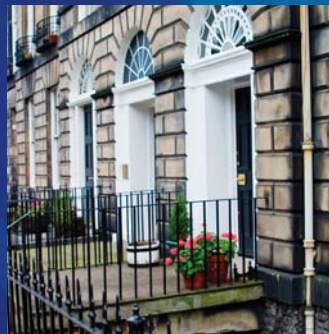


Trends in Scottish Residential Lettings

The Winter's Tale





Activity in the Scottish rental market remained high throughout the last quarter of 2007. From mid-November there were signs of increased tenant demand which has grown even stronger since the turn of the year. In the first three weeks of January visitor numbers to citylets.co.uk were 41% higher than the equivalent period of 2007.

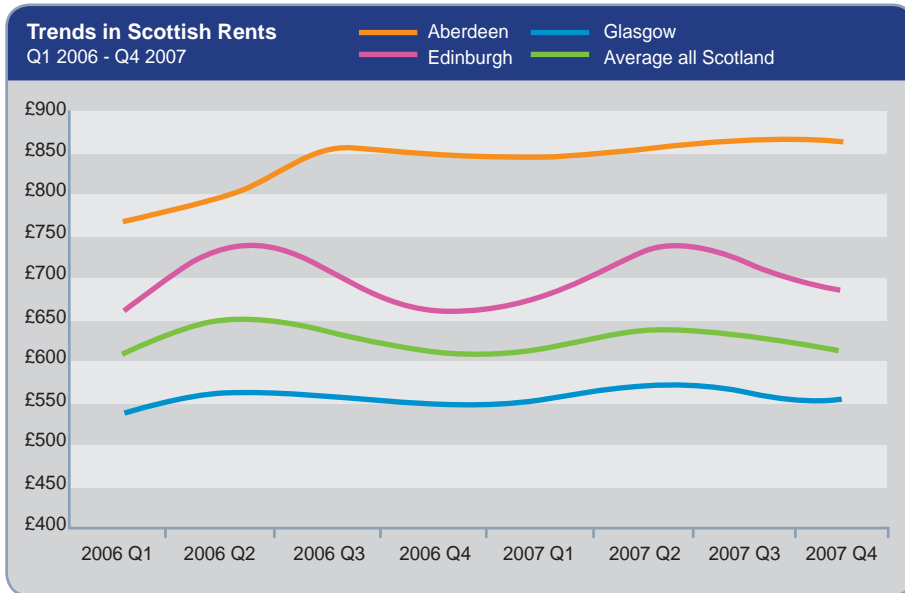
\$100 billion in subprime write downs, an ever worsening US housing market, tightening credit, rising prices, slowing US retail sales and an explosion in the use of the word recession at the tail end of last year brought out the sellers in global equity markets at the beginning of 2008.

The cumulative effect of the volatile stock markets, weak numbers and pessimistic headlines is a rising tide of uncertainty which, in turn, appears to have accelerated demand for rental accommodation. While perhaps not as extreme as the rise in our traffic figures would suggest (as undoubtedly a portion is attributable to Citylets growth) it seems clear that although Scottish property price growth remains positive some would-be-buyers have decided that, for now, they are content to rent.

We expect that strong tenant demand will remain a feature of the first quarter of 2008 and possibly longer if the next interest rate cut fails to boost confidence.

The Winter's Tale

The Bank of England is unlikely to follow the Federal Reserve and slash interest rates but with volatile stock markets, a slowing property market and deteriorating economic outlook a quarter point rate cut in this quarter is probable. For the rest of 2008 though, with inflationary pressures evident, there would appear to be limited room for manoeuvre. Current expectations are for the base rate to end 2008 at 4.75%.



The seasonal pattern is strong in Edinburgh but the linear trend in average rents is upward.

Average rents in Glasgow (£561) are edging higher.

Aberdeen rents remain the highest by some margin but growth has slowed.

