



Keys to the future

The Private Rented Sector (PRS) is now a key part of Scotland's housing mix with the potential and desire to deliver more of the many homes required.

Analysis and online resources for agents, landlords, investors, developers and government.



Our Autumn Bulletin contains the usual mix of rental and sales market analysis across Scotland, industry commentary, as well as detailed analysis of recently published Census data. For those interested in a detailed methodology check out our previous summer bulletin.

The Scottish Government's consultation on the prospective new tenancy system is now over but it is pleasing to see how the wider industry has come together during this period and responded to the Government's call to back up our position with evidence. I hope our ongoing research and analysis plays a part in building that evidence base. From our perspective weak enforcement of current legislation enables critics of the PRS to find flaws in the provision of homes in this sector. A new form of tenancy will not resolve these problems.

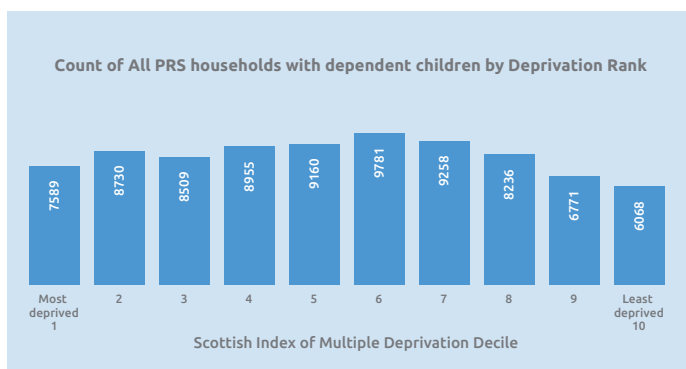
We also look at the Scottish Government's own private rental statistics which are a very welcome addition for the sector, as they provide a robust and trusted source of information which complements, and to some extent validates, our own analysis. It is worth pointing out that the very recently published Scottish Housing Market Review by the Scottish Government's Centre for Housing Market Analysis (CHMA) summarises the rents statistics very succinctly.

When accounting for inflation the average annual rent increases for 2 bed properties across Scotland (2010 to 2014) are actually negative. This should finally put to rest any mention of rip-off rents from politicians and lobbyists.

Go online to see review here (pg4): j.mp/scothousingreview

In our Agent section we have insights from three very experienced players, as well as a profile of the new and innovative Homes for Good agency which is run as a social enterprise by Susan Aktemel.

A recent data release this November namely [Census Release 3k](#) was particularly important as it allowed us for the first time to explore where families with children in the PRS live or to be more precise lived. The Census is a very high resolution snapshot of who lived where on 27 March 2011.



Several politicians gave wildly inaccurate estimates of the proportion of families in PRS during the recent housing debate in Holyrood – see transcript here j.mp/PRSdebate - we felt it important to produce a definitive interactive map showing precisely where and how many of these families there are.

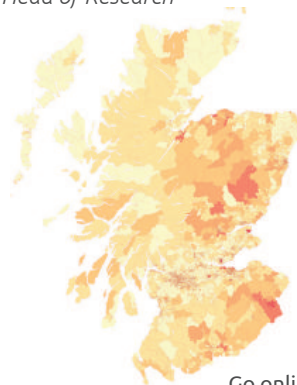
In summary the numbers of families with dependent children living in PRS is 83,057 which equates to 25.5% of all PRS households. At the time of the 2001 Census these equivalent figures were 41,400 and 23.6% respectively.

The interactive map j.mp/PRSFamilies highlights couples with dependent children in the PRS and shows a very broad geographic spread. The charts below show counts of PRS households by Deprivation Rank and are evenly distributed across every deprivation decile from the most deprived (1) to the least (10). This profile bears no resemblance to the grim picture of the PRS so often painted by lobbyists, politicians and the media. It is evidently not a poverty stricken tenure of last resort but more a fully dispersed and integrated housing option for all.

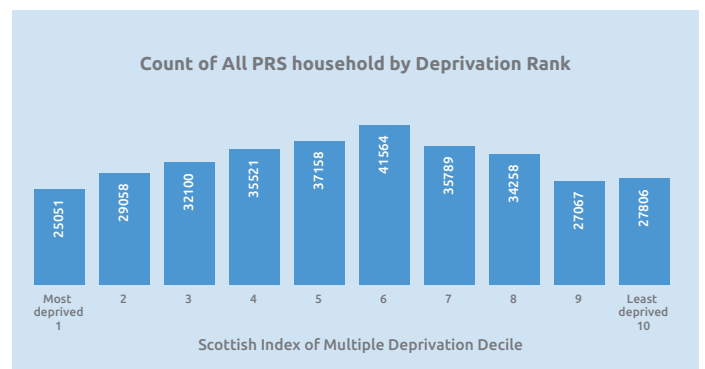
The recently published Scottish House Condition Survey 2013 backs this up and shows that income in the PRS is almost identical to the 'owned outright' tenure group.

