

Business As Usual For Scottish PRS As Referendum Nears



- Overview of the Scottish Rental Market
- City Spotlight: Edinburgh, Glasgow, Aberdeen & Dundee
- Postcode and Town Analysis: Localised Rental Prices
- Market Focus: Increasing Popularity of the Smaller Property
- Legislation Matters: The Proposed First Tier Housing Tribunal

Citylets Audience Reach- Quarterly Update

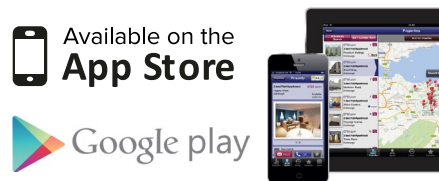
The end of Q2 2014 marks the half way point in the year and the beginning of an unprecedented summer of sport for Scotland with the Commonwealth games starting in July and the Ryder Cup in September. With the no small matter of the Independence Referendum in between, it is anticipated that the usual peak period for lettings of July-September may soften slightly as a result.

Figures for the 6 months to end of Q2 however were as expected at 2 million.

Key Info Q2 2014

- 1 million site visitors
- Over 10% visits from mobile Apps
- Over 50% visits from 'mobile'
- Best performing Scottish regional

Mobile App usage continues to thrive with Q2 2014 recording over 10% 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 our last report, 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.

HOW THEY RATE*		
	Apple	Android
Citylets	★★★★★	★★★★★
Rightmove	★★★★☆	★★★★★
GSPC	★★★	N/A
ASPC	★★	N/A
ESPC	N/A	N/A
S1rental	N/A	N/A

*Apple App Store & Google Play, Jul 14

The rise of 'mobile' in general (including tablet and App usage) continues again recording just over 50% of visits for the quarter. Citylets recently launched a new dedicated mobile site to ensure a quality browsing experience.

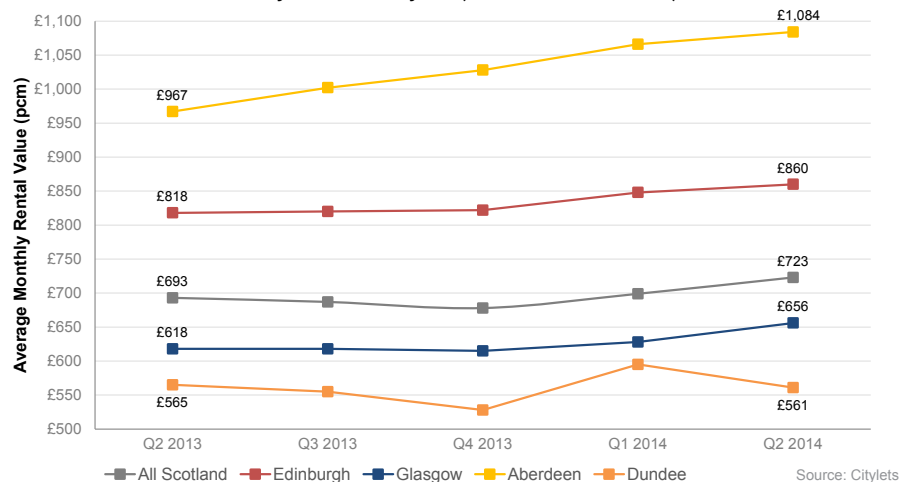
Our current Android App has received a high 4* rating from consumers however we will be updating it in 2014 to bring it further in line with our Apple Apps and meet the growing demand for this technology platform.

Scotland

As we move towards the summer peak of rental activity for Scotland we do so in the knowledge that the average mix adjusted rent in Scotland for Q2 2014 now stands at £723, up 4.3% year on year. Surpassing this seven hundred pound mark for the first time shows how sustained demand for rental property is continuing to fuel price growth as volumes stay relatively stable. Since the turn of the year, average prices in the country have experienced steady uplifts with landlords enjoying a sustained stream of eager tenants ensuring strong returns and limited void periods.

Looking across the country, different areas witnessed varying levels of growth in Q2 compared with same period last year. Edinburgh (up 5.1%) and Glasgow (up 6.1%) have seen similar gains in recent months

Scottish Monthly Rent Analysis (Q2 2013-Q2 2014)



whereas Aberdeen sets itself apart and continues to enjoy double digit growth of 12.1%. Dundee on the other hand is the only main Scottish city to see reduction in average rents, down 0.7% to £561 per month. Country-wide volumes have stayed relatively stable since Q2 2013 with transactions increasing only 0.6% in the past year.

