Economic Impacts of Short-term Lets in Edinburgh

October 2024

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1. Executive Summary

Secondary lets in Edinburgh account for less than 1% of the city's total housing stock. By accommodating visitors short-term lets support economic activity in the city, much more than would be supported by residential use of the properties.

The local economic impacts of short-term let use will tend to exceed that of residential use.

- The annual Gross Value Added (GVA) associated with an average owner-occupier or private rented residential household in Edinburgh is £13,266, supporting one-tenth of a job in the city economy.
- For a 2-bedroom short-term let, the average annual GVA is at least £45,818 GVA, supporting 1.2 jobs in the city economy.
- For many short-term let premises, the economic impacts will be considerably greater than this.

The local fiscal impacts are also substantially greater for short-term lets than for residential use and vary depending on the size of the property.

Guests staying in short-term lets spend more than the average visitor to Edinburgh, supporting economic activity in sectors associated with tourism and hospitality.

- The short-term let accommodation sector is estimated to generate £154 million GVA and support 5,580 jobs across Edinburgh.

If the share of dwellings accounted for by short-term lets changed by even a fraction of a percentage, this would have large implications for the economic activity supported in the local tourism economy.

- A 0.5% increase would result in short-term lets generating £194 million GVA for the local economy (an *additional* £40 million); and
- A 0.5% decrease would result in short-term lets generating £97 million GVA for the local economy (a *loss in economic activity* of £57 million).

The number of vacant properties in Edinburgh has increased since the introduction of the licensing restrictions.

- Short-term lets are estimated to account for 1.5% of all dwellings in Edinburgh, of which secondary lets account for 0.8%. This is considerably less than the 4% that vacant properties account for and below the threshold considered 'low density'.
- Edinburgh has seen a consistent increase in property and rental prices; at the same time, the volume of vacant dwellings has increased since the introduction of the licences.

2. Introduction

This report assesses the economic impact generated by short-term lets in the Edinburgh economy.

The study was commissioned by STL Solutions in Autumn 2024. The study question that was set was: *does the use of a property in the City of Edinburgh as a short-term let have demonstrably greater economic benefit than if it were used as a residential property?* The methodology was designed by BiGGAR Economics to answer that question. This is an independent analysis, based on the best evidence that exists on the Edinburgh economy and the contribution made by short-term lets and residential use of property.

2.1 Edinburgh Short-Term Lets

The regulation of short-term lets in Scotland changed in 2022. Properties operating as a short-term let in Scotland are now required to obtain a licence. This applies to new and existing providers and is expected to be fully in place by January 2025.

In July 2022, the City of Edinburgh Council was deemed a short-term let control area (STLCA). It is one of two local authority areas in Scotland to be placed under such controls and requires owners of residential accommodation who are wholly letting the premises to obtain 'change of use' planning permission for the accommodation to be deemed a short-term let. This requirement came into effect on 5th September 2022 and placed a legal requirement on all future short-term let providers in the city, beyond that of the licensing regulations.

The housing emergency declared in Edinburgh, in combination with the control on short-term lets, makes the city a unique example to illustrate the impacts of short-term lets on the local economy and housing market. Any negative implications from the use of short-term lets should be more apparent in the City of Edinburgh than in other local authority areas. Therefore the key findings of this report can largely be applied to other local authority areas in Scotland.

2.2 Report Structure

This report is structured as follows:

- section 3 presents an estimate of the economic impacts generated by short-term lets in Edinburgh, in comparison to residential use;
- section 4 outlines the contribution the short-term let accommodation sector makes to Edinburgh's economy; and
- section 5 places the impact of the sector in the context of the city's wider housing market.

3. Economic and Fiscal Impacts

The economic impact of short-term let use will tend to exceed that of residential use because expenditure by visitors tends to be higher than residential household expenditure.

3.1 Residential Use

The economic impact associated with residential use will depend on the household expenditure that might be expected to be associated with that use.

