

Supply Constriction Puts the Squeeze on Scotland's Cities



- Overview of the Scottish Rental Market
- City Spotlight: Edinburgh, Glasgow, Aberdeen & Dundee
- Postcode and Town Analysis: Localised Rental Prices
- Legislation Matters: Consultation on a New Tenancy for the PRS

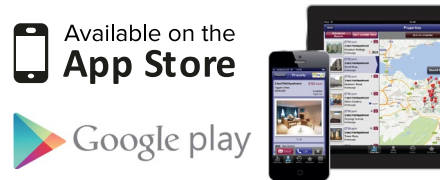
Citylets Audience Reach- Quarterly Update

Q3 (July-September) is traditionally the busiest time of the year for the lettings market and 2014 was no exception with site traffic reaching over 1 million visitors over the quarter. The summer rush continued deep into September with some urban areas such as Edinburgh experiencing vast volumes of tenant enquiries, up a full 14% on last year.

Mobile App usage continues to thrive with Q3 2014 recording 14% of visitors coming through our Apple and Android Apps. Clearly consumers with mobile

devices like to have a choice as to how they browse on the go.

As detailed in earlier reports, Citylets recently launched its dedicated iPad App to compliment our iPhone App and this latest version has



maintained its coveted 5* public rating on the App store. Citylets is still the only Scottish lettings portal to have the full set of bespoke Apps for iPhone, Android & iPad and also a dedicated mobile site.

'Mobile' (web browsing & App usage from mobile phones / tablets) is clearly here to stay now recording

HOW THEY RATE*		
	Apple	Android
Citylets	★★★★★	★★★★★
Rightmove	★★★★☆	★★★★★
ASPC	★★	N/A
ESPC	N/A	N/A
GSPC	N/A	N/A
S'rental	N/A	N/A

*Apple App Store & Google Play, Oct 14

52% of visits for the quarter. Citylets recently launched a new dedicated mobile site to ensure a quality browsing experience.

Our current Android App has received a high 4* rating from consumers however we will shortly be updating it to bring it further in line with our Apple Apps and meet the growing demand for this technology platform.

Key Info Q3 2014

- Over 1 million site visitors
- 14% visits from mobile Apps
- 52% visits from 'mobile'
- Best performing Scottish regional

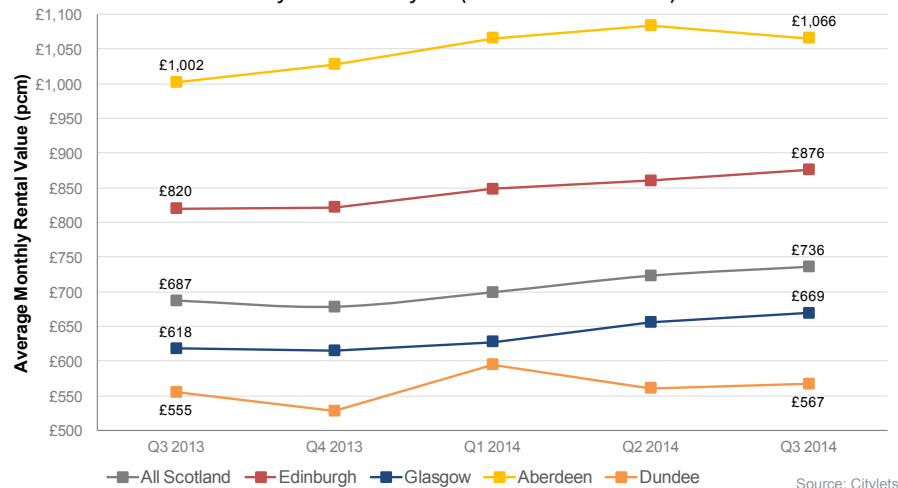
Scotland

Q3 is traditionally the most frenetic period for lettings in Scotland and this is reflected to rental price. 2014 was no different but Year on Year (YOY) rises have been more prominent than usual with the average mix adjusted rent in Scotland up 7.1% YOY to stand at £736.

We are used to reporting inflation busting rises for Aberdeen but now all 3 major cities of Edinburgh, Aberdeen and Glasgow are recording strong rental growth and serious questions over widespread urban supply are being asked.

