

Trends in Scottish Residential Lettings

Lease is More





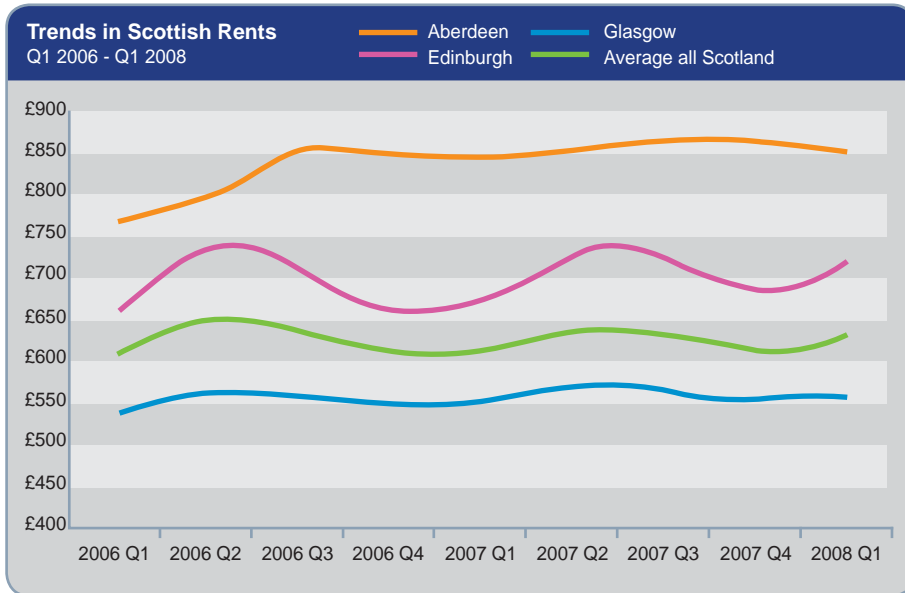
Demand for residential rental property remained strong throughout the first quarter of the year with traffic to citylets.co.uk averaging 47% higher than in Q1 2007. A higher volume of properties were let than we would normally expect for this time of year and, in general, they let more quickly and for a higher rent than in the same quarter of 2007.

Despite interest rate cuts and liquidity injections into wholesale money markets by the Bank of England UK lenders face liquidity and possibly capital adequacy issues and have been reining in and re-pricing their loan products. The withdrawal of many mortgage products and/or increased arrangement fees, interest rates and deposit requirements has made financing a property purchase more difficult and more expensive. With 100% (and higher) LTV mortgages not currently available, lenders are also signalling their expectations for house prices. To date Scottish property market has proved more resilient to the downturn than the rest of the UK but it cannot expect to be unaffected.

There is an upside for landlords though as the increased demand from hesitant (or frustrated) buyers has enabled rent rises in some areas. Outside Aberdeen rental inflation in Scotland has been relatively modest over the last few years but in the last two quarters it has been picking up pace. We anticipate further price increases over the next few quarters.

Lease is More

Inflation is still a concern with energy and food prices rising and post budget increases yet to figure but March's headline inflation figures were unchanged on February's. With inter-bank (Libor) rates remaining high and April's base rate cut not being passed on to borrowers by all lenders there could be pressure for another 0.25% base rate cut as early as May.



Average Edinburgh rents continue their upward trend.

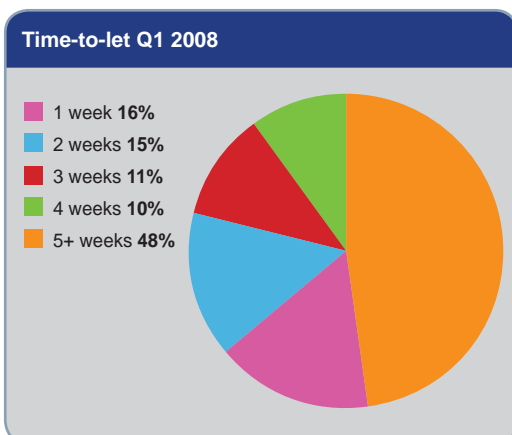
Glasgow's average rents (£559) are stubbornly consistent and are trending sideways.

