

Trends in Scottish Residential Lettings

Interesting Times





As is typical the third quarter was the busiest of the year with more properties being let than in any other quarter. Other events in the quarter though, could hardly be described as typical.

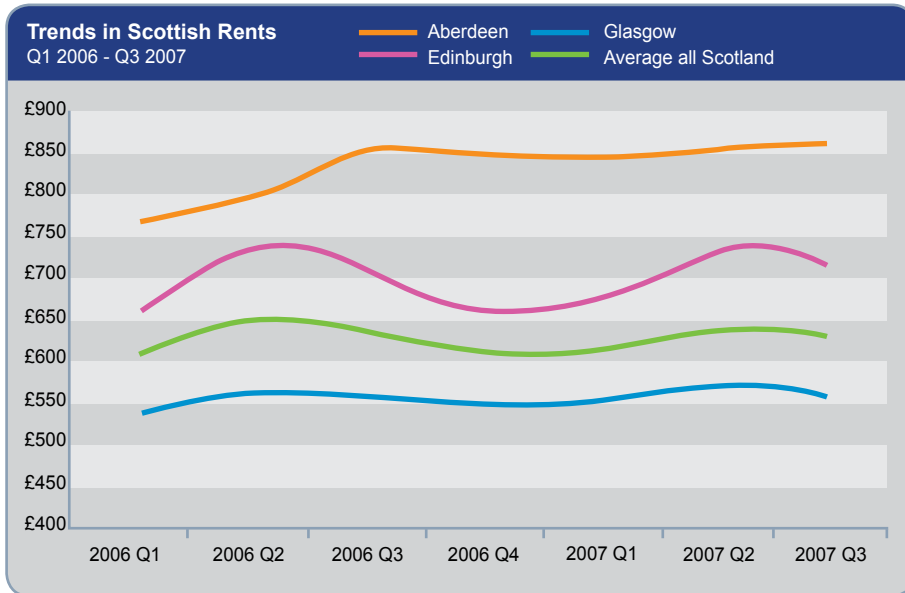
Floods, foot and mouth disease and financial turbulence were all unwelcome visitors in summer 2007. While a drier than average autumn is expected and FMD has hopefully been contained, it seems that financial uncertainty will overwinter in the UK. The run on Northern Rock may have ended but the effects of the credit crunch are far from over.

Lenders have already tightened credit criteria, raised rates on unsecured loans and some mortgage types and most property market commentators are now talking of a slowdown in property price growth. By what degree these and other factors will affect the Scottish market remains to be seen but with caution in the air rising tenant demand is likely to be a feature of the next few quarters.

In this issue we take a look at Aberdeen, the energy capital of Europe, where demand for private rented accommodation shows no signs of abating.

Interesting Times

The recent financial turmoil and fears for slowing economic growth ended any likelihood of another interest rate increase this year and there's even a possibility of a rate cut. However, with oil, metals, and soft commodities booming and with food prices rising it looks as if the base rate will finish the year at its current level.



The general path remains the same following the seasonal patterns of 2006 with little overall trend.

At £717 average rents in Edinburgh are marginally higher than in Q3 2006.

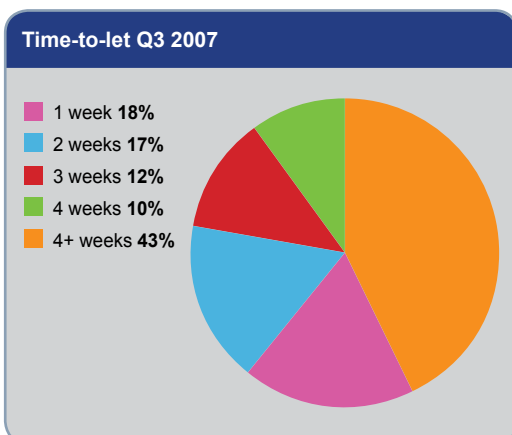
Glasgow average rents (£562) are almost static.

