**The Citylets Report** | Issue 6 | Summer 2008

# Trends in Scottish Residential Lettings

## Time to Let

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Against a rising tide of pessimistic economic news the Scottish residential lettings market experienced a buoyant second quarter with rents rising, time-to-lets falling and a high volume of properties being let. Citylets traffic was significantly higher than in Q2 2007 and more people are registered for text/email alerts than ever before.

We are confident that these trends will continue in the short-term. New mortgage approvals are at very low levels and with lenders intending to further restrict home loans in the near future, demand for rental property seems likely to be underpinned. With heightened tenant demand and with higher general price inflation we expect that rents will continue to grow at a faster rate than in previous years.

That said it is doubtful that average rents will rise sharply, even if some property types in some micro areas may see double digit growth. We are mindful that other factors such as economic slowdown (reducing demand) and house price declines (increasing rental stock) have the potential to check rental price growth. Indeed there have already been reports of developers, and others, putting properties they are having difficulty selling onto the rental market, but thus far the effect has not been noticeable.

With house prices in Scotland reportedly heading for a softer landing than elsewhere in the UK and with rental properties in demand the outlook for Scottish landlords seems a little brighter than for those south of the border.

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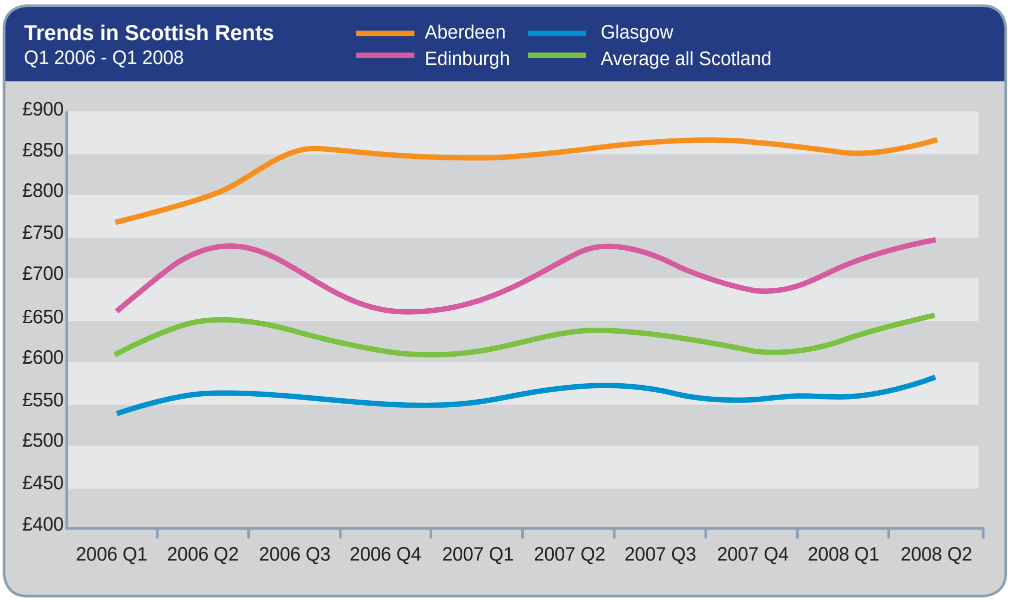
# Time to Let

There is currently only one certainty over interest rates and that's the task of setting the base rate is not an easy one. The difficult balancing act of steering the economy and combating inflation (and inflation expectations) may mean that the base rate stays at 5.0% for some months to come.




Average rents rose in Glasgow (£581) and Edinburgh (£749). The seasonal pattern in both cities for the previous four years has seen average rents peak in Q2.

At £868 Aberdeen's average rent is marginally higher than in Q1 but the overall trend is flat. Median rents in Aberdeen have been unchanged for the last year.