Aberdeen's average rents fell from last quarter's high to £850 but remained higher than Q1 2007.

Scottish Rental Index			
Base: Jan 2006 = 100			
Month	2006	2007	2008
January	100.0	102.6	105.8
February	101.3	102.4	107.6
March	103.1	105.1	108.0
April	104.0	106.5	
May	106.2	105.1	
June	104.3	104.7	
July	104.2	105.2	
August	104.3	106.8	
September	107.2	106.6	
October	105.6	104.9	
November	102.4	103.3	
December	99.3	107.1	

Index of Scottish Rents

The index is 3.6% higher than the first quarter of 2007. This rate of increase is the highest we've recorded but is still only a little above inflation. Some very minor differences in the index may be seen following a change to the holding composition - now fixed at the average of the last three full years.



Time-to-let

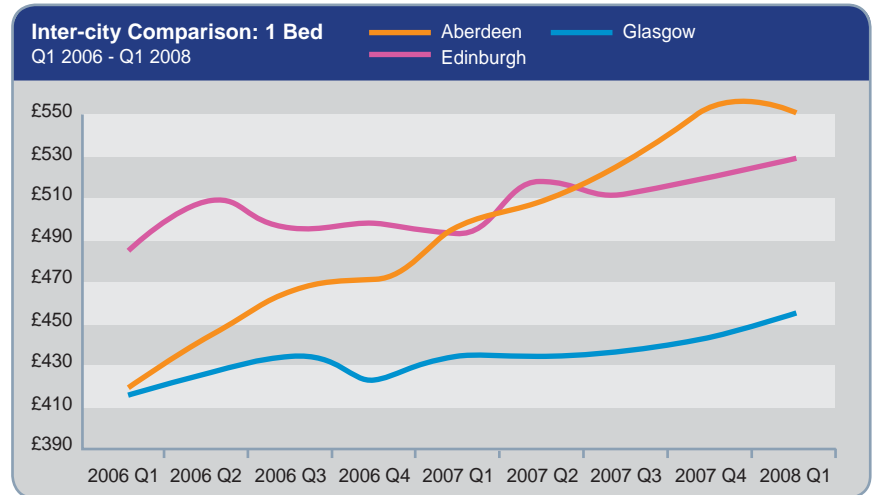
52% of all properties marketed on Citylets in Q1 let within a month. The early Easter will have lengthened time-to-let averages slightly but even so the average TTL for the quarter of 36 days is a day faster than in 2007. Demand for larger 4 and 5 bedroom properties in Edinburgh seems to have started earlier this year with average TTL's a week lower than at the same stage last year.

