

Maximising Yields and Happier Tenants

Working smarter in Scotland's Rental Sector



- Overview of the Scottish Rental Market
- City Spotlight on Edinburgh, Glasgow, Aberdeen and Dundee
- Rental Yield: How to maximise your return on your investment
- Legislation Matters: Tenant Information Packs

The Publication

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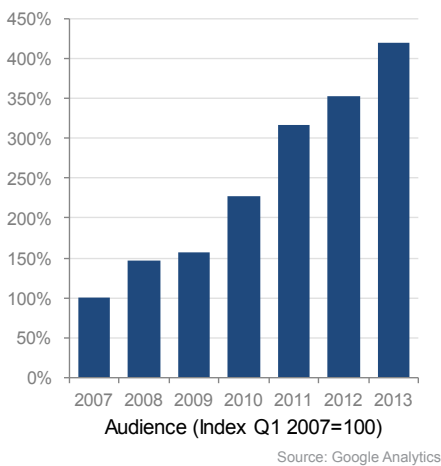
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Regional Portals Healthy For Long Term Choice

Citylets is now more than 4 times bigger than it was in 2007 with over 1 million visitors in Q1 2013. We believe this is healthy not just for us but for Scotland in general to maintain its own strong, regional portals to counter the corporate duopoly currently sweeping the rest of the UK.

Citylets Q1 Audience Growth



Many Scottish letting agents support this view - a key driver in our decision not to continue content sharing last year. Content networking with large UK-wide companies accelerates their local brand development and in our view now represents a conflict of interest to both regional portals and Scottish letting agents if competition is ultimately diminished as a result.

The network model, whereby Scottish listings were syndicated to other partner sites, was pioneered by Citylets to enable Scottish letting agents to tap into additional albeit minority (English) tenant markets. However the flip side was that it assisted partners develop their own brand out with their traditional areas and into the Scottish territory. It's a dream come true for a portal to

receive thousands of listings for a new region from a single source.

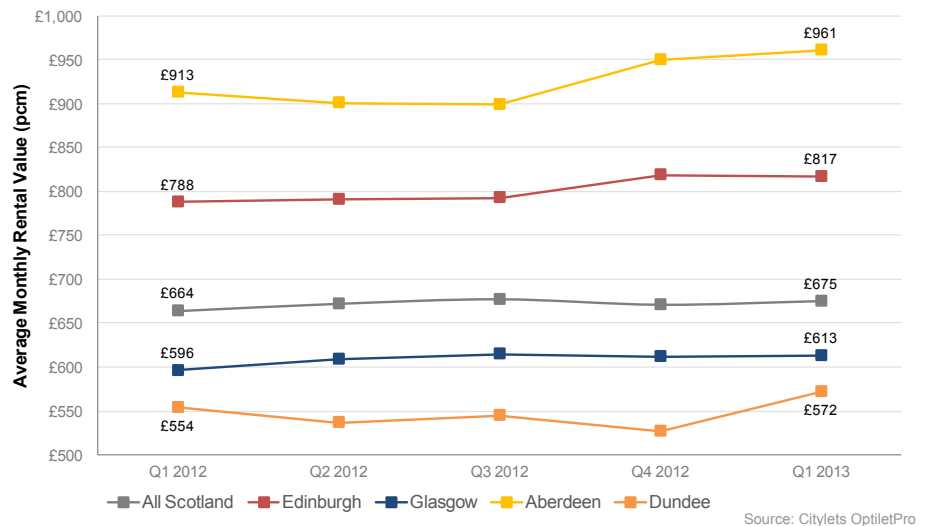
As partners grew over the years through a wave of consolidations, the flip side of the network grew and was ultimately rendered obsolete. The network was not conceived to pave the way for large corporates to enter the local Scottish market which is unique in the UK with a good selection of regional portals and has been functioning well for over a decade.

Citylets remains the best performing regional lettings portal in Scotland with a market share of visitors (to the 3 main regional sites) standing at approximately 50% (source: Experian Hitwise, 13.4.2013). We are still the No 1 dedicated residential lettings site in the UK.