Further economic impacts could be expected if the reduction in short-term let use of properties in Edinburgh were to be associated with an increase in residential use, leading to significant changes in housing and/or rental markets that, in turn, affected labour markets. If there were an increase in residential housing that led to an increase in the working age population in and within commuting distance in Edinburgh, in theory this could impact on productivity growth in the economy by providing an increase in skilled workers for growing sectors of the economy. However, as discussed later in this report, the number of properties in Edinburgh that are operating as short-term lets represent a small proportion of the total number of properties and so it is unlikely that a reduction would have any meaningful impact on labour markets.

3.1.1 Household Types and Spending

The Scottish Household Survey (SHS)[1] provides data on the number and composition of households in Edinburgh. This shows that 61% of Edinburgh households (around 150,000) were owner-occupied and 24% were private rented (around 60,000).

The SHS also provides an analysis of the different types of household composition (see Table 3-1). This shows that a total of 19.4% of households included children and more than half (50.9%) had one or two adults of working age but no children.

[1] Scottish Government (December 2023), Scottish Household Survey 2022

Table 3-1 Household Characteristics (Edinburgh)

Household Type	Description	Proportion of Households*
Single adult	One adult aged 16-64 and no children.	26.3%
Small adult	Two adults aged 16-64 and no children.	24.6%
Single parent	One adult of any age and one or more children.	3.4%
Small family	Two adults of any age and one or two children.	12.8%
Large family	Two adults of any age and three or more children, or three or more adults of any age and one or more children.	3.2%
Large adult	Three or more adults and no children.	7.2%
Older smaller	One adult aged 16-64 and one of pensionable age and no children, or two adults of pensionable age and no children.	11.3%
Single pensioner	One adult of pensionable age (65 or over) and no children.	11.2%

Source: Scottish Household Survey, 2022 (* Proportion of Owner-occupied & Private Rented Households)

There are differences in the household spending patterns of different types of households. Data on spending is available from the Office of National Statistics (ONS)[2].

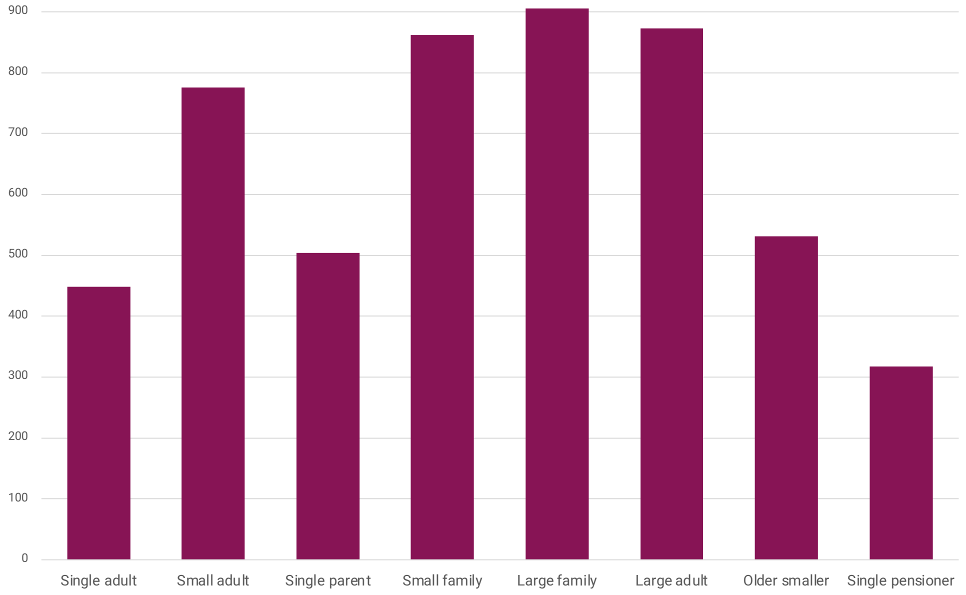
This spending data is available at the UK rather than local authority level and is likely to vary across the UK based on patterns of income and wealth. ONS also publishes data on differences in household disposable income in each local authority area[3]. This shows that disposable incomes in Edinburgh are 16.6% higher than the UK average.

