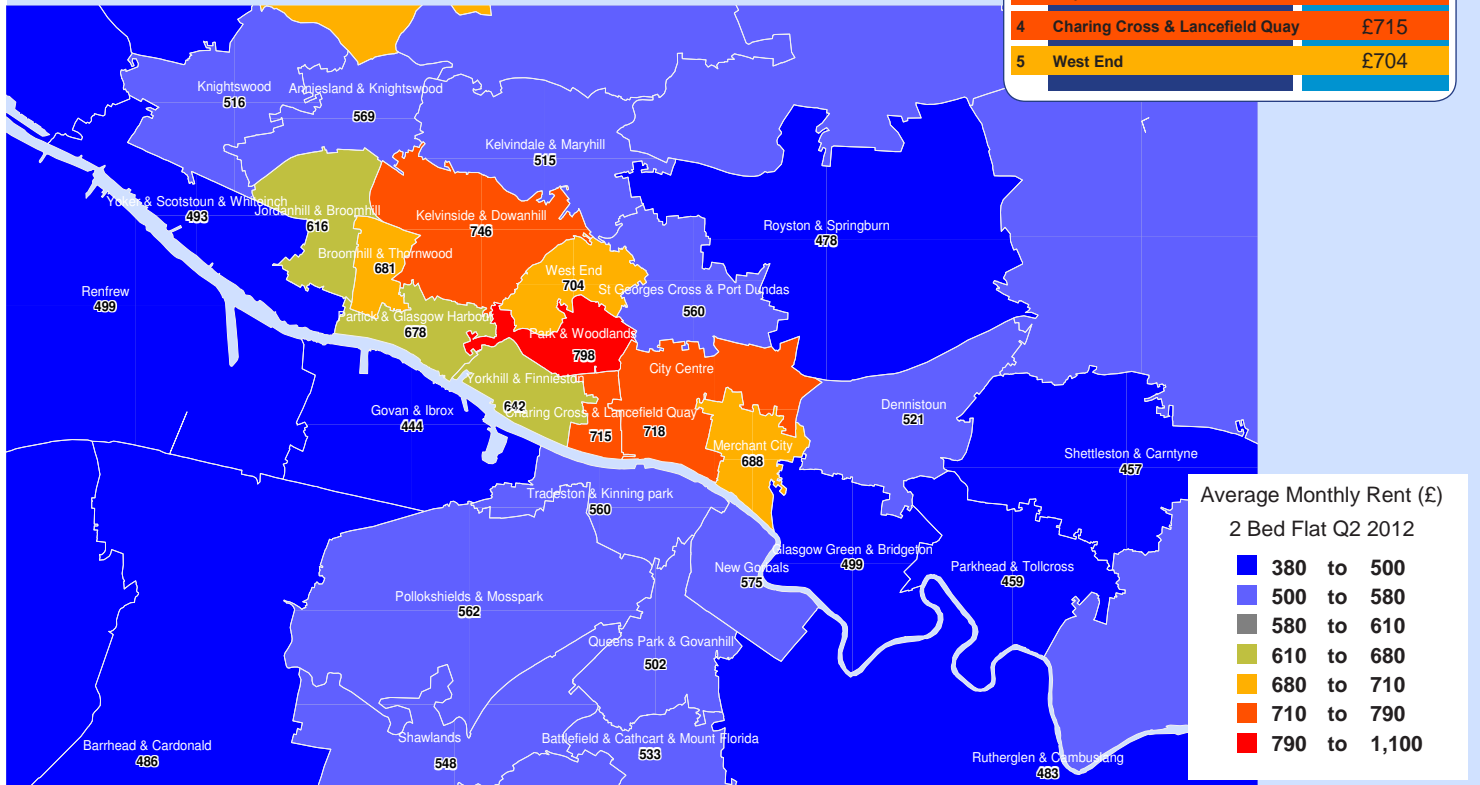


Average Monthly Rents for 2 Bed Flats in Glasgow (all figures in pounds)

Park & Woodlands again tops the list of most expensive neighbourhoods in Glasgow with an average rent for a 2 bed flat of £798, a drop of £34 on the figure reported last year. City Centre (£718) was pipped by Kelvinside & Dowanhill (£746) for second place while Charing Cross & Lancefield Quay (£715) and West End were 4th and 5th respectively. The map highlights the fact that the premium rental areas for 2 bed flats in Glasgow are still very much restricted to the centre and west end of the city.