As usual, there has been variation in performance throughout the country and across property size and type. The stand out performer has been Glasgow. Basking in glory from the recent Commonwealth games

Scottish Monthly Rent Analysis (Q3 2013-Q3 2014)



during the summer, the Glaswegian rental market has followed suit and the average price has risen 8.3% annually. Edinburgh (6.8%) and Aberdeen (6.4%) are not far behind with Dundee in last place (2.2%). The Granite City was the only city to experience a reduction in average monthly prices since quarter 2 but

still remains in a different league with the typical Aberdeen tenant being asked to pay £1,066 per month for an average property.

As the country looks forward to Q4, we can assume that the reduced tenant numbers will dampen overall demand and prices may relax slightly.

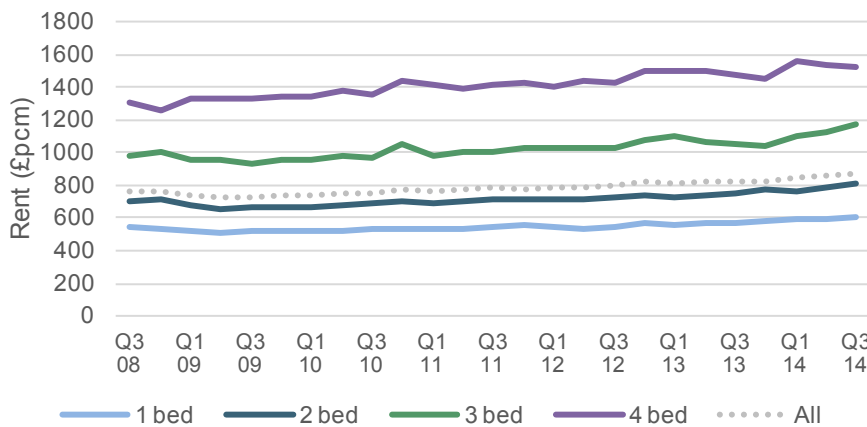
Edinburgh

Market Overview - Q3 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£603	6.9%	16	-8	44%	83%
2 bed	£809	7.7%	20	-5	37%	78%
3 bed	£1,168	10.9%	30	-9	21%	62%
4 bed	£1,523	3.5%	41	-9	22%	49%
Total	£876	6.8%	21	-7	37%	76%

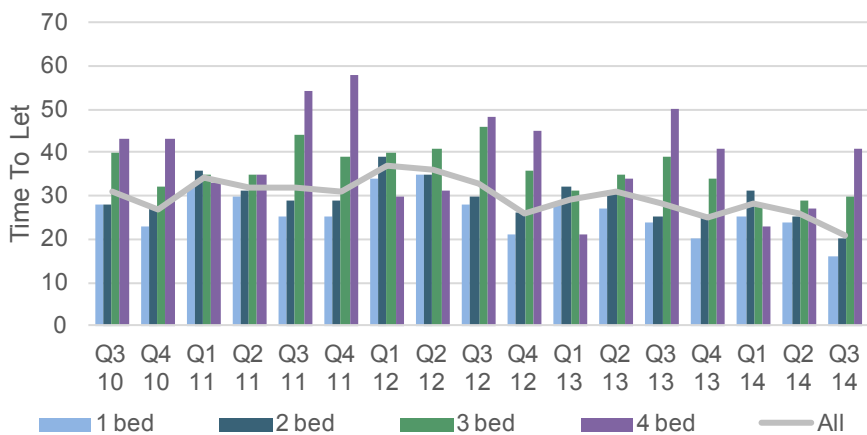
Source: Citylets

Average Rent (pcm) by Number of Bedrooms Over Time



Source: Citylets

Average Time To Let (TTL) by Number of Bedrooms Over Time



Source: Citylets

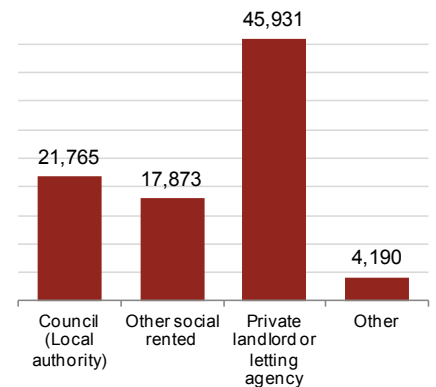
The Edinburgh rental market shows little evidence of hitting a peak as prices continue to increase, up 6.8% on Q3 of last year. Average monthly rental prices at £876 per month have now seen six consecutive quarterly increases since the start of 2013 when they were just over £800 per month.