The UK level spending data can therefore be adjusted to what might be expected in Edinburgh. On this basis, the weekly spending of Edinburgh households varies (Figure 3-1) from £317 per week (single pensioner) to £906 per week (large family).

[2] ONS, Family Spending in the UK, Workbook 2 - Expenditure By Income (Table A23, By Household Composition), 2023

[3] ONS Regional gross disposable household income: local authorities, Scotland edition, 2022

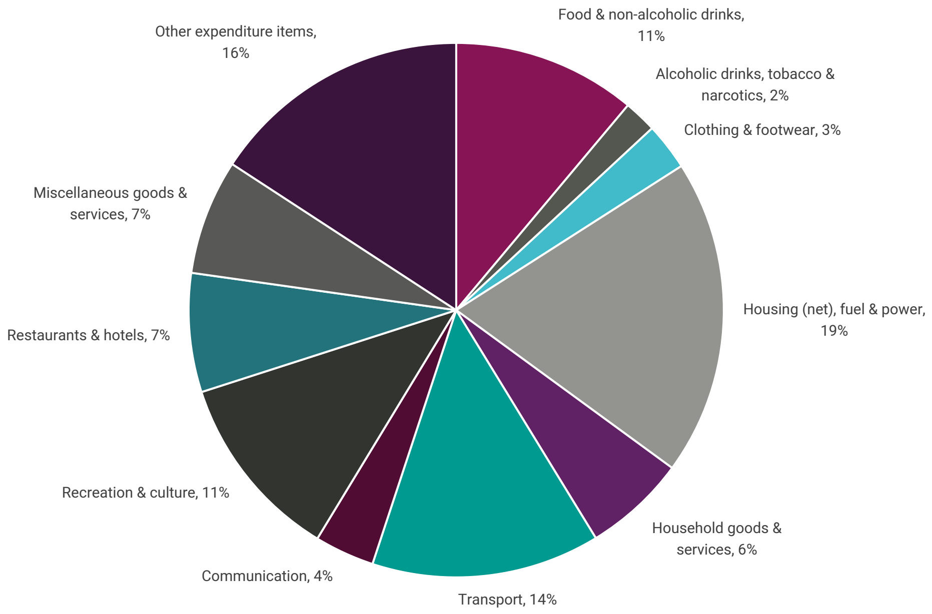
Figure 3-1 Weekly Household Spending by Household Type (Edinburgh)



Source: Calculated from ONS Family Spending in the UK, 2023, adjusted for Edinburgh (to take account of higher than average gross disposable household income)

ONS family spending data also provides details on the breakdown of spending by category (Figure 3-2).

Figure 3-2 Weekly Household Spending by Category



Source: Calculated from ONS Family Spending in the UK, 2023

Based on an analysis of this spending breakdown, it has been assumed that 75% of the spending will be in Edinburgh (with the other 25% spent online or with businesses based in other local authority areas).

3.1.2 Economic Impact: Residential Use

Economic impacts associated with different types of households can be estimated, based on data published by the Scottish Government and ONS on the ratio between expenditure (business turnover) and direct Gross Value Added (GVA), a measure of economic output[4]. The same source also provides a ratio between expenditure (business turnover) and employment, providing a basis for estimating direct employment supported.

Other data published by ONS[5] provides multipliers[6] that allow the indirect (the economic impact associated with suppliers to the businesses receiving the household expenditure) and induced (the economic impact associated with employee spending) GVA and employment effects to be calculated.

