

Properties for All Seasons



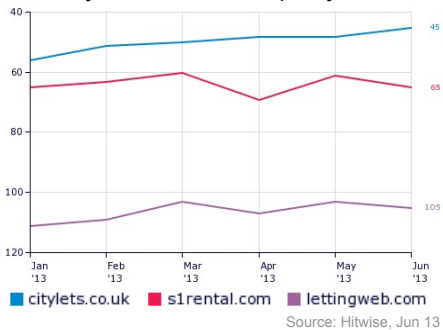
- Overview of the Scottish Rental Market
- City Spotlight on Edinburgh, Glasgow, Aberdeen and Dundee
- Market Seasonality: Edinburgh Student Focus
- Legislation Matters: Deposit v Rent in Advance

Citylets Audience Reach- Quarterly Update

The end of Q2 2013 marks the half way point in the year with over 2 million site visits recorded, up 17.5% on 2012, and on track to hit target of 4 million for the full year. Our audience reach is now more than 4 times bigger than 2007 (source: Google Analytics).

Our Hitwise rank in the UK Property category averaged 47 in Q2, up 16 places on last year, reaching a

Monthly Rank in UK Property Sector



record 48 in April / May and moving up further to 45 in June. Climbing the Hitwise rankings is like climbing at altitude- the higher you are the harder it is to climb higher still with large increases in traffic required just to move up a single place. However we are optimistic to achieve a top 40 ranking within the next 12 months.

The rise of 'mobile' web browsing (inc. Tablet) continues, recording over 30% of visitors over the quarter. Interestingly, there is a very clean 3 way split between iphone, ipad and all other devices. Additionally our mobile Apps now account for around 8% of leads confirming that users like choice. Citylets is still the only Scottish Lettings portal to have bespoke Apps for iPhone, Android and now iPad.

HOW THEY RATE*		
App	iPhone	Android
Citylets	★★★★★	★★★★★
ASPC	★★★★	N/A
GSPC	★★★	N/A
Lettingweb	★★★	N/A
ESPC	N/A	N/A
S1rental	N/A	N/A

*Apple App Store & Google Play, Jul 2013

Citylets remains the best performing regional lettings portal in Scotland with a market share of visitors (to the 3 main regional sites) standing at around 50% (source: Hitwise June 2013). We are still the No 1 dedicated residential lettings site in the UK.

Key Info Q2 2013

- Audience reach 4X 2007
- Hitwise average rank 47, up 16 on 2012
- Over 30% visitors from mobile/tablet
- Apps generate around 8% of leads
- Best performing Scottish regional

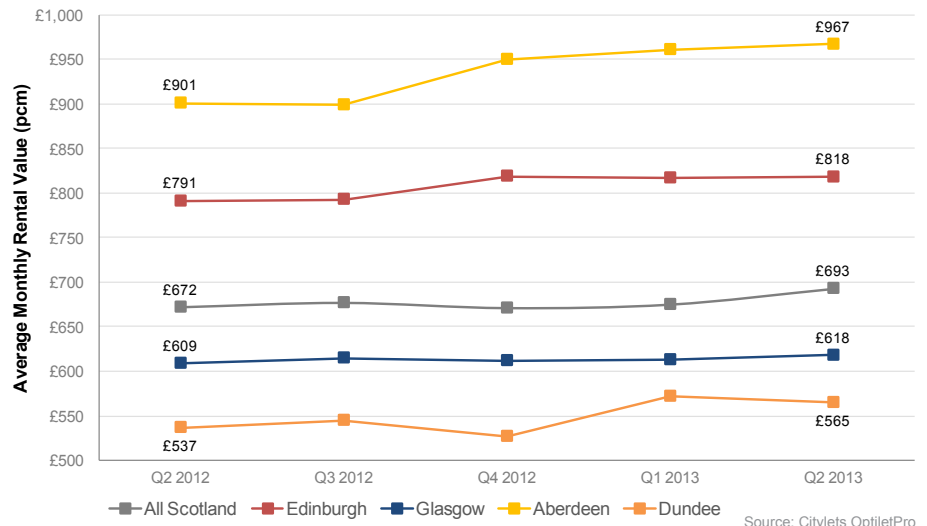
Scotland

In Q2 2013 Citylets experienced its usual jump in rental activity from the comparative quiet of the previous two quarters. The average mix adjusted rent in Scotland for Q2 2013 now stands at £693 which is 3.1% up on the figure of £672 which we reported a year ago.