Follow us on Twitter for latest news and analysis [@lettingstats](https://twitter.com/lettingstats)

Dan Cookson
Head of Research



Go online to explore map: j.mp/PRSFamilies



Summary facts and figures



The rental statistics in this report:

- are based on latest advertised rent levels on lettingweb.com
- are not an indication of rent changes for existing tenants

HOT SPOTS

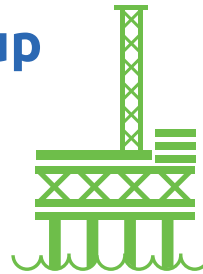
Glasgow 2-bed
£662 - up 12.4% pa
 Down 2.6% on qtr.



Edinburgh 2-bed
£809 - up 6.7% pa
 Down 2.1% on qtr.



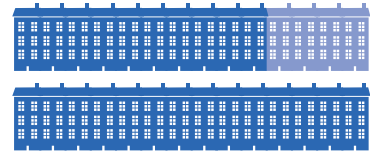
Aberdeen 2-bed
£1,022 - up 3.1% pa
 Up 3.3% on qtr.



SUPPLY VS DEMAND

86% of tenants have never experienced an increase in rents during a tenancy

Survey of 6,448 PRS tenants conducted by Lettingstats Dec 2014



Average Annual Real Private Rent Increase = - 0.1%

Scot. Gov. Private Rents 2010 to 2014

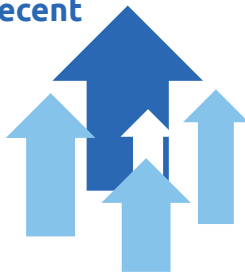
See online: [j.mp/scothousingreview](http://www.j.mp/scothousingreview)

Average rent for Scottish 2-bed property £664

- up 8.9% on year
- down 1% from prev qtr

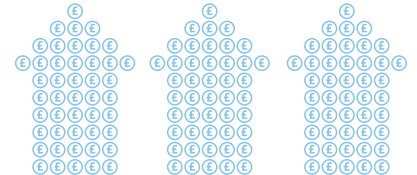


Private rents have seen recent increases because of supply crisis



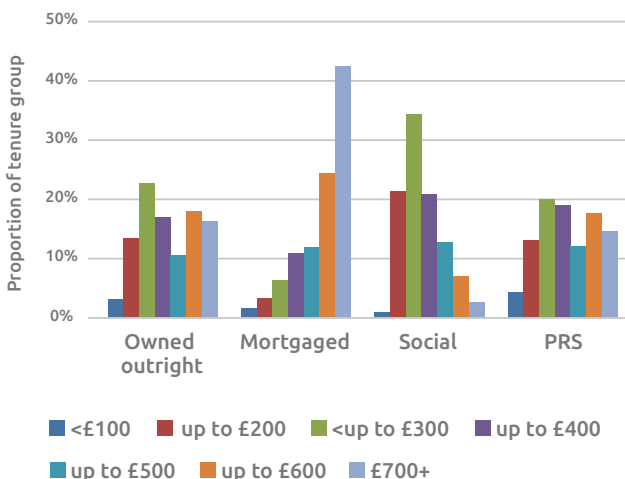
Social Rent Cumulative Increases 2008/9 to 2012/13 17.7%

Mortgages to FTBs are up
 Mortgages to B2Ls are up



Oct 2014 average flat price £132k up 5.7%

Weekly Income Distribution by Tenure 2013

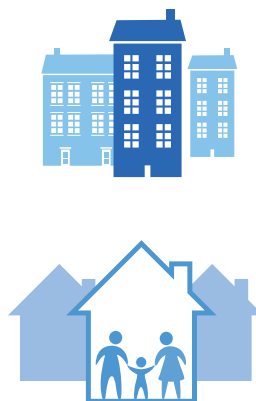


Source: SHCS 2013

Gross Initial Yield 6.5%

25.5% of households in PRS have dependent children

83,000 families with dependent children in PRS



Results from Largest UK Private Tenant Survey

Lettingstats conducted an online survey in Nov/Dec 2014. This was distributed to thousands of people who had shown interest in rental property on Lettingweb in the previous three years. We received responses from 8,626 people of which 6,448 were tenants currently living within the PRS in Scotland. The remainder had previously lived in the PRS. We believe this to be the largest opinion survey of private renting tenants conducted in Scotland or indeed the UK and as such provides a unique resource for further analysis.

Our summary feedback from those currently living in PRS indicates:

- 86% of tenants surveyed had never received a request for a rent increase during a lease
- 95% of tenants felt any request to vacate property was reasonable
- 67% of tenants lived in 1 or 2 person households
- 56% of tenants pay under 40% of income on rent