The local economic impacts associated with each household type are summarised in Table 3-2. The local economic impacts of the residential use of an individual property would depend on the household size. If a property was suitable for any household type, then the weighted average economic impact would be annual GVA of £13,266, supporting 0.1 (one tenth) of a job.

Table 3-2 Local Economic Impact by Household Type

Household Type	Annual GVA (£)	Jobs
Single adult	9,338	0.1
Small adult	16,172	0.1
Single parent	10,500	0.1
Small family	17,962	0.2
Large family	18,881	0.2
Large adult	18,187	0.2
Older smaller	11,087	0.1
Single pensioner	6,619	0.1
Weighted Average	**13,266**	**0.1**

Source: BiGGAR Economics, based on analysis of data from the Scottish Household Survey and ONS Family Spending in the UK

[4] Scottish Government and ONS (August 2024), Scottish Annual Business Statistics 2022
[5] UK and Scottish Input Output Tables
[6] The Input Output Tables provide multipliers at the level of the Scottish and UK economies. It has been assumed that one-third of the indirect effect is retained in Edinburgh and a half of the induced effect.

3.1.3 Fiscal Impact: Residential Use

The local taxation that is relevant to residential use is Council Tax. The level of Council Tax depends on the Band that an individual property has been valued in. In 2024-25 this ranges from £965.13 for Band A to £3,546.84 for Band H and the weighted average (taking account of the number of properties in each band) is £1,644.52 (Table 3-3).

Table 3-3 Local Fiscal Impact by Council Tax Band

Band	Annual Council Tax (£)
A	965.13
B	1,125.98
C	1,286.84
D	1,447.69
E	1,902.10
F	2,352.50
G	2,835.50
H	3,546.84
Weighted Average	**1,644.52**

Source: City of Edinburgh Council, Council Tax Charges, 2024

3.2 Short-Term Let Use

3.2.1 Visitor Spending

The economic impacts associated with short-term let use will depend on the expenditure by guests staying at a property (and the spending of hosts to service and maintain the property). The annual level of expenditure will depend on:

- The **capacity** of the property (the number of bedrooms and the number of guests that can be accommodated);
- The **occupancy rate** (the proportion of nights that the property is let to guests);
- The **average number of guests** staying at the property each night it is let;
- **Spending by guests** on accommodation and elsewhere in the Edinburgh economy.

The difference that these variables can make mean that there are a wide range of expenditure patterns and therefore economic impacts associated with short-term lets.

The starting point for the analysis is to estimate visitor expenditure. For example, the following assumptions could be made:

- Capacity: 2 bedrooms (with capacity for 4 guests in total);

- Occupancy: 50% (marginally higher that the average[7] for self-catering in Edinburgh and the Lothians in 2023);
- Average number of guests: 1.8 guests per room per night (so average of 3.6 guests per night in 2 bedroom property);
- Spending (on accommodation): £38.15 (consistent with VisitScotland data on average spend per night for visitors to Edinburgh[8]; although only 85% of the average price per night for self-catering accommodation in Scotland[9]).

Based on these assumptions, the property would be let for 183 nights during the year, with a total of 657 guest nights. If the average spend per guest per night was £109 (including £38.15 on accommodation), in line with the VisitScotland average for overnight visitors to Edinburgh in 2023, the total expenditure during the year would be £63,855 (excluding VAT).

3.2.2 Economic Impact: Short-Term Let Use

The economic impact of guest expenditure can be calculated based on data published by the Scottish Government and ONS[10] on the ratio between expenditure (business turnover) and direct GVA and the ratio between business turnover and employment, providing a basis for estimating direct employment supported.

Other data published by the Scottish Government and ONS[11] provides multipliers[12] that allow the indirect (the economic impact associated with suppliers to the businesses receiving the household expenditure) and induced (the economic impact associated with employee spending) GVA and employment effects to be calculated.