Scottish Rental Index		
Base: Jan 2006 = 100		
Month	2006	2007
January	100.0	102.6
February	101.3	102.4
March	103.1	105.1
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	
November	102.4	
December	99.3	

The difference in average rental values between the cities is the same as in Q3'06. Median rents show a broadly similar pattern with a typical property rental £125 per month more expensive in Aberdeen than in Edinburgh.

Index of Scottish Rents

The index shows that, for the country as a whole, rents are 1.0% higher than the third quarter of 2006.



Time-to-let

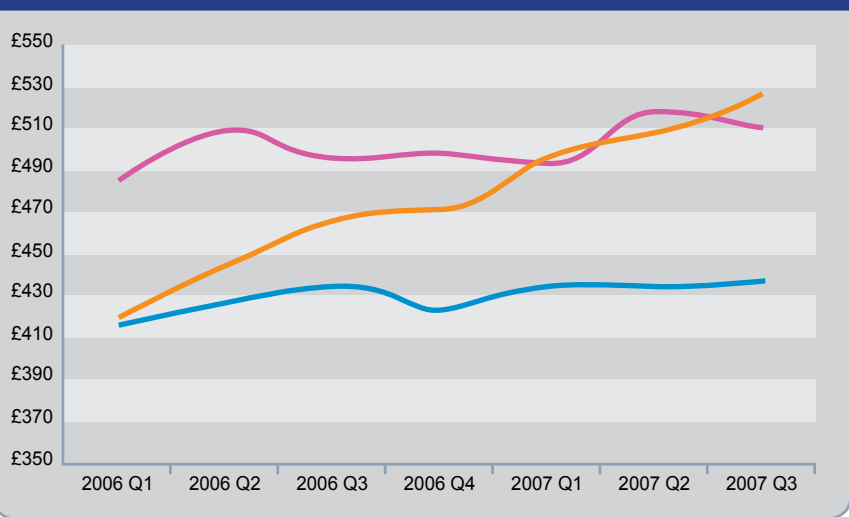
In Q3 57% of all properties marketed on Citylets let within a month with an average time-to-let of 34 days. Demand peaked for larger properties in Q2 and their TTL's have since lengthened but smaller properties let more quickly in Q3.

1 & 2 Beds

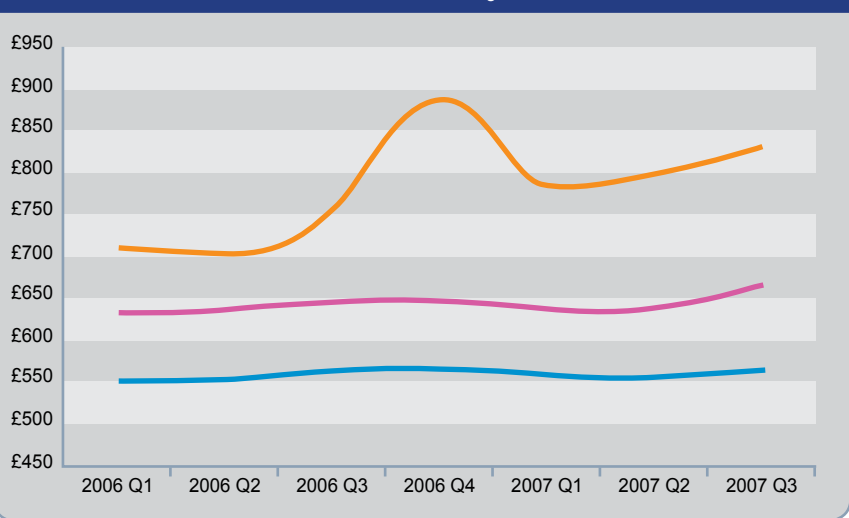
Capital Growth

1 bed flats in Aberdeen remain the star performers with rents showing an increase of 12.8% on Q3 2006 and an increase of 4.0% on the last quarter. Though the year-on-year rate of growth has slowed slightly demand is still extremely strong - expect to see further rental price increases in the next quarter.