Looking forward to the third quarter, Scotland will hold two major sporting occasions and with the independence referendum, it will be interesting to see if any potential uncertainty in the market will affect prices greatly over the next few months.

Edinburgh

Edinburgh Market Overview - Q2 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£592	4.6%	24	-3	27%	68%
2 bed	£781	5.3%	25	-6	23%	69%
3 bed	£1,126	6.0%	29	-6	21%	62%
4 bed	£1,536	2.6%	27	-7	28%	67%
Total	£860	5.1%	26	-5	25%	67%

Source: Citylets

During the second quarter of 2014, the average mix adjusted rent in Edinburgh was £860 which is a significant 5.1% up on last year, beating the national rise of 4.3%. This latest uplift continues the trend of sustained growth in the past 4 quarters where the Capital has seen gradual improvements on the £818

average rental figure in Q2 2013. It was three bed properties that saw the biggest annual increases with a rise in price of 6.0%. Average TTL figures have reduced across all property types with a typical property now taking 26 days to let, down nearly a week (5 days) on Q2 2013. Two bedroomed properties are finding tenants the

quickest with 69% of available homes letting within a month.

This is the second consecutive material Year on Year rise recorded for the Edinburgh market in our quarterly reports suggestive of a slight tightening of supply relative to demand.

Glasgow

Glasgow Market Overview - Q2 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£500	5.7%	25	-12	22%	66%
2 bed	£665	5.7%	26	-13	24%	68%
3 bed	£941	8.2%	28	-7	22%	65%
4 bed	£1,305	7.5%	30	8	16%	58%
Total	£656	6.1%	26	-11	23%	67%

Source: Citylets

Glasgow experienced a mixed adjusted average rent of £656 per month in Q2 of 2014, an increase of 6.1% on last year, outperforming the national figure of 4.3%. This latest figure illustrates that the city continues to see substantial growth across all property types with average prices for all bedroom

counts experiencing over 5% growth against last year. Although still not the country's most active marketplace, average TTL figures were down 11 days to 26 days in Q2, the largest drop across the country. Two bedroom properties nearly knocked off a fortnight for landlords (13 days) and are now let on average

within 26 days.

It would be wrong to attribute the pick up in the Glasgow market to the Commonwealth Games as this is a market apart from mainstream residential and is in reality just a continuation of that reported in Q1 2014.

Aberdeen

Aberdeen Market Overview - Q2 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£682	8.1%	12	1	51%	89%
2 bed	£1,016	15.6%	23	10	27%	70%
3 bed	£1,505	16.9%	32	12	16%	64%
4 bed	£2,054	3.0%	37	9	17%	53%
Total	£1,084	12.1%	21	7	34%	75%

Source: Citylets

The Aberdeen rental market shows no sign of hitting a pricing plateau as prices continue to increase 12.1% versus Q2 last year. It saw itself outperform the country's other major cities again and average prices stand at a sizeable £1,084 per month. Time-to-Let figures continue to remain low with a typical property

now being snapped up within 21 days; however this is actually slower than the same quarter last year when properties were typically let within a fortnight. Three bedroom properties saw strong uplift in prices, up 16.9% with the larger 4 bedroom properties seeing only a rise of 3%. Three quarters of Aberdeen properties are

now let within a month and over a third (34%) within a week with an amazing half (51%) of all 1 bedroom properties being filled with tenants within seven days.

Dundee

Dundee Market Overview - Q2 14

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£375	-0.8%	39	-13	8%	44%
2 bed	£548	-0.5%	45	1	8%	47%
3 bed	£693	-3.7%	49	2	12%	45%
4 bed	£948	2.3%	50	11	9%	36%
Total	£561	-0.7%	45	-1	9%	45%

Source: Citylets

Dundee experienced a mixed adjusted average rent of £561 per month in Q2 of 2014, a slight decrease of 0.7% on last year, which places it as the only city to experience a drop against Q2 2013 rental price levels. This latest figure illustrates that the city has seen an abrupt halt in the momentum it had enjoyed in the early months of 2014.