Based on the assumptions above (and so expenditure of £63,855), the economic impact of this example short-term property would be:

- Annual GVA: £45,818
- Jobs: 1.2

For different sizes of properties (capacity), occupancy rates and prices, the economic impacts would vary significantly. Each of these is considered below.

Firstly, on capacity, using the conservative assumptions of an occupancy rate of 50%, an average of 1.8 guests per room per night and a price per guest per night of £38.15, Table 3-4 sets out annual GVA and jobs impacts for 1, 2, 3, 4 and 5 bedroom properties.

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[7] Source: The Scottish Accommodation Occupancy Survey, 2023 (the average for Edinburgh and the Lothians was 47.5%. It has been assumed that the Edinburgh occupancy rate will be higher than the rest of the Lothians)

[8] Source: VisitScotland Key statistics (Edinburgh and the Lothians), 2023

[9] Source: The Scottish Accommodation Occupancy Survey, 2023

[10] Scottish Government and ONS (August 2024), Scottish Annual Business Statistics 2022

[11] Scottish Input Output Tables

[12] The Input Output Tables provide multipliers at the level of the Scottish and UK economies. It has been assumed that one-third of the indirect effect is retained in Edinburgh and a half of the induced effect.

As the table shows, with consistent assumptions on occupancy rates, guests per night per room and pricing per guest, the economic impact of a 5 bedroom property would be two and a half times that of a 2 bedroom property, with annual GVA of £114,580, supporting 3.0 jobs.

Table 3-4 Local Economic Impact of Short-Term Let (Analysis by Capacity)

Key Assumptions		Jobs
Occupancy rate		50%
Average guests per night per room		1.8
Price per guest per night		£38.15
Rooms	**Annual GVA (£)**	**Jobs**
1	22,944	0.6
2	45,818	1.2
3	68,762	1.8
4	91,636	2.4
5	114,580	3.0

Source: BiGGAR Economics

Secondly, on occupancy, for a 2 bedroom property using the conservative assumptions an average of 1.8 guests per room per night and a price per guest per night of £38.15, Table 3-5 sets out annual GVA and jobs impacts for occupancy rates of 40%, 50%, 60% and 70%.

As the table shows, the economic impacts associated with a 70% occupancy rate are almost double those associated with a 40% occupancy rate.

Table 3-5 Local Economic Impact of Short-Term Let (Analysis by Occupancy)

Key Assumptions		Jobs
Capacity (rooms)		2
Average guests per night per room		1.8
Price per guest per night		£38.15
Occupancy	**Annual GVA (£)**	**Jobs**
40%	36,682	1.0
50%	45,818	1.2
60%	54,954	1.5
70%	64,159	1.7

Source: BiGGAR Economics

Finally, on pricing, using the conservative assumptions of an occupancy rate of 50%, and an average of 1.8 guests per room per night for a 2 bedroom property, Table 3-6 sets out annual GVA and jobs impacts for prices per guest per night of £30, £55 and £70, as well as £38.15.

This analysis assumes that those guests who spend more than the average tourist on accommodation, will also spend more than average in the wider Edinburgh economy.

Table 3-6 Local Economic Impact of Short-Term Let (Analysis by Pricing)

Key Assumptions		Jobs
Occupancy rate		50%
Capacity (rooms)		2
Average guests per night per room		1.8
Price per guest per night	**Annual GVA (£)**	**Jobs**
£30	36,030	1.0
£38.15	45,818	1.2
£55	66,055	1.7
£70	84,070	2.2

Source: BiGGAR Economics

3.2.3 Fiscal Impact: Short-Term Let Use

The fiscal impacts of short-term let are related to the capacity of the properties.

A review of recent short-term let valuations[13] suggests that properties are being valued at a rate of £4,500 per bedspace, with each bedroom being assumed to provide two bedspaces. The non-domestic rates to be paid for 1, 2, 3, 4 and 5 bedroomed short-term let properties are summarised in Table 3-7, based on the poundage for 2024-25 of £0.498. The City of Edinburgh Council also relates the fees for short-term let licence applications to the number of rooms.