Total response from Private Renting Tenants Currently Living in Scotland

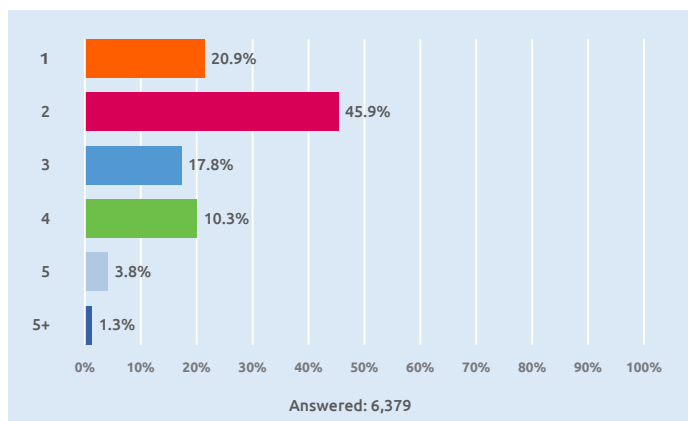
6,448

= Largest* Survey of Private Renting Tenants

Survey concluded: Tuesday, December 9th, 2014

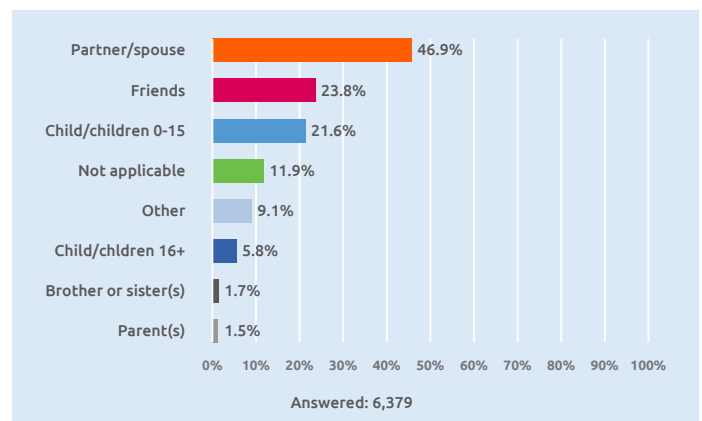
* Shelter and British Gas commissioned YouGov to survey 4,327 adults in England living in the rented sector which was claimed to be the largest survey of renters at the time.

Including yourself and children, how many people live in your current rental property?



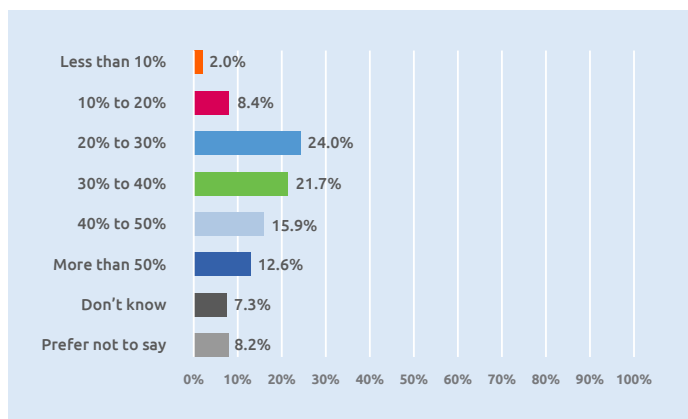
1 and 2 person households make up just under 67% of total

In your current rental property, which of these people do/did live with? Tick all that apply.



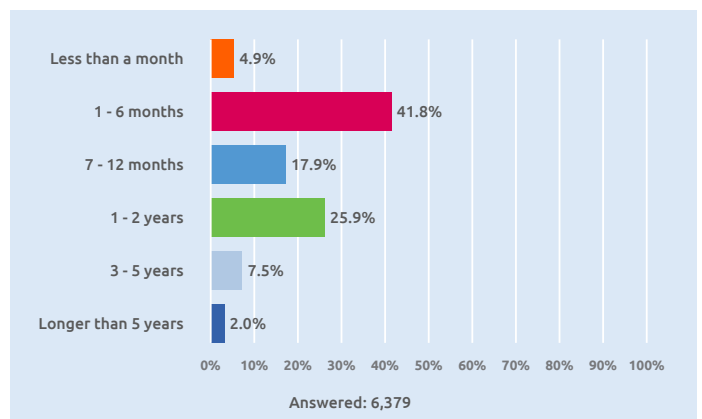
28% of our respondents lived with children while 24% lived with friends.

What proportion of your monthly household income do you spend on monthly rent?



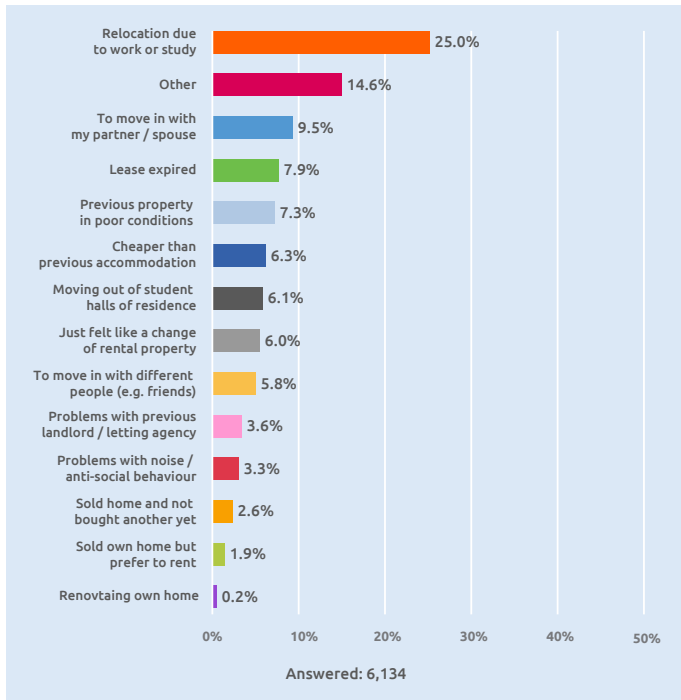
The whole issue of affordability is a complex one but most tenants pay less than 40% of income on rent.

