The Citylets Report | Issue 15 | Q3 2010

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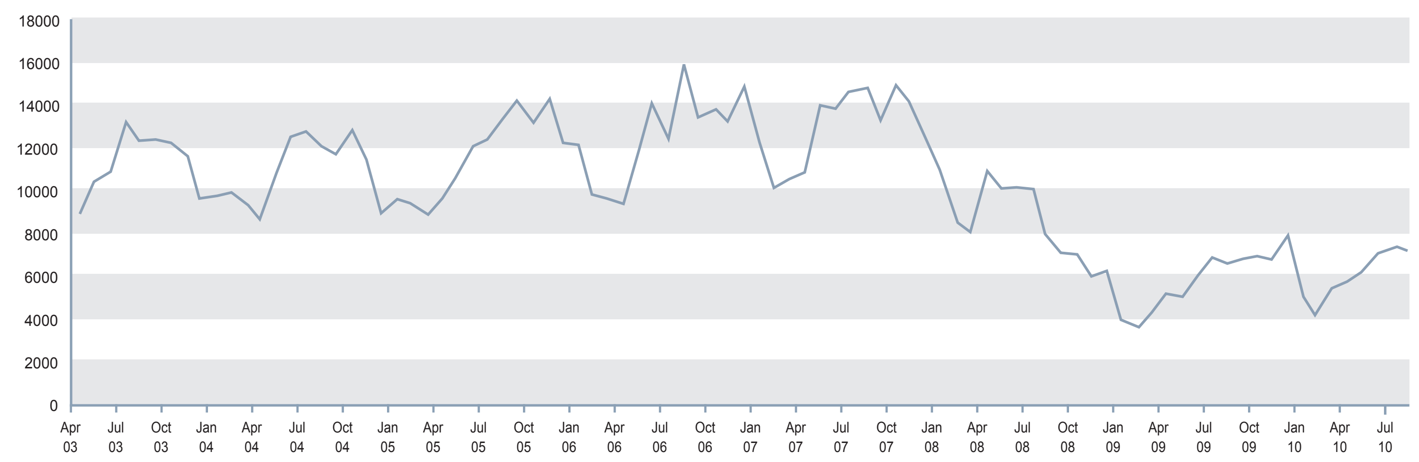
Scottish Residential Lettings

The third quarter (Jul, Aug, Sep) is traditionally the busiest period for the Private Rented Sector (PRS) and Citylets saw unprecedented levels of traffic to its site during this time. This supports a wide body of evidence that the demand for private rental property is growing while owner occupation levels are in decline.

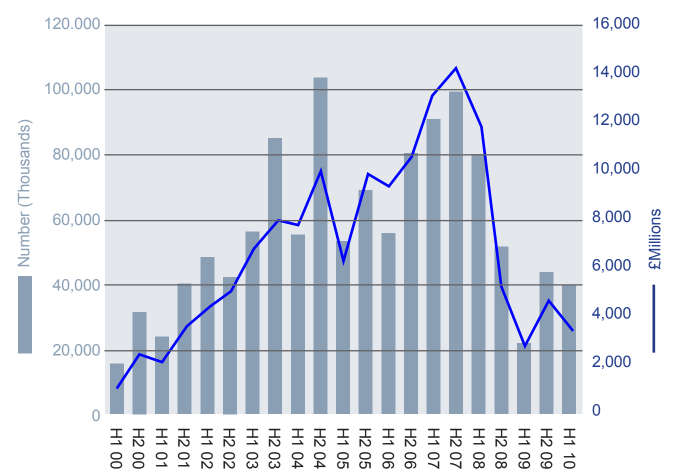
Since the publication of the 1st issue of The Citylets Report (Q1 2007) there have been seismic shifts in the Scottish housing market, so we felt it appropriate to expand the scope of this 15th issue to explore some of those changes in more detail. It is clear the housing sales bubble has deflated and there is much talk of 'double dip recessions' so it is encouraging that the PRS in Scotland is performing so resiliently.

Much of the general housing market commentary is based on changes in house prices which have held up surprisingly well over the last 3 years, having peaked in Scotland in June 2008, declined until March 2009 and then promptly bounced back, though not quite to the 2008 highs. What these figures do not reveal is the dramatic downturn in the volumes of residential sales which are now at half the levels of 2006 and 2007.

Monthly Residential Sales in Scotland *Source: Registers of Scotland*

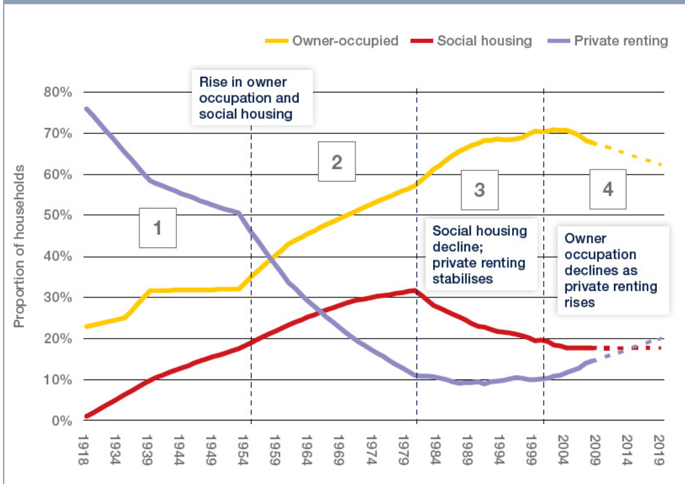


Buy-to-Let Lending *source CML*



The downturn in the volume of Buy-to-Let mortgages since the peak in 2007 has been swift. According to the Council of Mortgage Lenders (CML) activity in 2009 was just over a quarter of its level in 2007. However, the most recent figures from CML show the number of Buy-to-Let mortgages taken out in Q2 2010 was 24,900 which was 13% up on 22,000 in Q1, and 15% up on 21,600 in Q2 2009.

Long-term tenure patterns *source CML, Savills*



Restrictions on Buy-to-Let finance are one of the key factors currently constraining private landlords in their response to the increased demand for rental property The long-term tenure patterns for the UK point to a potential re-emergence of the PRS as the second most popular form of tenure – overtaking social housing within the next 10 years. However, this future expansion of PRS is unlikely to happen without the additional input of institutional investment in 'Build-to-Let' projects.