5 Most Expensive Areas in Glasgow

	Neighbourhood	Average Monthly Rent for 2 bed flat
1	Park & Woodlands	£798
2	Kelvinside & Dowanhill	£746
3	City Centre	£718
4	Charing Cross & Lancefield Quay	£715
5	West End	£704

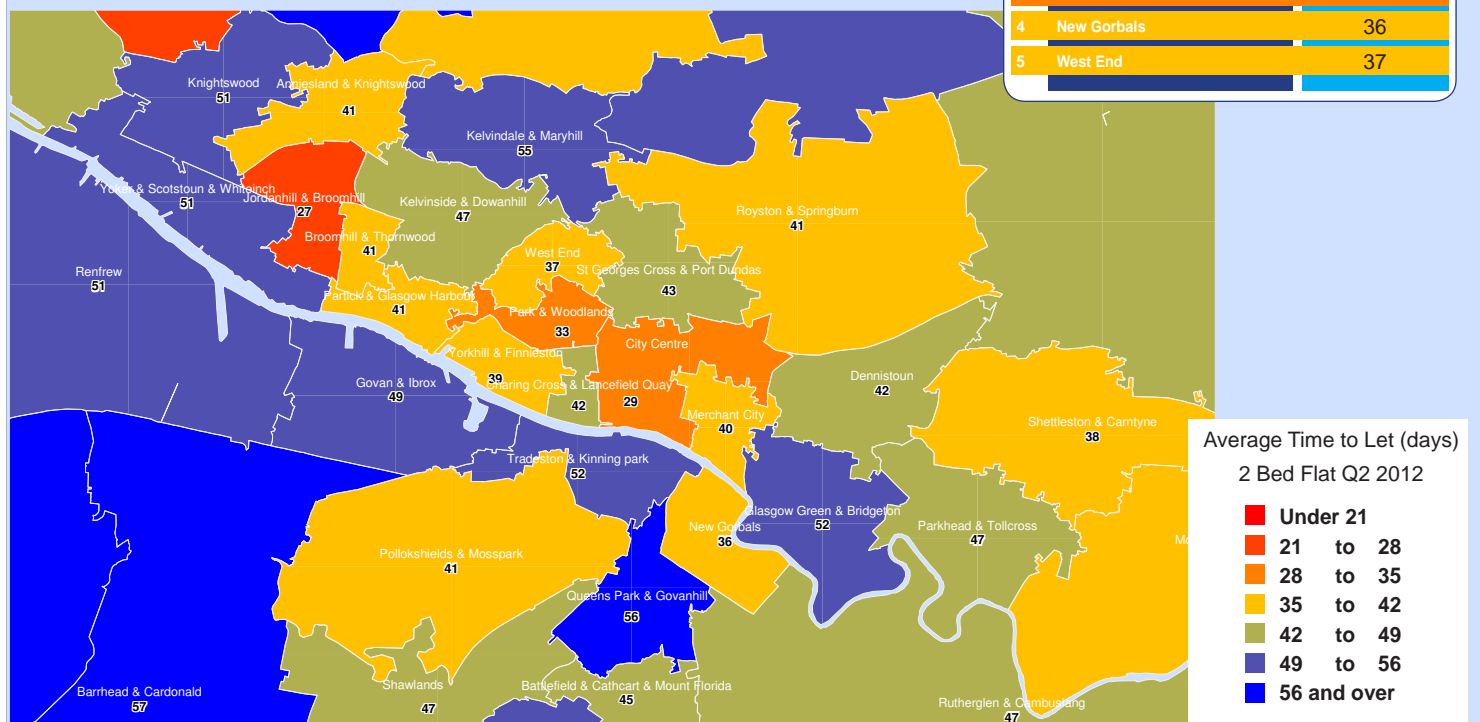


Average Time to Let (days) 2 Bed Flat Q2 2012

Jordanhill & Broomhill (27 days) topped the TTL ranking of Glasgow neighbourhoods and was still the only area to have a TTL of 4 weeks or less. City Centre achieved a TTL of 29 days putting it in 2nd place ahead of the prime area of Park & Woodlands (33 days). An area south of the river (New Gorbals) made a rare appearance in the top 5 with a TTL of 36 days, which places it in 4th spot just ahead of West End with a TTL of 37 days.