Edinburgh outperformed the country's other major cities with the exception of Glasgow and Time-To-Let (TTL) figures continue to remain low with a typical property now being snapped up at 21 days on average, down from 28 days this time last year. One bedroom properties are now typically let within 16 days.

Three bedroom properties saw the strongest uplift in prices, up 10.9% with the larger 4 bedroom properties seeing a modest rise of 3.5%. Over three quarters of the capital's properties are now let within a month and over a third (37%) within a week.

CITY INFO

Households: Rented

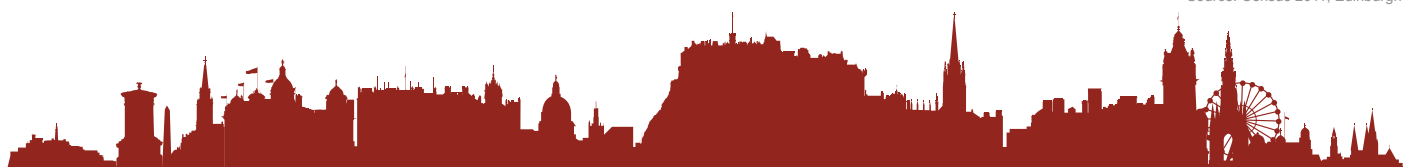


Source: Census 2011, Edinburgh



John Horsburgh - Rentlocally (Edinburgh)

"These year on year rental growth percentages are entirely consistent with the seemingly endless increase in Edinburgh's private rented sector population, up from 50,000 to more than a projected 107,000 in the last ten years. Added to the fact that we have an improving economy and a distinctive change in the choices that people are making concerning how they live, we are now looking at a genuine shortage of good available property to let."



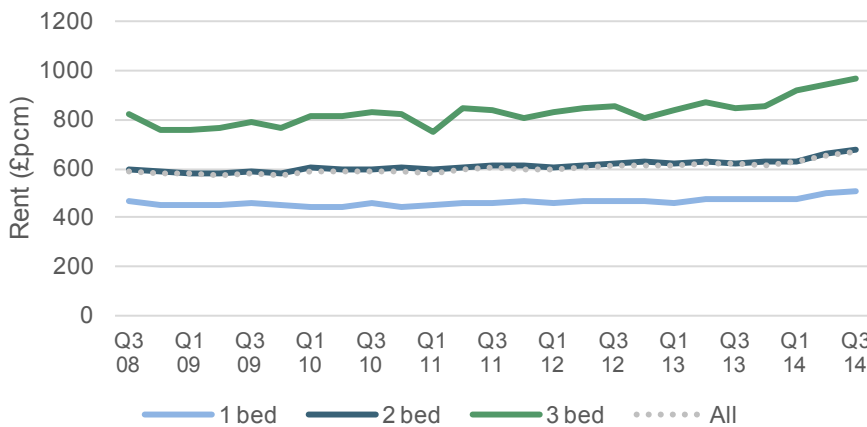
Glasgow

Market Overview - Q3 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£510	6.7%	27	-8	29%	66%
2 bed	£680	9.7%	28	-12	26%	65%
3 bed	£971	14.2%	34	-9	19%	55%
4 bed	£1,333	4.5%	32	-13	15%	58%
Total	£669	8.3%	28	-11	26%	64%