This annual rise in average national rents is unusual in that it bucks the trend of below inflation increases seen over the last year and is actually above the level of inflation (2.7%) reported in May.

If we look at a longer timeframe of four years average rents have risen by 9.5% since the £633 reported in Q2 2009 while inflation has risen by 13.9% over the same period. This suggests rents at the national level are certainly not overheating though

Scottish Monthly Rent Analysis (Q2 2012-Q2 2013)



Source: Citylets OptiletPro

it is also true to say that when one looks more closely at specific urban markets there is evidence of demand outstripping supply. In Aberdeen average rents are now £967 which is the highest figure we have recorded and represents a 7.3% increase over the year. Over the four year period rents are up in Aberdeen by 15.5%.

Another key indicator of demand is the average time to let (TTL) and in Q2 2013 it averaged 36 days across all Scottish properties. This is an improvement of 4 days on Q1 and 3 days less than the figure of a year ago and suggests upward pressure on rents as we move in to the busiest 3rd quarter of the year.

Edinburgh

Edinburgh Market Overview - Q2 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£566	5.2%	27	-8	22%	64%
2 bed	£742	3.3%	31	-4	19%	58%
3 bed	£1,062	3.0%	35	-6	14%	54%
4 bed	£1,497	4.2%	34	3	15%	57%
Total	£818	3.4%	31	-5	18%	59%

Source: Citylets OptiletPro

During Q2 2013, the average mix adjusted rent in Edinburgh edged upwards by a solitary £1 from £817 in Q1 2013 to £818. Using our preferred annual basis for reporting growth, it was 3.4% up on the £791 reported last year and just above the national increase of 3.1%.

Unlike last quarter, it was the smaller one bed properties that experienced the biggest annual increases with a rise of 5.2% to £566, while 2 bed properties were up by 3.3% to £742.

TTL figures have continued to improve with an overall average of 31 days which is 5 days less than last year. One bed properties are letting the quickest with an average TTL of 27 days. 22% of one bed properties are now letting within a week which goes to show the level of demand for smaller properties.

Looking at EH9 (Bruntsfield and Newington), it tops the list of most expensive with an average rent of £1,142 and the lowest TTL of 24 days.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q2 13	Q2 12	YoY
1	EH8	£949	£878	8.1%
2	EH4	£854	£801	6.6%
3	EH10	£1,023	£961	6.5%
4	EH9	£1,142	£1,076	6.1%
5	EH1	£1,002	£950	5.5%

Source: Citylets OptiletPro

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q2 13	Q2 12	YoY
1	EH9	24	26	-2
2	EH8	26	31	-5
3	EH2	28	38	-10
4	EH3	28	33	-5
5	EH1	29	32	-3

Source: Citylets OptiletPro

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q2 13	Q2 12	YoY
1	EH9	£1,142	£1,076	6.1%
2	EH2	£1,101	£1,088	1.2%
3	EH10	£1,023	£961	6.5%
4	EH1	£1,002	£950	5.5%
5	EH3	£992	£957	3.7%

Source: Citylets OptiletPro

Glasgow

Glasgow Market Overview - Q2 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£473	1.1%	37	-4	15%	52%
2 bed	£629	2.4%	39	-1	14%	49%
3 bed	£870	2.7%	35	-5	18%	53%
4 bed	£1,214	2.6%	22	-6	20%	70%
Total	£618	1.5%	37	-2	15%	51%

Source: Citylets OptiletPro

In Q2 2013, Glasgow's mix adjusted average rent was up 1.5% on a year ago and now stands at £618. One bed properties had the smallest increases of 1.1%, whilst the average rent of three bed properties was up the most with 2.7% growth to £870.