How long have you lived in your current rental property?



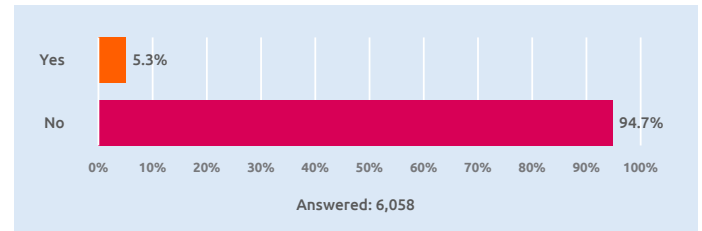
We will explore tenancy length in more detail in future reports but our agents tell us these are getting longer.

What was your main reason for moving to your current property? (Please tick reason that is most applicable)



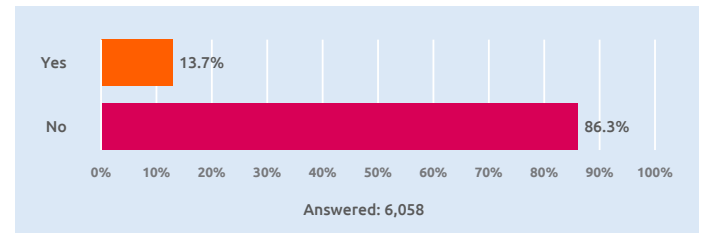
Work or study was the primary reason for moving. It is evident that both the labour force and students require flexible accommodation.

Have you ever been asked to leave a property for a reason that was not explained or that you considered unreasonable?



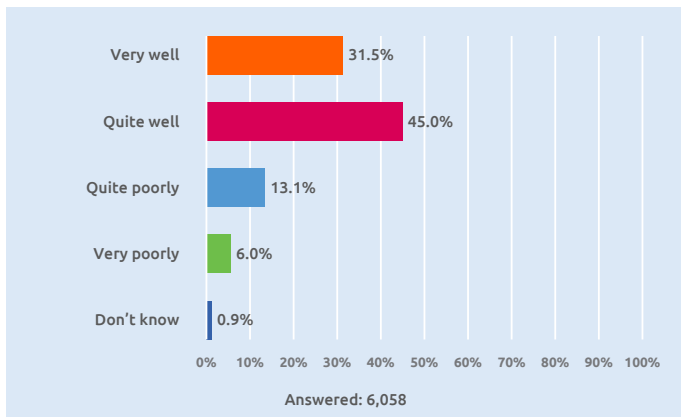
5.3% of respondents felt reason to leave was unreasonable. A small % but worthy of further exploration.

Has your current landlord or letting agent increased rents in your current or most recent rental property?



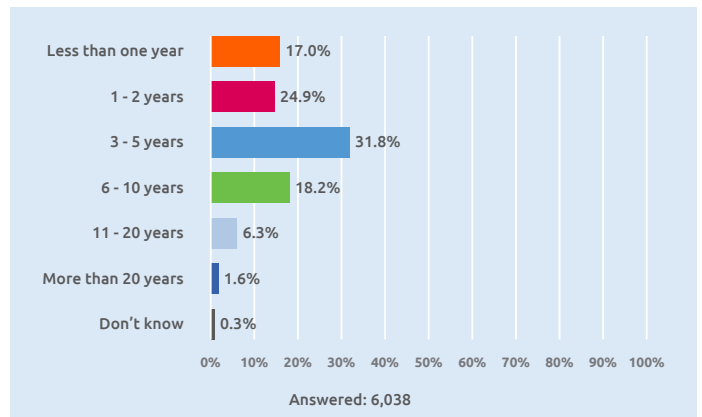
As the industry has been saying, very few rent increases are undertaken mid-tenancy.

How well has your current or most recent rental property been managed by your letting agent/landlord?



PRS property was deemed to have been well managed by 76.5% of respondents. Industry needs to focus on the 6% that rate very poorly.

For how many continuous years have you lived in private rented accommodation?



The PRS is not just a temporary pathway to other tenures. Many choose it for the medium and long term.

Malcolm Warrack, Chairman of Letscotland, says:

“Scotland’s private rented sector has grown hugely in response to the demands of the market, and these figures make clear that the overwhelming majority of tenants do not share the view that there is a problem with escalating rent levels. The vast majority do not receive a request for a rent rise during their tenancy, and if they do, it seems that most consider that request to be reasonable.”

