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Scottish Private Rented Sector

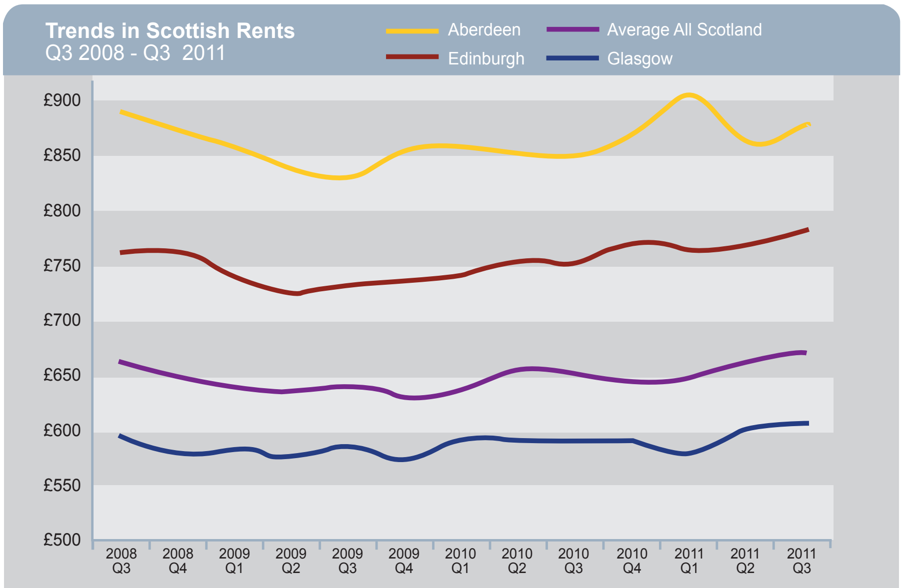
The third quarter (Q3) of the year is invariably a very busy one for the Private Rented Sector (PRS) as it copes with the spike in demand generated by students and summer movers. Q3 2011 was no exception as it turned out to be the busiest ever for Citylets with the volume of let properties up 17.5% on the year. The average mix adjusted rent in Scotland for Q3 2011 reached an all time high of £670.

National & Urban Profile

The mix adjusted average for Scotland in Q3 2011 was 3.2% up on the previous year which is a more substantial annual rise than we reported last quarter and shows that the PRS is performing consistently well. In Edinburgh the mix adjusted average rent which considers all sizes and types of property was up 4.1% on the year and increased in Q3 to £783 which is the highest figure we have recorded. Over the last two years rents have risen 7.4% from £729 in Q3 2009.

Rents in Glasgow also experienced a steady annual rise of 2.7% to £605 in Q3 2011 which reinforced the growth we saw in the previous quarter.

Aberdeen rents picked up again in Q3 2011 from last quarter and now stand at £878 which is 3.1% up on the figure of a year ago though not quite at the peak (£907) we reported in Q1 2011.



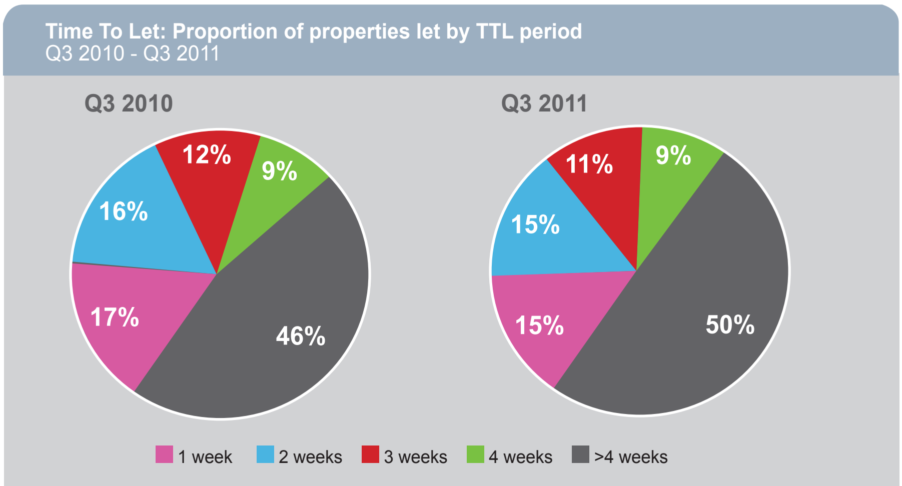
Time To Let

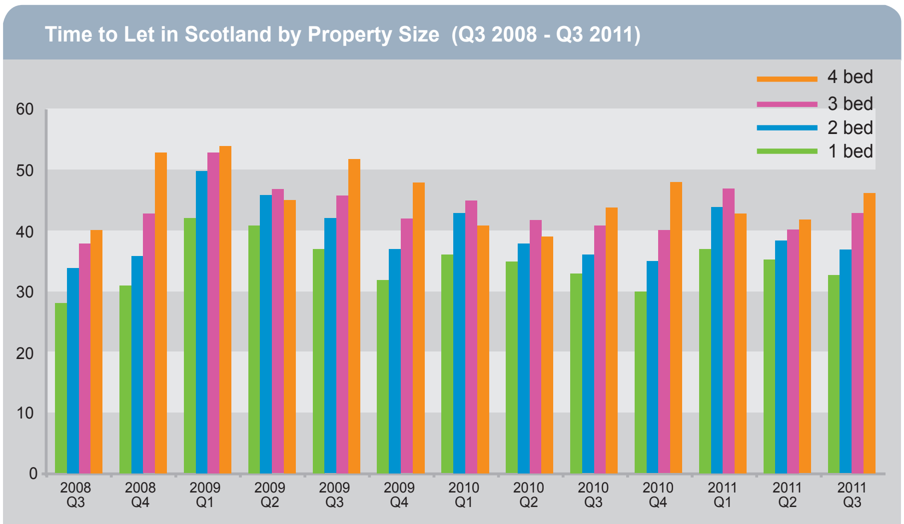
The average Time to Let (TTL) for properties across Scotland in Q3 2011 was 38 days which is identical to the Q2 2011 figure but a very slight deterioration from a year ago when TTL stood at 36 days.

The pie charts show that precisely half (50%) of properties took less than 4 weeks to let during Q3 2011 compared to 54% in Q3 2010. It is worth emphasising that this is a very small change in the overall TTL and that the majority of the increase in TTL was down to larger flats taking longer to let.

Our detailed chart of TTL across Scotland by property size shows that 1 bed properties are still the quickest to let at just 33 days on average. In Q3 2011 2 bed properties took 37 days to let, and 3 bed properties were on the market for 43 days while larger 4 bed properties were on for 46 days.

The slight increase in TTL figures for larger flats is quite often seen between Q2 to Q3 as landlords of student properties tend to put their properties on the market at the beginning of the summer while they still have tenants in place and new students only take up their tenancies in September. Typically it is only larger properties in student areas that are affected, which are a relatively small percentage of the total letting market. It is evident that the market continues to perform well with TTL figures remaining stable in the hectic Q3 period.