There were continued improvements in TTL across property of all sizes, with the overall TTL for the city now at 37 days and more than half (51%) of all properties letting with a month. It is unusual to see that larger four bed properties had the shortest TTL of

only 22 days though these properties make up only 2.3% of all lettings in Glasgow, while one and two bed properties make up 33% and 52% of all lettings respectively.

The South Side of Glasgow (G41) had the largest annual increase (3.8%) in average rents from £555 to £576. Properties in G2 were the fastest to let with an average TTL of 24 days in Q2 2013 an improvement of 4 days on last year. The most expensive area to rent in Glasgow is G12 (£875) an annual increase of 2.3%.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q2 13	Q2 12	YoY
1	G41	£576	£555	3.8%
2	G3	£785	£758	3.6%
3	G12	£875	£855	2.3%
4	G1	£651	£641	1.6%
5	G31	£494	£488	1.2%

Source: Citylets OptiletPro

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q2 13	Q2 12	YoY
1	G2	24	28	-4
2	G1	31	36	-5
3	G3	32	36	-4
4	G12	32	36	-4
5	G4	34	39	-5

Source: Citylets OptiletPro

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q2 13	Q2 12	YoY
1	G12	£875	£855	2.3%
2	G3	£785	£758	3.6%
3	G4	£691	£699	-1.1%
4	G2	£688	£744	-7.5%
5	G11	£654	£666	-1.8%

Source: Citylets OptiletPro

Aberdeen

Aberdeen Market Overview - Q2 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£631	9.5%	11	-6	51%	89%
2 bed	£879	6.3%	13	-8	47%	87%
3 bed	£1,287	5.1%	20	-6	26%	74%
4 bed	£1,995	10.5%	28	-8	26%	67%
Total	£967	7.3%	14	-7	45%	85%

Source: Citylets OptiletPro

Aberdeen has set new record rent figures in Q2 2013 with a mix adjusted average rent of £967 per month, a jump of 7.3% over the year which is the largest annual increase seen of any city. This latest figure exceeds the previous high in Q1 and it would be no surprise if average rents broke through the £1,000 threshold during the second half of 2013. This view is supported by TTL figures that have shortened even further with properties taking just two weeks on average to let. Smaller one

bed properties are being let incredibly quickly with an average TTL of only 11 days which is an improvement of 6 days from last year.

AB25 which covers part of Aberdeen city centre, Kittybrewster, Foresterhill, Rosemount and George Street recorded the shortest TTL with an average of 13 days, an improvement of 9 days on the year. It is no surprise that AB25 also topped the list of areas with biggest annual increase in rents with a near double figure growth rate of

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q2 13	Q2 12	YoY
1	AB25	£793	£723	9.7%
2	AB15	£1,426	£1,319	8.1%
3	AB24	£805	£749	7.5%

Source: Citylets OptiletPro

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q2 13	Q2 12	YoY
1	AB25	13	22	-9
2	AB11	14	20	-6
3	AB10	15	22	-7

Source: Citylets OptiletPro

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q2 13	Q2 12	YoY
1	AB15	£1,426	£1,319	8.1%
2	AB10	£826	£771	7.1%
3	AB11	£805	£749	7.5%

Source: Citylets OptiletPro

9.7%. However, with an average rent of £793 it has a long way to catch the most expensive postcode district in Aberdeen which remains AB15 with an average rent of £1,426 up 8.1% from last year.