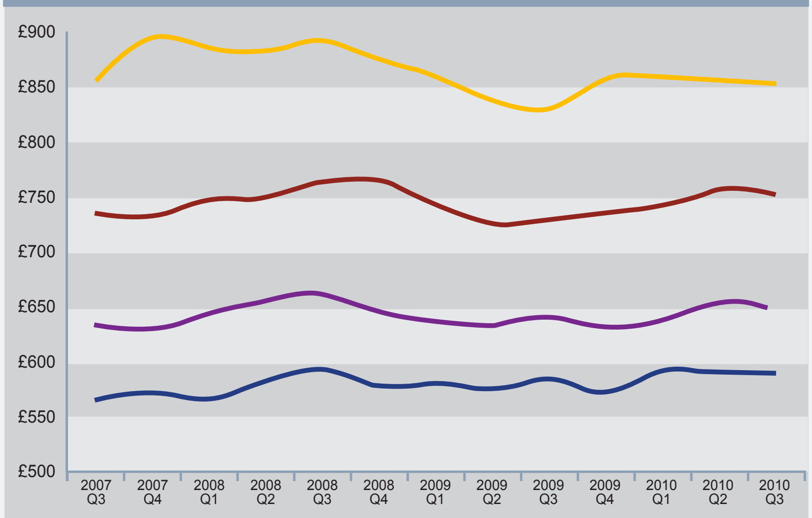
National and Urban Profile

In this tightening market there is an expectation that average rents will move rapidly upwards. However this has not yet been seen in Scotland as a whole where the average monthly rent in Q3 2010 stood at £649; a modest 1.4% increase on the previous year. It is interesting to note that Scottish house prices rose by just 0.4% in a comparable period according to the latest figures from the Department of Communities and Local Government (CLG) (Aug 09 to Aug 10).

Within the 3 largest Cities there were tiny rent falls of less than 0.5% between Q2 and Q3 though the more useful annual figure was positive in all cases. Edinburgh had the highest annual rental growth of 3.2%, with Aberdeen at 2.7% and Glasgow 0.9%.

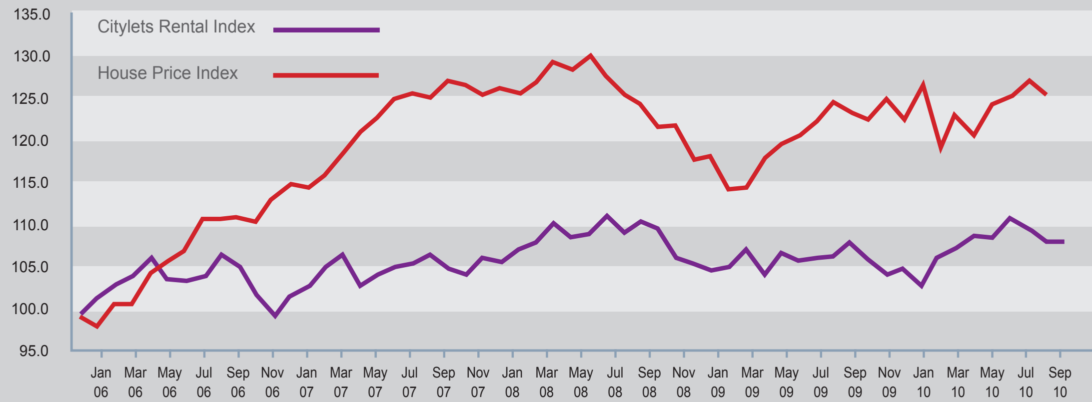
The Citylets Scottish Rental Index (Jan 2006 =100) has been mix adjusted and reflects movements in rent rather than changes in the types of property being rented which often has a seasonal component. In September 2010 the Index stood at 108.7 which is down slightly from the highs in June but up on the same period last year.

Trends in Scottish Rents
Q3 2007 - Q3 2010



Citylets Rental Index v CLG House Price Index (Jan 2006 - Sep 2010)

Index level (Jan 2006=100)



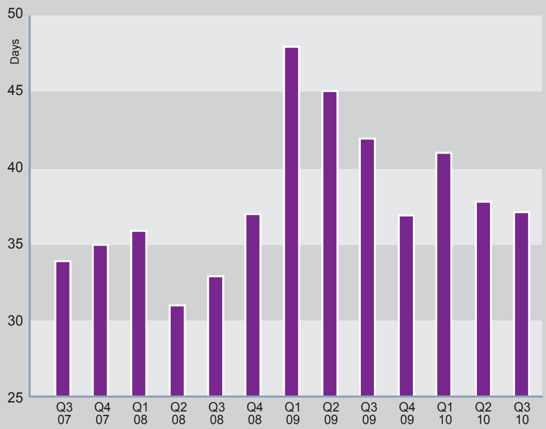
Citylets Rental Index
Base: Jan 2006 = 100

Mon	2006	2007	2008	2009	2010
Jan	100.0	102.0	106.1	105.2	103.4
Feb	101.7	103.1	107.8	105.6	106.9
Mar	103.6	105.2	108.5	107.5	107.9
Apr	104.4	106.6	110.4	104.6	109.2
May	106.3	103.5	109.1	107.1	109.1
Jun	104.0	104.3	109.5	106.3	110.9
Jul	103.7	105.4	111.7	106.7	110.1
Aug	104.3	106.1	109.6	107.0	108.9
Sep	106.9	106.7	110.9	108.4	108.7
Oct	105.3	105.3	110.3	106.5	
Nov	102.4	104.7	106.6	104.9	
Dec	100.0	106.5	105.7	105.2	

Time to Let (TTL)

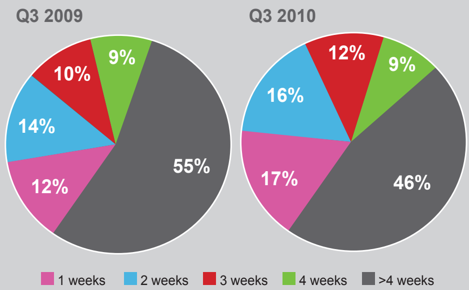
The Scottish TTL figure for Q3 2010 was 36 days which is 2 days quicker than Q2 2010 and 6 days less than Q3 2009. While there has been steady improvement in TTL since Q1 2009, our prediction of sub 35 day TTL figure for Q3 was just wide of the mark. However, TTLs in some areas are far lower than this and these are highlighted within the City profiles.

Time to Let in Scotland Q3 2007 - Q3 2010



Time To Let Q3 2009 - Q3 2010

For the first time since 2008 more than half of all properties are letting within 4 weeks. The ongoing improvements in TTL can also be seen in the proportion of properties letting in under a week which jumped from 12% in Q3 2009 to 17% in Q3 2010.