Scotland

Our analysis for the first quarter of 2013 shows that the average mix adjusted rent in Scotland is now £675 which is just 1.7% more than it was year ago. This increase is well below the Consumer Prices Index (CPI) measure of inflation which the Office for National Statistics (ONS) recently announced was 2.8% in March, the same as it had been in February. Interestingly the core markets of Aberdeen, Glasgow, Edinburgh and Dundee have all seen increases in rents above the national rate which indicates that areas outside these markets have not performed as well. The overall time to let figure (TTL) for Scotland is currently 40 days which is an improvement of 4 days from last year and suggests that the rental market in Scotland is currently

Scottish Monthly Rent Analysis (Q1 2012-Q1 2013)



stable with a good balance between supply and demand. However, this balance is not seen across all markets and some areas of Scotland have TTL rates well under half the national average. Overall volumes of rental transactions have seen their usual seasonal surge in

Q1 after the traditional Christmas slowdown as people fulfil their New Year resolutions to find a new flat. Record on-line visitor numbers in Q1 suggest there is no let up in demand from tenants which should maintain upward pressure on prices over the next few months.

Edinburgh

Edinburgh Market Overview

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£560	2.9%	28	-6	22%	63%
2 bed	£730	1.4%	32	-7	16%	54%
3 bed	£1,100	7.0%	31	-9	22%	60%
4 bed	£1,502	7.4%	21	-9	36%	80%
Total	£817	3.7%	29	-8	21%	60%

Source: Citylets OptiletPro

In Q1 2013, the average mix adjusted rent in Edinburgh was £817 which is 3.7% up on the figure of last year, well above the national rise of 1.7%. Interestingly, it was the larger three and four bed properties that saw the biggest annual increases with rises of 6.5% and 6.9% respectively, while 2 bed properties were up by less than the rate of inflation at 1.3%. TTL figures have improved significantly for property of all sizes which supports our view that supply is struggling to keep up

with demand. Surprisingly, the TTL of 21 days for 4 bed properties is the shortest we have ever recorded and helps explain the 6.9% annual increase in rents. A surprisingly large proportion (80%) of these bigger properties were let within a month of being advertised on Citylets and we believe they were snapped up because of a distinct supply shortage during the fourth quarter of 2012. It is too early to say if this is an indication of higher demand for family sized rentals.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q1 13	Q1 12	YoY
1	EH2	£1,140	£942	21.0%
2	EH10	£997	£899	10.9%
3	EH9	£1,097	£1,033	6.2%
4	EH5	£682	£651	4.8%
5	EH3	£986	£964	2.3%

Source: Citylets OptiletPro

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q1 13	Q1 12	YoY
1	EH9	22	28	-6
2	EH8	23	32	-9
3	EH11	24	33	-9
4	EH1	26	28	-2
5	EH3	26	30	-4

Source: Citylets OptiletPro

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q1 13	Q1 12	YoY
1	EH2	£1,140	£942	21.0%
2	EH9	£1,097	£1,033	6.2%
3	EH10	£997	£899	10.9%
4	EH3	£986	£964	2.3%
5	EH1	£925	£910	1.6%

Source: Citylets OptiletPro

Glasgow

Glasgow Market Overview

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£464	0.2%	39	-1	13%	49%
2 bed	£622	2.8%	42	-5	12%	44%
3 bed	£837	0.6%	44	-9	23%	50%
4 bed	£1,260	15.4%	59	-3	14%	39%
Total	£613	2.9%	41	-4	14%	46%

Source: Citylets OptiletPro

Glasgow's mix adjusted average rent in the first quarter of 2013 was £613, up 2.9% on a year ago. One and three bed properties saw very small percentage increases of 0.2% and 0.6% respectively, while the average rent of four bed properties jumped 15.4% to £1,260, though this large change is not particularly unusual as the rental market for family sized properties in Glasgow is still quite small. It is encouraging that since last year there have been improvements in TTL across property of all sizes,

with the overall TTL for the city now at 41 days and 47% of properties letting with a month. If we look at the postcode district level analysis we see that G41 on the South side of Glasgow had the largest annual increase (5.4%) in average rents from £551 to £581. City centre property in G1 were fastest to let with an average TTL of 28 days in Q1 2013 which is an improvement of 6 days on last year. The most expensive postcode district to rent is G12 (£840) in the leafy West End.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q1 13	Q1 12	YoY
1	G41	£581	£551	5.4%
2	G32	£466	£443	5.2%
3	G20	£593	£580	2.2%
4	G12	£840	£819	2.6%
5	G1	£656	£649	1.1%

