

Aberdeen Strikes Rental Riches



- Overview of the Scottish Rental Market
- City Spotlight: Edinburgh, Glasgow, Aberdeen & Dundee
- Market Focus: North Sea Boom Fuels Rental Market
- Legislation Matters: Update on Tenancy Deposit Scheme

Citylets Audience Reach- Quarterly Update

Q3 is traditionally the busiest time of the year for the lettings market and often sees new records set for visitor traffic to Citylets. 2013 was no exception with traffic reaching over 1.1 million visitors over the quarter, up 22% on 2012. August saw our highest ever monthly total of 405,000 site visits (Source: Google Analytics).

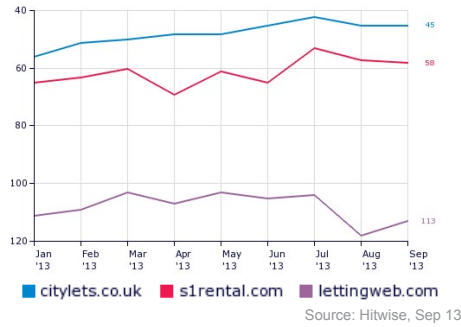
Our audience reach for the quarter was 4 times Q3 2007 (source: Google Analytics) and we are on track to hit our annual target of 4 million visits as set at the start of the year.

Key Info Q3 2013

- Over 1.1million site visits
- Traffic up 22% on Q3 2012
- Hitwise average rank 44, up 9 on 2012
- Over 40% visits from mobile
- Best performing Scottish regional

Our Hitwise rank in the UK Property category averaged 44 in Q3, up 9 places on last year, reaching a record 42 in July.

Monthly Rank in UK Property Sector



Climbing the Hitwise rankings is like climbing at altitude - the higher you are the harder it is to climb higher still with large increases in traffic required just to move up a single place. However we are optimistic to achieve a top 40 ranking within the next 12 months.

HOW THEY RATE*		
	iPhone	Android
Citylets	★★★★★	★★★★★
GSPC	★★★	N/A
ASPC	★★	N/A
Lettingweb	★★	N/A
ESPC	N/A	N/A
S1rental	N/A	N/A

*Apple App Store & Google Play, Sep 2013

The rise of 'mobile' (including tablet and App usage) continues recording over 40% of visits over the quarter. Citylets recently launched its dedicated iPad App and our new dedicated mobile site goes live in October. Citylets is the only Scottish lettings portal to have the full set of bespoke Apps for iPhone, Android & iPad and also a dedicated mobile site.

Citylets remains the best performing regional lettings portal in Scotland. We are still the No 1 dedicated residential lettings site in the UK.

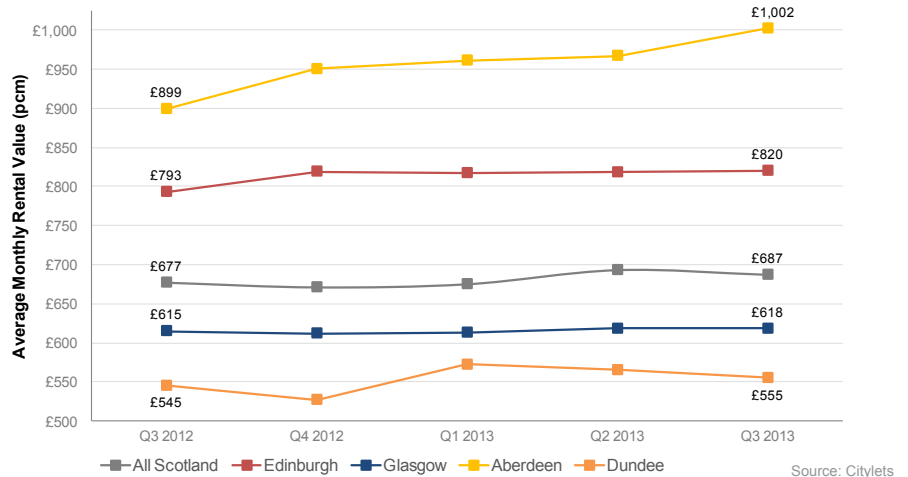
Scotland

The 2011 Census results were recently published and revealed that between 2001 and 2011 the number of people living in the private rental sector (PRS) in Scotland has more than doubled and the PRS now accounts for more than 12.4% of all Scottish households.