“Housing provision is vital for the success of the economy and for meeting the demands of wider society. We need to get any future reforms right for tenants and right for the market. The Lettingstats survey also found that 41% of tenants are

confident that they could secure another suitable rented property in a reasonable timeframe if they had to leave their current home. That uncertainty is founded on a shortage of rented properties on the market to meet demand.”

“With rented properties being snapped up within days of going on the market, we have a supply problem in private rented stock in Scotland. We need to ensure current landlords remain in the sector keep their properties and encourage them to provide more in future to meet rising demand.”

Official Scottish Government Statistics

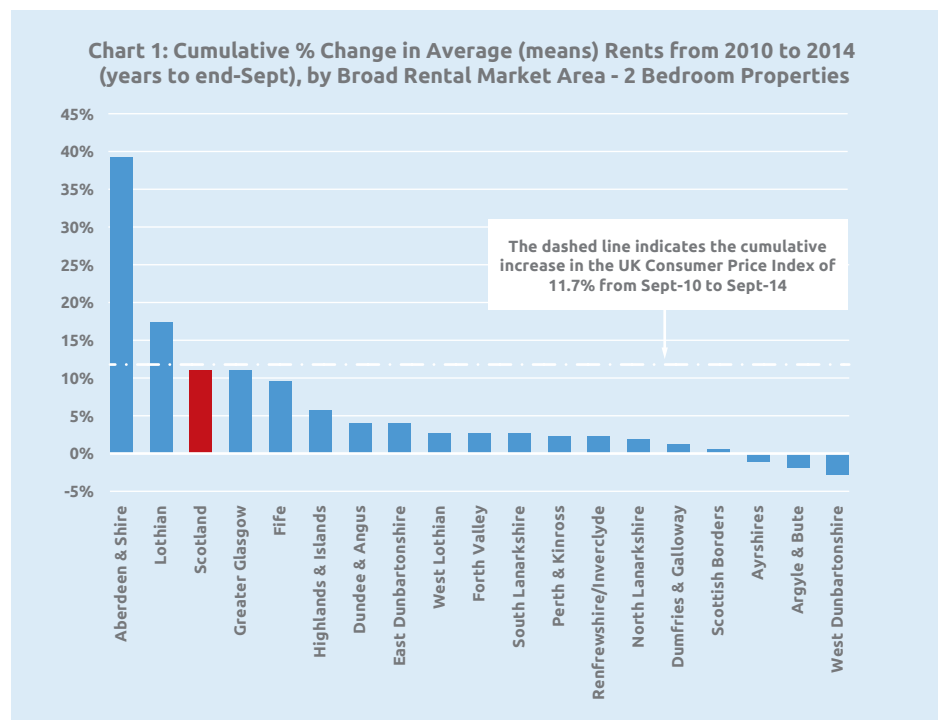
Go online to view Scottish Government Private Rental statistics: www.j.mp/scotgovrentstats

Social Rent Increases 2008/9 to 2012/13

	Cumulative % Increase
Scotland	17.7%
Aberdeen City	16.3%
Aberdeenshire	20.7%
Angus	21.2%
Argyle and Bute	23.3%
Clackmannanshire	23.2%
Dumfries and Galloway	18.7%
Dundee City	19.7%
East Ayrshire	18.3%
East Dunbartonshire	14.5%
East Lothian	19.9%
East Renfrewshire	20.4%
Edinburgh, City of	28.1%
Falkirk	13.0%
Fife	17.8%
Glasgow City	14.9%
Highland	13.1%
Inverclyde	21.1%
Midlothian	24.2%
Moray	19.9%
North Ayrshire	19.0%
North Lanarkshire	12.2%
Perth and Kinross	21.3%
Renfrewshire	18.9%
Scottish Borders	22.3%
South Ayrshire	22.4%
South Lanarkshire	6.7%
Stirling	17.9%
West Dunbartonshire	18.8%
West Lothian	16.7%

2 Bedroom Properties - Average (mean) Monthly Rents (£): Cumulative Changes 2010 to 2014, by Broad Rental Market Area

	2010	2014	Cumulative Change	Cumulative CPI
Aberdeen and Shire	£643	£898	40%	11.7%
Lothian	£665	£779	17%	11.7%
Scotland	£536	£596	11%	11.7%
Greater Glasgow	£564	£626	11%	11.7%
Fife	£464	£510	10%	11.7%
Highlands and Islands	£503	£532	6%	11.7%
Dundee and Angus	£497	£518	4%	11.7%
East Dunbartonshire	£581	£604	4%	11.7%
West Lothian	£527	£543	3%	11.7%
Forth Valley	£492	£506	3%	11.7%
South Lanarkshire	£481	£494	3%	11.7%
Perth and Kinross	£506	£520	3%	11.7%
Renfrewshire/Inverclyde	£473	£483	2%	11.7%
North Lanarkshire	£455	£464	2%	11.7%
Dumfries and Galloway	£435	£442	2%	11.7%
Scottish Borders	£442	£444	1%	11.7%
Ayrshires	£464	£461	-1%	11.7%
Argyle and Bute	£503	£495	-2%	11.7%
West Dunbartonshire	£492	£479	-3%	11.7%



We very much welcome the publication of these figures as they complement our own more current and local analysis and provide a trusted foundation for the wider housing industry.