Inter-city Comparison: 1 Bed
Q1 2006 - Q3 2007



Inter-city Comparison: 2 Bed
Q1 2006 - Q3 2007



In Edinburgh, it looks as if the effects of higher borrowing costs are filtering through to rents with both 1 and 2 bedroom flats showing signs of stronger price growth. Rents have increased 2.6% and 4.0% respectively on Q3'06 and we anticipate similar increases in Q4.

The time-to-let (TTL) averages for both 1 and 2 bed Edinburgh flats were markedly lower in Q3 than in Q2. If the trend of previous years is maintained 1 bed flats will continue to let as quickly in Q4 while average TTL's for 2 bed flats will lengthen to around 30 days.

Over on the West coast the volume of 1&2 bed flats let in Glasgow increased substantially on Q2 – up 33% - but rental values are basically unchanged on Q3'06.

City	Average Rent Q3 2007	Growth Q3 2006-Q3 2007	Average TTL (days) Q3 2007	Let within a week	Let within a month
Edinburgh	£512	2.6%	20	34%	78%
Glasgow	£437	0.2%	32	17%	60%
Aberdeen	£527	12.8%	12	50%	90%

August is a busy month for letting agents. As in 2006 more 1&2 bed flats were let than in any other month.

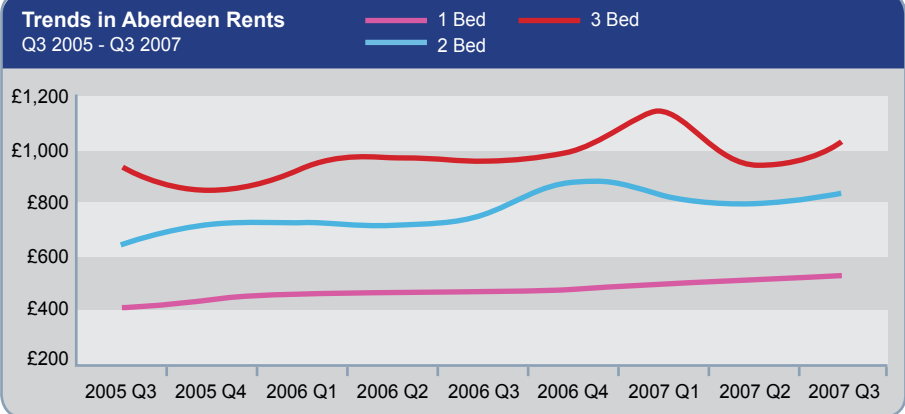
City	Average Rent Q3 2007	Growth Q3 2006-Q3 2007	Average TTL (days) Q3 2007	Let within a week	Let within a month
Edinburgh	£668	4.0%	25	24%	69%
Glasgow	£566	0.2%	38	14%	50%
Aberdeen	£828	7.7%	22	24%	76%

Aberdeen



Rental growth has been strong in Aberdeen with average rents increasing 15.3% since Q3 2005. The private rental sector accounts for approximately 10% of housing stock but it's failing to meet demand with a shortage most notable in 1 and 2 bed properties.

Trends in Aberdeen Rents
Q3 2005 - Q3 2007



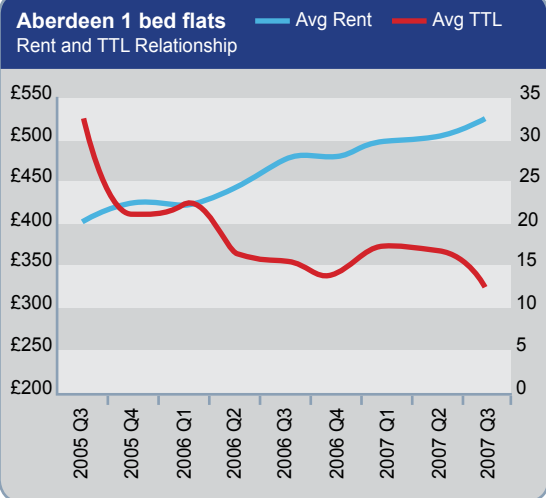
Scotland's third largest city has a population of 207,000, two universities, the largest college of further education in Scotland and is home to more than 900 energy-related businesses.