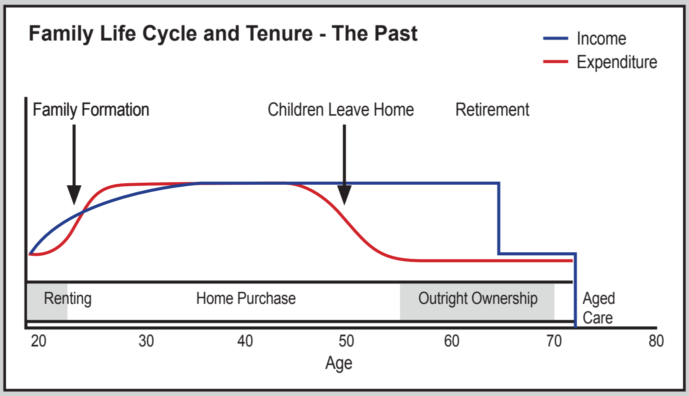


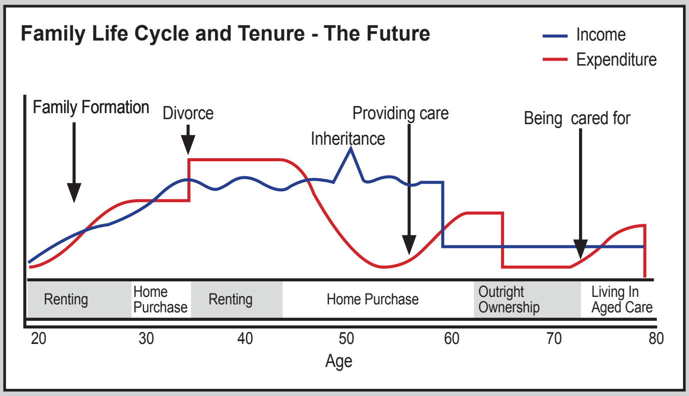


Economic and Social Trends

Family Life Cycle and Tenure

Source: Perspectives on the Future of Housing by Building and Social Housing Foundation



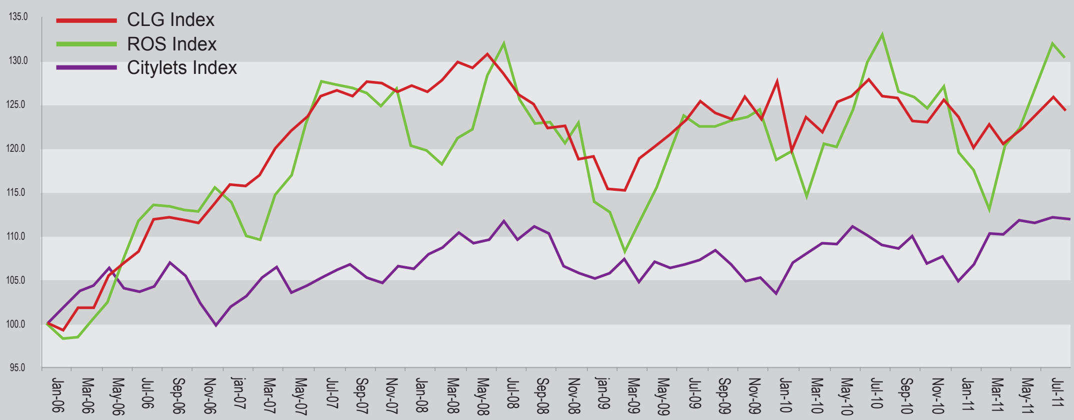


In previous reports we have highlighted some of the broader socio-economic and demographic trends that are contributing to the growth of the PRS. It is clear the number of home owners and the percentage share has declined recently. Also, the preferences and behaviour of younger households have shifted recently with a demand for more flexible housing solutions and an aversion to taking on large debt. These trends have been amplified by the ongoing credit crunch which is severely limiting the number of first time buyers.

The two diagrams illustrate this change and highlight how families could be renting for longer periods than has historically has been the case. It is anticipated that there will be more movement between tenures during adult lives and with a restricted mortgage market there will likely be more households spending longer in rental homes at both the beginning and middle stages of the family cycle.

Citylets Rental Index v CLG House Price Index v ROS Index (Jan 2006 - August 2011)

Index level (Jan 2006=100)

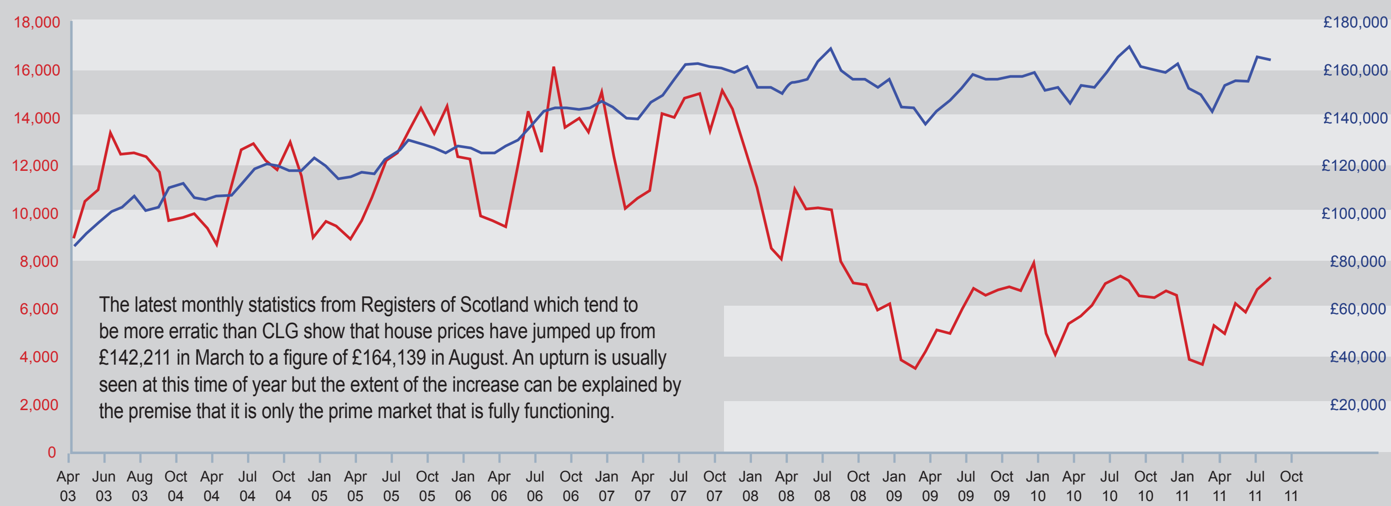


In September 2011 the Citylets Rental Index reached 112.9 which beat the previous record of 111.7 seen in May 2011 and July 2008. There has been a considerable jump in the index since Jan 2011 when it was 104.9.

Communities and Local Government (CLG) reported in August that average house prices decreased in Scotland by 1.5 per cent over the year, England (-1.2 per cent), and Northern Ireland (-4.3 per cent). Yield values do seem to be improving.

Monthly Residential Sales in Scotland — Monthly Residential Average Price in Scotland —

Source: Registers of Scotland

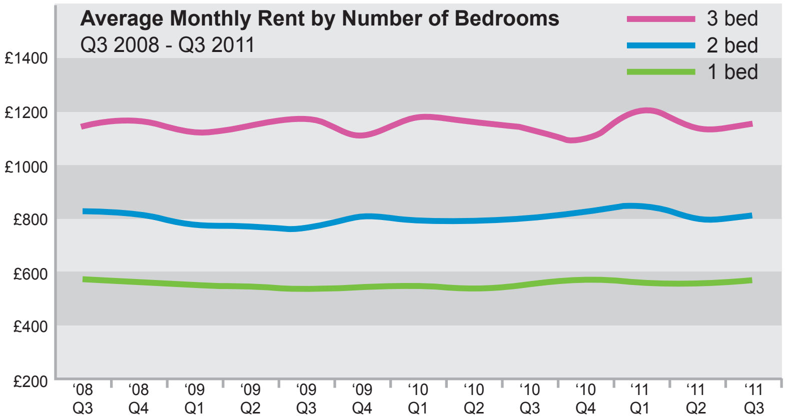


The latest monthly statistics from Registers of Scotland which tend to be more erratic than CLG show that house prices have jumped up from £142,211 in March to a figure of £164,139 in August. An upturn is usually seen at this time of year but the extent of the increase can be explained by the premise that it is only the prime market that is fully functioning.