Dundee

Dundee Market Overview - Q2 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£378	1.1%	52	16	4%	36%
2 bed	£551	5.6%	44	-2	8%	44%
3 bed	£720	12.5%	47	-5	5%	40%
4 bed	£927	0.7%	39	-8	5%	36%
Total	£565	5.2%	46	2	6%	41%

Source: Citylets OptiletPro

In Q2 2013, Dundee had a mix adjusted rent figure of £565 which is 5.2% up on the year but down slightly on the Q1 figure of £572. Whilst the annual increase is higher than the national rate, Dundee retains its title as the cheapest city to rent in Scotland although it is slowly catching Glasgow.

The current average TTL is 46 days which is 2 days more than the same period last year. This may be a function of the popularity of the purpose built student accommodation in central Dundee and which is usually advertised directly by the Universities.

One bed flats averaged £378 which is 1.1% up on the figure of a year ago. The equivalent figure for two bed properties (inc. houses) is £551, up 5.6% over the year slightly down on the previous quarter's figure of £554.

With an average monthly rent of £689, DD1 retains its top spot on the list of most expensive areas. As the transformation of the river-front continues, we can see the popularity of this area only increasing and

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q2 13	Q2 12	YoY
1	DD4	£533	£511	4.3%
2	DD2	£592	£581	1.9%
3	DD1	£689	£679	1.5%

Source: Citylets OptiletPro

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q2 13	Q2 12	YoY
1	DD1	41	35	6
2	DD2	47	42	5
3	DD4	52	43	9

Source: Citylets OptiletPro

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q2 13	Q2 12	YoY
1	DD1	£689	£679	1.5%
2	DD2	£592	£581	1.9%
3	DD4	£533	£511	4.3%

Source: Citylets OptiletPro

anticipate average rents will be higher as a result.

Currently, 41% of all Dundee properties are being let within a month.

Seeing the wood from the trees - Student Focus

Whilst overall market forces create the headlines, recognising particular trends can be essential for maximising rental values in differing segments of any market.

In the age of increasing data availability and differing ways to analyse any resultant trends sometimes it can be difficult to focus in and discover individual market behaviour amongst the sheer mass of activity. One significant segment of the Scottish PRS is student accommodation. How different is this segment versus the general market?

Traditionally the seasonal behaviour of the Scottish PRS involves a pronounced peak of volumes and rental values in Q2 with an unsurprising trough of lower stock volumes and price levels in the quiet, festive Q4. Understanding whether the student segment adheres to the same pattern can be vital to landlords active in that market.

Looking at the recent financial year in Edinburgh, you can see a prominent peak in average prices in February and March 2013 with rental values increasing by over 10% compared to the previous 6 months. This non mix adjusted average value figure highlights an underlying trend that requires further investigation by locality and property type composition to fully understand it.

Using Citylets' new OptiletPro tool, we can see the uplift has been caused by larger properties of 3 or more bedrooms in size coming onto the market. Anecdotally, we do see a marked surge of student property being advertised on Citylets but to confirm its true effect let's look at the makeup of total available stock in Marchmont. This is a typical student area, popular due to being very

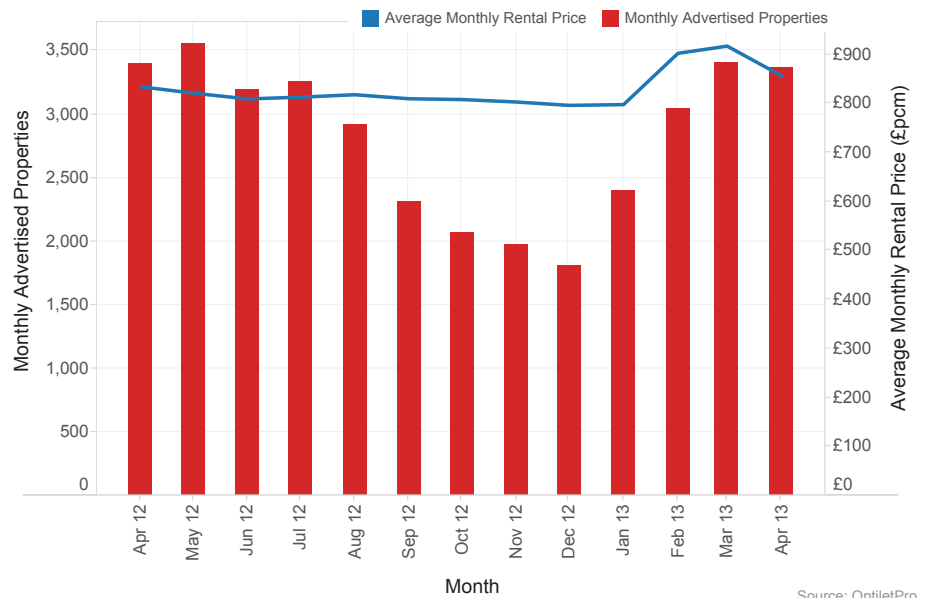
close to both Napier and Edinburgh Universities and perhaps most importantly for the student population only a 10 minutes' walk from the pubs and clubs in the centre of Edinburgh.