1 & 2 Beds

Capital in Demand

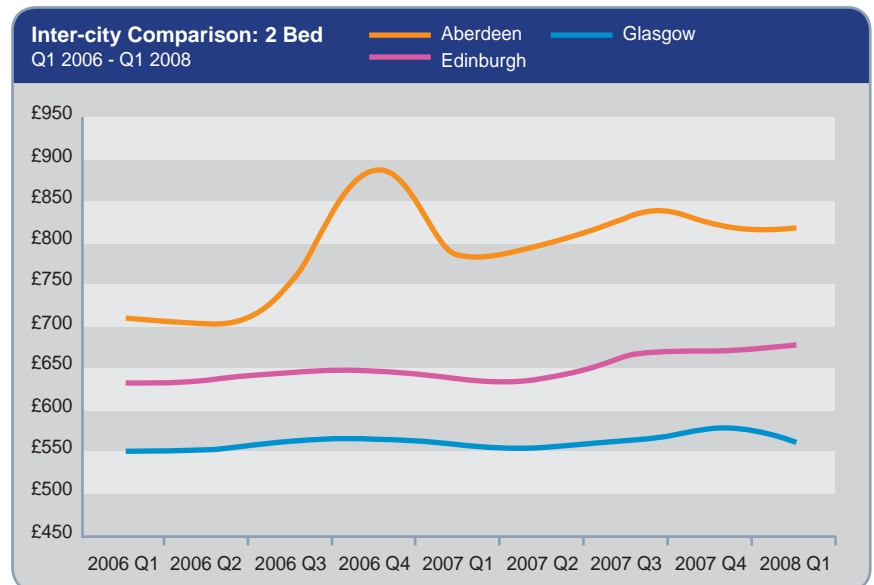
The signals from the Aberdeen data are mixed. The average rent for a 1 bed flat in Aberdeen increased 10.9% since Q1'07 but the rate of rental growth has slowed. Unexpectedly, and for the first time since Q1 '05, average rents are lower (£550) than in the previous quarter (£561). However, it's likely to be a correction, rather than a downturn, following the 6.2% surge in rents seen between Q3 and Q4 2007.

City	Average Rent Q1 2008	Growth Q1 2007- Q1 2008	Average TTL (days) Q1 2008	Let within a week	Let within a month
Edinburgh	£523	5.8%	25	26%	68%
Glasgow	£454	4.6%	32	16%	59%
Aberdeen	£550	10.9%	19	33%	80%



The figures for flats letting within a month are similar to Q1'07 for Glasgow and Aberdeen but for Edinburgh show a significant rise.

City	Average Rent Q1 2008	Growth Q1 2007- Q1 2008	Average TTL (days) Q1 2008	Let within a week	Let within a month
Edinburgh	£676	6.3%	32	24%	58%
Glasgow	£559	-0.7%	37	14%	51%
Aberdeen	£821	4.1%	44	16%	45%



One bedroom flats in Edinburgh and Glasgow were highly sought after with recorded search volumes for each city 20% higher than in the first quarter of 2007. Accordingly time-to-let averages were lower with 1 bed flats in Edinburgh letting 4 days faster, Glasgow 3 days, than in Q1'07. Rents recorded the strongest year-on-year growth for some time up 5.8% and 4.6% respectively.

It's a similar story for two bedroom flats in Edinburgh and Glasgow with, in comparison to Q1 2007, a sizeable increase in searches and a decrease in average TTL's. But, while rents for 2 bed flats in Edinburgh gained 6.3% on average, those in Glasgow fell slightly. Though a high number of Glasgow 2 bed flats were let in the quarter it would appear that there are still pockets of oversupply.

Rental values for 2 bed flats in Aberdeen have held at £821 this quarter, up 4.1% on the year. The supply increased and properties took longer to let but, as with 1 bed flats there, the volume of properties let in the quarter was high.