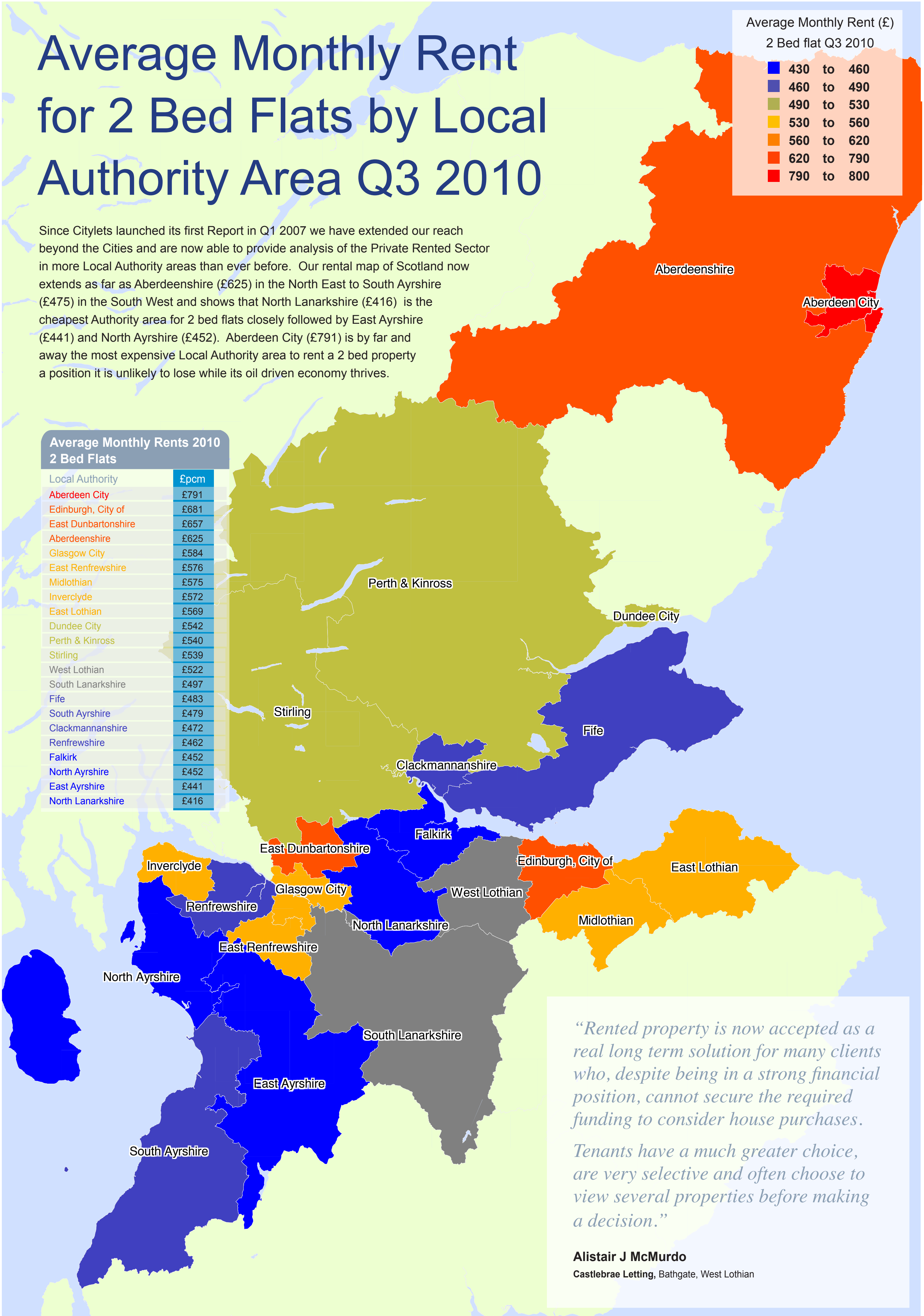


Average Monthly Rent for 2 Bed Flats by Local Authority Area Q3 2010

Since Citylets launched its first Report in Q1 2007 we have extended our reach beyond the Cities and are now able to provide analysis of the Private Rented Sector in more Local Authority areas than ever before. Our rental map of Scotland now extends as far as Aberdeenshire (£625) in the North East to South Ayrshire (£475) in the South West and shows that North Lanarkshire (£416) is the cheapest Authority area for 2 bed flats closely followed by East Ayrshire (£441) and North Ayrshire (£452). Aberdeen City (£791) is by far and away the most expensive Local Authority area to rent a 2 bed property a position it is unlikely to lose while its oil driven economy thrives.

Average Monthly Rents 2010
2 Bed Flats

Local Authority	£pcm
Aberdeen City	£791
Edinburgh, City of	£681
East Dunbartonshire	£657
Aberdeenshire	£625
Glasgow City	£584
East Renfrewshire	£576
Midlothian	£575
Inverclyde	£572
East Lothian	£569
Dundee City	£542
Perth & Kinross	£540
Stirling	£539
West Lothian	£522
South Lanarkshire	£497
Fife	£483
South Ayrshire	£479
Clackmannanshire	£472
Renfrewshire	£462
Falkirk	£452
North Ayrshire	£452
East Ayrshire	£441
North Lanarkshire	£416



"Rented property is now accepted as a real long term solution for many clients who, despite being in a strong financial position, cannot secure the required funding to consider house purchases.

Tenants have a much greater choice, are very selective and often choose to view several properties before making a decision."

Alistair J McMurdo
Castlebrae Letting, Bathgate, West Lothian

Edinburgh

Edinburgh has again seen steady annual rental growth across all property sizes. Growth rates ranged from 1.3% for 4 bed properties to 4.2% for 3 bed properties which supports agent feedback we have received that demand from families looking for rental property is on the increase.

2 bed properties which make up 46% of the Edinburgh rental property stock saw steady 3.3% growth in average rents to £685. Over the year 2 beds across the City saw a dramatic shortening in the TTL of 11 days and now take just 28 days to let.

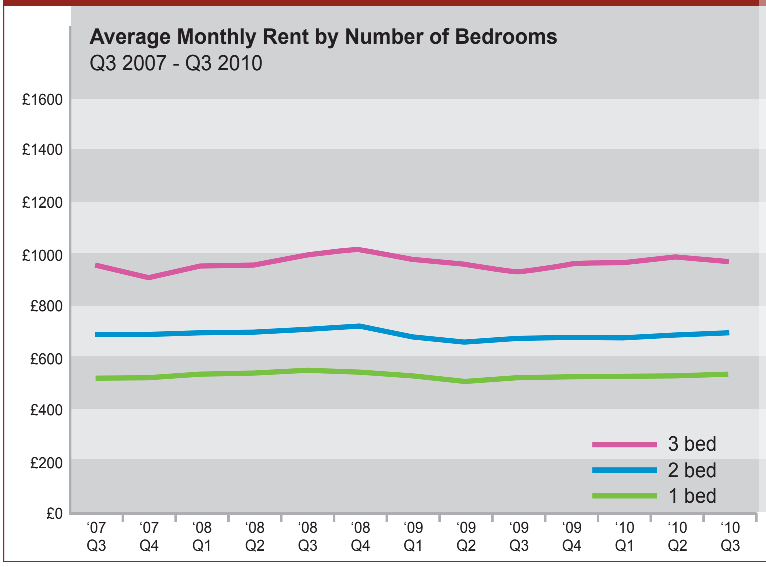
Edinburgh Analysis Q3 2010

Beds	Average Rent Q3 2010	Growth Q3 2009 Q3 2010	Average TTL (days) Q3 2010	Change Q3 '09 - Q3 '10	Let within a week	Let within a month
1 bed	£529	2.5%	28	-7	23%	64%
2 bed	£685	3.3%	28	-11	23%	65%
3 bed	£968	4.2%	40	-8	23%	65%
4 bed	£1,353	1.3%	43	-14	23%	65%