Aberdeen

Aberdeen continues to be the most expensive city to rent in Scotland with an average property costing £878 to rent per month. It experienced a short term quarterly upturn in rents from Q2 to Q3 of just £16 but our preferred statistic for year on year change was up 3%.

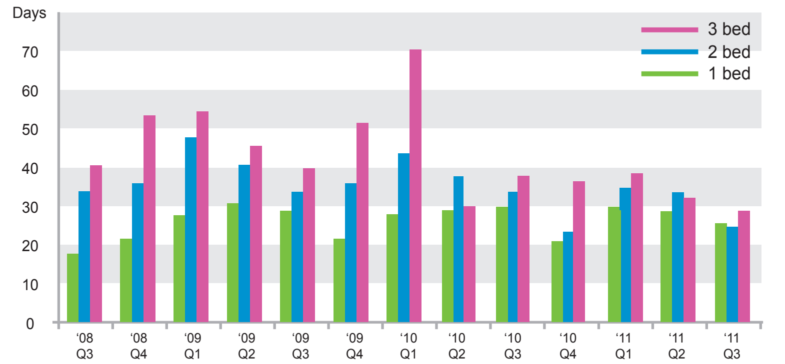
Average rents for 1 bed flats are now at £572 which is up 3.3% on a year ago. 2 bed properties are up a comparatively small 1.5% over the year to £812 but their TTL has improved considerably by 9 days, and a typical 2 bed property now takes just 25 days to let. Rents for 3 bed properties in Q3 were up by 1.5% on the year and TTL improved by 3 days over the quarter and by 9 days over the year. While we do not currently report trends for 4 bed properties there was a noteworthy jump in the volume of 4 bed houses let in Aberdeen in Q3. We will monitor this in our next report to see if this becomes a trend.



Aberdeen Analysis Q3 2011

Beds	Average Rent Q3 2011	Growth Q3 2010 Q3 2011	Average TTL (days) Q3 2011	Change Q3 '10 - Q3 '11	Let within a week	Let within a month
1 bed	£572	3.2%	26	-4	29%	66%
2 bed	£812	1.5%	25	-9	25%	66%
3 bed	£1,147	1.5%	29	-9	26%	65%

Time to Let in Aberdeen by Property Size (Q3 2008 - Q3 2011)



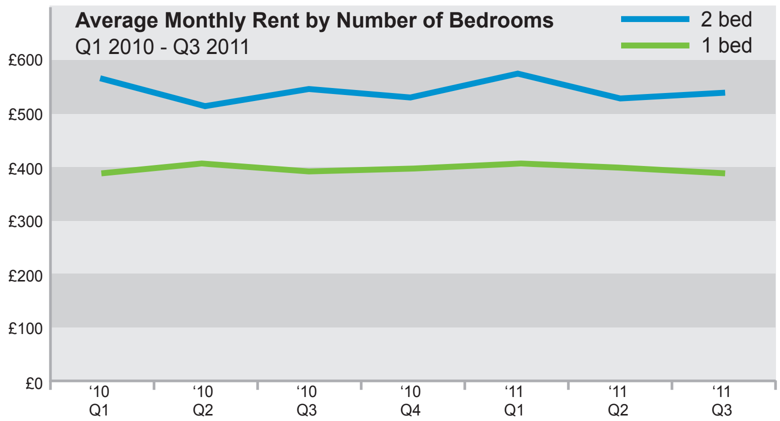
Aberdeen Average Monthly Rents Q3 2011

postcode	1 bed	2 bed	3 bed	4 bed	Total	TTL days
AB10	£578	£786	£1100		£742	30
AB11	£554	£791	£1157		£754	28
AB15	£678	£981	£1250	£1860	£1265	37
AB24	£558	£764	£1060		£768	25
AB25	£557	£769	£1073		£716	26

Dundee

We are reporting in detail on the Dundee rental market for the first time as we now have a large enough volume of transactions over the last two years to produce meaningful statistics. The headline average rent for the most popular property type (2 bed flat) was £537 in Q3 2011 which was 0.9% down on the year.

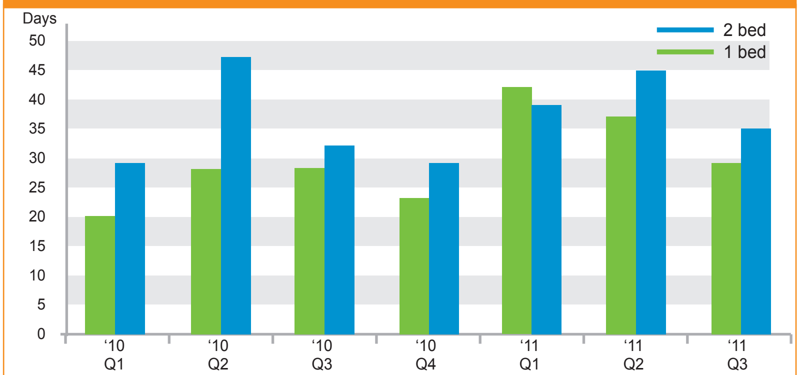
Dundee is therefore the most affordable city in Scotland in which to rent a property. The average rent for a 2 bed flat in Scotland is £639 and in Glasgow it is £614. From a Dundee landlord's point of view it will be encouraging that the TTL figures for 1 and 2 bed flats are 29 days and 35 days respectively which are better than the comparable national TTL figures of 33 days and 37 days.



Dundee Analysis Q3 2011

Beds	Average Rent Q3 2011	Growth Q1 2010 Q1 2011	Average TTL (days) Q1 2011	Change Q1 '10 - Q1 '11	Let within a week	Let within a month
1 bed	£391	-1.5%	28	1	15%	49%
2 bed	£544	-0%	36	4	10%	64%

Time to Let in Dundee by Property Size (Q1 2010 - Q3 2011)



The charts show that rent trends in Dundee over the last two years have been stable. TTL figures for Q3 2011 are good and while they have not matched the excellent figures of last year they have improved considerably since Q2 2011. 1 bed flats now have a TTL of 29 days which is an 8 day improvement from Q2, and 2 bed flats have a TTL of 35 days which is a 10 day improvement from Q2.

2 bed flats in Dundee make up 46% of the rental transactions we analysed in Q3 2011 and 1 bed flats represented 33%. These proportions are somewhat higher than the equivalent figures for Scotland as a whole which are 44% and 27% respectively.

Edinburgh

In Q3 2011 Edinburgh witnessed rental growth across property of all sizes with 2 bed properties having the largest annual increases of 5.1%, average rents for 2 bed properties now stand at £720. In the same period 4 bed properties had growth of 4.4% to £1,412 and 3 bed properties were up 4.1% to £1,008.

It is evident that the smaller 1 or 2 bed flats are growing in popularity as they now account for precisely three quarters of lets in Edinburgh. The proportion of all lets by size is: 1 bed flat 30%, 2 bed flat 45%, 3 bed flat 3.6%, 4 bed flat 4.7%, 5 bed flat 1.5%. Houses make up just 4.8% of the total number of lets within the city.