Analysing the second chart, you can see how in August 2012, 3 or more bedroom properties accounted for only 63% of all properties in

Marchmont where similar property types comprised of over 83% of all properties in February/March 2013.

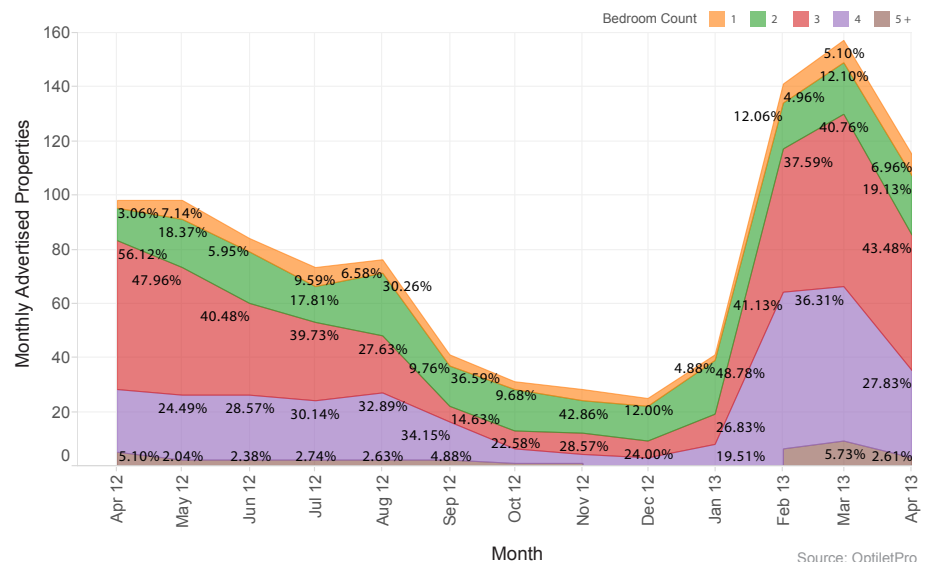
For both student and non-student landlords, identifying when surges in large property volumes occur shows where supply change can directly affect prices rather than the traditional supply vs demand indifferences.

Average Rental Values and Volumes - Edinburgh 2012/13



Source: OptiletPro

Rental Stock Volume & Composition by Bedroom Count - Marchmont 2012/13



Source: OptiletPro

Rent in Advance vs Deposit

As landlords contemplate the merits of securing new tenants by either deposit or advance rental payments, TC Young explains the matters to consider and any potential pitfalls.

Since the introduction of tenancy deposit schemes in Scotland, many landlords have tried to come up with new ways of protecting themselves against tenant debt, whilst avoiding taking deposits, to avoid becoming involved in a tenancy deposit scheme. Once such way is the taking of advance rent, however this is an area in which a landlord must tread carefully.