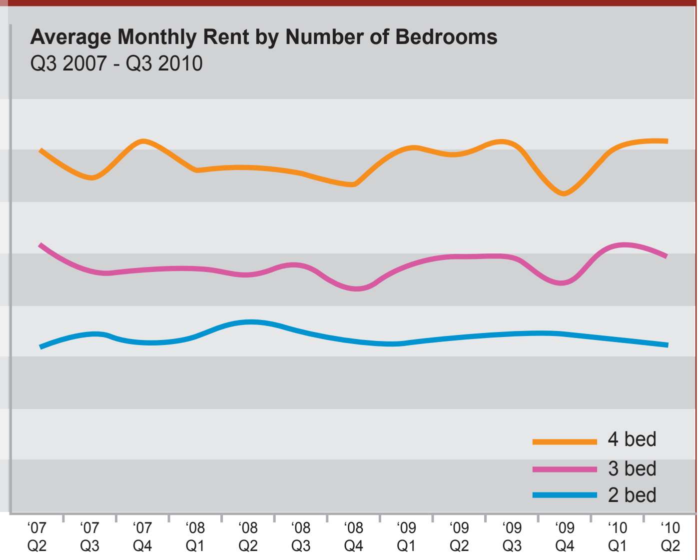
Edinburgh Average Monthly Rents Q3 2010

postcode	1 bed	2 bed	3 bed	4 bed	Total	TTL(days)
EH1	562	751	1143	1542	832	30
EH2	552	787			834	23
EH3	575	793	1132	1427	890	31
EH4	564	697	865	1351	747	31
EH5	473	623	810		651	38
EH6	497	632	868		632	37
EH7	506	670	924	1298	669	33
EH8	532	665	944	1298	734	26
EH9	537	703	1021	1388	948	26
EH10	551	718	1033	1330	911	32
EH11	489	640	861	1239	643	37
EH12	554	672	918	1474	805	35

1,2,3 Bed Flat Rent Trends



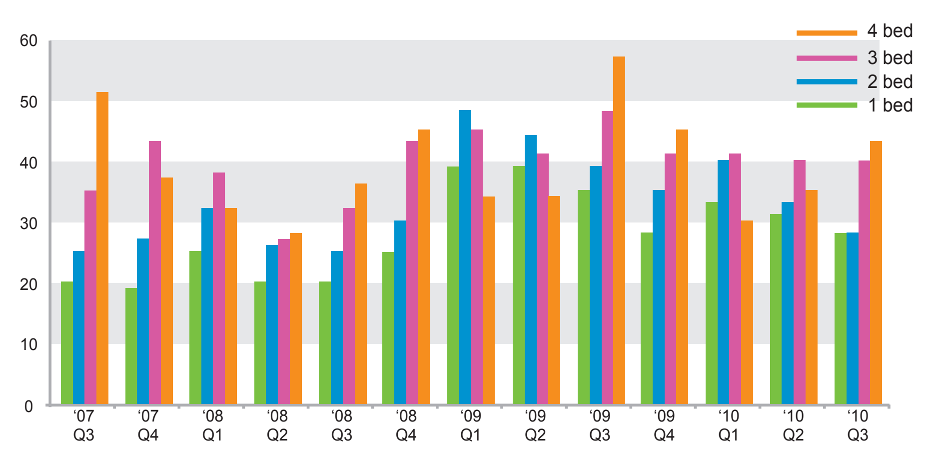
2,3,4 Bed House Rent Trends



"We are seeing a more positive attitude towards renting among those clients that would previously only have considered buying. There are a lot more people taking out 12 month leases and looking for long-term rented accommodation as a place to make a home."

Steven Currie
Murray & Currie, Edinburgh.

Time to Let in Edinburgh by Property Size (Q3 2007 - Q3 2010)

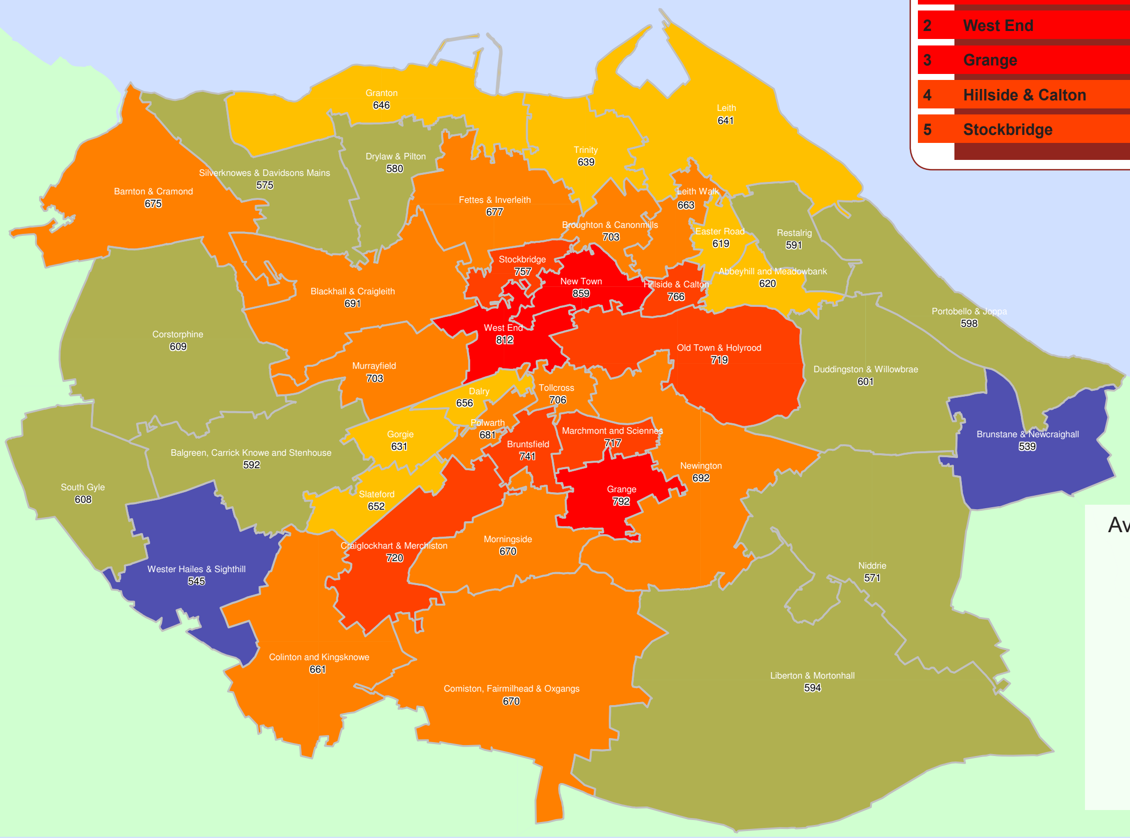


Average Monthly Rents for 2 Bed Flats in Edinburgh (all figures in pounds)