Despite this rapid growth in demand for private renting, the average monthly rents have not increased significantly thanks to a sufficient supply of rental stock. In Q3 2013, the Scotland average monthly rent stood at £687 which is 1.5% up on the figure of a year ago and actually down slightly from the figure of £693 reported in Q2 2013.

The Scottish PRS is performing efficiently with prospective tenants able to choose from a growing

Scottish Monthly Rent Analysis (Q3 2012-Q3 2013)



selection of competitively priced yet high quality property. In those places that have a lack of new rental supply and where demand appears to be price inelastic, rents are rising rapidly. Aberdeen falls in to this category and saw monthly rents increase by 11.5% over the year to £1,002 a new all time high for the city.

Average time to let (TTL) in Scotland improved to 35 days in Q3 2013 which is 4 days less than last year and suggests demand is not diminishing. We can expect a continued expansion of the PRS but certainly not to the levels seen in 1911 when 75% of households rented privately.

Edinburgh

Edinburgh Market Overview - Q3 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£564	2.9%	24	-4	26%	72%
2 bed	£751	3.0%	25	-5	25%	68%
3 bed	£1,053	2.1%	39	-7	16%	53%
4 bed	£1,472	2.9%	50	2	14%	38%
Total	£820	3.4%	28	-5	23%	66%

Source: Citylets

Average monthly rents in the capital have been remarkably stable during 2013 and now stand at £820 though this figure is up 3.4% on Q3 2012. The Census results revealed that Edinburgh has the largest private rental market in Scotland with 107,256 people living in the PRS in 2011. With overall TTL figures coming down by 5 days to just 28 days there is no indication of a slowing up of demand.

In fact two thirds of Edinburgh properties are let within a month of

being advertised and one quarter of smaller 1 and 2 bed properties are actually let within a week. On the back of this strong demand we anticipate no let-up in Edinburgh's competitive, thriving rental market.

EH8 which covers Holyrood, part of the Meadows and Newington, experienced the biggest rise in rents up 7.0% to £853. However, it was EH2, covering Edinburgh's retail heart, which reported the highest rents themselves at £1,068.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q3 13	Q3 12	YoY
1	EH8	£853	£797	7.0%
2	EH1	£933	£879	6.1%
3	EH9	£1,050	£990	6.1%
4	EH7	£720	£692	4.0%
5	EH3	£959	£925	3.7%

Source: Citylets

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q3 13	Q3 12	YoY
1	EH3	27	33	-6
2	EH1	27	32	-5
3	EH8	28	30	-2
4	EH9	28	28	0
5	EH2	29	38	-9

Source: Citylets

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q3 13	Q3 12	YoY
1	EH2	£1,068	£1,091	-2.1%
2	EH9	£1,050	£990	6.1%
3	EH10	£976	£959	1.8%
4	EH3	£959	£925	3.7%
5	EH1	£933	£879	6.1%

Source: Citylets

Glasgow

Glasgow Market Overview - Q3 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£478	1.3%	35	-5	18%	53%
2 bed	£620	-0.3%	40	-2	16%	49%
3 bed	£850	-0.4%	43	2	14%	45%
4 bed	£1,275	6.4%	45	-1	7%	35%
Total	£618	0.5%	39	-3	16%	50%

Source: Citylets

With average rents remaining at £618 the same figure as the previous quarter and just 0.5% up on last year, the overall Glasgow market can best be described as stable. Exactly half of all Glasgow properties are let within a month and the TTL figure has improved by 3 days to now stand at 39 days.