Edinburgh Analysis Q3 2011

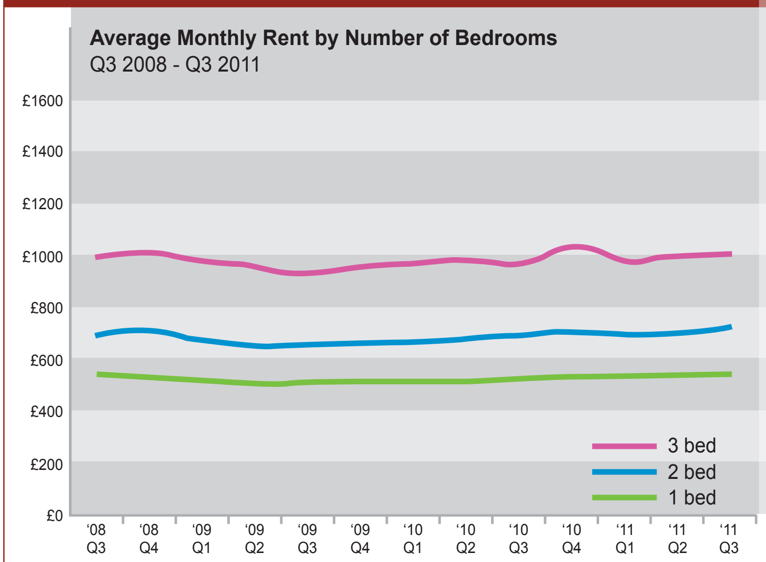
Beds	Average Rent Q3 2011	Growth Q3 2010 Q3 2011	Average TTL (days) Q3 2011	Change Q3 '10 - Q3 '11	Let within a week	Let within a month
1 bed	£544	2.8%	25	-3	26%	70%
2 bed	£720	5.1%	29	1	20%	63%
3 bed	£1,008	4.1%	44	4	12%	43%
4 bed	£1,412	4.4%	54	11	5%	31%

While the smallest 1 bed properties had the lowest growth of 2.8% over the year the TTL for these properties improved by 3 days in the same period to a very respectable 25 days. More than a quarter of 1 bed properties are let with a week of being advertised and 70% are let within a month. This reinforces our belief that the demand for smaller accommodation in the capital is beginning to outstrip supply.

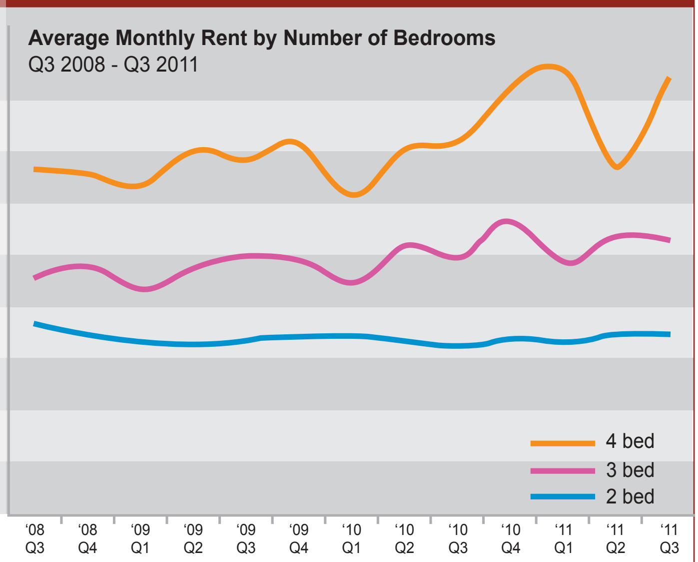
Edinburgh Average Monthly Rents Q3 2011

postcode	1 bed	2 bed	3 bed	4 bed	All	TTL(days)
EH1	£589	£778	£1146	£1520	£906	30
EH2	£606	£841	£1339		£976	31
EH3	£596	£863	£1178	£1520	£929	27
EH4	£591	£710	£916	£1435	£774	30
EH5	£517	£631	£750		£663	37
EH6	£509	£648	£866	£1109	£646	37
EH7	£518	£677	£927	£1278	£679	32
EH8	£531	£670	£977	£1346	£786	33
EH9	£563	£745	£1072	£1424	£958	30
EH10	£574	£758	£1035	£1437	£958	35
EH11	£503	£653	£874	£1247	£651	32
EH12	£562	£709	£1088	£1437	£856	32

1,2,3 Bed Flat Rent Trends

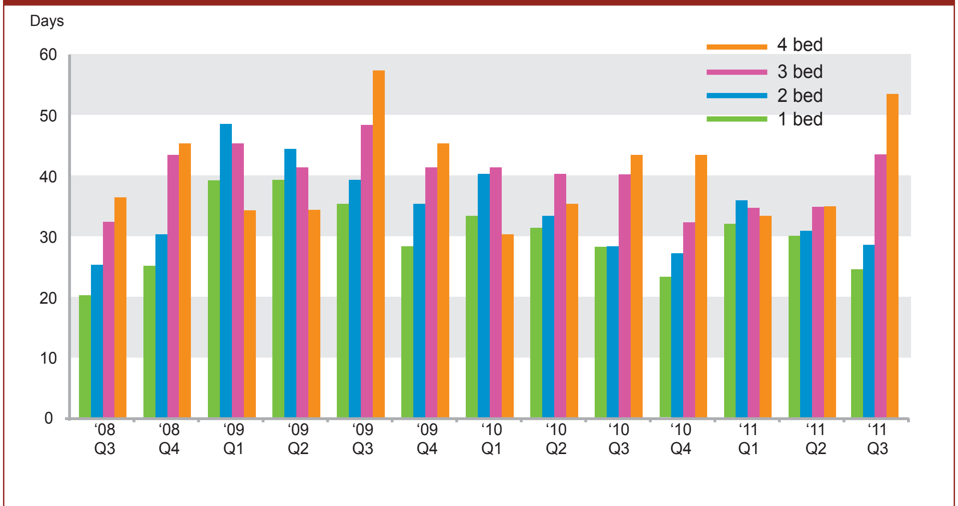


2,3,4 Bed House Rent Trends



TTL for the larger 3 and 4 bed properties actually deteriorated over the year to 44 days and 54 days respectively though this is likely caused by larger student accommodation being advertised to let during the summer months while existing tenants are still in place. The disparity between the very short TTL figures for smaller properties in Q3 and the longer TTL figures for 3 and 4 bed properties is clearly seen in the TTL chart. If trends from previous years are to continue we can expect these TTL figures to rebalance themselves in the near future.

Time to Let in Edinburgh by Property Size (Q3 2008 - Q3 2011)