[13] Based on analysis of the Scottish Assessors Association portal (www.saa.gov.uk)

Table 3-7 Local Fiscal Impact by Capacity (Rooms)

Rooms	Non-domestic Rates	SLT Licence Application Fee	Total
1	4,482	653	5,135
2	8,964	1,089	10,053
3	13,446	2,481	15,927
4	17,928	2,481	20,409
5	22,410	2,481	24,891

Source: BiGGAR Economics based on City of Edinburgh Council and Scottish Assessors

The local fiscal impacts take no account of the Transient Visitor Levy, proposed for the City of Edinburgh from 2026, on the basis of 5% of room costs.

3.3 Comparing Residential Use and Short-Term Lets

The economic impacts associated with short-term let use will tend to be higher than those associated with residential use. The main driver of this is that visitors will tend to spend more in the local economy than residents.

It is also the case that a higher proportion of visitor spending tends to be in sectors with high local economic impacts. For example, one of the main areas of visitor spending is in the hospitality sector, providing local employment and supporting a larger hospitality sector than would exist for only a resident population market. In contrast, household spending will include an element of spending on groceries and other retail, which may support some local retail employment but where only a small proportion of the supply chain effects will be retained in Edinburgh.

The local fiscal impacts are also substantially greater for short-term lets than for residential use.

The scale of the differences between the economic and fiscal impacts of short-term let and residential use will depend on the specific circumstances of each property. For short-term lets, the numbers of visitors and the scale of their spending is the driver of economic impact, whilst for residential use, it will depend on the household types and their associated spending. Two examples are provided below to illustrate the scale of the differences.

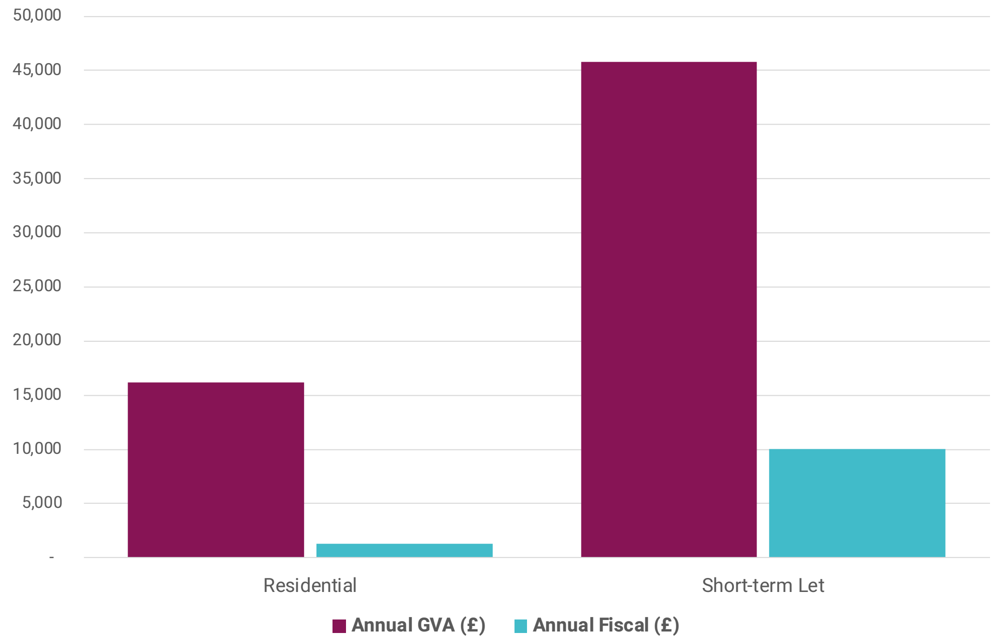
The first example is of 2 bedroom property where it is assumed that short-term use would be in line with average occupancy rates and visitor spending for tourism in Edinburgh whilst a residential household might consist of two adults with no children. As Table 3-8 and Figure 3-3 show, the economic and fiscal impacts of short-term let use would be significantly more than for residential use.