Mapping average rents for 2 bed flats at the neighbourhood level highlights the disparity of rents across the City and shows that the traditional areas of Edinburgh such as the New Town (£859), West End (£812) and The Grange (£792) still retain their premium status.

5 Most Expensive Areas in Edinburgh

	Neighbourhood	Average Monthly rent for 2 bed flat
1	New Town	£859
2	West End	£812
3	Grange	£792
4	Hillside & Calton	£766
5	Stockbridge	£757



Average Monthly Rent (£)
2 Bed flat Q3 2010

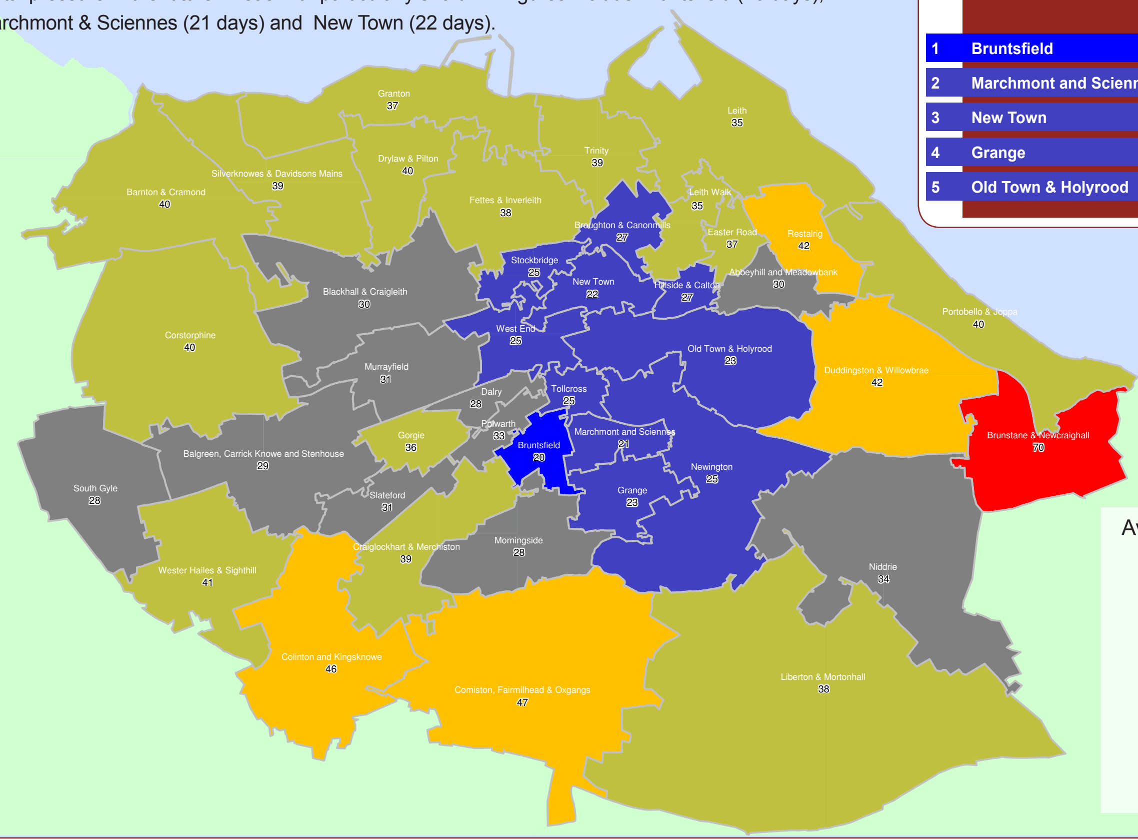
- 430 to 500
- 500 to 580
- 580 to 610
- 610 to 680
- 680 to 710
- 710 to 790
- 790 to 890

Time to Let in Edinburgh (all figures in days)

Our unique TTL map shows very clearly that the citywide figure of 28 days is bettered by all of the City centre local areas. This suggests a tightening of supply in these areas which can expect upward rental pressure in the future. Areas with particularly short TTL figures include Bruntsfield (20 days), Marchmont & Sciennes (21 days) and New Town (22 days).

5 Shortest Time to Let in Edinburgh

	Neighbourhood	TTL (days) 2 Bed Flats
1	Bruntsfield	20
2	Marchmont and Sciennes	21
3	New Town	22
4	Grange	23
5	Old Town & Holyrood	23



AverageTime to let (days)
2 Bed flat Q3 2010

- Under 21
- 21 to 28
- 28 to 35
- 35 to 42
- 42 to 49
- 49 to 56
- 56 and over

Glasgow

Glasgow annual growth rates ranged from a significant 4.4% for 3 bed properties to a just negative -0.4% for 1 bed properties.

2 bed properties which make up more than half (51.2%) of the Glasgow rental property stock saw modest annual growth of 1.2% and average rents are now £595. Over the year the time to let for 2 bed properties has come down by a day and now stands at 38 days which is 10 days more than the Edinburgh figure.