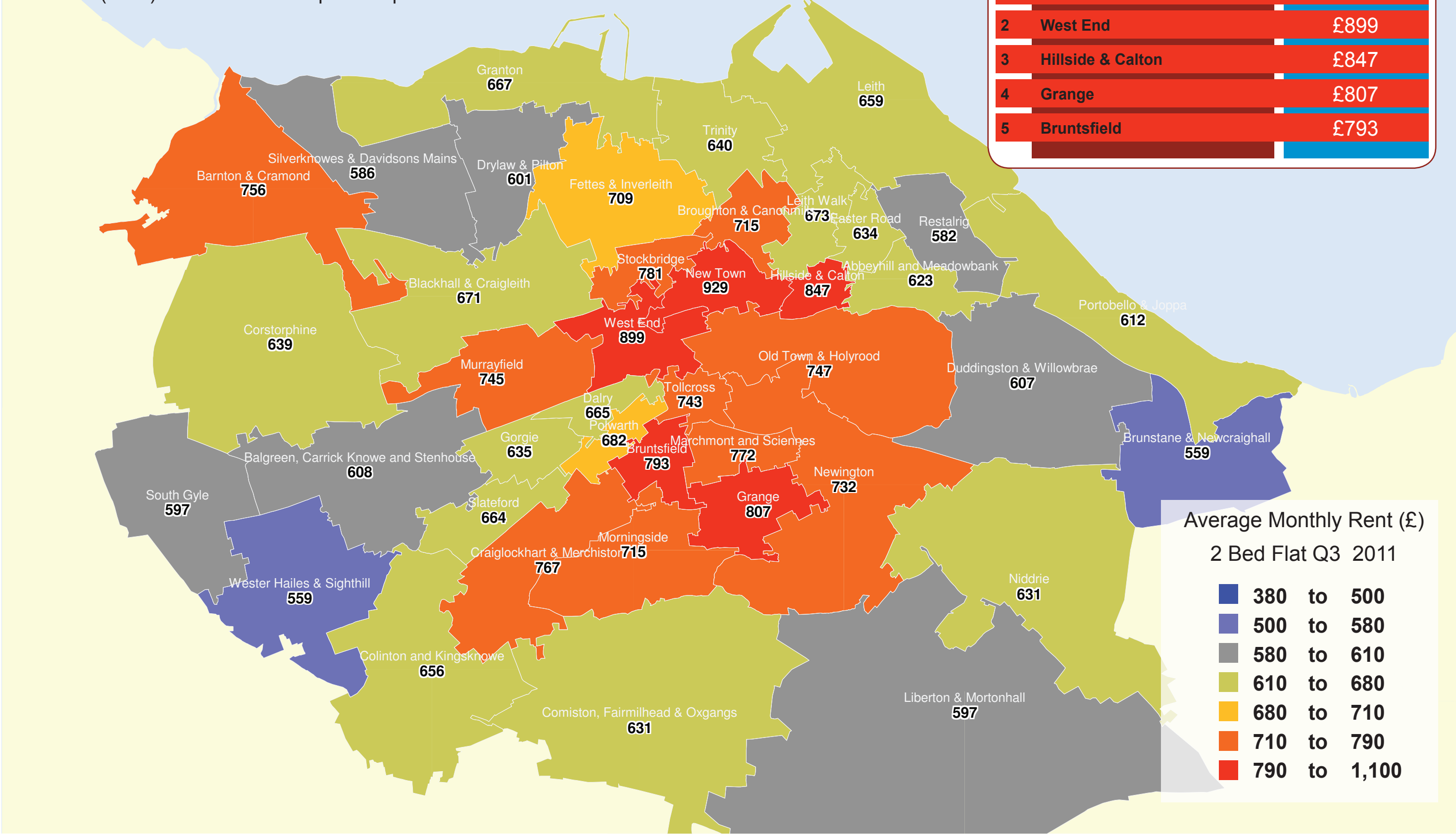


Average Monthly Rents for 2 Bed Flats in Edinburgh (all figures in pounds)

In Q3 2011 the New Town (£929) became most expensive area to rent a 2 bed flat in Edinburgh overtaking last quarter's No.1 the Grange now at No.4 (£807), and No.2 West End (£899). While these average rents were slightly down on the previous quarter they do demonstrate that these traditional neighbourhoods still attract the highest rents in the City. Hillside & Calton No.3 (£847) and Stockbridge No.5 (£793) were also in the top 5 this quarter.

5 Most Expensive Areas in Edinburgh

	Neighbourhood	Average Monthly Rent for 2 bed flat
1	New Town	£929
2	West End	£899
3	Hillside & Calton	£847
4	Grange	£807
5	Bruntsfield	£793

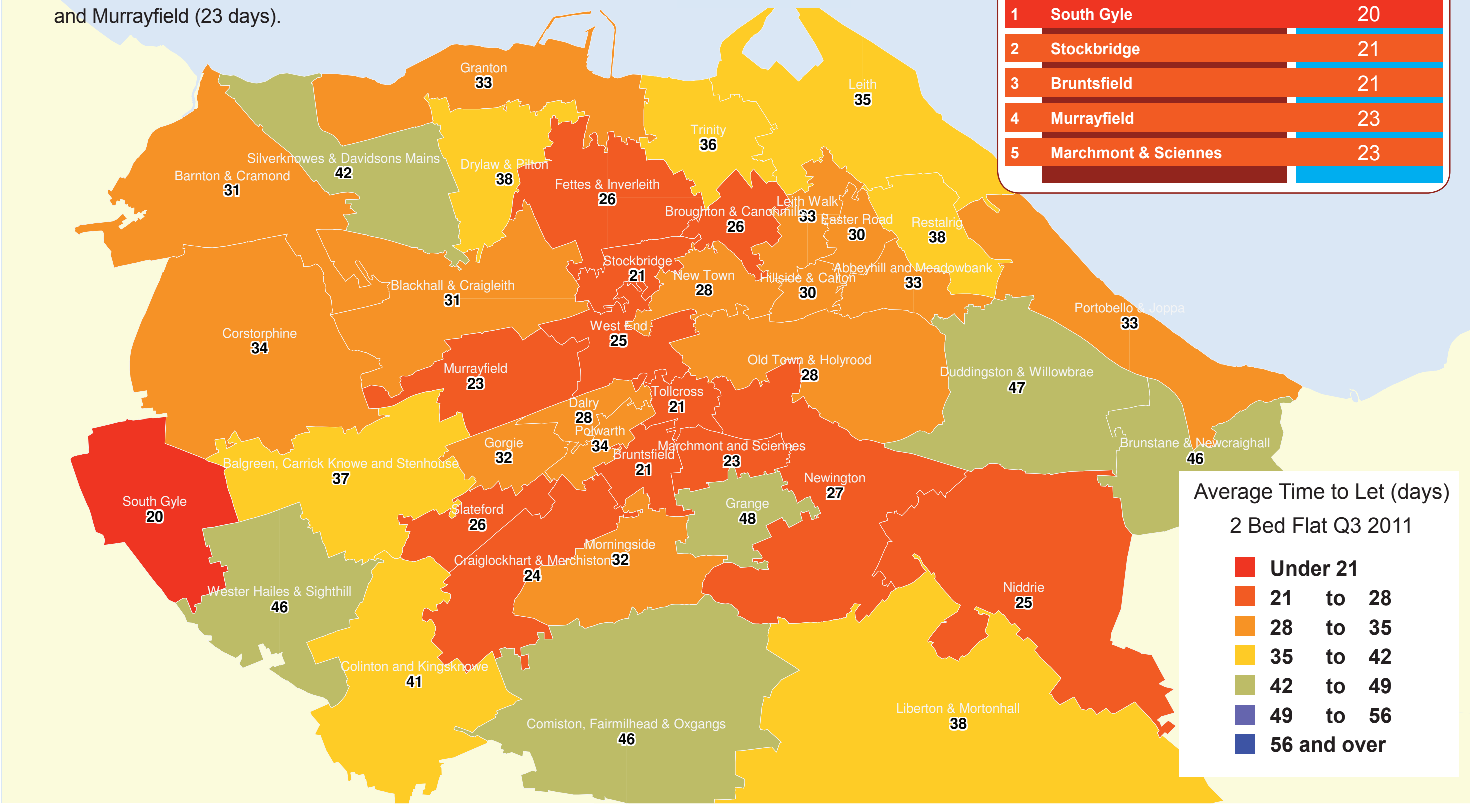


Average Time to Let (days) 2 Bed Flat Q3 2011

The TTL map shows a predominance of red which indicates that neighbourhoods across the City are seeing 2 bed flats letting in less than 4 weeks. Only South Gyle achieved a sub three week TTL in Q3 2011 of 20 days, while Stockbridge and Bruntsfield achieved TTLs of 21 days each. Other locations with particularly short TTL figures in the quarter include Marchmont & Sciennes (23 days) and Murrayfield (23 days).