5 Shortest Time to Let in Glasgow

	Neighbourhood	TTL (days) 2 Bed Flats
1	Jordanhill & Broomhill	27
2	City Centre	29
3	Park & Woodlands	33
4	New Gorbals	36
5	West End	37



Citylets Rent Map

Average Monthly Rent
2 Bed Flats Q2 2012

- 420 to 470
- 470 to 520
- 520 to 560
- 560 to 600
- 600 to 710
- 710 to 850

"The picture on the ground is mixed, Edinburgh is the most buoyant and certain parts of the Scottish Borders (eg Hawick), the least buoyant. Demand, and therefore rents, in Edinburgh are increasing whereas rents in the other areas are stable. Certain areas are being impacted by local circumstances - for example rents in Midlothian are being skewed by LHA as the LHA level for 2 or more bed properties are higher than market levels."

Robert Young

Chief Executive

The Key Place Group,

Edinburgh, Penicuik, Bo'ness and Kelso

Average Monthly Rents Q2 2012
2 Bed Flats

Local Authority Region	Q2-12	Q2-11	Change (actual)	Change (%)
Aberdeen City	£811	£793	£18	2.3%
Edinburgh, City of	£711	£691	£12	2.9%
Aberdeenshire	£698	£686	£12	1.7%
East Lothian	£599	£594	£5	0.8%
Glasgow City	£599	£591	£8	1.4%
Highland	£598	£588	£10	1.7%
East Dunbartonshire	£591	£575	£16	2.8%
Midlothian	£566	£578	£12	-2.1%
Stirling	£547	£541	£6	1.1%
East Renfrewshire	£530	£561	£31	-5.5%
West Lothian	£529	£522	£7	1.3%
Dundee City	£521	£523	£2	-0.4%
Perth & Kinross	£505	£534	£29	-5.4%
South Lanarkshire	£488	£503	£15	-3.0%
South Ayrshire	£476	£478	£2	-0.4%
Fife	£466	£467	£1	-0.2%
Renfrewshire	£466	£467	£1	-0.2%
North Lanarkshire	£459	£444	£15	3.4%
North Ayrshire	£450	£464	£14	-3.0%
Angus	£447	£493	£46	-9.3%
Falkirk	£447	£462	£15	-3.2%
Inverclyde	£445	£452	£7	-1.5%
East Ayrshire	£441	£440	£1	0.2%
Clackmannanshire	£433	£468	£35	-7.5%
Scotland	£630	£626	£4	0.6%

"We have bolstered our volume of properties from a second wave of new landlords who simply can't sell or who are not even bothering to attempt to sell. Some are put off by the upfront costs of getting a property to market and view 'home reports' as a total waste of money and prefer the option to rent out and actually get an income. There remains a healthy demand for quality rental properties in the capital"

Steven A Currie

Director: Murray & Currie Property Sales & Lettings, Edinburgh

"Whilst many clients previously aimed to buy their own homes, many consider renting as a long term option, given the current financial climate. Despite being previously reluctant to rent, many tenants now see this as a preferred option for their long term future plans, giving them flexibility, less need to commit and being more affordable with no need to save for a very large deposit"

Alistair J McMurdo

Director: Castlebrae Sales and Letting Ltd; West Lothian

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.



www.citylets.co.uk

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.

Market Analysis

Dan Cookson

dan@citylets.co.uk

Managing Director

Thomas Ashdown

thomas@citylets.co.uk

Regional Sales Manager

Jon Clay

jon@citylets.co.uk

Citylets

21 Lansdowne Crescent

Edinburgh

EH12 5EH

Tel: 0131 467 4864

Fax: 0844 507 0400

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.

Copyright

This report and all data contained within is copyright Citylets. The information contained within this report may be reproduced if the source is clearly identified.