According to the Census, Glasgow has the second largest population of private rental tenants in Scotland with 94,307 people living in the PRS in 2011.

Glasgow's most expensive postcode district was G12 (covering West End) with an average rent of £883 which was 3% up on last year. In terms of price change, G4 experienced the biggest upturn with average rents increasing by 5.5%.

Interestingly it was the city centre properties that took least time to let in Q3 2013 with an average TTL figure of just 24 days which was an improvement of 10 days from last year.

Top 5 Postcodes by Largest YoY price change

Rank	Postcode	Q3 13	Q3 12	YoY
1	G4	£677	£642	5.5%
2	G3	£765	£738	3.7%
3	G1	£658	£636	3.5%
4	G12	£883	£857	3.0%
5	G40	£482	£468	3.0%

Source: Citylets

Top 5 Postcodes by lowest TTL (days)

Rank	Postcode	Q3 13	Q3 12	YoY
1	G2	24	34	-10
2	G12	29	32	-3
3	G3	31	35	-4
4	G11	32	35	-3
5	G1	33	35	-2

Source: Citylets

Top 5 Postcodes by Av. Monthly Rent

Rank	Postcode	Q3 13	Q3 12	YoY
1	G12	£883	£857	3.0%
2	G3	£765	£738	3.7%
3	G2	£713	£696	2.4%
4	G4	£677	£642	5.5%
5	G11	£666	£664	0.3%

Source: Citylets

Aberdeen

Aberdeen Market Overview - Q3 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£629	9.0%	9	-6	61%	92%
2 bed	£924	10.9%	13	-7	50%	87%
3 bed	£1,322	7.2%	15	-9	46%	85%
4 bed	£2,011	14.9%	24	-9	23%	73%
Total	£1,002	11.5%	13	-6	52%	88%

Source: Citylets

The oil capital housed 36,469 private tenants at the time of the Census and it is fair to say that they have experienced the fastest rates of rental inflation of any city in Scotland over recent years. Average mix adjusted rents rose to four figures (£1,002) for the first time in Q3 2013, a rise of 11.5% over the year.

In that time, TTL figures for the city have improved from 19 days to an extremely short 13 day average. More than half (52%) of Aberdeen

properties were let within a week of being advertised and it now seems a shortage of supply could exacerbate the situation going forward.

Aberdeen is unusual in having a larger proportion of family sized houses in the PRS than other cities, a function of being host to a global oil industry, and it is those areas of larger premium properties that have seen the most growth in rents.

In Q2 2013, AB15 (covering West

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q3 13	Q3 12	YoY
1	AB15	£1,511	£1,299	16.3%
2	AB24	£864	£763	13.2%
3	AB25	£817	£728	12.2%

Source: Citylets

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q3 13	Q3 12	YoY
1	AB25	11	18	-7
2	AB10	12	19	-7
3	AB11	12	17	-5

Source: Citylets

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q3 13	Q3 12	YoY
1	AB15	£1,511	£1,299	16.3%
2	AB10	£865	£778	11.2%
3	AB24	£864	£763	13.2%

Source: Citylets

End, Cults, Kings Wells and Bieldside) was both the most expensive postcode district (£1,511) and saw the most growth over the year of 16.3%.

Dundee

Dundee Market Overview - Q3 13

Beds	Average Rent	Rent Change YoY	Av. TTL (days)	TTL Change YoY	Let within a week	Let within a month
1 bed	£383	1.1%	38	-12	13%	52%
2 bed	£546	2.8%	40	-8	10%	51%
3 bed	£698	-1.1%	36	-11	19%	57%
4 bed	£929	-1.9%	36	-7	7%	47%
Total	£555	1.8%	40	-9	12%	51%

Source: Citylets

A total of 25,887 Dundee citizens called a private rented property home in 2011. In the current quarter, average mix adjusted rents were £555 which is 1.8% up on the figure of a year ago though it is slightly down on the Q2 2013 average of £565.