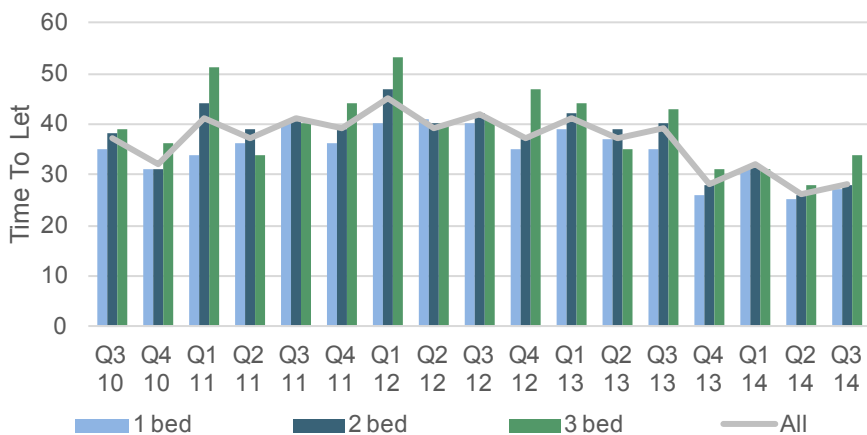
Source: Citylets

Average Rent (pcm) by Number of Bedrooms Over Time



Source: Citylets

Average Time To Let (TTL) by Number of Bedrooms Over Time



Source: Citylets



Colin Roe - LET-it (Glasgow)

"This last quarter has been one of the busiest I have ever seen in the private sector. I have been involved in lettings for over 15 years and we have seen an unprecedented demand for accommodation particularly in Glasgow. For the first time ever we have seen 'available' stock fall into single figures! This has meant increases in rents across both Glasgow and Renfrewshire but lack of is still a great concern and the banking sector need to be doing more to encourage investment."

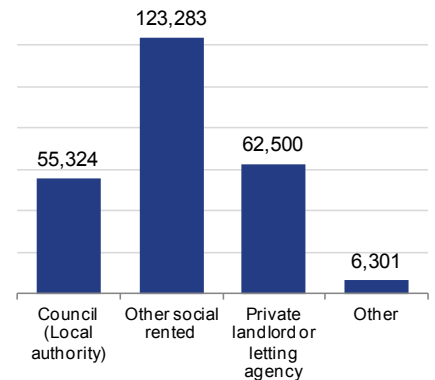
Glasgow had a mix adjusted average rent of £669 per month in Q3 of 2014, a best in country increase of 8.3% over the year. This latest figure continues to illustrate that tenant demand in the city is still increasing as supply volume works hard to satisfy eager demand.

Perhaps more significant are the shortening TTL figures across the city with the typical Glasgow property taking exactly four weeks to let in Q3, down an impressive 11 days on last year. Leading the way, four bedroom properties saw TTL fall a significant 13 days down to 32 days.

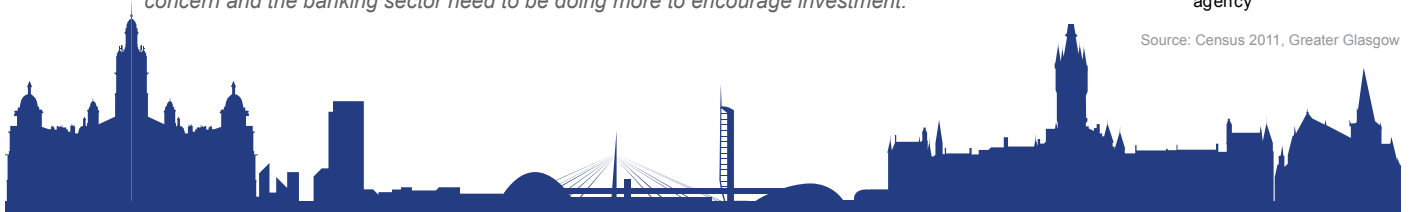
Three bedroom properties are edging ever closer to a monthly four figure rental figure at £971, up 14.2% annually. Even the slowest property type in terms of growth (4 bed) still saw an annual 4.5% uplift, near double that of a typical Dundee property.