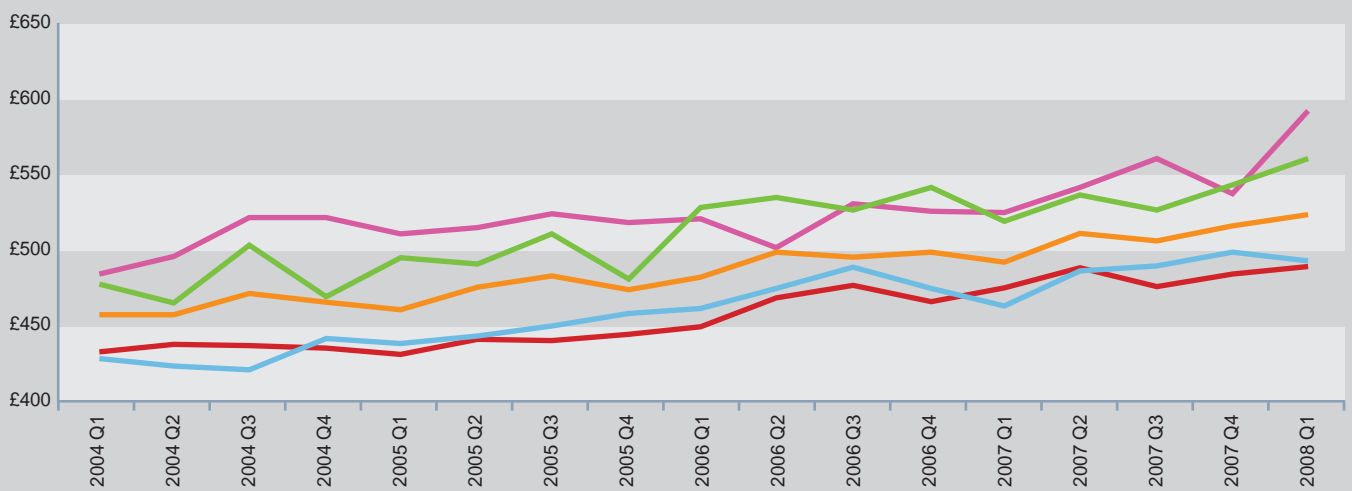
Edinburgh



For the second year running there has been a decline in the number of larger 4 & 5 bed properties marketed through Citylets. Whether this is indicative of a reduction in stock levels, tenants remaining in situ for longer, or is due to another factor is difficult to tell. Since Q1'07 rents have risen on average 4.0% for both 4 & 5 beds. Rents also rose for 3 bed flats (up 5.1%) but they remain the cheapest on a per person basis. In 2007, 66% of all Edinburgh rental properties let within a month with an average time-to-let of 28 days.