It is still by far Scotland's cheapest city to rent coupled with the slowest average turnaround times of now 45 days for properties to let. Four bedroomed properties led the way showing the only positive price increase of 2.3% whilst 1 and 2 bedroom properties staying relatively stable falling less than 1% on this

time last year. Leading the way, two bedroom properties saw nearly half of properties being let within a month. However, Dundee continues to experience the most sedate market in Scotland with only 45% of properties being let within a month and still less than one in ten let within a week.

Postcode & Towns - Average Rents & TTL - Q2 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	£732	(19)	£923	(20)	£1,366	(28)
EH3	£685	(20)	£973	(21)	£1,329	(28)
EH4	£649	(22)	£762	(30)	£957	(38)
EH5	£519	(27)	£672	(34)	£846	(21)
EH6	£551	(25)	£717	(26)	£926	(45)
EH7	£542	(28)	£725	(24)	£1,106	(37)
EH8	£592	(23)	£762	(21)	£1,153	(21)
EH9	£633	(15)	£875	(18)	£1,222	(21)
EH10	£645	(19)	£829	(24)	£1,133	(35)
EH11	£539	(27)	£693	(23)	£975	(35)
EH12	£588	(21)	£767	(27)	£1,137	(20)
EH13			£621	(39)		
EH14	£508	(25)	£699	(24)	£795	(32)
EH15	£497	(34)				
EH16			£666	(28)	£967	(36)
EH17			£607	(39)		
EH21	£492	(28)	£637	(28)		
EH22			£587	(29)	£735	(31)
EH30			£622	(38)		
EH32			£616	(26)		
EH47			£495	(50)		
EH48	£451	(31)	£516	(60)	£628	(30)
EH49			£561	(36)		
EH51			£462	(39)		
EH54			£549	(55)	£644	(55)

Towns - £pcm (TTL days)

Town	1 Bed		2 Bed		3 Bed	
Airdrie	£367	(64)	£478	(51)	£501	(54)
Ayr	£395	(37)	£530	(43)	£722	(46)
Bathgate			£521	(60)		
Boness			£463	(39)		
Cumbernauld			£456	(47)		
Dalkeith			£582	(32)	£785	(34)
Dunfermline	£400	(43)	£507	(29)	£592	(31)
East Kilbride	£369	(41)	£459	(42)	£632	(37)
Glenrothes			£470	(25)	£549	(31)
Hamilton	£370	(56)	£494	(46)	£586	(52)
Inverness	£480	(16)	£613	(22)	£771	(14)
Kilmarnock	£373	(55)	£434	(52)	£559	(55)
Kirkcaldy	£390	(31)	£471	(39)		
Linlithgow			£564	(35)		
Livingston			£551	(53)	£633	(53)
Motherwell			£481	(41)		
Paisley	£354	(44)	£457	(47)	£567	(60)
Perth	£400	(20)	£528	(27)		
Stirling Town	£467	(22)	£586	(33)	£765	(35)
Troon			£530	(34)		

Glasgow - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
G1	£573	(18)	£772	(13)		
G2	£595	(19)	£824	(19)		
G3	£573	(24)	£775	(17)	£1,254	(27)
G4	£644	(18)	£686	(19)	£1,015	(12)
G5	£531	(25)	£620	(23)		
G11	£547	(18)	£774	(18)	£1,058	(24)
G12	£617	(14)	£822	(16)	£1,167	(21)
G13	£450	(32)	£604	(31)		
G14	£431	(32)	£526	(56)		
G20	£493	(17)	£631	(25)		
G21			£476	(43)		
G31	£418	(29)	£562	(27)	£650	(27)
G32	£363	(31)	£495	(40)		
G33			£522	(31)		
G40	£411	(31)	£498	(29)		
G41	£469	(21)	£594	(30)	£907	(30)
G42	£393	(36)	£529	(40)		
G43			£515	(47)		
G44	£429	(28)	£562	(44)	£560	(43)
G51	£393	(21)	£496	(24)		
G52			£501	(38)	£560	(39)
G67			£426	(45)		
G71			£577	(26)		
G72	£387	(56)	£500	(34)		
G73	£385	(34)	£501	(40)	£511	(36)
G74	£370	(45)	£456	(41)	£702	(33)
G75	£365	(31)	£459	(46)	£605	(40)
G77			£646	(24)		
G78			£435	(41)		
G81			£470	(38)		
G84	£376	(51)	£501	(47)		