CITY INFO

Households: Rented



Source: Census 2011, Greater Glasgow



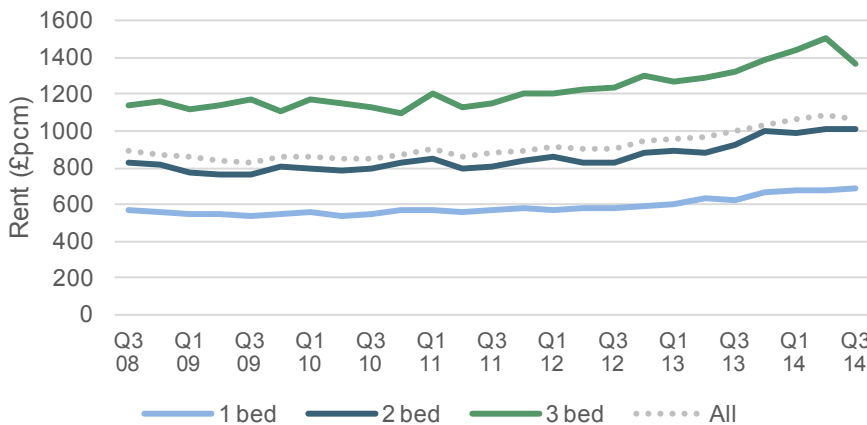
Aberdeen

Market Overview - Q3 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£690	9.7%	10	1	57%	92%
2 bed	£1,006	8.9%	18	5	34%	79%
3 bed	£1,370	3.6%	23	8	30%	70%
4 bed	£2,037	1.3%	32	8	22%	60%
Total	£1,066	6.4%	17	4	41%	82%

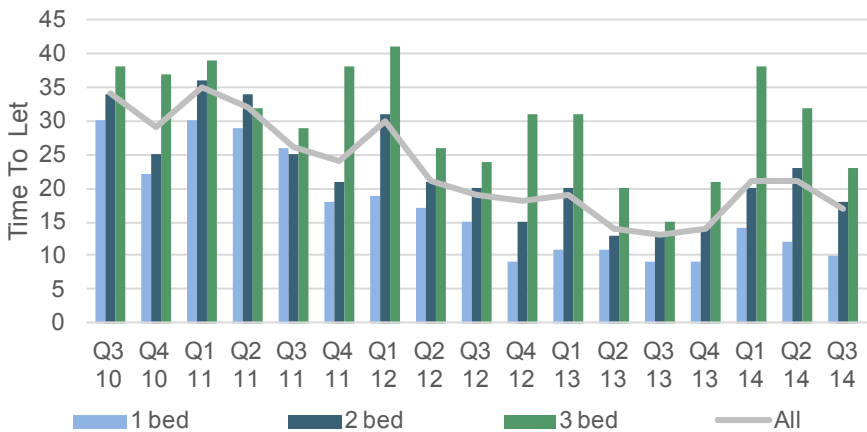
Source: Citylets

Average Rent (pcm) by Number of Bedrooms Over Time



Source: Citylets

Average Time To Let (TTL) by Number of Bedrooms Over Time



Source: Citylets



Judith MacDonald - Contempo Property Sales & Letting

"We have been very encouraged by a steadily increasing demand in the Aberdeen rental market this year. In particular 1 bed flats are popular which reflects the professional single person/couple demographic we have seen relocating to the city this quarter."

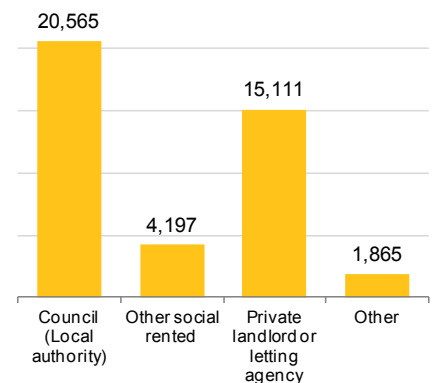
Aberdeen recorded a mixed adjusted average rent of £1,066 per month in Q3 of 2014, a healthy 6.4% increase on last year but slightly down on the recent Q2 peak of £1,084. This latest year on year increase unusually puts Aberdeen in only third place on annual growth, just ahead of Dundee.

Turnaround times continue to remain at a relative breakneck pace with a typical property now being let in 17 days. One bedroom properties remain most in demand, on average being let within a 10 day period. Amazingly, over four fifths of rental transactions are completed within the month.

Strongest price growth seems to follow a linear path according to size with one bedroom rentals showing the largest annual price growth (up 9.7%) down to four bedroom units at a more subdued 1.3% year on year.

