

Trends in Scottish Residential Lettings

A Tale of Three Cities





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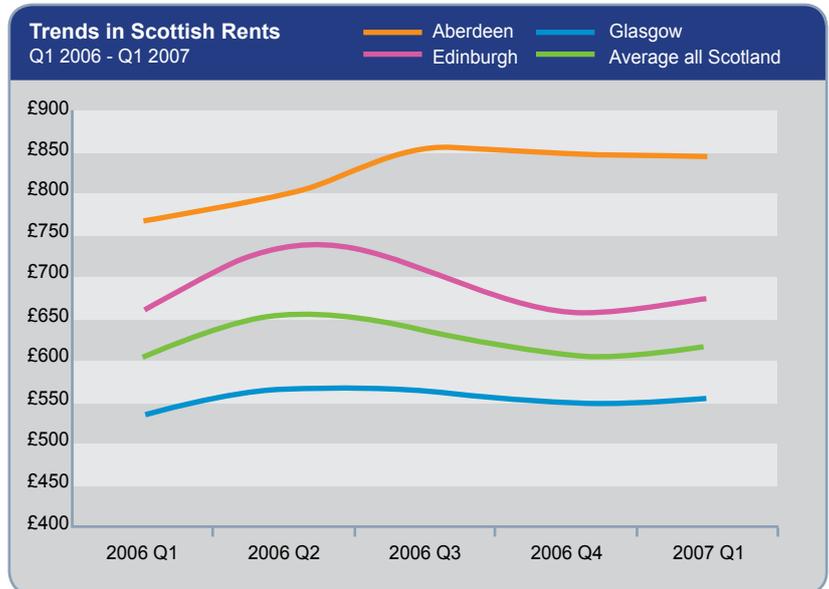
Through our extensive partnership network our data also currently provides the backbone to the rental sections of most major UK property sites including S1Homes.

Recognising that there is very little independent and easily accessible information on the Scottish rental market we are delighted to release our inaugural quarterly report. We hope it will provide all sectors of the market with an interesting and easy-to-read barometer of the residential rental market in Scotland.

In this Spring issue we take a closer look at 1 & 2 bedroom flats and have a focus on the city of Edinburgh. We hope you find it useful and informative and we welcome any suggestions for future issues.

A Tale of Three Cities

The overall picture for the Scottish rental market shows that average rents for all properties changed little over the 15 month period (2006 Q1 to 2007 Q1), with a growth rate less than the rate of inflation and signs of considerable seasonal variation.



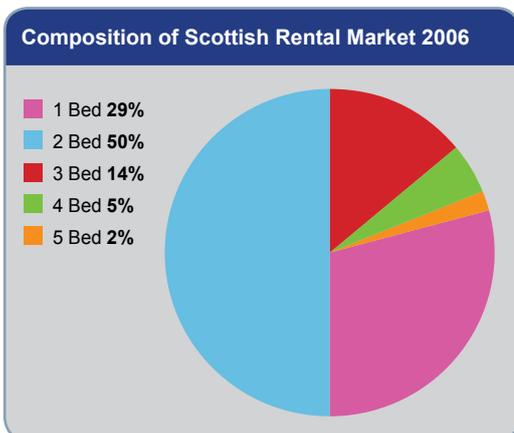
Scottish Rental Index		
Base: Jan 2006 = 100		
Month	2006	2007
January	100.0	102.6
February	101.3	102.4
March	103.1	105.1
April	104.0	
May	106.2	
June	104.3	
July	104.2	
August	104.3	
September	107.2	
October	105.6	
November	102.4	
December	99.3	

However, the Scottish average comes largely from the three major cities and they differ greatly in terms of rental values, growth rates and seasonal patterns:

Aberdeen has the highest rents and the most growth over the period

Edinburgh has above average rents, but little overall growth and a strong seasonal pattern

Glasgow has below average rents, small growth and little seasonality



The index confirms an increase of 1.9% on the same quarter in 2006. While the cost of private rental accommodation in Scotland is rising, it is doing so at a slower rate than inflation.

Along with location, the composition of the property, measured as the number of bedrooms is the major factor affecting rents.