In the recent English case of *Johnson and Ors v Old*, Mrs Old paid 6 months rent in advance. Mrs Old subsequently claimed as her defence to repossession proceedings that the advance payment constituted a deposit and should therefore have been paid into a tenancy deposit scheme. The repercussions of this in England are much different to Scotland, in that a failure to lodge a deposit with a scheme in England can invalidate repossession proceedings. Although that particular issue is not relevant to Scotland, the way the court construed the definition of advance rent is indeed relevant.

The definition of a deposit under English law is similar to Scots Law, namely:-

“any money intended to be held . . . as security for

(a) the performance of any obligations of the tenant, or

(b) the discharge of any liability of his”

The question for the court was whether the payment of advance rent was paid with the intention that it would be held as security for the performance of Mrs Old’s tenancy obligations.



The court held that the payment of rent did not fall under the definition of a deposit. However, their decision was based on:

- the wording of the tenancy agreement which provided for the six month payment to be made in advance.
- the clear intentions of both parties.

If there is such a willingness on the part of the tenant, there is nothing to prevent a landlord from accepting a payment of rent at an early stage. Landlords in Scotland should however note that there is specific provision in the Rent (Scotland) Act 1984 which states that in certain

circumstances where the advance payment is being imposed on the tenant as a condition of the grant, renewal or continuation of the tenancy, the payment could constitute an illegal premium.

Furthermore, any payment received prior to the signing of the tenancy agreement must subsequently be returned to the tenant in the event that the tenancy does not proceed. Retaining any sums as a “holding” deposit would be an illegal premium. In light of the decision in *Johnson v Old*, it would also be advised that any advance payment is reflected clearly within the tenancy agreement.

It is also important to note that the 1984 Act also has provision whereby any requirement that a tenant make a lump sum payment of rent in advance, more than six months before that rent falls due, can be struck out as being a void clause.

Where a Landlord wishes to introduce a requirement for payment of rent in advance (whether or not this is intended to replace the taking of a deposit) they should seek specific advice in relation to the wording of their lease, in order to ensure they do not expose themselves to risk.

Private Rented Statistics have new official index

Citylets has been crunching the numbers on the Scottish PRS for more than 5 years now and in that time we have seen the PRS playing an ever larger role in the housing mix with private renting becoming the focus of much housing policy debate.

So it is maybe surprising that despite the launch of various Government strategies on the sector that they are only now beginning to produce official statistics on the PRS. Last week saw the launch by the Office for National Statistics (ONS) of the first private rental price index which covers Great Britain and constituent nations and regions. The introduction of the new Index of Private Housing Rental Prices (IPHRP) which is still

'experimental' is certainly welcome as it gives a consistent basis for comparing changes in rents across Great Britain. However, as with any new price index, it is worth understanding its methodology before trusting its outputs.

The most important thing to note is that the IPHRP is an index based on actual expenditure on private rents. Therefore IPHRP measures the rental prices achieved for all private rented dwelling stock for both existing agreed and new tenancies. So IPHRP is not designed as an index that measures the average price of new rental agreements - we would argue this makes it less useful for landlords or investors needing

to know the current rent levels, which is the basis for our quarterly analysis.

Those mean rental prices which are used in IPHRP are calculated directly from data collected regionally by rental officers which in Scotland is based mainly on advertised rents. We are certainly intrigued to know how many advertised rents are actually included in their calculations. As the UK's number one residential lettings portal we have the luxury of analysing very large volumes of rental data over substantial time frames which is why our analysis of the Scottish PRS is trusted by so many housing market researchers.

Summary

- Typical Scottish rental property now costs £693 per month, up 3.1% on Q2 2012
- Edinburgh sees average rents relatively unmoved up only £1 since last quarter
- Aberdeen nears the four figure mark with rents up 7.3% on last year to £967
- Glasgow sees improvements in TTL across property of all sizes, overall TTL now 37 days
- Dundee most sluggish of all Scottish cities, only 41% properties let within a month

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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

The Publication

This document was published in July 2013. 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.

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