What is more encouraging for landlords is that the TTL figure has come down by 9 days to an average 40 days. We anticipate that over the coming years this figure will come down further as the extensive

waterfront redevelopment attracts more people to live in the city.

Covering the East of the city, DD4 was the Dundee postcode district with the biggest jump in average rents (11%) from £454 to £504 though DD1 encompassing the city centre and the waterfront was the most expensive at £629 per month.

It is worth pointing out that Dundee is made up of just five postcode districts which each cover a wide area and therefore can include

Top 3 Postcodes by Largest YoY price change

Rank	Postcode	Q3 13	Q3 12	YoY
1	DD4	£504	£454	11.0%
2	DD1	£629	£581	8.3%
3	DD2	£554	£519	6.7%

Source: Citylets

Top 3 Postcodes by lowest TTL (days)

Rank	Postcode	Q3 13	Q3 12	YoY
1	DD1	37	38	-1
2	DD3	45	54	-9
3	DD2	45	49	-4

Source: Citylets

Top 3 Postcodes by Av. Monthly Rent

Rank	Postcode	Q3 13	Q3 12	YoY
1	DD1	£629	£581	8.3%
2	DD2	£554	£519	6.7%
3	DD4	£504	£454	11.0%

Source: Citylets

both expensive and cheaper neighbourhoods. Our more advanced on line analysis tool Optilet Pro can help users explore the markets at a more local level.

North Sea Boom Continues to Fuel Aberdeen Rents

Being host to a global oil industry, Aberdeen continues to set itself apart from the Scottish rental market with supply shortages fuelling further price hikes.

As our Aberdeen section highlighted, rental prices have broken the four figure barrier for the first time with average monthly rents reaching £1,002, a rise of 11.5% in a year. This has been driven primarily by a shortage in quality rental stock reflected in the fact that a typical property is only on the open market for less than two weeks (13 days) before being snapped up by eager tenants.

Continual investment and consequential job creation driven by the burgeoning oil sector has increased the pressure on physical stock even more. The number of rental properties advertised in Aberdeen City centre has fallen by nearly 50% this summer from 328 in June 2012 to 222 this July.

Prospects of high rental yields have seen investors help push up the average selling price of flats in AB10 with an increase of 6.0% from Q2 2012 to Q2 2013 (£170,927 to £181,215) while the national trend shows a very slight decrease (-0.03%) in flat prices from £117,560 to £117,517 over the same period. This phenomenon is not restricted to the residential rental market. CBRE recently stated that oil and gas companies are occupying 8% more office space in the first half of 2013 inflating prime commercial rents in the Granite City.

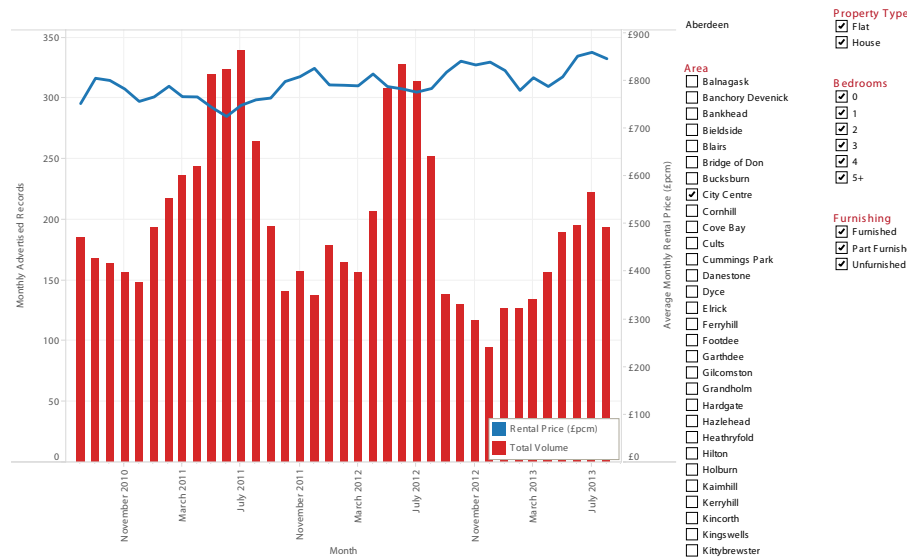
But how have the local residential rental markets changed over the year? Illustrated in the scatter chart, you can see how in August

