

Aberdeen Rentals Continue Steep Climb



- Overview of the Scottish Rental Market
- City Spotlight: Edinburgh, Glasgow, Aberdeen & Dundee
- New Postcode and Town Analysis: Localised Rental Prices
- Market Focus: Balance of Supply & Demand
- Legislation Matters: Update on Letting Agent Regulation

Citylets Audience Reach- Annual Update

Citylets retained its position as the certified leading Scottish Lettings Portal throughout 2013, according to online experts Experian Hitwise. Visitor traffic was up a full 19.4% on 2012 to over 4 million, more than quadruple 2007 and directly in line with stated aims at the start of the year (Source: Google Analytics).

Traffic growth was reflected in enquiries from unique users which were up 14% and Agent offices on site also grew over the year to more than 550 (Source: Citylets).

Key Info 2013

- Over 4 million site visits
- Traffic up 19% on 2012
- Hitwise av. rank 50, up 13 on 2012
- 40% visits from mobile
- Best performing Scottish regional

Our Hitwise rank in the UK Property category averaged 50 over the year, up 13 places on 2012. 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 often required to move up a single place.

Monthly Rank in UK Property Sector



Source: Hitwise, Dec 13

However we are optimistic to cement our position as a top 50 UK property site over the next 12 months.

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

*Apple App Store & Google Play, Dec 2013

The rise of 'mobile' (including tablet and App usage) continues recording over 40% of visits over the year. Citylets recently launched its dedicated iPad App and a new dedicated mobile site. Citylets is the only Scottish lettings portal to have the full set of bespoke Apps for iPhone, Android & iPad and also a dedicated mobile site.

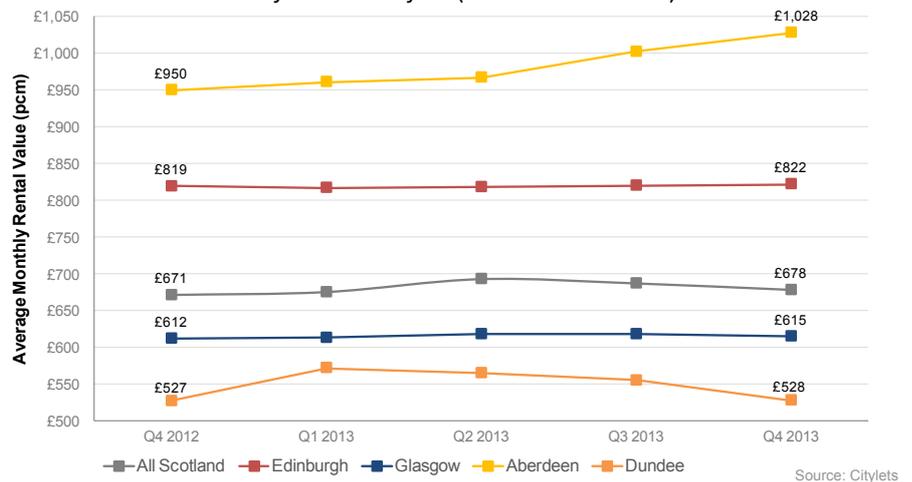
Citylets remains the No 1 dedicated residential lettings site in the UK (Source: Experian Hitwise).

Scotland

With 2013 now at an end, we reflect on the performance of the Scottish rental market and look ahead to 2014. The final quarter of 2013 shows that the average mix adjusted rent in Scotland is now £678 which is just 1.0% more than last year. Upon reflection, the main characteristic of the Scottish market has been stability, with prices experiencing minimal growth throughout the year. Driven by its two major cities, Edinburgh (up 0.4%) and Glasgow (up 0.5%), rental supply and tenant demand have been in relative equilibrium resulting in a steady market. One clear exception is Aberdeen (up 8.2%), which continues to buck the trend as citywide average prices soar well over the £1,000 mark and show no sign of abating.