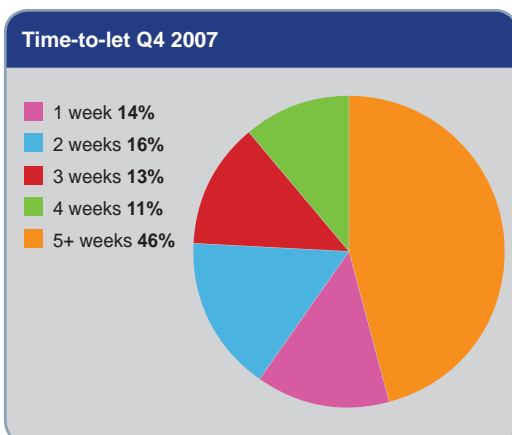
Scottish Rental Index

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	104.9
November	102.4	103.3
December	99.3	107.1

Index of Scottish Rents

The index stands 2.6% higher than in Q4 2006 reflecting the strongest increase of the year. Given both higher (borrowing) costs for landlords and the increase in demand for rental property we expect to see a similar increase in the next quarter.



Time-to-let

Volumes of lettings were higher in Q4 2007 than in 2006 with 54% of all properties marketed on Citylets letting within a month. Expect the average time-to-let for the next quarter to be longer than Q4's 35 days as many letting agents closed for a week over the Christmas holidays.

1 & 2 Beds

Rents Rise

Once again it's 1 bed flats to rent in Aberdeen that take the headlines, letting the fastest and recording the highest rental growth in Scotland. Continuing high demand throughout the last quarter of 2007 saw 95% of 1 bed flats renting within a month, taking on average just 12 days to let. As expected, rents have risen: up 6.2% on Q3 2007 and almost 19% on Q4'06.

1 Bed comparison

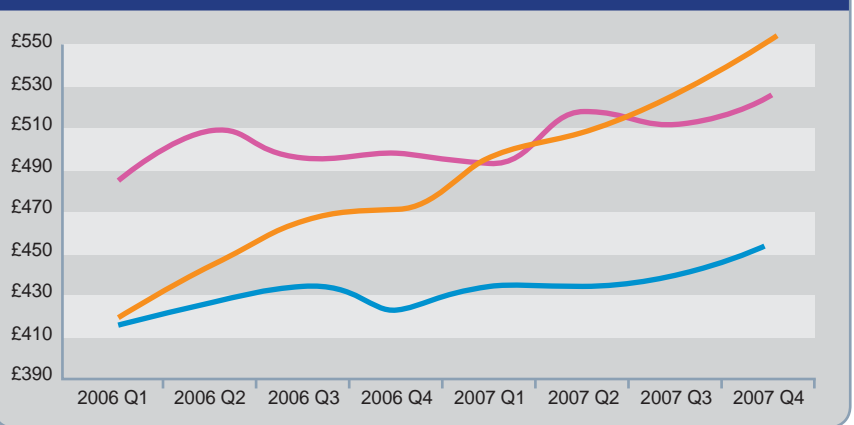
City	Average Rent Q4 2007	Growth Q4 2006-Q4 2007	Average TTL (days) Q4 2007	Let within a week	Let within a month
Edinburgh	£518	4.0%	19	28%	79%
Glasgow	£439	3.5%	29	15%	60%
Aberdeen	£561	18.8%	12	43%	95%

1&2 bed flats let faster on average than in the same quarter of 2006 in Edinburgh and Aberdeen, and fractionally slower in Glasgow.