2012, key areas of Aberdeen experienced minor year on year rent increases, Bridge of Don saw an 8.7% growth in rents. Looking now, the same six areas all show 8%+ increases in average rents coupled with substantial reduction in available stock (all greater than 20% drops in volumes). Just north of Rosehill, Hilton saw a massive

21.7% surge in rents.

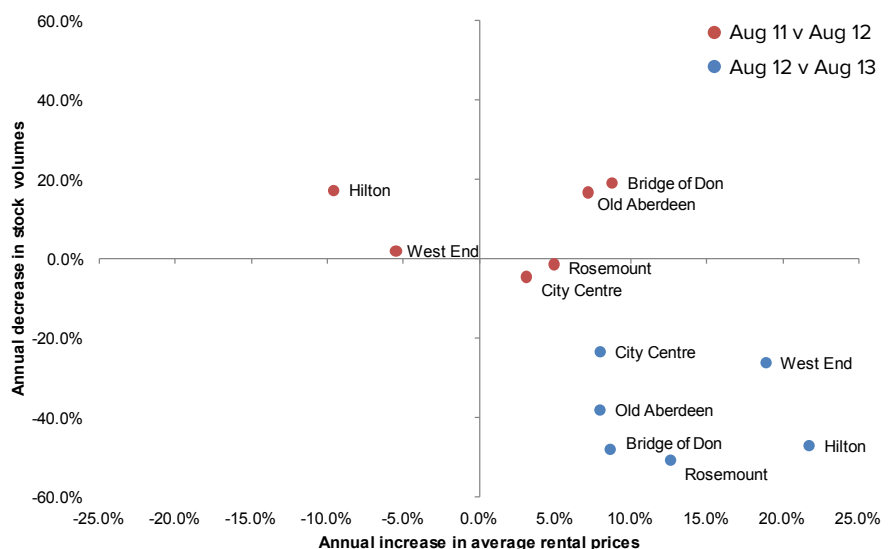
With limited new homes being built in the city (425 in 2012), it seems fair to deduce that in future rent levels will continue their path upwards. There is also little doubt that the 2,318 people identified in the 2011 census as living rent free in Aberdeen can count themselves very fortunate indeed.

Average Rental Values and Volumes - Aberdeen City Centre



Source: OptiletPro

Annual changes in Rental Values and Volumes - Key Aberdeen Areas



Source: OptiletPro

Legislation Matters: Deposit Scheme – An Update

In November, the Tenancy Deposit Scheme in Scotland will be a year old, TC Young discuss the specific duties on landlords and the consequences should they not be met.

The Tenancy Deposit Scheme Regulations (Scotland) 2011 came into force last year and imposed specific duties on landlords with regard to tenants' deposits. In terms of the regulations the landlord has two specific duties:-

- to lodge any deposit received from a tenant with an approved tenancy deposit scheme no later than 30 days after the start of the tenancy; and
- to provide prescribed information regarding the deposit, the tenancy and the scheme to the tenant within the same timescale.

It is important to note that the duties apply to existing tenancies as well as new tenancies.

If a landlord has failed to comply with either duty, the tenant can apply to court asking for an award of up to three times the amount of their deposit. The regulations are clear that where a landlord has failed in either duty, the court has no discretion – the landlord must face a financial penalty. The only question for the court will be the level of award.