Some would argue that this general limited growth would be as seen

Scottish Monthly Rent Analysis (Q4 2012-Q4 2013)



Source: Citylets

as unremarkable. We believe that it shows signs of a more mature, solid market serving its landlords and tenants with balanced yields and monthly rents, especially with 2013 witnessing the return of the resale market and Registers of Scotland showing sales volumes ending Q3 up 22.5% on last year- the highest

volume of quarterly sales since Q2 2008.

So as we move into 2014, outwith Aberdeen we believe the trend of modest gains will continue in the first half of the 2014 in advance of the traditional peak in rental prices during the middle of the year.

Edinburgh

Edinburgh Market Overview - Q4 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£578	2.3%	20	-1	30%	78%
2 bed	£772	3.8%	25	-1	22%	66%
3 bed	£1,042	-2.8%	34	-2	17%	55%
4 bed	£1,455	-2.7%	41	-4	9%	46%
Total	£822	0.4%	25	-1	24%	68%

Source: Citylets

In the final quarter of 2013, the average mix adjusted rent in Edinburgh was £822 which is a relatively small 0.4% up on the figure of last year, below half of the national rise of 1.0%. Interestingly, it was the smaller one and two bed properties that saw the biggest annual increases with rises of 2.3% and 3.8% respectively versus decreases in rents for larger properties, which is the exact opposite of what we saw in Q1. Overall TTL figures for Edinburgh are now 25 days an improvement

of 1 day compared to last year and demonstrating an efficient market.

The Capital's most expensive postcode district was EH2 with an average rent of £1,032 which was a slight decrease of 0.8% on last year. In terms of biggest price change, EH3 saw the largest increase with average rents lifting by 4.5%. In terms of TTL, all the top 5 postcodes beat the four week barrier, with EH1 coming out on top with an average TTL figure of just 23 days, down 4 days from last year.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q4 13	Q4 12	YoY
1	EH3	£967	£925	4.5%
2	EH9	£953	£913	4.4%
3	EH5	£680	£658	3.3%
4	EH7	£702	£683	2.8%
5	EH11	£639	£622	2.7%

Source: Citylets

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q4 13	Q4 12	YoY
1	EH1	23	27	-4
2	EH3	24	30	-6
3	EH7	25	30	-5
4	EH11	25	30	-5
5	EH10	26	31	-5

Source: Citylets

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q4 13	Q4 12	YoY
1	EH2	£1,032	£1,040	-0.8%
2	EH3	£967	£925	4.5%
3	EH9	£953	£913	4.4%
4	EH10	£931	£930	0.1%
5	EH1	£864	£846	2.1%

Source: Citylets

Glasgow

Glasgow Market Overview - Q4 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%	26	-9	27%	67%
2 bed	£628	-0.3%	28	-9	26%	64%
3 bed	£853	5.3%	31	-16	20%	59%
4 bed	£1,173	-0.4%	45	-1	17%	52%
Total	£615	0.5%	28	-9	26%	64%

Source: Citylets

Glasgow had a mixed adjusted average rent of £615 per month in Q4 of 2013, an increase of 0.5% over the year mirroring what we have seen in Edinburgh. This latest figure continues to illustrate that the city has experienced a very stable year with average prices fluctuating very slightly. Perhaps more significant are the shortening TTL figures across the city with the typical Glasgow property advertised on Citylets taking exactly four weeks to let in Q4. Leading the way, three bedroom properties saw TTL fall a

massive 16 days down to 31 days from the same time last year.