Edinburgh: 1 bed
Q1 2004 - Q1 2008

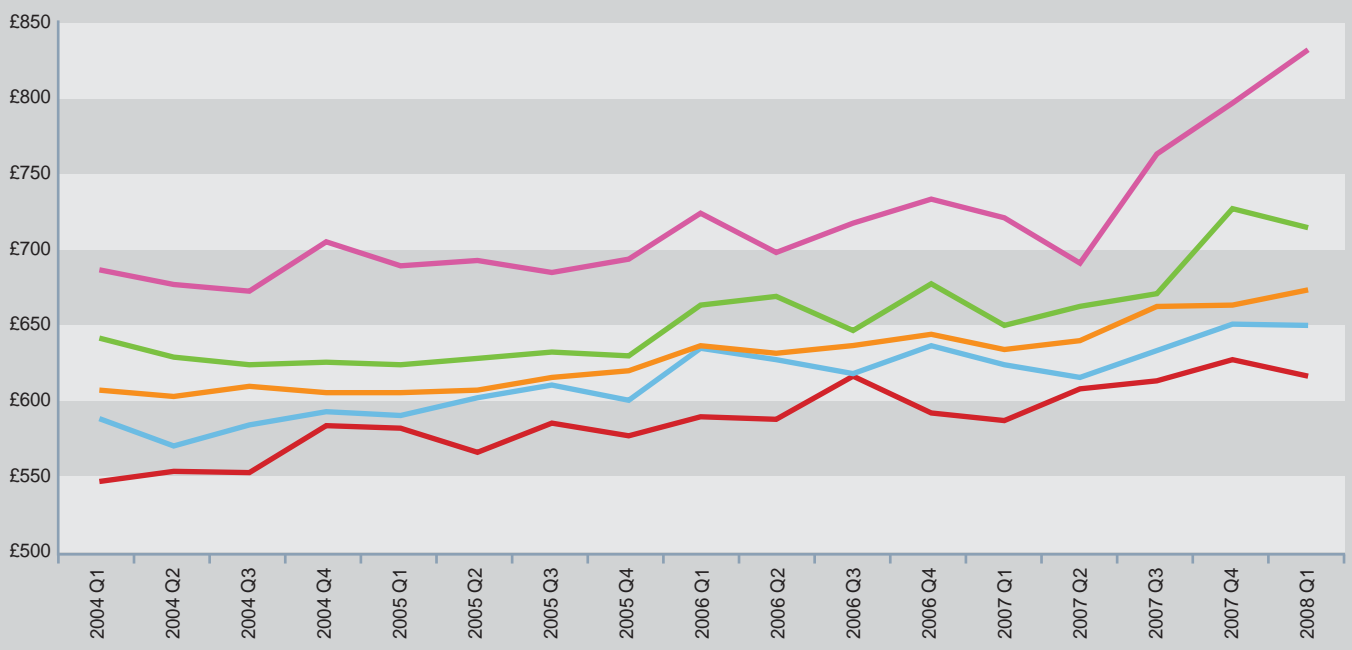
EH3 EH11 All Edinburgh
EH10 EH6



1 & 2 bed flats in EH3 outperformed the market with respective annual growth of 14% and 15%. 1 beds in EH6&7 let the fastest while the hotspot for two beds flats is EH11 – averaging 25 days to let in Q1 2007.

Edinburgh: 2 bed
Q1 2004 - Q1 2008

EH3 EH11 All Edinburgh
EH10 EH6



What might I have to pay?

The tables below show the average rents and time-to-let (TTL) over the last six months for a selection of postcodes in Edinburgh, Glasgow and Aberdeen. Gaps in the table occur where there are insufficient observations.

There are many factors other than location and number of bedrooms that can influence rental values. Accordingly, the tables should only be used as an indicator and not as a definitive guide to rents.

Edinburgh

Postcode	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	TTL
EH1	£541	£724	£954		£1,698	27
EH2	£580	£775				25
EH3	£582	£820	£1,158		£1,931	34
EH4	£555	£680	£854			32
EH5	£504	£627	£809			40
EH6	£495	£651	£877	£1,252		31
EH7	£522	£668	£857	£1,292		27
EH8	£509	£650	£943	£1,381		24
EH9	£532	£669	£1,021	£1,342	£1,766	24
EH10	£553	£718	£970	£1,401		30
EH11	£489	£622	£786	£1,149		24
EH12	£524	£681	£901	£1,205		31
All Edinburgh	£523	£673	£929	£1,305	£1,647	30

Glasgow

Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
G1	£545	£702			36
G2	£513	£684			29
G3	£481	£667	£1,026	£1,236	30
G4	£476	£588	£801		31
G5	£493	£549	£686		38
G11	£474	£663	£926		35
G12	£537	£697	£940		36
G20	£450	£566	£734		38
G31	£385	£510	£556		31
G32	£380	£466	£593		35
G40	£391	£525			34
G41	£443	£537	£646	£978	33
G42	£395	£508	£591		33
G44	£406	£538	£570		35
G51	£387	£512	£575		42
All Glasgow	£447	£568	£698	£1,022	36

Aberdeen

Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
AB10	£562	£784	£1,042		26
AB11	£539	£829			31
AB15	£675	£981	£1,329	£1,906	58
AB24	£529	£798			34
AB25	£551	£803	£1,114		27
All Aberdeen	£544	£821	£1,166	£1,764	35

(Avgs: 2007 Q4, 2008 Q1)

About Citylets

Founded in 1999, Citylets is Scotland's original residential lettings portal. Through its proprietary website www.citylets.co.uk and network partners Citylets advertise over 30,000 properties a year on behalf of over 200 letting agents. Citylets is privately owned and independent of estate / letting agent groups or media organisations.

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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 was manually cleansed to remove multiple entries and other anomalies. The cleansing process guided refinements to data recording.

Averages are calculated on a monthly or quarterly basis as simple (unweighted) means. Indices are constructed holding composition (number of bedrooms) fixed at the average of 2005, 2006 and 2007. This ensures that changes in the index reflect rent changes and not changes in composition, which are likely to occur seasonally.

Acknowledgments

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