The court's discretion in this regard has been highlighted by two recent decisions from Edinburgh Sheriff Court.

In the case of *Fraser and Pease v Meehan*, the landlord had failed to lodge the deposit with a scheme and had failed to provide the information to the tenants. He pleaded ignorance, stating that he resided in Australia and was not aware of the regulations and the duties that came with them. It was however noted that he had previously been employed by a letting agent in Edinburgh and accordingly would have had some knowledge of the sector.



The Sheriff commented that the regulations had been introduced to address a "perceived mischief" and would be meaningless if they were not rigorously enforced. The landlord had provided no proper explanation for his failure to comply with his duties under the scheme. In the circumstances, the Sheriff awarded the tenants the maximum penalty of three times the deposit. This amounted to £3450. The tenants were also awarded the expenses of the court proceedings.

In *Smith and Carse v Chan*, the situation was slightly different. The landlord had instructed an agent to act on his behalf. His agent

had lodged the deposit with an approved scheme. However, when sending out the required information to the tenants, the agent had misspelled the postcode in the address. The landlord argued that by instructing his agents to provide the information, he had complied with his duties under the scheme. In any event, it had simply been an administrative error.

The Sheriff was however satisfied that there had been a failure to comply with the duty to provide information albeit the deposit had been lodged. Sending out the paperwork with an incorrect address did not constitute a provision of information to the tenant. Accordingly, the Sheriff had to award a payment to the tenants. He did however take into account the circumstances of the case and calculated a sum of £775 which was the equivalent of the deposit paid.

The court has confirmed in these two cases that the regulations are clear – ignorance will not be an excuse and where there has been a failure to comply with the landlord's duties under the scheme, either in whole or in part, the landlord will face a penalty. However where there is a satisfactory explanation for the landlord's failure, there may be some leniency on the court's part.

Census Reveals PRS Houses More People than Councils or Housing Associations

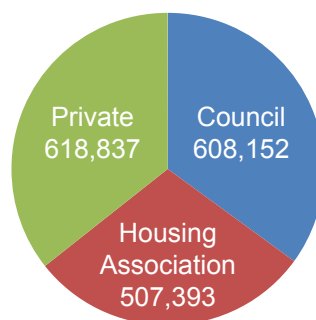
The 2011 Census was undertaken on 27th March 2011, more than two and a half years ago, so you can be forgiven for having forgotten all about it. However, this once in a decade event produces some very useful statistics that are pounced on by policy makers to underpin their resource allocations.

Citylets use the Census findings to help us confirm our own estimates for the size of the private rental sector (PRS) in Scotland. We have frequently commented on the expansion of the PRS over recent years and have based our analysis on our own data as well as that of the Government's Scottish Household Survey, however it is only the Census that provides definitive counts of

the total number of people and households actually living in the PRS.

Despite the length of time it has taken to publish the results and the fact that the PRS has continued to grow since 2011 - the snapshot of who lived where on Census night is very revealing.

Census 2011: People Renting



So we now know that on 27/03/2011 there were 294,892 households in the PRS which represented 12.4% of the total. This figure has more than doubled since the Census in 2001 when there were just 147,100 (6.7%) households renting privately. Of maybe more significance is the fact that the PRS houses more people in Scotland (619,000) than either Councils (608,000) or Housing Associations (507,000).

A detailed breakdown of these figures by Local Authority can be found on the Citylets DataHub www.citylets.co.uk/research/datahub

Report Summary

- Typical Scottish rental property now costs £687 per month, up 1.5% on Q3 2012
- Edinburgh sees average rents up to £820, an increase of 3.4% on this time last year
- Aberdeen smashes the four figure barrier. Rents now £1,002 with TTL less than 2 weeks (13 days)
- In Glasgow, half of all properties are let within a month with prices stable, up just 0.5% on last year

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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 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.

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

The Publication

This document was published in September 2013. 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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