Table 3-8 Comparative Analysis (2 Bedroom Property)

Short-Term Let		Residential	
Key Assumptions: ▪ 50% occupancy, 1.8 guests/room ▪ £38.15 per person per night		Key Assumptions: ▪ 2 adults (spend £776/ week) ▪ Council Tax Band C	
Annual GVA (£)	£45,818	**Annual GVA (£)**	£16,172
Jobs	1.2	**Jobs**	0.1
Local Fiscal (£)	£10,053	**Local Fiscal (£)**	£1,287

Source: BiGGAR Economics

Figure 3-3 Comparative Analysis (2 Bedroom) Local GVA and Fiscal Impacts



Source: BiGGAR Economics

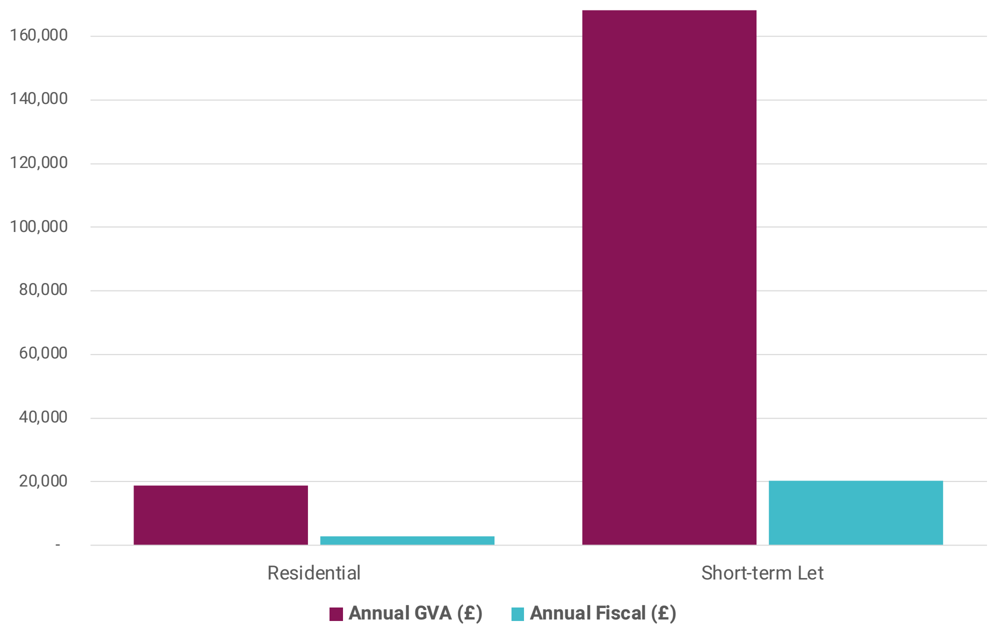
The second example is of 4 bedroom property where it is assumed that short-term use would be above average for tourism in Edinburgh (an occupancy rate of 70% and pricing at £50 per guest per night) whilst a residential household might consist of a large family (the household type with the highest household spending). As Table 3-9 and Figure 3-3 show, the economic and fiscal impacts of short-term let use would be significantly more than for residential use.

Table 3-9 Comparative Analysis (4 Bedroom Property)

Short-Term Let		Residential	
Key Assumptions: ▪ 70% occupancy, 1.8 guests/room ▪ £50 per person per night		Key Assumptions: ▪ Large family (spend £906/ week) ▪ Council Tax Band G	
Annual GVA (£)	£168,176	**Annual GVA (£)**	£18,881
Jobs	4.5	**Jobs**	0.2
Local Fiscal (£)	£20,409	**Local Fiscal (£)**	£2,835

Source: BiGGAR Economics

Figure 3-4 Comparative Analysis (4 Bedroom) Local GVA and Fiscal Impacts



Source: BiGGAR Economics

4. Sectoral Impact

Short-term lets in Edinburgh generated at least £154 million GVA to the city's economy in 2023, supporting 5,580 jobs.