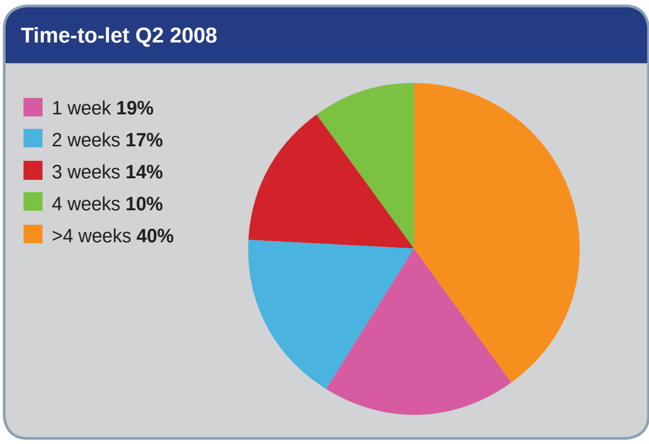
**Scottish Rental Index**
Base: Jan 2006 = 100

| Month | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|
| January | 97.6 | 100.0 | 102.0 | 106.1 |
| February | 100.8 | 101.7 | 103.2 | 107.9 |
| March | 101.7 | 103.6 | 105.2 | 108.5 |
| April | 101.0 | 104.4 | 106.6 | 110.1 |
| May | 101.8 | 106.2 | 103.7 | 109.2 |
| June | 103.1 | 104.0 | 104.3 | 109.3 |
| July | 103.2 | 103.7 | 105.4 | |
| August | 101.9 | 104.3 | 106.2 | |
| September | 103.4 | 106.9 | 106.8 | |
| October | 101.3 | 105.4 | 105.4 | |
| November | 101.6 | 102.4 | 104.8 | |
| December | 101.2 | 100.1 | 106.5 | |

## Index of Scottish Rents

Rents continued to inflate with the index now showing a 4.5% increase on the average of Q2'07 – the highest annual growth rate observed.

A further refinement to the index to account for the mix of property types has been made to improve index stability. (The revised figure for Q1'07-Q1'08 growth is 3.9%).




## Time-to-let

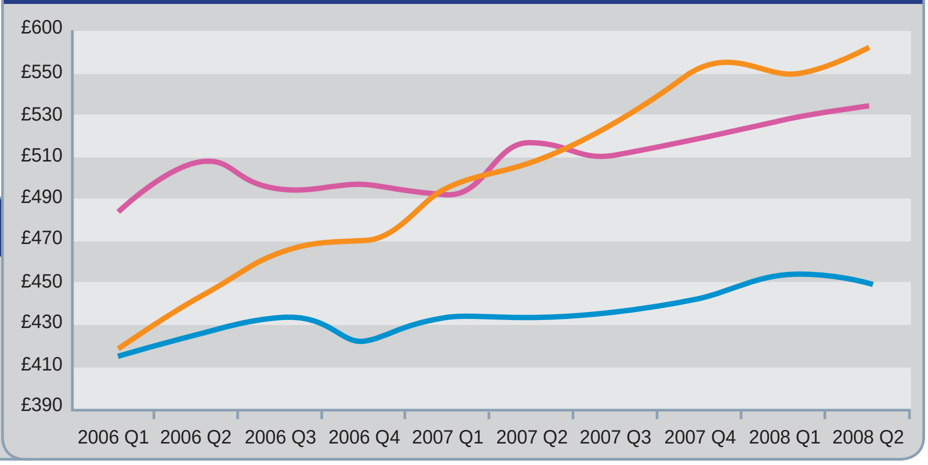
The average time-to-let for all properties fell to 31 days (34 days Q2'07) and 60% of all properties let within a month. The seasonal rush for student accommodation continued in Edinburgh through Q2 and, similar to 2007, 47% of all larger properties marketed let within two weeks or less.

# 1 & 2 Beds

## No Mean City

We had thought that demand for 1 bed flats in Aberdeen might be easing but with 88% letting in under a month this would not appear to be the case. No doubt the 50% rise in crude oil prices since the beginning of 2008 has led to further expansion of the energy sector. Average rents increased to £567 -11.6% higher than in Q2 2007.