At the postcode level, two districts (G2, G4) recorded impressive year on year rental increases, 9.6% and 8.4% respectively. The rise in G2 has been fuelled by demand moving its top performing TTL figure to only 21 days. It is no surprise that the most expensive postcode district is again G12 especially when you realise it includes the city's West End which is where most of the prime property can be found.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q4 13	Q4 12	YoY
1	G2	£731	£667	9.6%
2	G4	£656	£605	8.4%
3	G1	£676	£648	4.3%
4	G5	£611	£588	3.9%
5	G12	£877	£846	3.7%

Source: Citylets

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q4 13	Q4 12	YoY
1	G2	21	39	-18
2	G3	26	35	-9
3	G1	26	33	-7
4	G11	28	33	-5
5	G12	29	34	-5

Source: Citylets

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q4 13	Q4 12	YoY
1	G12	£877	£846	3.7%
2	G2	£731	£667	9.6%
3	G3	£720	£724	-0.6%
4	G1	£676	£648	4.3%
5	G11	£669	£669	0.0%

Source: Citylets

Aberdeen

Aberdeen Market Overview - Q4 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£662	11.1%	9	0	62%	92%
2 bed	£1,005	13.7%	14	-1	47%	84%
3 bed	£1,392	6.7%	21	-10	30%	70%
4 bed	£1,981	0.1%	31	-19	14%	48%
Total	£1,028	8.2%	14	-4	49%	84%

Source: Citylets

The buoyant rental market in Aberdeen continues to set itself apart from the rest of the country with the overall mix adjusted rent now at £1,028 in Q4 up 8.2% over the year. Time-to-Let figures remain extremely low with a typical property being snapped up within a fortnight and 1 bedroom properties taking only 9 days for a landlord to have signed a tenant. In the typically slower fourth quarter, larger 3 bed and 4 bed properties experienced significant decreases in their TTL figures

compared to last year. Three bed homes took 21 days to find a tenant down from 31 days in Q4 2012 while four bed properties improved from 50 days to 31 days over the year. With an average monthly rent of £902, the city postcode of AB24 tops our listing of the largest price changes, up 18.5% on this time last year. AB24 areas such as Old Aberdeen, Woodside and Tillydrone have seen landlords continue to ask for higher prices as demand remains fierce amongst potential tenants.

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q4 13	Q4 12	YoY
1	AB24	£902	£761	18.5%
2	AB25	£856	£738	16.0%
3	AB15	£1,472	£1,303	13.0%

Source: Citylets

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q4 13	Q4 12	YoY
1	AB25	10	16	-6
2	AB11	11	15	-4
3	AB10	12	18	-6

Source: Citylets

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q4 13	Q4 12	YoY
1	AB15	£1,472	£1,303	13.0%
2	AB10	£908	£812	11.8%
3	AB24	£902	£761	18.5%

Source: Citylets

AB25 continues to top the league of average TTL with properties typically letting within 10 days, down 6 days on Q4 2012.

Dundee

Dundee Market Overview - Q4 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£382	3.2%	36	-4	10%	51%
2 bed	£535	1.3%	45	6	10%	35%
3 bed	£671	-2.9%	40	-9	11%	35%
4 bed	£884	-1.0%	53	-1	6%	38%
Total	£528	0.2%	42	1	10%	40%

Source: Citylets

In Q4 2013, the average mix adjusted rent in Dundee was £528 which is a small 0.2% up on the figure of last year, well below the national rise of 1.0%. Similarly to Edinburgh, it was the smaller one and two bed properties that saw the biggest annual increases with rises of 3.2% and 1.3% respectively. TTL figures have remained relatively constant with a property taking 42 days to let, down 1 day on Q4 2012. This is exactly three times the average TTL of Aberdeen. Surprisingly, 3 bed properties had a TTL of 40 days

which is down 9 days on last year perhaps suggesting more interest for family sized property in Dundee.

A smaller proportion (40%) of Dundee properties were let within a month of being advertised on Citylets illustrating the local market dynamics compared to the country's capital (68%) or oil and gas driven Aberdeen (84%). DD1 tops the highest average rental price table with a £634 figure up a hefty 12.2% on this time last year.