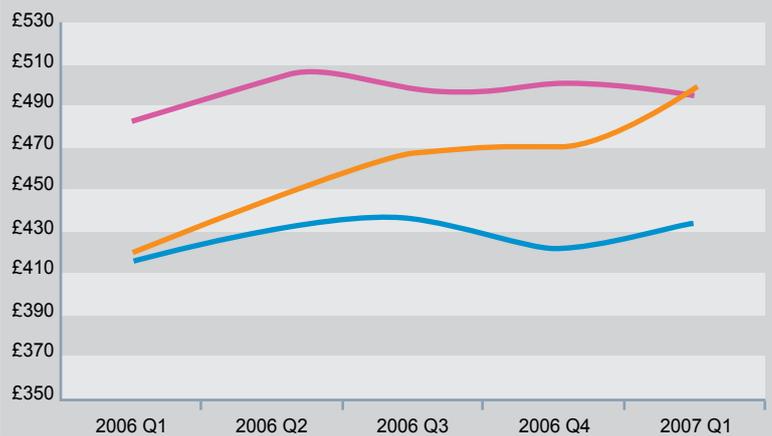
2 bedroom properties are the dominant sector, representing half of all properties. 1 bedroom properties are also of major importance, representing 29%, with larger properties much less prevalent. Studio apartments seem to be rare in Scotland registering less than 0.5%.

1 & 2 Beds

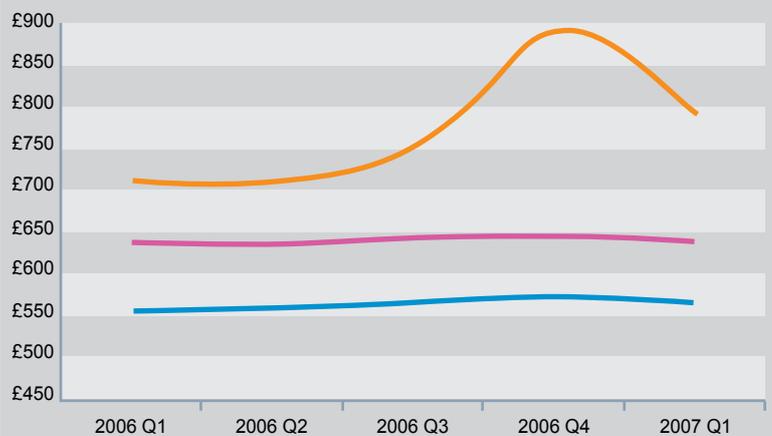
Aberdeen powers ahead

The market for 1 bedroom flats in Aberdeen grew progressively heated throughout 2006 resulting in sustained upward pressure on rents. By Q4 2006 competition was intense with 46% of 1 bed flats letting within a week, 93% within a month. Further rental increases in Q1'07 saw average rents for 1 bed flats rise above those of Edinburgh and to an impressive 18.4% higher than Q1'06.

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



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



Rents for 1 bedroom flats in Edinburgh and Glasgow were very steady throughout. In the Capital, rents barely increased recording a marginal increase on Q1'06 of 1.6%. Glasgow fared slightly better recording 3.9% growth.

Two bedroom flats display a broadly similar pattern to 1 bedroom flats with Edinburgh and Glasgow showing very modest increases (0.5% and 2.0% respectively). Average rents in Aberdeen peaked in October but still recorded a solid growth in rents of 10.3%. Whether the Q1 retrenchment in average rents is evidence of easing market pressure remains to be seen.

The continued strength of the Aberdeen economy, an increase in employment in the oil and gas sector and the rise of Aberdeen property prices have all contributed to an increased demand for 1 and 2 bedroom rental flats. However, looking at the margin between 1 and 2 bed flats in Aberdeen it may also be that 1 bed flats are perceived to be very good value.

City	Average Rent Q1 2007	Growth Q1 2006-Q1 2007	Average TTL (days) Q1 2007	Let within a week	Let within a month
Edinburgh	£494	1.6%	29	22%	52%
Glasgow	£434	3.9%	35	17%	63%
Aberdeen	£499	18.4%	17	31%	84%

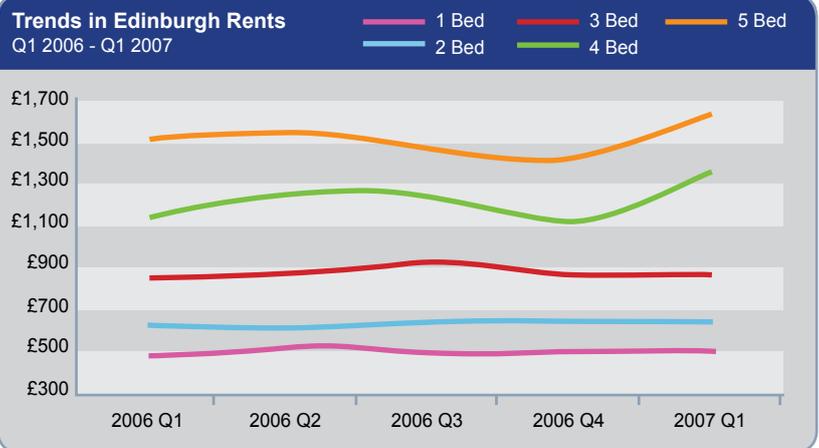
The TTL (time-to-let) figure indicates how many days a property takes to let. In general, TTL increases with the number of bedrooms. When looking at the Q1 period keep in mind that the TTL will reflect the Christmas holidays which contributes to higher average TTL's.