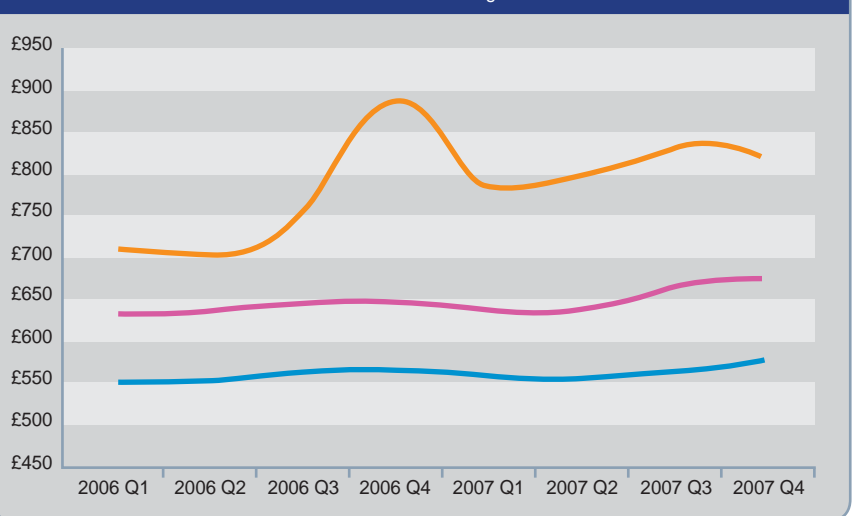
2 Bed comparison

City	Average Rent Q4 2007	Growth Q4 2006-Q4 2007	Average TTL (days) Q4 2007	Let within a week	Let within a month
Edinburgh	£669	3.7%	27	24%	64%
Glasgow	£578	1.6%	37	14%	50%
Aberdeen	£819	-7.0%	27	24%	61%

Inter-city Comparison: 1 Bed
Q1 2006 - Q4 2007



Inter-city Comparison: 2 Bed
Q1 2006 - Q4 2007



In the near-term it looks as if the prices for 1 bed flats in Aberdeen can be sustained. While there's potential for further growth in 2008 it'd be surprising if it matched that of the last two years. For 2 bed flats in Aberdeen the spike in rental prices seen in the fourth quarter of both 2006 and 2005 has not been repeated and indeed rents show a small decline of 1.2% on Q3 2007. A rise in supply was seen and it's possible that growing fears of a US recession and lower demand for oil in 2008 has slowed energy sector employment.

Rental values for 1 and 2 bedroom flats in Edinburgh continued to exhibit stronger growth increasing 4.0% and 3.7% respectively on Q4 '06. Outperforming the average, rents for 1 bed flats in EH7 rose 7.2% and 2 bed flats in EH3 (New Town and Stockbridge) recorded 9% growth.

In Glasgow, flats in G1 (Merchant City) posted a healthy increase on Q4'06 with average rents up 8.6% to £552 for 1 bed flats and 2 beds 6.3% higher at £726. Average rents for 2 bed flats in G12 (Hyndland) continued to decline easing 1.4% to £695.