Glasgow Analysis Q3 2010

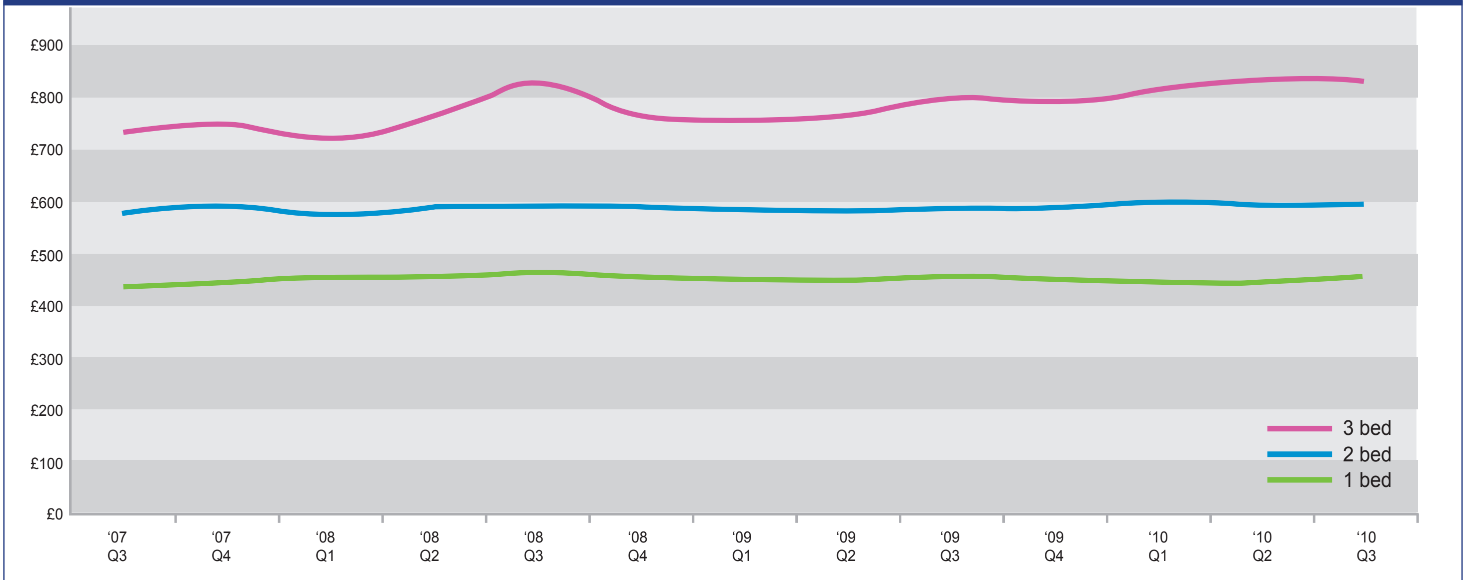
Beds	Average Rent Q3 2010	Growth Q3 2009 Q3 2010	Average TTL (days) Q3 2010	Change Q3 '09 - Q3 '10	Let within a week	Let within a month
1 bed	£458	-0.4%	35	-5	16%	53%
2 bed	£595	1.2%	38	-1	16%	52%
3 bed	£827	4.4%	39	-6	16%	52%

Glasgow Average Monthly Rents Q3 2010

postcode	1 bed	2 bed	3 bed	4 bed	Total	TTL(days)
G1	525	686	1150		627	35
G2	517	691	1175		656	31
G3	496	706	1010	1276	726	30
G4	480	610	909	1318	656	34
G5	471	562	756		583	39
G11	476	665	939		623	32
G12	530	702	1071	1289	814	32
G20	468	576	759		598	41
G31	384	518	591		496	45
G32	367	466	581		437	45
G40	386	513	605		477	42
G41	450	544	740		555	37
G42	393	505	591		463	45
G44	400	503	531		470	39
G51	368	485	598		446	49

1,2,3 Bed Flat Rent Trends

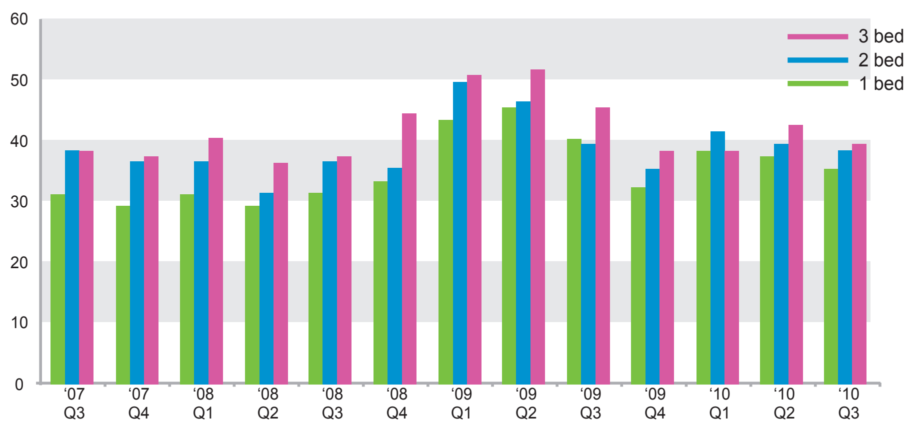
Average Monthly Rent by Number of Bedrooms Q3 2007 - Q3 2010



Time to Let in Glasgow by Property Size (Q3 2007 - Q3 2010)

While the City as a whole has not seen large improvements in TTL over the course of the year landlords with property in the popular central locations have witnessed far shorter TTLs in Q3 2010.

This improvement has mostly been focused on areas North of the river.