Aberdeen - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
AB10	£691	(11)	£1,026	(25)	£1,331	(28)
AB11	£663	(7)	£984	(19)		
AB15	£763	(17)	£1,142	(30)	£1,638	(40)
AB21			£892	(17)		
AB24	£660	(11)	£917	(18)	£1,307	(25)
AB25	£692	(15)	£988	(25)		
AB41			£747	(38)		

Dundee - £pcm (TTL days)

Postcode	1 Bed		2 Bed		3 Bed	
DD1	£386	(40)	£601	(44)	£810	(44)
DD2	£384	(31)	£544	(47)	£640	(49)
DD3	£353	(58)	£495	(47)	£574	(53)
DD4	£365	(40)	£487	(45)	£629	(54)
DD5			£645	(37)		

New Proposals to Speed Up the Tenant and Landlord Disputes

TC Young discuss how the transfer of private rented housing matters from the sheriff court into the proposed First Tier Housing Tribunal will solve many of the current delays.

With house prices rising and unemployment figures falling, it is expected that Scotland's 'economic recovery' will bring an increased demand for privately rented accommodation in coming years. Published in August 2013, the Scottish Government's Housing Statistics for Scotland stated that there were now approximately 305,000 privately rented properties across Scotland. While this may sound like a solid investment opportunity, many private landlords will be all too familiar with the difficulties faced in dealing with 'problem tenants' and particular when litigation is necessary.

Slow Current Process

At present, a private landlord has recourse to seek the eviction of a tenant or recovery of unpaid rent in the sheriff court. However, the sheriff court process is not without its difficulties, and common complaints from landlords using the court system are often associated with delays in progressing actions quickly enough, inconsistency of decision-making amongst sheriffs due to a lack of continuity between continued callings of cases, not to mention the fact that sheriff courts across Scotland have seen a dramatic increase in the number of housing actions raised in recent years.

However, an overhaul of the current system has been proposed. Contained within Part 3 of the Housing (Scotland) Bill 2013 is the proposed creation of a First Tier Housing Tribunal. The Scottish Government envisage that the transfer of private rented housing matters from the sheriff court into the new proposed First Tier Housing Tribunal will solve many of the delays noted within the current system.



Working in conjunction with the Tribunals (Scotland) Bill, it is hoped that the procedure of the proposed tribunal system will be less formal than that of the sheriff court, will be more efficient and further that judges with a specialised knowledge of the private rented sector will deal with such disputes.

Both Parties to Benefit

At present, it appears that the proposed First Tier Housing Tribunal

will mirror that of the Residential Property Tribunal already in operation in England. It is hoped that the new tribunal system will deal with most private rented sector tenancy disputes, such as actions for eviction, actions raised to recover rent arrears, as well as recovery of costs incurred in dealing with vandalism or damage to the property carried out by the tenant. However, in keeping with its aim to provide greater access to resolution; the new tribunal will also have the jurisdiction to hear actions raised on behalf of the tenant which would include those raised to recover tenancy deposits or to enforce landlord obligations.

In addition to reducing the time delays often complained of by landlords, it is hoped that the creation of a new First Tier Housing Tribunal will also increase transparency within the sector by encouraging greater access to justice for landlords and tenants alike, at a reduced cost and in a more efficient manner. However, both bills are still working their way through parliament and there is no firm timescale for implementation of these proposed changes. Only time will tell whether these changes will bring a swift resolution to many of the frustrations of landlords in the private rented sector.

Increasing Popularity of the Smaller Property

Over the past few years, there has been a sizeable shift towards smaller properties in the Scottish PRS market but what is behind this trend? The Citylets Research team investigates.

Many factors can dictate the relative demand of the general rental populous. There are the causes that affect renters' decision making; affordability, need for a specific location or family size but have these causes changed over recent times? Many will argue that landlord's preference of only investing in the highest yielding properties determines what is available. Some will counter that with the argument that the market is driven by the tenant base and that landlord's only service this demand accordingly. So how easy is it to determine what becomes the most popular type of rental property in a given area and why?