Source: Citylets OptiletPro

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q1 13	Q1 12	YoY
1	G1	28	34	-6
2	G3	32	37	-5
3	G11	32	39	-7
4	G4	33	35	-2
5	G2	35	30	5

Source: Citylets OptiletPro

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q1 13	Q1 12	YoY
1	G12	£840	£819	2.6%
2	G3	£743	£748	-0.7%
3	G2	£672	£687	-2.2%
4	G1	£656	£649	1.1%
5	G11	£654	£664	-1.5%

Source: Citylets OptiletPro

Aberdeen

Aberdeen Market Overview

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£604	5.2%	11	-8	59%	91%
2 bed	£898	3.9%	20	-11	42%	76%
3 bed	£1,265	5.4%	31	-10	21%	62%
4 bed	£1,924	16.2%	43	-17	14%	43%
Total	£961	5.3%	19	-11	44%	79%

Source: Citylets OptiletPro

Aberdeen had a mixed adjusted average rent of £961 per month in Q1 2013, an increase of 5.3% over the year which is almost double the rate of inflation (2.8%). This latest figure sets a new high for the city where average rents are now 42% more than the national average. Even more notable are the shortening TTL figures across the city with the typical Aberdeen property advertised on Citylets taking less than three weeks to let. Smaller sized properties are being snapped up very quickly by

tenants where over half of all 1 bed properties are being occupied within a week and over 90% within a month of coming onto the market. At the postcode level three districts (AB11, AB24, AB25) recorded the same impressive TTL of 15 days. With these levels of demand we would expect rents to continue to climb in the second quarter of 2013. It is no surprise that the most expensive postcode district is AB15 especially when you realise it incorporates some of the wealthiest suburbs in the

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q1 13	Q1 12	YoY
1	AB10	£859	£760	13.0%
2	AB11	£831	£751	10.7%
3	AB25	£785	£720	9.0%

Source: Citylets OptiletPro

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q1 13	Q1 12	YoY
1	AB11	15	20	-5
2	AB24	15	24	-9
3	AB25	15	22	-7

Source: Citylets OptiletPro

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q1 13	Q1 12	YoY
1	AB15	£1345	£1285	4.7%
2	AB10	£859	£760	13.0%
3	AB11	£831	£751	10.7%

Source: Citylets OptiletPro

city such as Kingswells, Cults and Rubislaw which is where most of the prime family sized accommodation is located. AB10 saw the most growth up 13% to £859 from £760.

Dundee

Dundee Market Overview

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£362	-4.0%	56	24	2%	32%
2 bed	£554	4.5%	48	10	6%	34%
3 bed	£759	2.8%	44	-1	5%	29%
4 bed	£1,033	2.1%	30	-10	16%	48%
Total	£572	3.2%	47	7	6%	34%

Source: Citylets OptiletPro

In Dundee, a typical rental value for a 1 bed flat in Q1 2013 is £362 which is 4.0% down on the figure of a year ago. The equivalent figure for 2 bed properties (including houses) is £554 which is up 4.5% over the year. The overall mix adjusted rent figure for Dundee is £572 which is 3.2% up on the year. Whilst this increase is higher than the national rate, Dundee still remains the cheapest city in Scotland to rent a property. The average Time to let was 47 days across the city which is 7 days less than the same

period last year though this overall improvement masks deterioration in TTL for 1 and 2 bed properties. With an average monthly rent of £663 the city centre postcode of DD1 tops the listing of most expensive across the city. DD1 includes the dockland and waterfront area which is in the midst of a transformation which will soon see the completion of new hotels such as Hotel Du Vin, and ultimately a new V&A museum which will see this area rise in popularity and price. In terms of market fluidity, Dundee

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q1 13	Q1 12	YoY
1	DD4	£506	£522	-3.1%
2	DD2	£581	£604	-3.8%
3	DD1	£663	£718	-7.7%

Source: Citylets OptiletPro

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q1 13	Q1 12	YoY
1	DD1	41	32	9
2	DD2	45	39	6
3	DD4	45	43	2

Source: Citylets OptiletPro

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q1 13	Q1 12	YoY
1	DD1	£663	£718	-7.7%
2	DD2	£581	£604	-3.8%
3	DD4	£506	£522	-3.1%

Source: Citylets OptiletPro

continues to lag behind other Scottish cities with only a third of all properties being let within a month of first being advertised and only 6% within the first week.