**Inter-city Comparison: 1 Bed**
Q1 2006 - Q2 2008

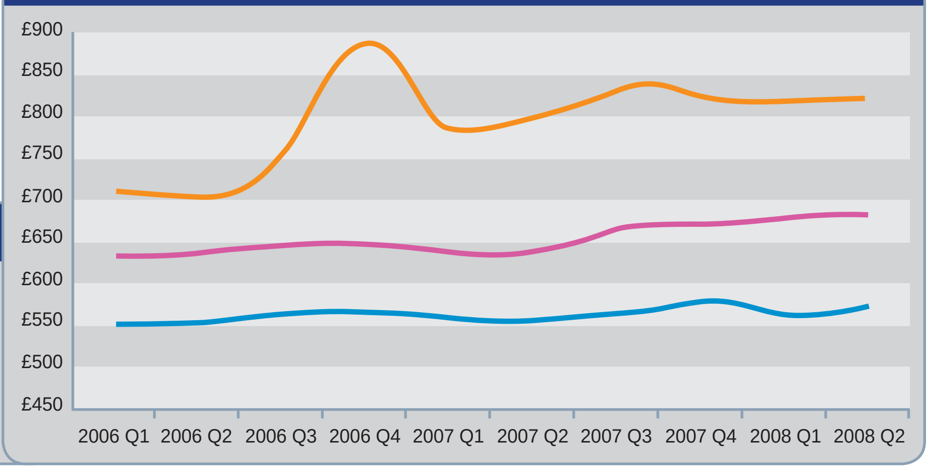



**1 Bed comparison**

| City | Average Rent Q2 2008 | Growth Q2 2007-Q2 2008 | Average TTL (days) Q2 2008 | Let within a week | Let within a month |
|---|---|---|---|---|---|
| Edinburgh | £529 | 2.9% | 20 | 30% | 77% |
| Glasgow | £451 | 3.9% | 29 | 17% | 61% |
| Aberdeen | £567 | 11.7% | 16 | 31% | 88% |

With the TTL average for 1 bed flats in Edinburgh 6 days less than in Q2'07 it is surprising that rental values haven't increased by more than 2.9%.

**Inter-city Comparison: 2 Bed**
Q1 2006 - Q2 2008




**2 Bed comparison**

| City | Average Rent Q2 2008 | Growth Q2 2007-Q2 2008 | Average TTL (days) Q2 2008 | Let within a week | Let within a month |
|---|---|---|---|---|---|
| Edinburgh | £676 | 5.6% | 26 | 23% | 66% |
| Glasgow | £573 | 3.1% | 31 | 17% | 57% |
| Aberdeen | £822 | 2.8% | 34 | 15% | 53% |

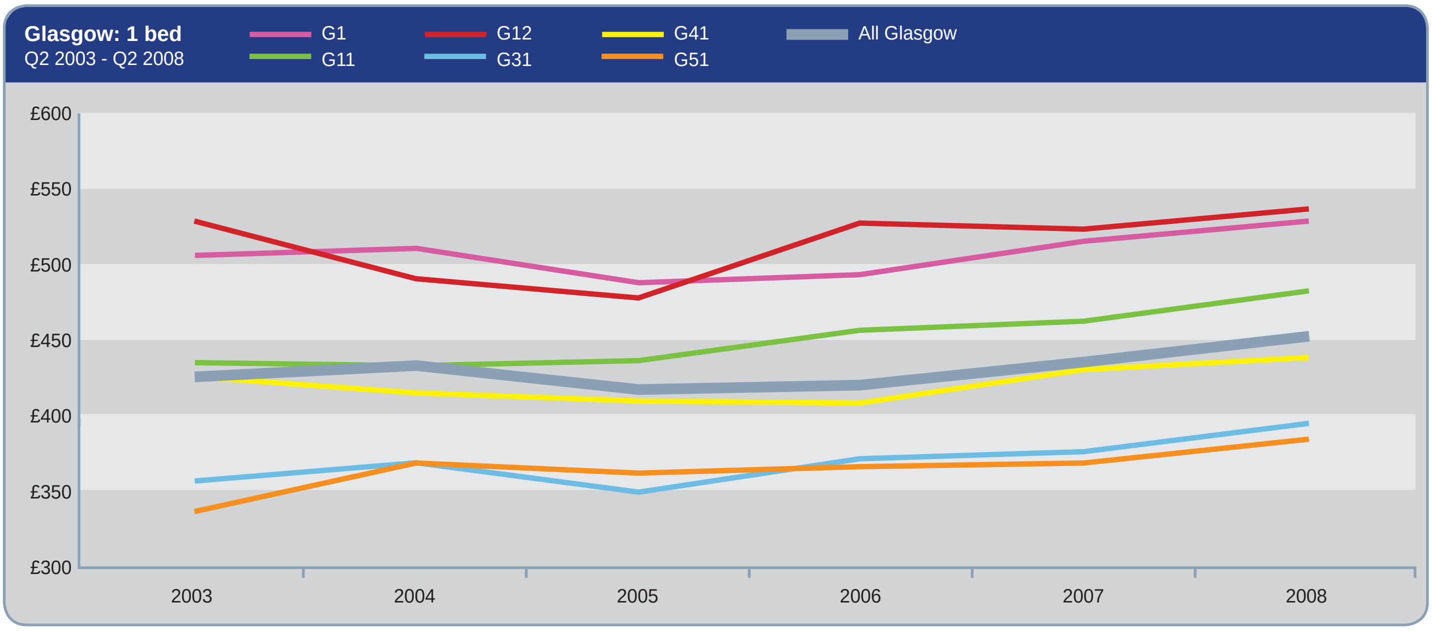
One and two bedroom flats in Edinburgh and Glasgow continued to experience strong demand letting considerably faster in this quarter than in the same quarter of 2007. Of particular note is the time-to-let average for two bed flats in Glasgow which at 31 days is 6 days less than in Q2'07. This is the first time in years that we have seen a significant fall in average TTL's for 2 bed Glasgow flats. A closer examination across Glasgow postcodes reveals that the decline in TTL's is fairly widespread. With average rents rising (3.1%), it does suggest that the heightened demand is taking up the previous excess stock of two bed flats.