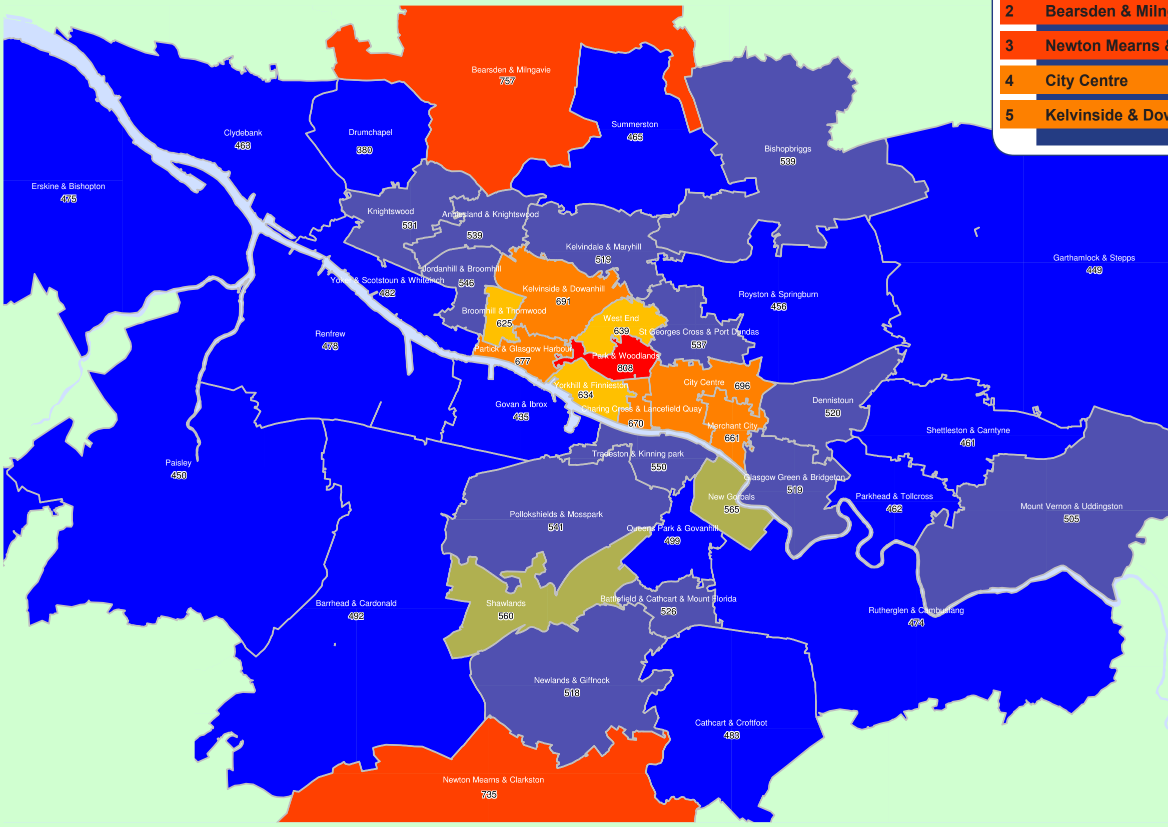


Average Monthly Rents for 2 Bed Flats in Glasgow (all figures in pounds)

Mapping average rents for 2 bed flats at the neighbourhood level clearly shows the north/south corridor of wealth running through the City. The ever popular areas of Park & Woodlands (£808), Bearsden & Milngavie (£757) and Newton Mearns & Clarkston (£735) top the list of the most expensive areas. Unlike Edinburgh there are several areas close to the centre that provide cheaper than average accommodation.

5 Most Expensive Areas in Glasgow

	Neighbourhood	Average Monthly rent for 2 bed flat
1	Park & Woodlands	£808
2	Bearsden & Milngavie	£757
3	Newton Mearns & Clarkston	£735
4	City Centre	£696
5	Kelvinside & Dowanhill	£691



Average Monthly Rent (£)
2 Bed flat Q3 2010

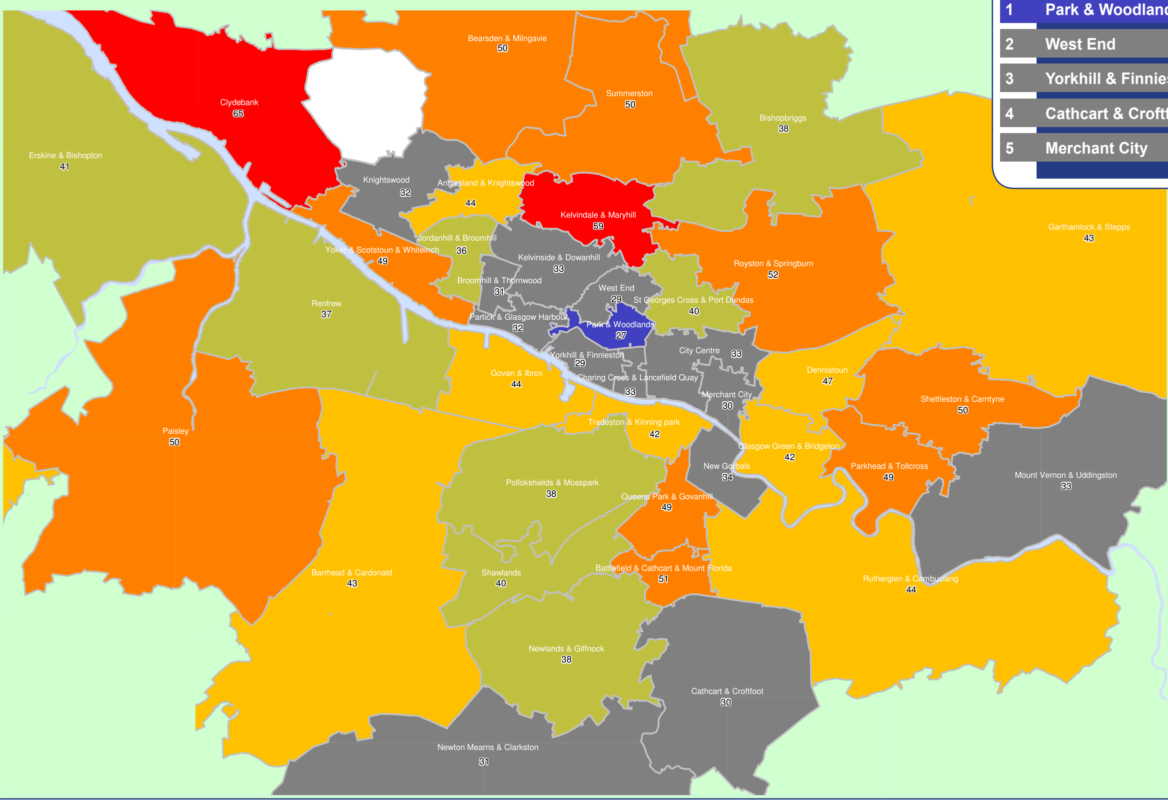
- 430 to 500
- 500 to 580
- 580 to 610
- 610 to 680
- 680 to 710
- 710 to 790
- 790 to 930

Time to Let in Glasgow (all figures in days)

The ‘time to let’ map emphasizes the fact that City centre locations are much the quickest to let with 2 bed TTL figures for Park & Woodlands (27 days), West End (29 days) and Yorkhill & Finnieston 29 (days). Agents are telling us that new quality rental properties in the right locations are hard to come by at the moment which suggests these TTL figures will come down further by the end of the year.

5 Shortest Time to Let in Glasgow

	Neighbourhood	TTL (days) 2 Bed Flats
1	Park & Woodlands	27
2	West End	29
3	Yorkhill & Finnieston	29
4	Cathcart & Croftfoot	30
5	Merchant City	30



AverageTime to let (days)
2 Bed flat Q3 2010

- Under 21
- 21 to 28
- 28 to 35
- 35 to 42
- 42 to 49
- 49 to 56
- 56 and over

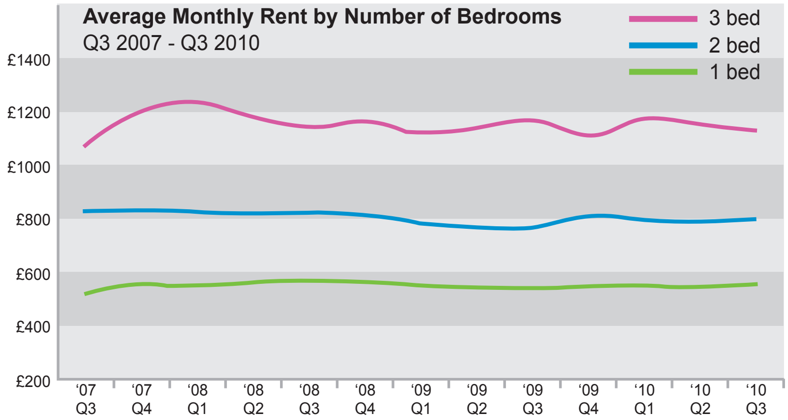
Aberdeen

Aberdeen was again the costliest City in Scotland to rent in and its West End topped the rankings of most expensive neighbourhoods in Scotland where 2 bed flats now cost more than £900 per month on average.