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q4 13	Q4 12	YoY
1	DD1	£634	£565	12.2%
2	DD4	£489	£448	9.2%
3	DD2	£552	£525	5.1%

Source: Citylets

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q4 13	Q4 12	YoY
1	DD1	37	36	1
2	DD4	41	47	-6
3	DD2	42	50	-8

Source: Citylets

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q4 13	Q4 12	YoY
1	DD1	£634	£565	12.2%
2	DD2	£552	£525	5.1%
3	DD4	£489	£448	9.2%

Source: Citylets

Postcode & Towns - Average Rents & TTL - Q4 13

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	£617	(16)	£821	(20)		
EH3	£680	(16)	£1,046	(21)	£1,310	(28)
EH4	£652	(15)	£756	(26)	£891	(39)
EH5			£623	(34)		
EH6	£542	(22)	£695	(24)	£882	(33)
EH7	£547	(17)	£736	(20)	£935	(41)
EH8	£563	(20)	£683	(26)		
EH9	£618	(18)	£790	(21)		
EH10	£606	(12)	£860	(18)	£1,026	(30)
EH11	£526	(20)	£671	(16)		
EH12	£563	(14)	£734	(25)	£1,028	(46)
EH16	£516	(21)	£640	(27)		
EH21			£614	(37)		
EH22			£591	(48)	£713	(23)
EH48			£536	(51)	£586	(31)
EH49			£609	(32)		
EH54			£548	(49)	£621	(38)

Aberdeen - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
AB10	£672	(9)	£981	(15)		
AB11	£658	(6)	£1,040	(13)		
AB15			£1,211	(19)	£1,543	(20)
AB21			£882	(17)		
AB24	£663	(10)	£892	(8)		
AB25	£659	(8)	£964	(8)		

Dundee - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
DD1			£583	(33)		
DD2	£471	(40)	£545	(58)		
DD3	£340	(42)	£476	(69)		
DD4			£486	(39)		

Glasgow - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
G1	£580	(10)	£809	(14)		
G2			£805	(11)		
G3	£562	(13)	£778	(15)		
G4	£518	(22)	£603	(15)		
G5			£631	(10)		
G11	£526	(16)	£689	(12)		
G12	£574	(18)	£798	(21)	£1,066	(35)
G13	£457	(29)	£581	(41)	£693	(38)
G14	£423	(38)	£521	(26)		
G20	£486	(20)	£620	(22)		
G21			£469	(53)		
G31	£434	(25)	£511	(31)		
G32			£487	(48)		
G33			£518	(27)		
G40	£421	(31)	£487	(25)		
G41	£461	(23)	£609	(29)		
G42	£383	(40)	£541	(41)		
G44	£412	(28)	£493	(46)		
G51	£370	(49)	£506	(29)		
G74	£349	(45)	£466	(50)		

Towns - £pcm (TTL days)

Town	1 Bed		2 Bed		3 Bed	
Airdrie			£462	(47)	£520	(39)
Ayr	£416	(46)	£497	(33)		
Bathgate			£555	(38)		
Cumbernauld			£472	(50)		
Dalkeith			£581	(43)		
Dunfermline	£380	(24)	£508	(37)	£615	(27)
East Kilbride	£349	(42)	£459	(49)	£640	(47)
Glenrothes			£469	(24)	£540	(28)
Hamilton	£376	(39)	£489	(43)	£600	(44)
Inverness			£612	(37)	£722	(33)
Kilmarnock	£361	(40)	£448	(39)		
Kirkcaldy	£385	(36)	£456	(39)		
Linlithgow			£609	(32)		
Livingston			£548	(45)	£594	(29)
Motherwell			£470	(45)		
Paisley	£367	(44)	£463	(47)	£584	(42)
Perth	£427	(18)	£535	(28)		
Stirling Town			£556	(37)		

Source: Citylets

Plans afoot for Letting Agent Regulation

As the government issues its draft Housing Bill, TC Young discuss how it gives a clear indication of their plan to weed out the so-called “rogue” agents to restore confidence

The Scottish Government issued its draft Housing (Scotland) Bill on 21 November 2013 and amongst the various proposals is a framework for letting agent regulation. It should be noted at the outset that the Bill is not yet law and may be subject to change.