5 Shortest Time to Let in Edinburgh

	Neighbourhood	TTL (days) 2 Bed Flats
1	South Gyle	20
2	Stockbridge	21
3	Bruntsfield	21
4	Murrayfield	23
5	Marchmont & Sciennes	23



Glasgow

Glasgow average rents increased for properties of all sizes in Q3 2011. 3 bed properties had a 1.7% annual rise in rent to £841 while 1 bed properties were up 1.3% on the year to £464. The ever popular 2 bed property saw rents go up by 3.2% to £614. An analysis of the size of properties rented in Glasgow highlights the predominance of smaller properties with 1 and 2 bed properties accounting for 87% of the total number of lets while 3, 4 and 5 bed properties make up the remaining 13%. Comparable figures for Scotland as a whole show that 1 and 2 bed properties account for 77% of lets. The precise profile of lets by size in Glasgow in Q3 2011 is: 1 bed 32.7%, 2 bed 54.3%, 3 bed 10.6%, 4 bed 1.7%, 5 bed 0.6%.

Glasgow Analysis Q3 2011

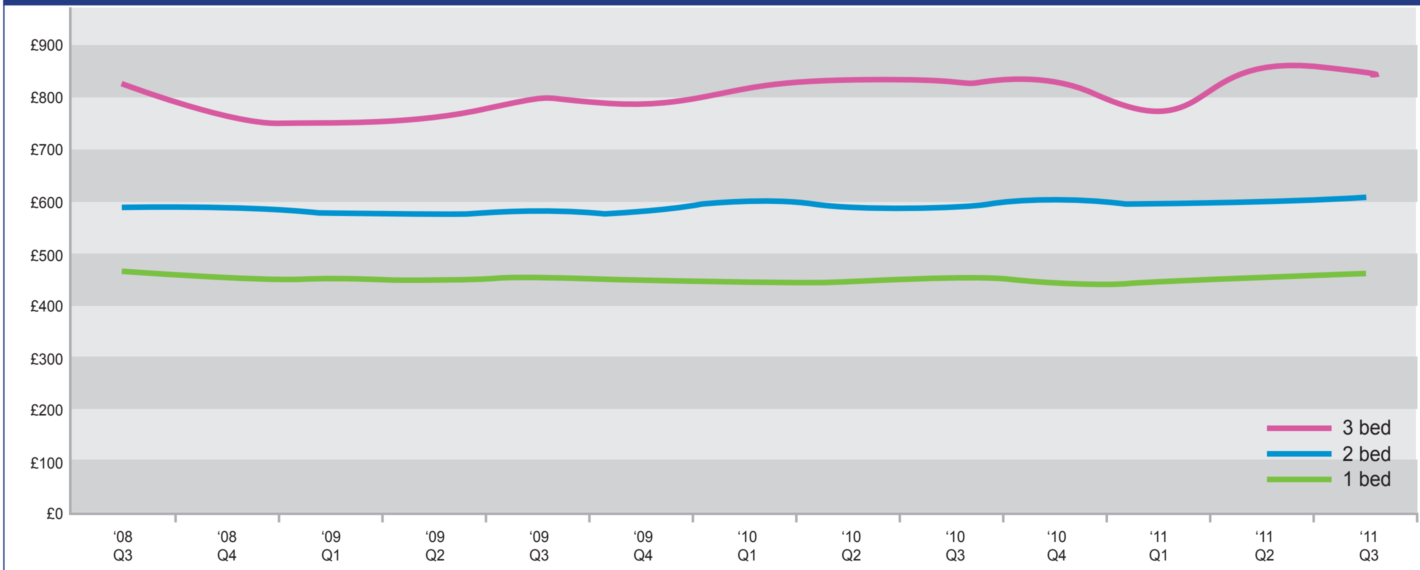
Beds	Average Rent Q3 2011	Growth Q3 2010 Q3 2011	Average TTL (days) Q3 2011	Change Q3 2010 - Q3 2011	Let within a week	Let within a month
1 bed	£464	1.3%	40	5	12%	44%
2 bed	£614	3.2%	41	3	12%	45%
3 bed	£841	1.7%	40	1	11%	46%

Glasgow Average Monthly Rents Q3 2011

postcode	1 bed	2 bed	3 bed	4 bed	All	TTL(days)
G1	£531	£718	£1078		£649	34
G2	£509	£707	£978		£686	32
G3	£528	£704	£997	£1263	£746	34
G4	£483	£623	£924	£1303	£692	34
G5	£468	£572	£742		£580	46
G11	£495	£686	£1030		£661	34
G12	£542	£728	£1014	£1334	£824	30
G20	£460	£589	£727		£610	39
G31	£397	£515	£644		£501	49
G32	£364	£479	£528		£457	45
G40	£386	£523	£681		£488	42
G41	£436	£551	£746		£558	42
G42	£396	£511	£597		£454	45
G44	£397	£524	£538		£484	47
G51	£383	£497	£589		£458	47

1,2,3 Bed Flat Rent Trends

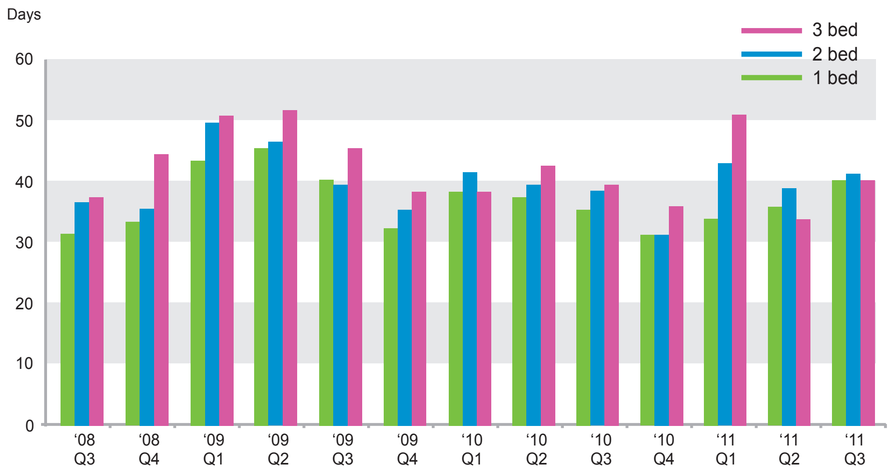
Average Monthly Rent by Number of Bedrooms Q3 2008 - Q3 2011



Time to Let in Glasgow by Property Size (Q3 2008 - Q3 2011)

In Q3 2011 the TTL for 1 bed properties increased by 5 days over the year and now stands at 40 days. 2 bed properties saw a smaller TTL deterioration of 3 days during the year and now stand at 41 days. Larger 3 bed properties have TTL of 40 days which is just a day longer than the equivalent figure of a year ago.

While TTL figures have all increased somewhat, the extent of the increase is not alarming and it is interesting that properties of all sizes in Glasgow have such similar TTL figures at or around 40 days.