City	Average Rent Q1 2007	Growth Q1 2006-Q1 2007	Average TTL (days) Q1 2007	Let within a week	Let within a month
Edinburgh	£637	0.5%	35	16%	54%
Glasgow	£563	2.0%	39	12%	49%
Aberdeen	£788	10.3%	36	17%	51%

Edinburgh



Edinburgh is a smaller city than Glasgow but has a greater percentage of its population renting from private landlords. In terms of actual numbers of private rental properties there is little difference between the two cities.



Rental values in the Capital have risen by 2.1% on average (Q1'06-Q1 07) but this masks the performance of larger properties over the same period. Strong growth is evident in 4 and 5 bedroom properties with increases of 15.6% and 6.9% whereas 1-3 bedroom properties display only modest growth.

There would appear to be seasonal patterns for 3, 4, and 5 bedroom properties with rents rising in the first two quarters of 2006 before falling back by the year end. It will be interesting to see if the upward trend seen in Q1'07 for larger properties is maintained in Q2 and whether 2007 as a whole displays a similar pattern to 2006.

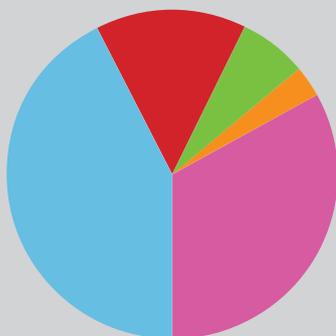
Demand for rental properties is also strongest in Q2 of 2006 with 68% of all properties letting within a month having an average time-to-let of 25 days. The low average TTL in this quarter reflects the increased demand for larger properties which let twice as fast in Q2 as in Q4.

Edinburgh has four universities and a large student population so it is highly likely the seasonal variation seen for larger properties is due to the student market.

If you are looking to share consider 3 bedroom properties which were, on average in 2006, cheapest on a per-person basis. However, this could be attributable to a range of other factors such as, for example, fewer and/or smaller communal rooms.

Composition of the Edinburgh rental market 2006

- 1 Bed 31%
- 2 Bed 44%
- 3 Bed 15%
- 4 Bed 7%
- 5 Bed 3%



Edinburgh has a lower proportion of 2 bed properties than the national average and a greater proportion of 3 bed and larger properties.

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.

Edinburgh						
Postcode	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	TTL
EH1	£514	£675	£1,069		£1,608	30
EH3	£522	£730	£1,112	£1,421		32
EH4	£529	£637	£773	£1,120	£1,625	31
EH5	£474	£571	£811	£1,204		32
EH6	£468	£630	£880	£1,095	£1,275	33
EH7	£493	£640	£838	£1,099	£1,339	35
EH8	£489	£631	£920	£1,248	£1,575	27
EH9	£502	£654	£895	£1,205	£1,621	28
EH10	£528	£663	£914	£1,242	£1,653	32
EH11	£470	£591	£832	£1,042		25
EH12	£513	£674	£855	£1,256		33
All Edinburgh	£497	£641	£873	£1,236	£1,546	32

Glasgow					
Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
G1	£504	£666			39
G2	£518	£648			38
G3	£468	£697	£919	£1,111	32
G4	£464	£606	£813	£1,138	38
G5	£469	£555	£702	£848	37
G11	£460	£639	£848		35
G12	£495	£680	£939	£1,150	38
G20	£442	£550	£687		34
G31	£366	£498	£620		32
G32	£378	£469			34
G40	£407	£502	£573		38
G41	£427	£534	£669	£955	33
G42	£388	£495	£602		31
G44	£396	£516	£565	£765	35
G51	£374	£473	£547		38
All Glasgow	£430	£565	£706	£974	35

Aberdeen					
Postcode	1 Bed	2 Bed	3 Bed	4 Bed	TTL
AB10	£492	£739	£955		26
AB11	£453	£773	£1,113		22
AB15	£567	£1,125	£1,408	£1,911	50
AB24	£460	£728	£1,250		25
AB25	£526	£744	£1,010		20
All Aberdeen	£484	£835	£1,110	£1,651	31

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.

(Avg: 2006 Q4 and 2007 Q1)

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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