The Register

The Bill states that any person who wishes to operate as a letting agent in Scotland will have to apply to be registered. The Government will establish and maintain the register of letting agents which will be public and is likely to be available online in the same manner as the register of property factors. There will be a similar “fit and proper person” test currently in place for landlord registration that will require to be met before an agent can be admitted to the register. In looking at whether an agent is fit and proper, Scottish Ministers will look at any criminal convictions and any contravention by the agent of any law relating to housing as well as any breach of the Letting Agent Code of Practice.

Agents will be allocated a registration number which will have to be included in any of their letting and management documentation as well as on property advertisements. Registration will last for a period of three years and agents will have to

apply for renewal thereafter.

If an agent attempts to operate whilst unregistered they could face a prison sentence or a criminal fine. Further they will be unable to charge any landlord or tenant for work they have undertaken whilst unregistered. There may however be a defence if an agent can show they had a reasonable excuse for acting unregistered.

Agents can also be struck off the register at any time if the Scottish Ministers are satisfied that they are no longer fit and proper. Any refusal or revocation of registration can be appealed by the agent.



The Code of Practice

The Bill also gives the Scottish Ministers powers to set out a code of practice which will provide for standards of practice that must be adhered to by agents who carry out letting agency work. The content of the code is not yet known and the Scottish Government will have to undertake a consultation process

before issuing same. Agents should keep an eye on the Scottish Government website to ensure they can make their views known when the consultation process starts.

The Tribunal

Finally, the Bill creates a new First Tier Tribunal that will deal with a number of housing matters currently managed by the Sheriff Court. Landlords and tenants will be entitled to apply to the Tribunal if in their opinion an agent has failed to comply with the Letting Agent Code of Practice however before doing so they must notify the agent of the breach in question. If the Tribunal is satisfied that the agent is in breach of the Code they can impose a letting agent enforcement order requiring the agent to take steps to rectify the breach within a specified time period. The Tribunal may also require the agent to compensate the applicant for any loss suffered as a result of the breach. If the agent fails to comply they will be guilty of an offence and will likely face being struck off the register.

The proposals if implemented will have a significant impact on how letting agents in Scotland operate and it is therefore crucial that agents ensure they keep informed as the Bill progresses through Parliament.

Balance of Supply & Demand

As we see supply not able to satisfy unquenchable consumer demand in Aberdeen, we investigate whether the rest of the Scottish market is suffering the same imbalance.

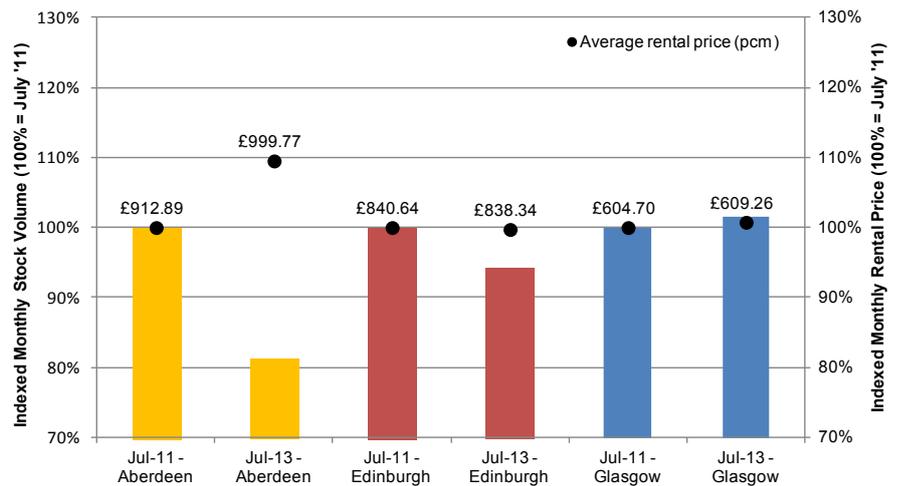
Reflecting upon the Scottish rental market in 2013, it quickly becomes apparent that there are two distinct markets; Aberdeen and elsewhere. Earlier in this report, you can see that whilst the Edinburgh and Glasgow markets are certainly buoyant, time-to-let values are relatively stable and rents are not experiencing the large and sustained quarter on quarter price increases seen in Aberdeen. So how is the typical supply and demand mechanism driving this growth or stability?