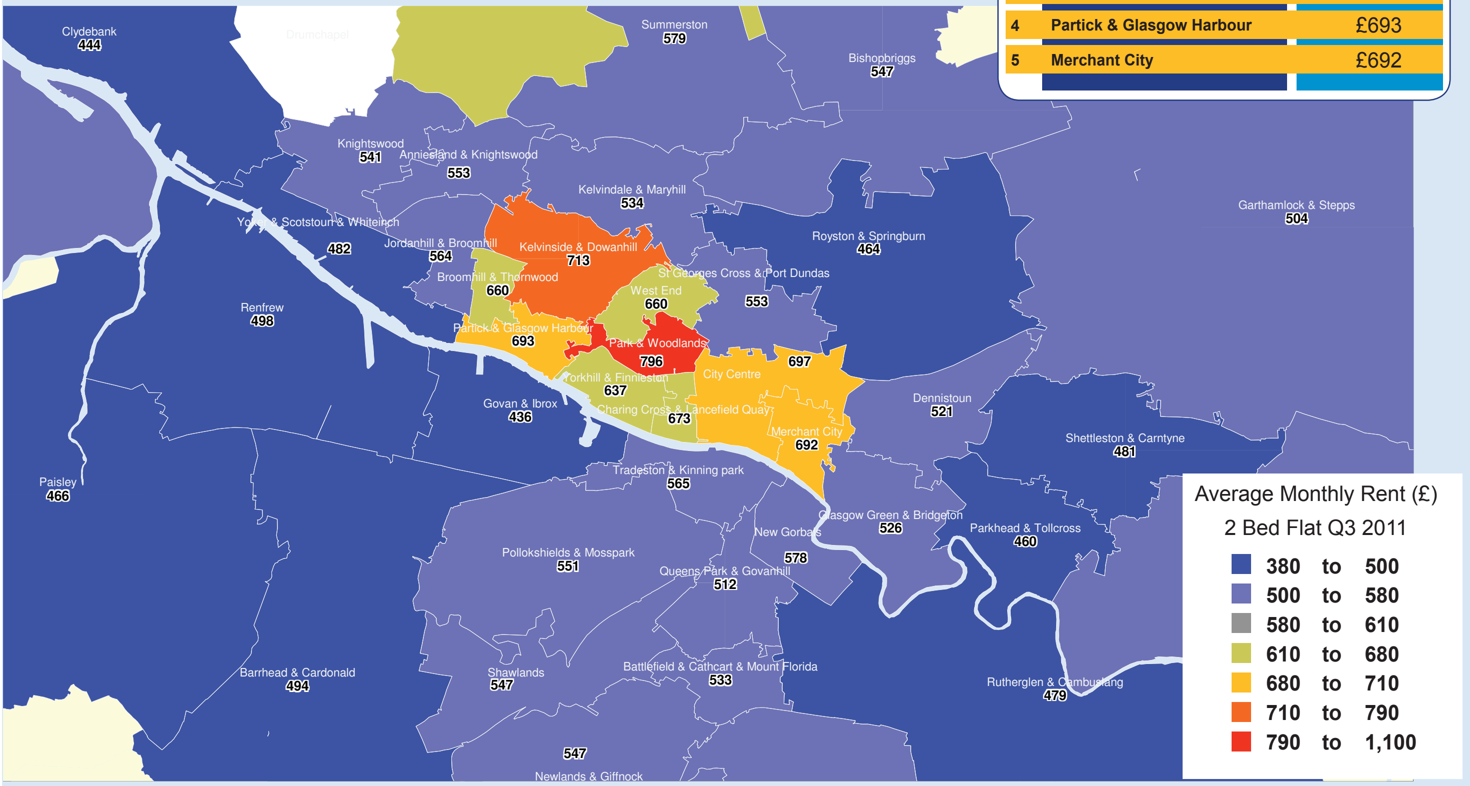


Average Monthly Rents for 2 Bed Flats in Glasgow (all figures in pounds)

As usual Park & Woodlands tops the list of the most expensive neighbourhoods in Glasgow with an average rent for a 2 bed flat of £796, though this is down slightly from the £832 reported last quarter. Kelvinside & Dowanhill (£713) was again the second ranked Glasgow neighbourhood and City Centre (£697) and Partick & Glasgow Harbour were 3rd and 4th respectively with Merchant City moving to 5th from 4th spot last quarter.

5 Most Expensive Areas in Glasgow

	Neighbourhood	Average Monthly Rent for 2 bed flat
1	Park & Woodlands	£796
2	Kelvinside & Dowanhill	£713
3	City Centre	£697
4	Partick & Glasgow Harbour	£693
5	Merchant City	£692

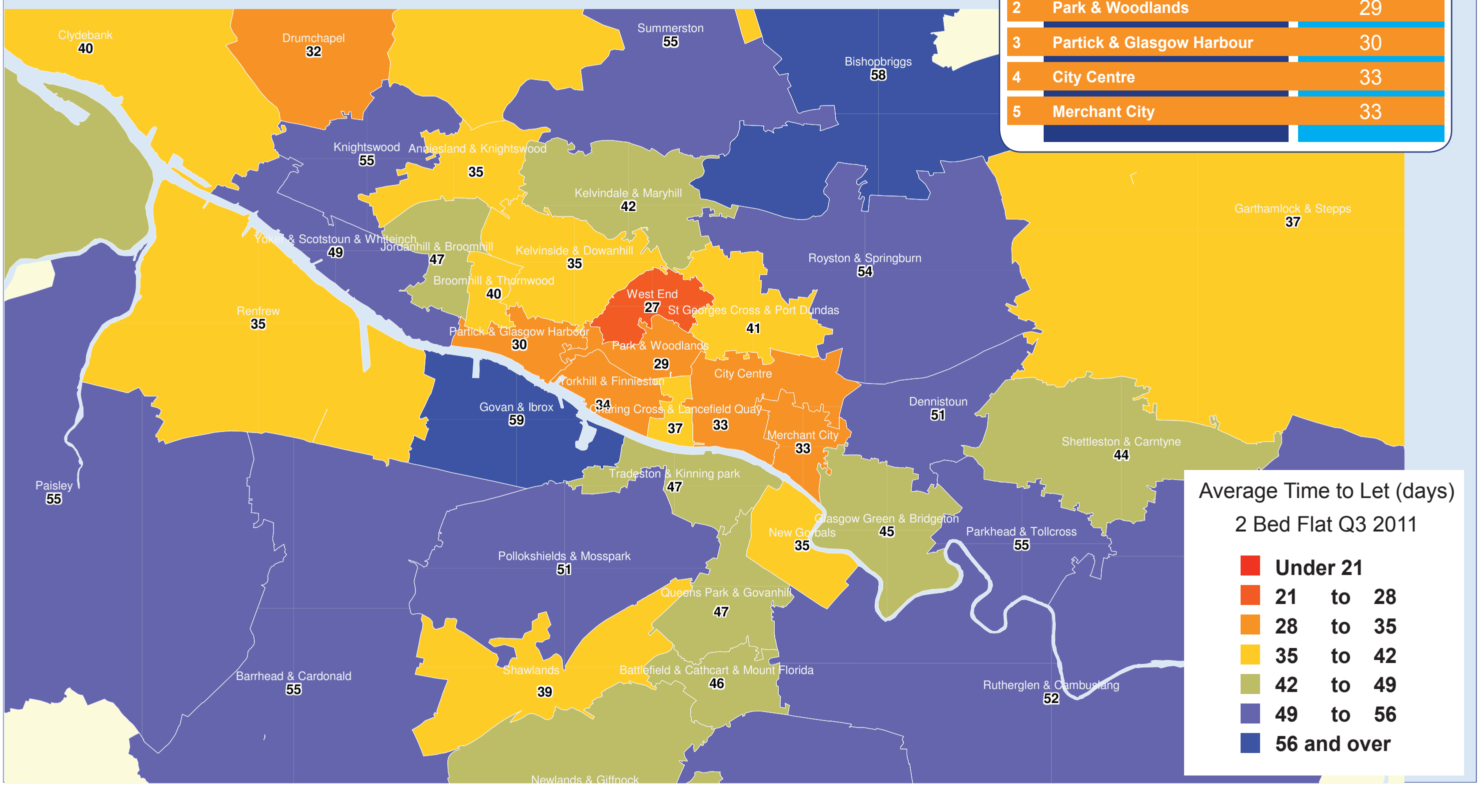


Average Time to Let (days) 2 Bed Flat Q3 2011

West End (27 days) topped the TTL ranking of Glasgow neighbourhoods and was the only area to have a TTL of less than 4 weeks. Park & Woodlands (29 days) came 2nd in the ranking closely followed by Partick & Glasgow Harbour (30 days). City Centre and Merchant City both had reported TTLs of 33 days, though it is worth noting that TTL in these areas fluctuates very little over time which indicates a continuous strong demand.