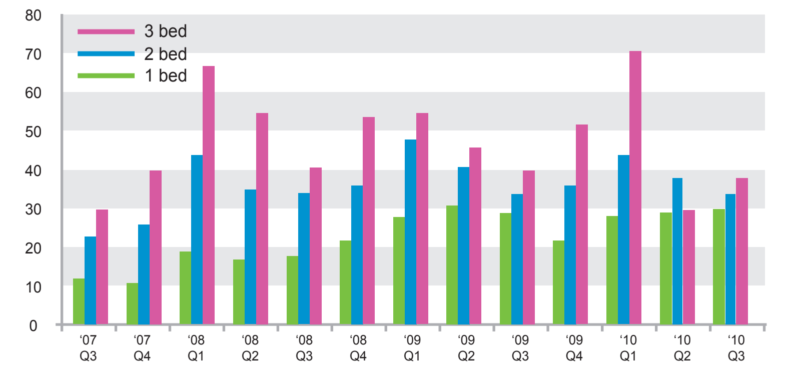
2 bed properties which make up 47% of the Aberdeen rental property stock saw decent annual growth of 4.8% and average rents for 2 beds are now £800. The time to let for 2 beds has remained static at 34 days over the year which indicates that demand and supply are well balanced.

Aberdeen Analysis Q3 2010

Beds	Average Rent Q3 2010	Growth Q3 2009 Q3 2010	Average TTL (days) Q3 2010	Change Q3 '09 - Q3 '10	Let within a week	Let within a month
1 bed	£554	2.6%	30	1	20%	61%
2 bed	£800	4.8%	34	0	17%	56%
3 bed	£1,130	-3.3%	38	-2	17%	56%



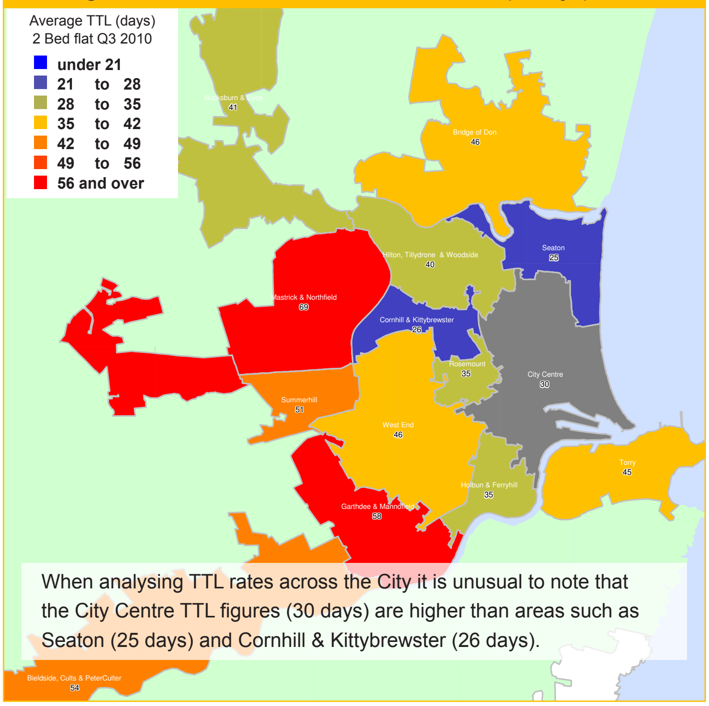
Time to Let in Aberdeen by Property Size (Q3 2007 - Q3 2010)



Aberdeen Average Monthly Rents Q3 2010

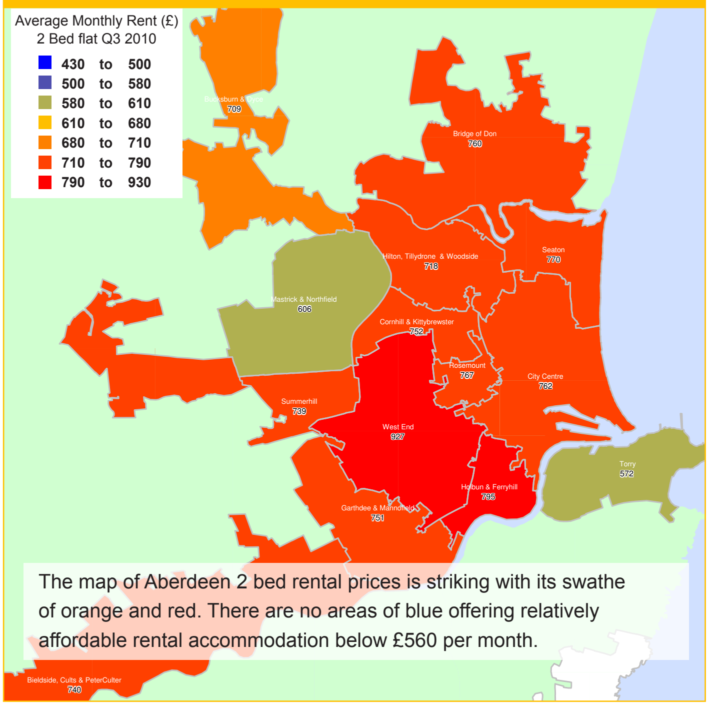
postcode	1 bed	2 bed	3 bed	4 bed	Total	TTL
AB10	£561	£766	£1041		£705	34
AB11	£538	£789	£1310		£751	36
AB15	£654	£957	£1175	£1726	£1185	45
AB24	£534	£753	£1024		£705	27
AB25	£547	£755	£1088		£692	30

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



When analysing TTL rates across the City it is unusual to note that the City Centre TTL figures (30 days) are higher than areas such as Seaton (25 days) and Cornhill & Kittybrewster (26 days).

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



The map of Aberdeen 2 bed rental prices is striking with its swathe of orange and red. There are no areas of blue offering relatively affordable rental accommodation below £560 per month.

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.

Market Analysis
Dan Cookson
dan@citylets.co.uk

Managing Director
Thomas Ashdown
thomas@citylets.co.uk

Regional Sales Manager
Mark Crossey
mark.crossey@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.