CITY INFO

Households: Rented



Source: Census 2011, Aberdeen



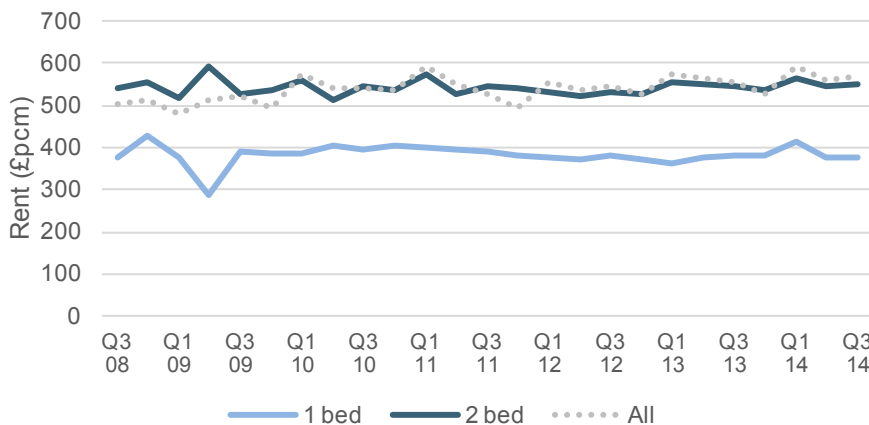
Dundee

Market Overview - Q3 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£377	-1.6%	52	14	13%	40%
2 bed	£549	0.5%	46	6	7%	42%
3 bed	£748	7.2%	40	4	12%	51%
4 bed	£1,028	10.7%	46	10	18%	41%
Total	£567	2.2%	48	8	10%	42%

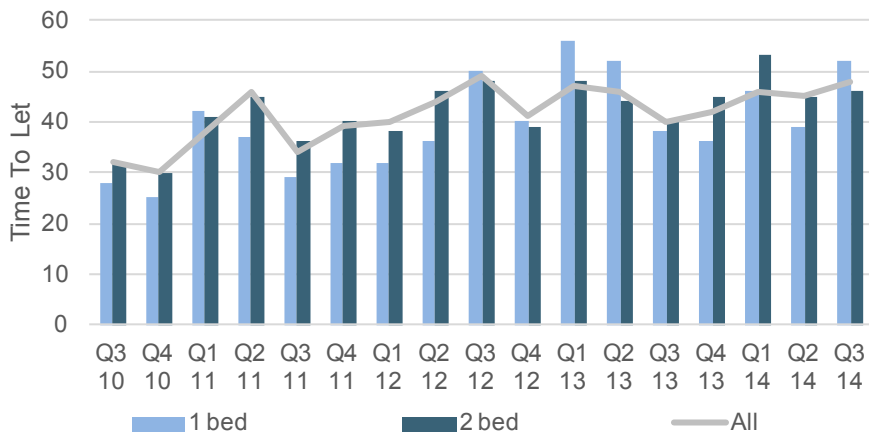
Source: Citylets

Average Rent (pcm) by Number of Bedrooms Over Time



Source: Citylets

Average Time To Let (TTL) by Number of Bedrooms Over Time



Source: Citylets

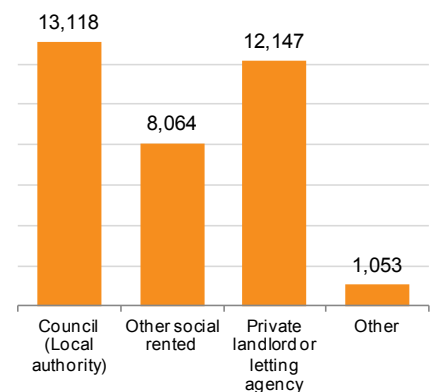
During the third quarter of 2014, the average mix adjusted rent in Dundee was £567 per month, still £38 down from the 2014 Q1 peak of £595. Showing 2.2% annual growth, Dundee is considerably down on the national rise of 7.1% over the same period.

Average TTL figures have increased across all property types with a typical property now taking nearly 7 weeks to let (48 days), Only one in ten transactions are now completed within a week and still less than half (42%) within a month.

Collectively, larger (3 and 4 bed) properties have seen the biggest annual increases with a rise in price of 7.2% and 10.7% respectively. One bedroom properties actually fell in price by 1.6% year on year and are now showing an average rental price of just £377.