5 Shortest Time to Let in Glasgow

	Neighbourhood	TTL (days) 2 Bed Flats
1	West End	27
2	Park & Woodlands	29
3	Partick & Glasgow Harbour	30
4	City Centre	33
5	Merchant City	33

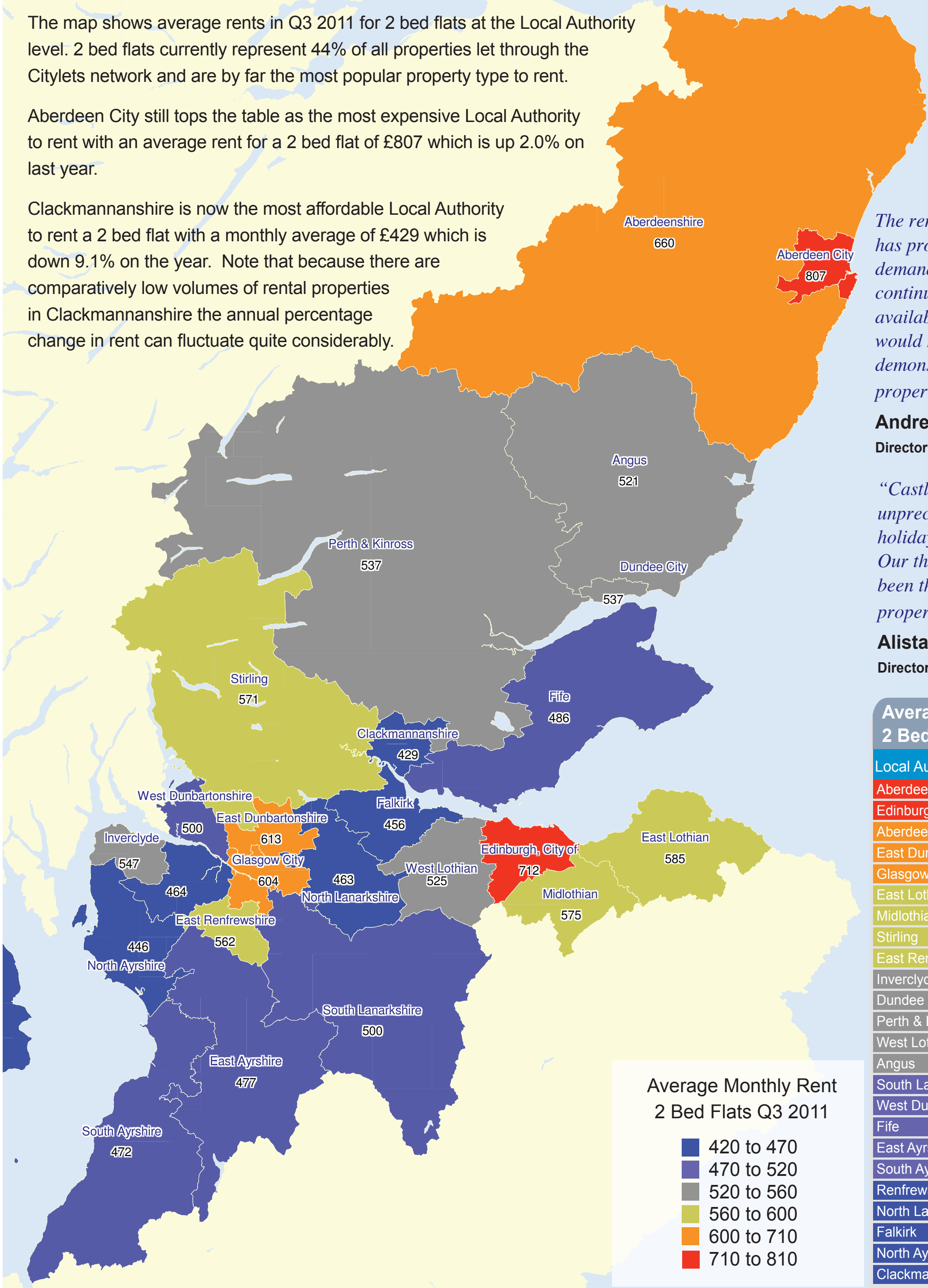


Citylets Rent Map

The map shows average rents in Q3 2011 for 2 bed flats at the Local Authority level. 2 bed flats currently represent 44% of all properties let through the Citylets network and are by far the most popular property type to rent.

Aberdeen City still tops the table as the most expensive Local Authority to rent with an average rent for a 2 bed flat of £807 which is up 2.0% on last year.

Clackmannanshire is now the most affordable Local Authority to rent a 2 bed flat with a monthly average of £429 which is down 9.1% on the year. Note that because there are comparatively low volumes of rental properties in Clackmannanshire the annual percentage change in rent can fluctuate quite considerably.



The rental market over the summer months has proved to be very strong with a high demand for properties across the city. Rents continue to creep upwards and our list of available properties is now shorter than we would normally expect at this time of year, demonstrating the high demand for rental properties.

Andrew Whitmey,

Director: Umega Lettings, Edinburgh

"Castlebrae just have experienced an unprecedented increase in tenancies over the holiday period, traditionally a quieter time. Our third quarter of 2011 has undoubtedly been the busiest, with strong demand for all properties"

Alistair J McMurdo

Director: Castlebrae Sales and Letting Ltd, Bathgate

Average Monthly Rents 2011
2 Bed Flats

Local Authority Region	Q3-11	Q3-10	Change (actual)	Change (%)
Aberdeen City	£807	£791	£16	2.0%
Edinburgh, City of	£712	£681	£31	4.6%
Aberdeenshire	£660	£625	£35	5.6%
East Dunbartonshire	£613	£657	-£44	-6.7%
Glasgow City	£604	£584	£20	3.4%
East Lothian	£585	£569	£16	2.8%
Midlothian	£575	£575	£0	0.0%
Stirling	£571	£539	£32	5.9%
East Renfrewshire	£562	£576	-£14	-2.4%
Inverclyde	£547	£572	-£25	-4.4%
Dundee City	£537	£542	-£5	-0.9%
Perth & Kinross	£537	£540	-£3	-0.6%
West Lothian	£525	£522	£3	0.6%
Angus	£521	£560	-£39	-7.0%
South Lanarkshire	£500	£497	£3	0.6%
West Dunbartonshire	£500	£462	£38	8.2%
Fife	£486	£483	£3	0.6%
East Ayrshire	£477	£441	£36	8.2%
South Ayrshire	£472	£479	-£7	-1.5%
Renfrewshire	£464	£462	£2	0.4%
North Lanarkshire	£463	£416	£47	11.3%
Falkirk	£456	£452	£4	0.9%
North Ayrshire	£446	£452	-£6	-1.3%
Clackmannanshire	£429	£472	-£43	-9.1%

About Citylets

Founded in 1999, Citylets is Scotland and Northern Ireland's original residential lettings portal & network advertising more than 50,000 properties per year on behalf of over 300 letting agents. Citylets Network is an exclusive group of sites for property to rent including s1homes, FindaProperty, Primelocation and Globrix. Privately owned, Citylets is fully independent of any estate / letting agent group, media or financial organisation and is managed by its founding team in the West End of Edinburgh.

www.citylets.co.uk

Enquiries

Please feel free to get in touch with us if you would like to discuss any aspect of this report or would like to consider advertising property on the Citylets Web site.

Market Analysis
Dan Cookson
dan@citylets.co.uk

Managing Director
Thomas Ashdown
thomas@citylets.co.uk

Regional Sales Manager
Jon Clay
jon@citylets.co.uk

Citylets
21 Lansdowne Crescent
Edinburgh
EH12 5EH
Tel: 0131 467 4864
Fax: 0844 507 0400

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.

Disclaimer

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.