The doubling of oil prices since 2004 has seen heightened activity in the oil and gas sector as although the North Sea is a mature basin and production is declining, high oil prices, tax incentives and new technologies have enhanced the viability of small or previously abandoned fields. This together with an increase in international activity has seen a rise in energy sector employment in Aberdeen - a trend which looks likely to continue with a recent survey reporting the majority of operators and contractors expecting to increase employment over the next year.

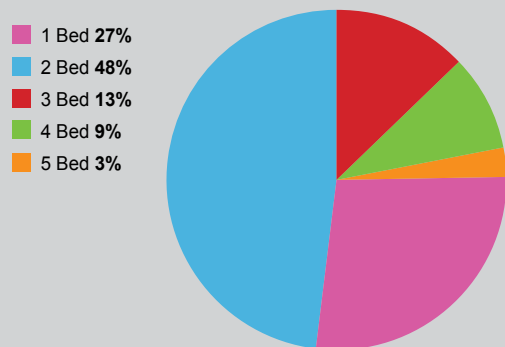
Aberdeen has very low unemployment, high average earnings and a strong local economy so it is no surprise that house prices in Aberdeen have boomed but it is unusual to see house price growth accompanied by such strong growth in rents. Throughout 2004 rents in Aberdeen had been relatively flat but they started to rise in the third quarter of 2005 and haven't stopped since. Growth hasn't been uniform with rents for 3 bed properties increasing 9.7% (and larger properties by less) but 1 and 2 bedroom flats have seen rents rise 30.8% and 28.0% respectively (Q3 '05 - Q3'07). By way of contrast, equivalent rents in Edinburgh have risen 5.3% and 8.5%. Clearly, for this type of housing in Aberdeen, demand exceeds supply and we forecast further increases - Q4 averages of £550 and £850 seem achievable.

It may be that supply, in the form of buy-to-let investment, has grown more slowly than in other Scottish cities but as yet we can't tell. It is more likely that the steep rises in house prices displaced potential first time buyers, economic migration and a steady increase in the working population are the key factors driving the demand for rental accommodation. Demand levels will be further supported if in the coming months a more cautious approach to property buying is experienced in Aberdeen.

Aberdeen 1 bed flats
Rent and TTL Relationship



Composition of the Aberdeen rental market 2006



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	£700	£1,048	£1,547	£1,584	28
EH2	£548	£703				30
EH3	£557	£731	£1,076	£1,379	£1,582	31
EH4	£541	£665	£864	£1,173		29
EH5	£525	£631	£790			34
EH6	£488	£628	£860			31
EH7	£503	£656	£911	£1,263		28
EH8	£505	£646	£941	£1,271	£1,524	26
EH9	£575	£677	£916	£1,245	£1,480	21
EH10	£531	£672	£962	£1,293	£1,500	29
EH11	£479	£615	£849	£1,172		28
EH12	£536	£670	£940	£1,199		29
All Edinburgh	£513	£655	£923	£1,272	£1,517	29

Glasgow

Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
G1	£511	£683			40
G2	£515	£641			33
G3	£489	£644	£831	£1,164	30
G4	£452	£580	£739	£1,083	33
G5	£451	£551	£748		38
G11	£466	£635	£799		34
G12	£537	£644	£898		31
G20	£432	£568	£718		34
G31	£377	£510	£629		36
G32	£355	£474			36
G40	£378	£497			37
G41	£435	£533	£665		38
G42	£392	£503	£604		35
G44	£404	£513	£579		37
G51	£370	£491	£575		39
All Glasgow	£436	£562	£699	£1,082	36

Aberdeen

Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
AB10	£543	£803	£1,094		24
AB11	£487	£788	£988		24
AB15	£680	£1,047	£1,296	£1,889	47
AB24	£474	£773	£1,007		23
AB25	£513	£744	£1,003		20
All Aberdeen	£515	£813	£1,002	£1,689	28

(Avg: 2007 Q2 and 2007 Q3)

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 25,000 properties a year on behalf of over 200 letting agents. Citylets is privately owned and independent of estate / letting agent groups or media organisations.

Disclaimer

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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 their 2006 average levels. 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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