In Edinburgh, the average rent for two bed flats is 5.6% higher than a year ago but at £676 is unchanged on the last quarter.1&2 bed flats in the Capital let around 20% faster than in the same period last year with the average TTL's lower by 6 & 5 days respectively .

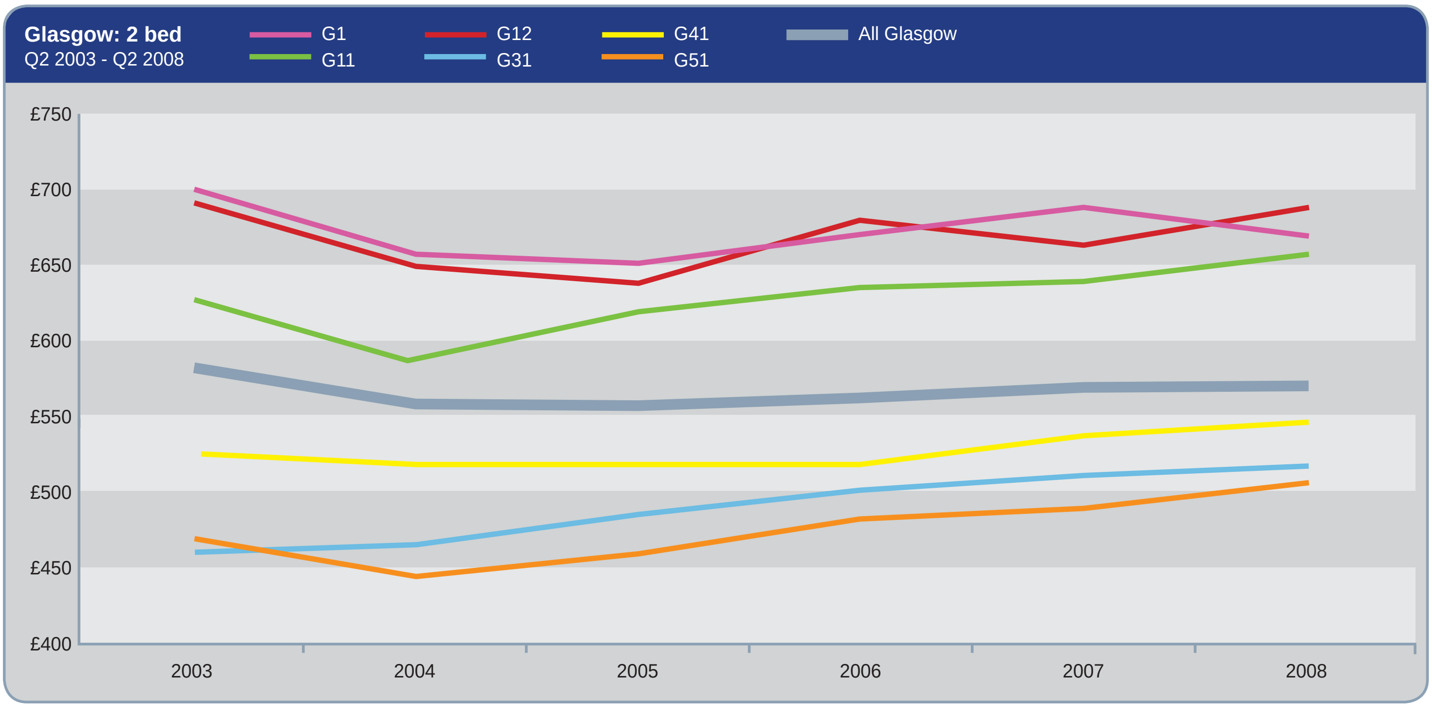
Up in Aberdeen rental growth for 2 bed flats slowed to 2.8%. Volumes of lettings are 35% higher than in Q2'07 but supply seems to be meeting demand, with prices stable around the £820 level.