Is Rental Yield the Ultimate Landlord Currency?

Minimal void periods and satisfied tenants are essential for any landlord but can they maximise rental yield at the same time?

It is now 5 years since the credit crunch squeezed half the life out of the property sales market. At the time, sales in Scotland more than halved and the buy-to-let market collapsed as lenders reduced their loan to values and tightened their lending criteria. Times have changed with recent Council for Mortgage Lenders (CML) figures showing that BTL lending is up 10 per cent on 2011. More people are considering BTL for long term income attracted by headline gross rental yields which compare favourably with current paltry savings rates.

But how can landlords gain clarity on expected returns. In table 1, the largest 15 local authority areas by population have been ranked according to Gross Rental Yield (GRY). This measure is simply the average annual rental income from 2 bed flats as a proportion of the average sales price of flats. We appreciate that costs such as management, maintenance expenses, general overheads and tax costs will reduce this gross figure.

Interestingly, the three local authorities with the cheapest flat purchase prices have the highest GRYs of above 8%. In Edinburgh, a typical flat achieves rental income of nearly £9,000 per annum but with a higher purchase price this drives down typical GRY to 5%.

High yields need to be coupled with minimal void periods. In chart 2, the combination of GRY and the average time for a property to let (TTL) helps landlords see how they compare.

The top left of the chart signifies the optimum and City of Aberdeen is clearly the best performing area whilst East Lothian and South Ayrshire in contrast have low GRY and high TTL rates.

It is important to note that these figures are local authority averages. In future issues we will start to evaluate yields and TTL on a more local level, evaluating property on a postcode level and by property size.

Gross Rental Yield by Local Authority

Rank	Local Authority	Average Sales Price Oct-Dec 2012	Average Rental Price (pcm) Oct-Dec 2012 *	Gross Rental Yield
1	North Lanarkshire	£62,515	£457	8.8%
2	Renfrewshire	£64,326	£463	8.6%
3	Falkirk	£62,819	£446	8.5%
4	West Lothian	£84,890	£543	7.7%
5	Aberdeen City	£141,065	£858	7.3%
6	South Lanarkshire	£78,101	£466	7.2%
7	Glasgow City	£107,494	£611	6.8%
8	Aberdeenshire	£118,194	£657	6.7%
9	Fife	£87,741	£468	6.4%
10	Dundee City	£98,023	£521	6.4%
11	Midlothian	£112,180	£585	6.3%
12	South Ayrshire	£92,076	£473	6.2%
13	Perth and Kinross	£105,788	£523	5.9%
14	East Lothian	£141,795	£587	5.0%
15	Edinburgh City	£176,837	£732	5.0%

Source: Registers of Scotland; OptiletPro; * 2 bed flats

Analysis of Gross Rental Yield v TTL (Q4 2012)



Source: Registers of Scotland; OptiletPro

Legislation Matters

In May, the provision of Tenant Information Packs to all prospective tenants will become a landlord's legal duty. TC Young explains what this means to landlords.

The Private Rented Housing (Scotland) Act 2011 has introduced a new requirement that all landlords who issue assured or short assured tenancies will have a legal duty to provide new tenants with standard documentation and a "Tenant Information Pack". The Pack is designed to ensure that all tenants in the private rented sector receive the same minimum standard of information. This duty comes into force on 1 May 2013. Failure to provide a Tenant Information Pack when entering into a tenancy on or after **1 May 2013** will be a criminal offence and Landlords could be liable to a fine of up to £500.

What is it?