Looking at the overall flat property stock in Edinburgh over the past 4 years, we can clearly see the considerable increase in smaller one or two bedroomed flats available on the market. In June 2011, these smaller units accounted for 68% of all flats taken by prospective tenants; now in June 2014 we can see an increase to more than 77%. This trend has been mirrored when looking at the size of property distribution for houses in Edinburgh. By definition houses are generally larger, however the amount of 1 or 2 bedroom houses has increased from 29.3% in June 2011 to over 44% in June 2014.

Changes in family unit size will be a key driver as according to ONS in 2011, 29% of all households in the UK consisted of only one person, up from 25% in 2001. Likewise, in 2011 2 million lone parents with children increased from 1.7 million in 2001; thus increasing this population

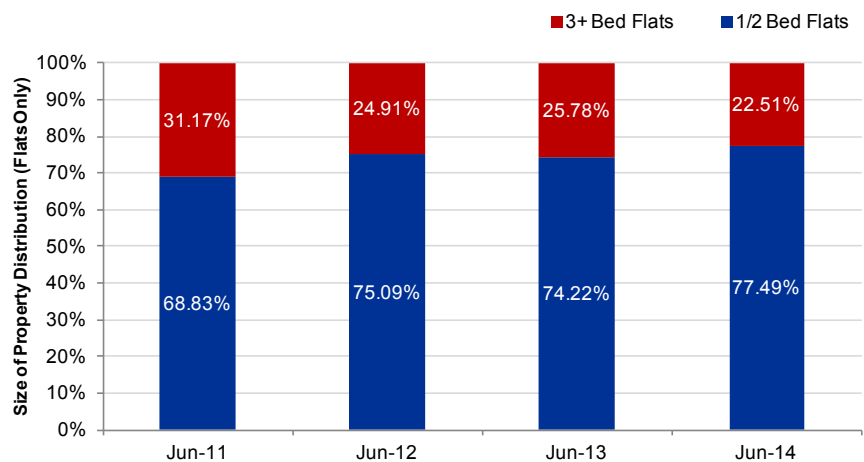
segment of lower income households who have found mortgage availability and deposit accrual difficult in recent times.

House building and pressure on all investors and landlords to maximise profit has also fuelled the popularity of the smaller property. As prices of sought after land spiralled in recent years, house builders and developers became more risk averse towards larger housing schemes and instead we have seen the burgeoning growth of flat development schemes. These

units, typically smaller, are more economical to maintain, manage and buy per square foot requiring less maintenance and investment over time for landlords versus older, ageing housing stock.

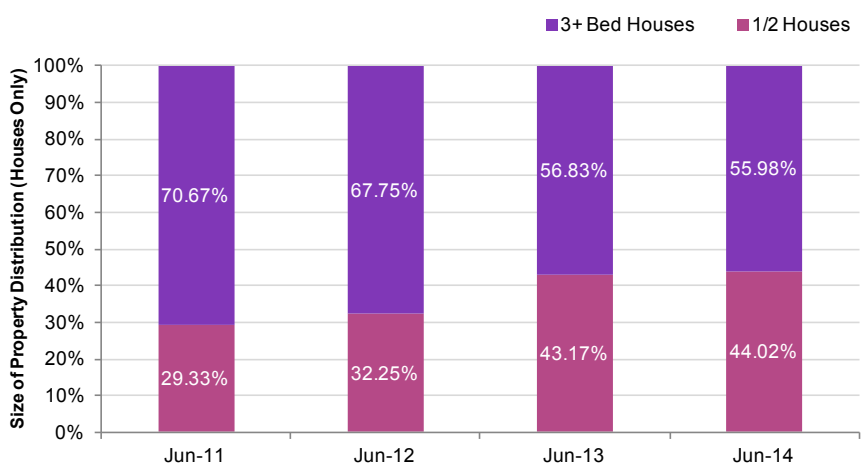
We cannot, with complete confidence, identify the primary reason for the increasing popularity of the smaller property. Upon evaluation, it seems to be a multitude of demand and supply requirements that can take credit however we can be sure that this trend shows no signs of abating.

Size of Property Distribution in Edinburgh (Flats only)



Source: OptiletPro

Size of Property Distribution in Edinburgh (Houses only)



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 July 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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