First let's look at supply at the market's peak month; July. Analysing stock volumes in Scotland's three main cities since 2011, you can see that Edinburgh saw a 5.7% drop that did not materially affect prices. In Glasgow, the market has been truly flat as a pancake over the past two years with little movement in either supply or average price, neither metrics moving over 1.6% up or down. However, in the Granite City, a near 20% squeeze on available stock volume coupled with a burgeoning oil & gas sector attracting hundreds of new workers has seen prices rocket 9.6% from the same point two years earlier. Definitely a supply crisis in the North East but Glasgow and Edinburgh seem to be enjoying stable market equilibrium with mostly synchronised supply and demand in recent times. Anecdotal feedback from leading letting agents in Glasgow and Edinburgh seems to mirror this view.

Essentially price is a metric that reflects balance between supply and demand. The real substantiated causes for price change can stem from factors difficult to quantify such as seasonality, localised salary imbalances, external factors such as a flourishing sales market or even Buy-To-Let mortgage availability. When stating whether there is a true supply crisis, one needs to ensure all of these factors are taken into account. Highlighting local stock

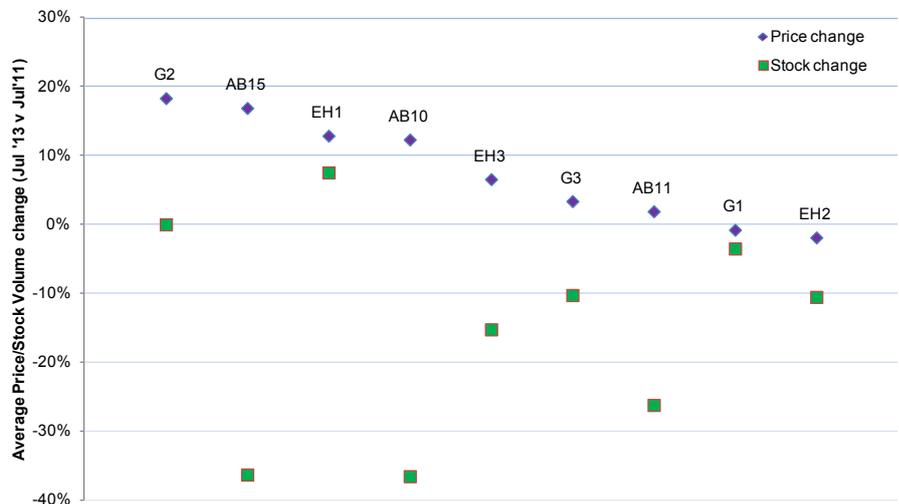
constrictions does not necessarily keep to form and cause price growth. Falls in supply since 2011 in EH2 (-10.5%) and G1 (-3.5%) for example have not caused prices to increase. Likewise G2 has seen an 18.3% price hike whilst available stock levels have been stagnant. Market forces can affect prices differently and whilst accurate data analysis can highlight local trends, this needs to be combined with expert macro knowledge to understand the market.

Indexed Rental Values and Stock Volumes by City - July 11 v July 13



Source: OptiletPro

Indexed Rental Values and Stock Volumes by Postcode - July 11 v July 13



Source: OptiletPro

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 January 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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