There will be differences between our respective statistics because of the different samples and geographies but the broad trends in terms of rent change over time are reassuringly similar.

Regional Rents, Flat Prices and Yields

Mean Monthly Rent for 2 bed properties

Sales Analysis of Flats

Compound Annual Growth Rate - CAGR

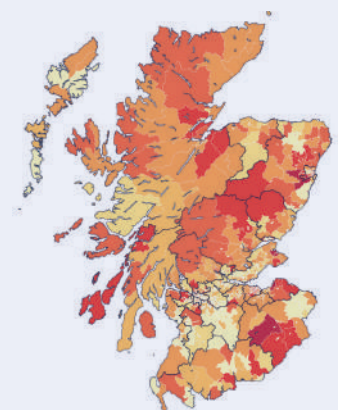
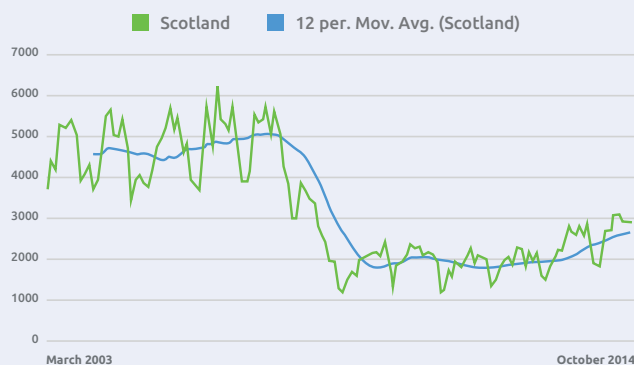


Local Authority	Autumn 2013	Autumn 2014	Annual Rent Change %	Average Flat price	Price Change Oct 2013 - Oct 2014 14 %	10yr CAGR	5yr CAGR	Gross Initial Yield
Aberdeen City	£991	£1,022	3.1%	£170,626	9.3%	7.78%	4.37%	7.2%
Aberdeenshire	£766	£854	11.5%	£146,165	15.6%	9.28%	3.13%	7.0%
Angus	£471	£501	6.4%	£87,482	3.0%	7.22%	0.28%	6.9%
Argyll and Bute	£521	£531	1.9%	£88,362	-8.8%	1.03%	-4.94%	7.2%
City of Edinburgh	£758	£809	6.7%	£204,760	8.0%	3.34%	1.90%	4.7%
Clackmannanshire	£450	£443	-1.6%	£74,698	-2.0%	2.61%	-0.43%	7.1%
Dumfries and Galloway	£459	£452	-1.5%	£99,264	4.4%	3.55%	3.36%	5.5%
Dundee City	£535	£545	1.9%	£96,223	-1.7%	4.48%	0.93%	6.8%
East Ayrshire	£427	£455	6.6%	£62,723	9.0%	2.85%	-0.64%	8.7%
East Dunbartonshire	£637	£627	-1.6%	£153,182	14.6%	3.04%	4.55%	4.9%
East Lothian	£604	£625	3.5%	£167,216	12.0%	4.23%	0.65%	4.5%
East Renfrewshire	£548	£638	16.4%	£154,144	26.4%	3.90%	1.63%	5.0%
Falkirk	£464	£483	4.1%	£63,431	5.2%	2.66%	-1.25%	9.1%
Fife	£493	£515	4.5%	£107,592	18.1%	4.23%	2.00%	5.7%
Glasgow City	£589	£662	12.4%	£120,417	4.4%	2.04%	-0.12%	6.6%
Highland	£591	£614	3.9%	£120,160	8.3%	3.73%	0.18%	6.1%
Inverclyde	£498	£501	0.6%	£82,654	-8.9%	1.04%	2.10%	7.3%
Midlothian	£599	£610	1.8%	£117,067	16.5%	4.01%	0.92%	6.3%
Moray	£485	£495	2.1%	£85,469	-9.8%	4.54%	-2.43%	6.9%
North Ayrshire	£457	£416	-9.0%	£73,562	-6.8%	0.58%	-0.55%	6.8%
North Lanarkshire	£447	£451	0.9%	£53,344	-12.0%	0.42%	-3.24%	10.1%
Perth and Kinross	£533	£539	1.1%	£106,404	4.7%	4.41%	-2.17%	6.1%
Renfrewshire	£458	£496	8.3%	£68,317	9.4%	0.92%	-1.77%	8.7%
Scottish Borders	£431	£453	5.1%	£93,875	-13.4%	4.00%	-0.31%	5.8%
South Ayrshire	£493	£514	4.3%	£84,313	-10.9%	1.50%	-4.23%	7.3%
South Lanarkshire	£479	£493	2.9%	£74,419	-6.9%	1.22%	-0.63%	7.9%
Stirling	£584	£610	4.5%	£128,892	14.7%	2.34%	-1.29%	5.7%
West Dunbartonshire	£476	£451	-5.3%	£68,460	-11.6%	1.44%	-1.88%	7.9%
West Lothian	£555	£561	1.1%	£90,462	-0.8%	3.06%	-1.88%	7.4%
Scotland	£610	£664	8.9%	£132,029	5.7%	3.90%	1.33%	6.0%

A word on sales market

While the media like to obsess about movements in average price it is actually the change in volumes of sales that is often of more significance. The latest figures derived from Registers of Scotland data for October tell us that 2,930 flats changed hands in Scotland and that the 12 month moving trend line is very clearly upward. With rental stock probably falling slightly as sales increase and tenancies lengthening there is upward pressure on rents.