# Glasgow

The increase in demand for rental property will be welcome news for Glasgow landlords. Average time-to-lets for all properties in Glasgow have only fallen slightly over the last few years to average 37 days in 2007 (34 days H1'08) with 52% of all properties letting within a month. Rents for 3 bed flats in Glasgow are also on the rise up 3.8% on Q2'07 though rental values for 4 bed properties are unchanged. Five bed properties to rent in Glasgow are too rare for meaningful analysis.




Interestingly for either 1&2 bed flats there are few easily identifiable hotspots at a postcode level with most TTL averages clustered tightly around the city averages. G31 (Dennistoun) is the only clear exception, with 1&2 beds letting much faster than the averages - 23 and 21 days respectively.



# 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 | £563 | £735 | £1,013 | £1,345 | £1,700 | 24 |
| EH2 | £573 | £804 | | | | 25 |
| EH3 | £579 | £823 | £1,148 | £1,408 | £1,946 | 30 |
| EH4 | £562 | £680 | £885 | £1,321 | | 32 |
| EH5 | £505 | £639 | £813 | £1,124 | | 36 |
| EH6 | £505 | £651 | £865 | £1,186 | | 29 |
| EH7 | £514 | £662 | £917 | £1,275 | | 25 |
| EH8 | £520 | £658 | £941 | £1,292 | £1,688 | 22 |
| EH9 | £526 | £676 | £996 | £1,316 | | 21 |
| EH10 | £550 | £719 | £969 | £1,314 | £1,681 | 26 |
| EH11 | £495 | £625 | £836 | £1,192 | | 26 |
| EH12 | £548 | £684 | £927 | £1,289 | | 28 |
| All Edinburgh | £527 | £676 | £937 | £1,308 | £1,699 | 28 |

## Glasgow

| Postcode | 1 Bed | 2 Bed | 3 Bed | 4 Bed | TTL |
|---|---|---|---|---|---|
| G1 | £532 | £666 | | | 36 |
| G2 | £520 | £683 | | £1,282 | 29 |
| G3 | £501 | £653 | £921 | £1,203 | 30 |
| G4 | £487 | £590 | £807 | | 27 |
| G5 | £500 | £554 | £691 | | 38 |
| G11 | £484 | £656 | £919 | | 33 |
| G12 | £538 | £689 | £1,000 | | 34 |
| G20 | £453 | £576 | £742 | | 35 |
| G31 | £399 | £516 | £603 | | 29 |
| G32 | £380 | £472 | | | 31 |
| G40 | £395 | £513 | | | 32 |
| G41 | £441 | £541 | £684 | | 33 |
| G42 | £399 | £517 | £599 | | 33 |
| G44 | £402 | £533 | £574 | | 35 |
| G51 | £387 | £506 | £591 | | 41 |
| All Glasgow | £452 | £566 | £716 | £1,041 | 34 |

## Aberdeen

| Postcode | 1 Bed | 2 Bed | 3 Bed | 4 Bed | TTL |
|---|---|---|---|---|---|
| AB10 | £575 | £797 | £1,117 | | 32 |
| AB11 | £522 | £850 | £1,357 | | 38 |
| AB15 | £663 | £935 | £1,267 | £1,798 | 49 |
| AB24 | £546 | £782 | £1,040 | | 29 |
| AB25 | £554 | £797 | £1,233 | | 29 |
| All Aberdeen | £559 | £821 | £1,163 | £1,730 | 35 |

(Avgs: 2008 H1)

## 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 is manually cleansed to remove multiple entries and other anomalies. The cleansing process continues to guide refinements to data recording.

Averages are calculated on a monthly or quarterly basis as simple (unweighted) 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.

**Acknowledgments**
Dominic McKeith
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