CITY INFO

Households: Rented



Source: Census 2011, Dundee



Robert Murray - Lickley Proctor Lettings

"Irrespective of a few intermittent 'blips' I have found there is still a good uptake for properties in Dundee as a whole and this has been the case for the last 6 or 7 years. Good quality properties are still in demand achieving good rentals. As in every city, certain areas prove more popular than others and rental levels/uptake varies accordingly."





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Postcode & Towns - Average Rents & TTL - Q3 14

Landlords and Letting Agents continue to require timely, accurate data to help them value rental properties in a variety of locations. At Citylets, robust information is paramount so we only include rents for postcode districts where there is substantial quarterly volume.

Edinburgh - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
EH1	£655	(15)	£944	(17)	£1,326	(52)
EH2			£1,055	(16)		
EH3	£708	(13)	£1,058	(21)	£1,535	(27)
EH4	£677	(17)	£796	(19)	£1,075	(28)
EH5	£530	(48)	£693	(17)	£829	(34)
EH6	£551	(17)	£714	(17)	£1,006	(28)
EH7	£572	(17)	£759	(16)	£1,042	(39)
EH8	£586	(13)	£757	(17)	£1,065	(37)
EH9	£631	(12)	£863	(21)	£1,370	(28)
EH10	£635	(11)	£870	(19)	£1,261	(20)
EH11	£550	(14)	£732	(16)	£986	(30)
EH12	£617	(17)	£813	(23)	£953	(27)
EH13			£697	(14)	£894	(22)
EH14	£561	(20)	£704	(24)	£1,009	(30)
EH15			£667	(27)		
EH16	£570	(28)	£709	(21)	£1,055	(26)
EH17			£635	(19)	£810	(42)
EH21	£521	(15)	£633	(32)		
EH22			£580	(29)	£722	(33)
EH23			£594	(60)		
EH26			£610	(21)		
EH32			£625	(40)		
EH47			£519	(59)		
EH48	£460	(45)	£544	(47)	£624	(49)
EH49	£449	(44)	£555	(28)		
EH51			£456	(37)		
EH52			£534	(92)		
EH54			£553	(56)	£654	(42)

Towns - £pcm (TTL days)

Town	1 Bed		2 Bed		3 Bed	
Airdrie			£483	(49)		
Ayr	£402	(36)	£504	(34)		
Bathgate	£463	(48)	£550	(47)		
Boness			£456	(37)		
Cumbernauld			£470	(47)	£482	(54)
Dalkeith			£566	(30)		
Dunfermline	£402	(25)	£502	(29)	£614	(10)
East Kilbride	£361	(58)	£476	(47)	£626	(37)
Glenrothes			£453	(31)	£522	(43)
Hamilton	£385	(43)	£491	(42)	£549	(39)
Inverness	£492	(30)	£609	(22)	£762	(32)
Kilmarnock	£361	(38)	£447	(50)	£527	(47)
Kirkcaldy	£382	(29)	£492	(23)		
Linlithgow	£449	(44)	£563	(27)		
Livingston			£555	(51)	£664	(40)
Motherwell			£467	(40)	£511	(68)
Paisley	£356	(50)	£467	(49)	£584	(57)
Perth	£404	(17)	£524	(30)		
Stirling Town	£451	(23)	£608	(25)	£711	(30)
Troon	£387	(47)	£457	(45)		

Glasgow - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
G1	£645	(19)	£877	(19)		
G2	£614	(18)	£808	(18)		
G3	£562	(17)	£793	(19)	£1,190	(36)
G4	£648	(20)	£803	(17)	£1,028	(30)
G5	£515	(30)	£603	(38)	£819	(43)
G11	£523	(19)	£771	(18)	£1,021	(15)
G12	£595	(20)	£900	(18)	£1,241	(34)
G13	£462	(24)	£607	(24)		
G14	£428	(28)	£541	(28)		
G20	£532	(20)	£681	(20)	£784	(49)
G21			£481	(37)		
G31	£412	(32)	£565	(30)	£658	(22)
G32	£379	(30)	£492	(35)		
G33			£527	(42)		
G40	£425	(23)	£503	(38)		
G41	£484	(24)	£591	(23)	£792	(32)
G42	£389	(39)	£516	(45)	£896	(21)
G43			£543	(27)	£615	(51)
G44	£434	(28)	£540	(42)	£565	(26)
G51	£402	(30)	£515	(33)		
G52			£531	(37)	£536	(47)
G67			£458	(46)		
G71			£575	(27)		
G72			£489	(29)		
G73	£387	(31)	£511	(39)		
G74	£361	(60)	£488	(43)	£681	(40)
G75	£360	(52)	£457	(52)	£621	(36)
G77			£702	(32)		
G78			£449	(47)		
G81			£483	(26)		
G84	£396	(46)	£508	(48)	£585	(37)