Monthly Count Flat Sales Scotland



Changes to PRS legislation must not restrict market growth

This autumn, the Scottish Government sought views on a prospective new tenancy system for the private rented sector. It's a set of changes that could hold huge significance for the sector and bring forward real change for the way in which letting agents do business. Letscotland has consulted widely with members in order to inform our formal response to the consultation, whilst encouraging all letting agents to make individual submissions on this vital issue.

Probably the most controversial proposal was tagged on to the end of the consultation, where the Government has sought views on whether it should take action to control rent levels in Scotland. On this, Letscotland has given a resounding rejection to any suggestion that government action is required in this area.

All the evidence suggests that rent controls will result in a reduction in the number of properties being offered for let by landlords, exacerbating the supply crisis that has been demonstrated in some markets - and rising rents will be the primary outcome. We hope that this suggestion will not be incorporated in future legislation.

However, on the subject of the proposed new tenancy arrangement, we have been more positive, and can see some merit in the arrangements proposed. That new tenancy needs to recognise the respective needs of landlords as well as tenants.

Where rent is unpaid, we have advocated a more streamlined system for eviction, so that landlords have their interests protected. We have made the case for flexibility in lease terms, so that flexible month- y-month extensions can continue to fulfill an established need in the market.

The Scottish private rented sector has grown substantially in recent years. That growth has been fuelled by growing demand for tenants who value the flexibility and affordability offered by rented accommodation, whether that is on a long-term or short-term basis. **Above all, we need the legislation to come forward after this consultation to have in its DNA a commitment to continuing to meet that growing need with more properties on the market.**

We'll keep you posted on the legislative proposals that come forward, expected in the first half of 2015

Yours,
Malcolm



Agent Case study

As illustrated in this quarter's and previous Lettingstats reports, the private rented sector is an increasingly essential and desirable housing option for people from all walks of life. Scotland is witnessing a significant increase in demand for quality houses, with families making a positive choice to rent at reasonable levels rather than buy.

One example of a letting agent working to meet such demand in the mainstream market with socially-minded goals is Susan Aktemel, Director of Homes for Good, a new addition to the sector. Only in existence since 2013, and the first of its kind in Scotland, Susan's company has set itself the goal of improving the quality of PRS homes and their management alongside her peers in the letting sector while also offering tailored support for vulnerable households.

As a social business with properties across the west of Scotland, Homes for Good "thinks social" in every aspect of its operations – staffing, suppliers, partner and support for tenant by reinvesting all its profits in to enabling vulnerable people to access quality housing in the private rented sector.

An experienced private landlord and social entrepreneur, Susan believes that affordable housing supply is a critical issue across Scotland. The private rented sector (PRS) needs to be a key and reliable partner which means it must be fit for purpose both in terms of quality of properties, and quality of management. Letting agencies have a central role in ensuring this quality.

"The Homes for Good philosophy is that if a tenant is happy in their home then the landlord's investments are much more likely to be protected," says Susan. "Creating holistic 'more than housing' support for our tenants is paramount to the success of both our and our landlords' businesses. Homes for Good supports landlords to comply and move forward with legislation, to drive standards in the sector and in doing so, lead by example."

In Scotland, approximately 30% of PRS tenants are in receipt of Housing Benefit. Within Homes for Good this figure is 49%, indicating that the company is responding to a marked demand.

"Of the 108 tenants with families we currently support, 84% are either economically inactive due to unemployment, illness or refugee status, or in low income,



part-time employment. Almost half of our tenants have at least two potential support needs ranging from people who experience domestic violence to ex-forces veterans.”

Partnering with key agencies in the sector has allowed Homes for Good to develop its social objectives. For example, four ex-servicemen have been referred to Susan’s company by Glasgow Helping Heroes and Homes for Good work with North Ayrshire Council’s Rent Deposit Scheme, which enables tenants to move to properties without a deposit on the basis it will be paid up. The scheme helps people who are looking to move but do not have enough money to raise the funds to pay the deposit and first months’ rent up front .

“We enjoy good relationships with our tenants,” says Susan. “Through offering budgeting advice, financial planning an employability assistance, we facilitate a smooth transition into the PRS for people in this time of change and uncertainty.” To find out more about Homes for Good visit: www.homesforgood.org.uk/

Susan Aktemel

Director, Homes for Good
www.homesforgood.org.uk

“The lettings market has gathered momentum. Rentals are strong because of undersupply but also because a sizable number of people who cannot or will not commit to buying. Going forward, investment in the private rented sector is looking particularly promising if developers can gain the right sites in the right locations.”