Landlords will have to provide tenants with "standard tenancy documents". These are:

- Tenancy Agreement (copy)
- Gas Safety Certificate (copy; where applicable)
- Form AT5 (where lease is a Short Assured Tenancy)
- Tenant Information Pack

The **Tenant Information Pack** essentially consists of two documents:

1) Acknowledgment Form: This is a checklist which the landlord must complete and both parties must sign confirming that the standard tenancy

documents have been received by the tenant.

2) Scottish Government Guidance Notes: The Scottish Government has produced guidance notes which aim to provide tenants with general guidance about their tenancy, rights and responsibilities in the private rented sector. The guidance covers information about types of tenancies, grounds for repossession, tenancy deposit schemes, Energy Performance Certificates, landlord registration, gas and electrical safety and so on.



The guidance also provides information about the landlord's obligations under the Repairing Standard and on that basis; the Order confirms that landlords will no longer have to provide a separate Repairing Standard Letter to tenants at the start of their tenancy, as of 1 May 2013. The Tenant Information Pack can be downloaded for free from the Scottish Government website.

When do landlords have to provide the pack and how?

As of 1 May 2013 the documents must be provided to all new tenants no later than the start date of all new assured and short assured tenancies.

The Pack can be given to the tenant in either electronic format or in hard copy. Where the Pack is given to the tenant in paper form, both parties will have to sign the declaration at the bottom of the checklist. Where the Pack is provided to the tenant in electronic format, the tenant will have to confirm receipt by email. The landlord should request that the tenant acknowledges receipt by email and ensure they keep any receipt of acknowledgment for their records.

Landlords should note that they need the tenant's prior consent to provide the Pack in electronic format and they can only use the email address the tenant gives them for this purpose. If the tenant insists on being provided with a paper copy, the Landlord will have to do so and will not be able to charge the tenant for this.

More local data for Scotland please

It seems that every week there is another property index detailing significant peaks and troughs in sales or rental prices which in turn can create bold media headlines, but do they always reflect an accurate picture of what is happening to the property market at a local level?

The relevance of national or local authority movements in property prices to a landlord looking to accurately value their portfolio is limited to say the least. Localised information is crucial to support decision making for all market

participants but unfortunately obtaining accurate Scottish property data can be a fiendishly complicated exercise.

Under the Open Government Licence, our neighbours in England and Wales can freely access monthly extracts of sales transaction records from Land Registry whilst unfortunately our own Registers of Scotland still charge for the equivalent data. Even the local level data for Scotland from the 2011 Census will not be available until summer 2013. The research

team at Citylets are compiling the most current and accurate property data to support the rental market in Scotland via our bespoke research and consultancy services.

The unique Citylets archive of rental data provides a robust dataset which can be used to analyse the PRS market, at any local level over more than 5 years. In urban areas, we have localised stock volumes and average prices, gross rental yields even local supply and demand imbalances now available at postcode level.

Summary

- Scotland sees rents increase by only 1.7% year on year, 0.9% less than inflation
- Typical Scottish rental property now costs £675 per month and is on the market for an average of 40 days
- Aberdeen sets new high with rents 42% more than national average
- Glasgow rents, up 2.9%, see yearly increase close to rate of inflation
- Strong 2012 yield performance in North Lanarkshire (8.8%) and Renfrewshire (8.6%)

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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.



Research Services

The Citylets Research team produces market-leading reports and indices as well as bespoke research and consultancy projects for clients including letting and sales agents, developers, investors, housing associations and local & central government.

In Scotland, Citylets has become the leading authority on the private rented sector and has built up a strong reputation for well-informed, insightful commentary & market analysis and is now a trusted media source on local and national rental issues.

In its position as the UK's leading residential lettings site, Citylets enables the research team to utilise unique data from across its advertising partners, Registers of Scotland and Government data. The team recently launched **OptiletPro**, an analysis tool which delivers robust data on the sales and rental residential property markets, at a local level. The interface is designed to allow clients to analyse local trends and easily extract data into a variety of formats.

Metrics available:

- Localised average monthly rental prices
- Localised stock levels
- Supply and demand analysis
- Gross rental yield levels
- Localised demographics
- Affordable rent modelling

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