Aberdeen - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
AB10	£706	(10)	£1,030	(21)	£1,363	(23)
AB11	£673	(10)	£991	(13)	£1,300	(21)
AB15	£833	(16)	£1,181	(25)	£1,701	(42)
AB21			£949	(30)	£1,265	(22)
AB22	£721	(12)	£950	(23)	£1,121	(26)
AB24	£678	(9)	£945	(17)	£1,303	(19)
AB25	£688	(10)	£977	(15)	£1,351	(16)

Dundee - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
DD1	£365	(45)	£609	(43)	£774	(45)
DD2	£380	(39)	£536	(47)	£710	(40)
DD3	£346	(67)	£472	(54)		
DD4	£372	(54)	£506	(49)		
DD5			£583	(49)		

Source: Citylets

Consultation on a New Tenancy for the Private Rental Sector

TC Young discuss the recent Scottish Government consultation that aims at drafting a potential complete reform of the tenancy system and its impact.

On 6 October 2014, the Scottish Government published a consultation with proposals to amend to the law in order to create “*A private rented sector that provides good quality homes and high management standards, inspires consumer confidence, and encourages growth through attracting increased investment.*”

In drafting their proposals, they allow for a complete reform of the current tenancy system as shaped by various draft amendments to the existing legislation governing assured tenancies. These proposed amendments have been imagined with both the interests of the tenant and landlord in mind.

Improving Tenant’s Security of Tenure

Removal of the ‘No Fault’ Ground for Repossession: Under any current short assured tenancy, a landlord has the right to take repossession of their property after the fixed term of 6 months has ended. With this proposed amendment, the landlord would have no right to recover their property in this way, however, it is hoped that such amendment would allow tenants greater flexibility in deciding their preferred residence.

Minimum Lease Duration Period:

They have suggested that all tenancies; short assured and

assured should be required to have a minimum duration period of 6 months, unless expressly requested by the tenant. However, while a shorter tenancy can be requested, it is also proposed that the decision to grant such will be placed within the landlord’s discretion. It is hoped that the creation of a general minimum tenancy period will provide protection of tenancy for some tenants, as well as accommodate for the needs of those who require residing for a shorter period without sacrificing the landlord’s wishes.



Safeguards for Landlords, Lenders and Investors

Reduction in Grounds for Repossession: Scottish Ministers have proposed that existing grounds for repossession should be reduced from 17 to 8 grounds which shall all be made mandatory. As the present law stands, only half of the current grounds for repossession are those which would require a Sheriff to grant a court order. However, with these proposed reductions, the Scottish Government envisage complete

security in recovery of the property where a tenant has breached one of the 8 noted grounds which include, but are not limited to; anti-social behaviour, any breach of tenancy, and sale of the home by lender or landlord.

Reduced Period of Notice:

Another key proposal contained within the consultation is that which proposes to reduce the period of notice to 28 days where the tenant has failed to pay three months’ rent, has behaved in an anti-social manner or has breached their tenancy agreement in any other way. This proposed amendment has been made notwithstanding the period of time the tenant has resided within the property, and has been included as to ensure the earlier proposed amendments to the notice period would not be prejudice to the interests of the landlord in circumstances where recovery of the property is desired as a matter of urgency.

While these proposals may appear to present increased parity for private landlords and tenants alike, they are initially suggested within the consultation on very basic terms. Though the proposals are still at the consultation stage, it is clear that further information will be required in order to fully assess the practicality and operation of the proposed new system.

Citylets 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 its unique data in addition to 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

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.

The Publication

This document was published in October 2014. 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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* Citylets visitor traffic, Q3 2014
** Google Play / App Store, Oct 2014