John Boyle
Rettie & CO
www.rettie.co.uk

“We now find ourselves on the cusp of what feels like an especially significant moment for the sector with proposals to change the tenancy regime and a debate raging about rent control. There seems to be a desire to understand what consumers in the PRS actually want and, with the promised intelligent regulation of the sector to be fleshed out, 2015 promises to be an interesting year.”



Mike Campbell
Managing Director, Belvoir Edinburgh
www.belvoir.co.uk/property-to-rent/belvoir-edinburgh

“We found the number of investors both concluding property purchases for let and new investors interested in the Edinburgh market was stronger than ever in 2014, and that interest did not dry up during the August/September Referendum period. Many investors saw opportunity in potential additional demand for residential and commercial property, and the likely levels of investment in a new country.”



Jonathan Gordon
Managing Director, Clan Gordon Limited
www.clangordon.co.uk

Ian Langley, director at mydeposits Scotland explains alternative dispute resolution (ADR) and its usage by the Tenancy Deposit Schemes.



Ian Langley,
Director at mydeposits Scotland

What is ADR?

ADR is a way of resolving disputes, instead of using the traditional route of the Courts. All tenancy deposit schemes use the 'adjudication' method to deal with deposit disputes. It's an evidence based process, and the outcome is decided by an impartial and qualified adjudicator.

ADR and Deposit Protection

At the end of the tenancy, if the landlord/agent and their tenant cannot agree over deductions to the deposit, then the Tenancy Deposit Schemes offer a free ADR service to resolve the dispute.

Thankfully deposit disputes requiring ADR are rare, over 98% of deposits lodged with mydeposits Scotland are returned quickly and fairly when the tenant moves out, often with an agreed deduction, proving that developing good relationships with tenants is vital.

However, there are some occasions where negotiation fails and ADR is required to resolve the dispute.

The starting point of the law is that the deposit is the property of the tenant, and they can expect to get it back in full, at the end of tenancy, provided they have honoured the terms of the tenancy agreement.

That means the onus is firmly on the landlord/agent to provide evidence to support their claim to the deposit money. It needs to prove that the tenant has broken the tenancy agreement, and that the landlord has suffered, or is likely to suffer, a loss as a result. The tenant has no obligation to prove their claim but they are able to submit evidence if they want to.

The adjudicator will make a binding decision solely on the evidence provided.

It should be noted that dispute resolution, by its very nature, is unique to each and every case. Unlike the legal system, schemes are not governed by 'precedent' and decisions are made using the principle of 'balance of probability' based on the submission of evidence.

What is ADR?

The reality is that disputes take time to resolve, in fact certain timeframes have been written in the legislation including a 10 day wait for parties to accept or reject the adjudication decision.

Once the evidence has been received by the scheme, they have 20 working days to make a decision. At mydeposits Scotland

we've managed to get that down to 11 days thanks to our online dispute process that enables Users to upload evidence, and a dedicated team of dispute handlers who compile evidence before it goes over to the adjudicator to help save time.

Deposit Disputes – best practice

All Schemes have found that most disputes are resolved simply by the landlord and tenant communicating at the end of the tenancy, whether this is through their agent or otherwise. Disputes can be minimised by both parties - but especially the landlord - having a realistic expectation about what condition the property should be returned in at the end of the tenancy. Here's a few tips:

- **Remind the tenant of their obligations under the tenancy agreement before it ends, preferably in writing.**
- **Wherever possible, ensure that the tenant(s) attend the 'check-out' process. Ensure that their comments are noted if they disagree with anything during the process, and make reference to these comments when responding over deductions.**
- **The landlord should take into account betterment and fair wear and tear; this will help manage their expectations of what they can claim from the deposit.**

To find out more please read the mydeposits Scotland Guide to Deposits, Damages and Disputes in the online Resource Centre.

Until next time,

Ian Langley
Mydeposits Scotland



WHY?

- ✓ Reduces the risk of fraud and rent arrears
- ✓ Decreases your internal administration time
- ✓ Increases the overall speed of tenant check in

DON'T TAKE OUR WORD FOR IT! HERE'S WHAT OUR PARTNERS SAY...

"myrentalcv saves us time and the feedback from the tenants is very positive. They are finding the system simple to use and they like the idea of having something they can use time and time again."



**Renee Anderson - Director,
Lomond Letting Ltd**

"The online interface is extremely user friendly and the support is very good, which allows our team to concentrate on other aspects of the operation, reducing costs and increasing profitability."



**Eduardo Prato - Director,
Martin & Co Aberdeen**

BECOME A PARTNER TODAY FREE OF CHARGE!

Visit www.myrentalcv.com for more information or contact us today to register your interest. Email register@myrentalcv.com to arrange a free consultation with one of our helpful account managers.

Disclaimer: With reference to the Private Rented Housing (Scotland) Act 2011, please note that myrentalcv is a web-app to collate and present a CV of an individual's information and residency history, and is not connected, nor should be required as a condition of the grant, renewal or continuance of any one specific tenancy.

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