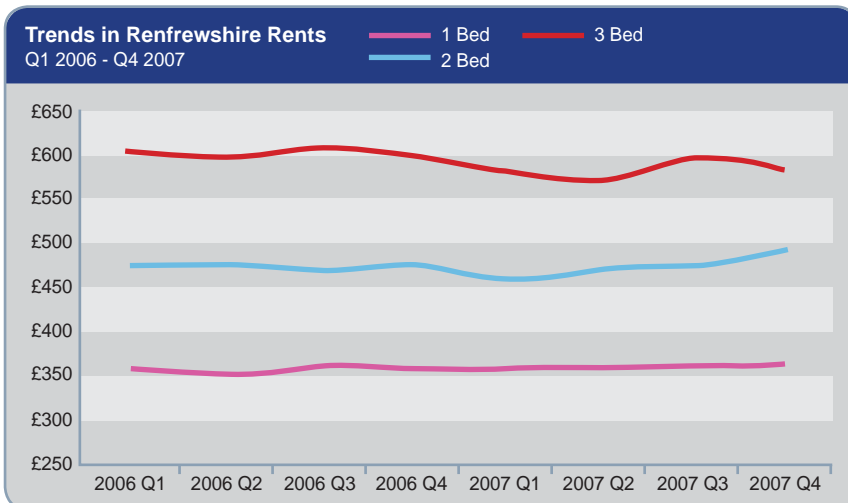


Renfrewshire and Lanarkshire

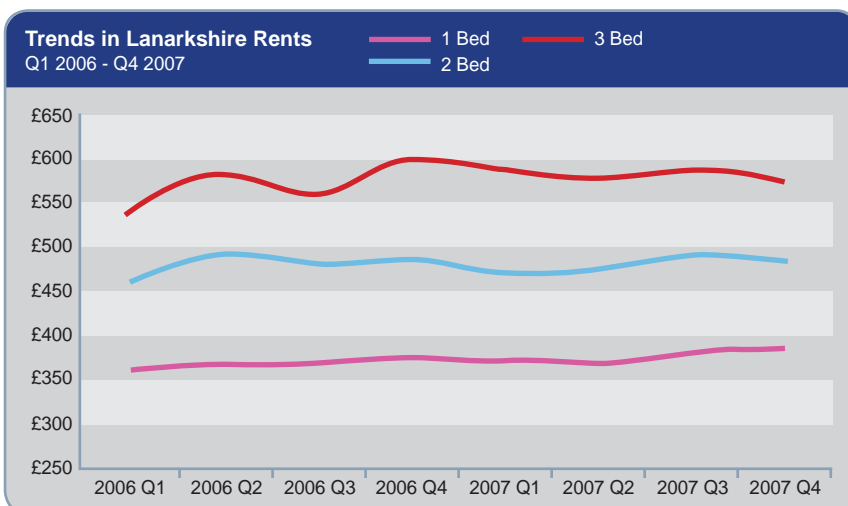
The regions of Renfrewshire (Renfrewshire and East Renfrewshire) Lanarkshire (North and South) flank the City of Glasgow. Forming part of the Greater Glasgow Urban area they contain Glasgow suburbs with commuter towns and villages beyond.

Relative to Glasgow City, owner occupancy in these regions is high (very high in East Renfrewshire) and the private rental sector accounts for only around 3% of households. In both regions the rental market is composed predominantly of two bedroom flats (52%) with a greater percentage of 1 bed flats seen in Renfrewshire (31% vs 24%).

In Renfrewshire, average rents have followed a broadly similar pattern to those of Glasgow city - stable but with little growth. Two bed flats performed best rising 3.6% (Q4'06-Q4 '07) on average with the highest growth of 5% seen in central Paisley/Ralston (PA1). The University of West Scotland (Paisley campus) has around 10,000 students but with Glasgow Central only 10 minutes away by train some live in the City. Properties generally take longer to let than in the major cities with a typical property in Renfrewshire being advertised for 40 days.



It's the same story in Lanarkshire with little growth in rental prices since Q4 '06. Average rents for 1 bed flats across the region rose 1.5% to £385. However, rents in the South Lanarkshire postcode of ML3 (Hamilton, Ferniegair) experienced more promising growth of 4.9% as rents rose to £418. Rental prices for 2 bed flats in the region were fractionally lower than Q4'06 at £479. Time-to-let is also fairly long - typically 38 days.



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	£544	£710	£1,012			28
EH2	£544	£706				23
EH3	£558	£779	£1,102	£1,321		29
EH4	£549	£675	£869			26
EH5	£502	£644	£821			37
EH6	£492	£643	£873			28
EH7	£513	£670	£874	£1,267		27
EH8	£517	£648	£927	£1,302	£1,591	24
EH9	£527	£679	£946	£1,289	£1,480	26
EH10	£532	£699	£1,005	£1,292	£1,522	28
EH11	£478	£623	£842	£1,153		23
EH12	£513	£687	£915			27
All Edinburgh	£514	£668	£931	£1,291	£1,510	27

Glasgow					
Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
G1	£531	£698			38
G2	£509	£661			29
G3	£480	£669	£984	£1,152	34
G4	£467	£588	£759	£1,020	35
G5	£452	£554	£718		38
G11	£461	£656	£823		33
G12	£531	£668	£920		34
G20	£442	£568	£744		36
G31	£379	£511	£606		33
G32	£358	£478			38
G40	£376	£517			35
G41	£431	£541	£654		35
G42	£396	£501	£606		37
G44	£400	£515	£519		38
G51	£374	£509	£599		40
All Glasgow	£437	£571	£698	£1,067	36

Aberdeen					
Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
AB10	£566	£792	£1,123		20
AB11	£530	£785	£1,033		18
AB15	£713	£1,074	£1,313	£1,950	48
AB24	£489	£811	£988		22
AB25	£531	£776			19
All Aberdeen	£544	£825	£1,066	£1,774	25

(Avg: 2007 H2)

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

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.

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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