Short-term lets provide accommodation for tourists and other visitors. During their stay, guests spend money in the local economy, supporting turnover and employment in local businesses.

Changing the use of one property from residential to a short-term let (or vice versa) will not make a significant difference to the impact of spending in the local economy as a whole. It is therefore necessary to determine the impact the sector as a whole makes across the local economy and estimate what a proportional change in the share of short-term let properties in the city could mean for the city's economic activity.

To estimate the wider value of the sector, and the implications of potential changes to supply, this section assesses:

- the total economic impact associated with short-term lets in Edinburgh's in 2023; and
- the change in economic activity associated with an increase or decrease in the supply of short-term lets in the city.

4.1 Economic Value of Short-Term Lets in Edinburgh

Research produced by VisitScotland on tourism in Edinburgh, estimates that there were approximately 21.29 million nights spent by tourists in the city in 2023[14]. With a total spend of £2,321 million, this indicates an average spend per night of £109.

The most recent local factsheet for Edinburgh, produced by VisitScotland in 2023, determined that 17% of all overnight visitors to the city stayed in self-catered accommodation[15], implying a total of 3.6 million 'self catered' nights in 2023.

However, not all of this will be in short-term let accommodation, since it will also include limited service hotels, hostels and accommodation available to visitors for only part of the year (such as university halls of residence).

A conservative estimate of short-term lets has been made, based on short-term let licences issued. Based on 4,190 licenced short-term let properties (see section 5.1

[14] VisitScotland, Key Statistics (Edinburgh and the Lothians), 2023
[15] VisitScotland, Scotland Visitor Survey 2023 (Local Area Factsheet: Edinburgh)

for more details) and an average occupancy rate of just less than 50%[16], this gives a conservative estimate of around 2.2 million nights spent in short-term lets.

Guests staying in short-term lets will spend in the local economy during their visit, typically in sectors associated with the tourism industry. For the purpose of this analysis, the tourism industry was defined as including: accommodation, travel, and hospitality, culture and shopping. Using data produced for the latest Scottish Annual Business Statistics relating to each of these sub-sectors of the economy, an average was estimated to assess the spending and associated impacts from the tourism economy (as per the calculations set out in section 3).

Following the assumptions set out in section 3 of 3.6 guests per property, and an average of £180 per night[17], this implies an average spend on accommodation per night of £50. In comparison, the average per person per night for Edinburgh as a whole of £38. Therefore, guests staying in short-term lets spend more than other visitors, estimated at a total of £143 per night per guest in the tourism sector (compared to £109). At 2.2 million guest nights per year, this gives a total estimated spend of £311 million. After accounting for VAT spending, this is estimated at £278 million.

The same process as set out above was followed to estimate appropriate economic multipliers for the tourism sector, based on the most recent Input-Output Tables, to determine the indirect effects on the local supply chain and induced effects from the spending of staff wages in the sector. An adjustment was made to the estimated Scottish-level multipliers, with the indirect effect in Edinburgh assumed to be 33% of the Scottish equivalent, and the induced at 50%.

Applying economic ratios and multipliers derived for the tourism economy in Edinburgh, it was estimated that short-term lets supported a total economic impact worth £154 million GVA and supported 5,580 jobs across the city in 2023.

Table 4-1 Economic Impact of Short-term Lets in Edinburgh, 2023

	Direct	Indirect	Induced	Total
GVA (£m)	139	13	2	**154**
Jobs	5,300	260	20	**5,580**

Source: BiGGAR Economics Analysis. *Totals may not sum due to rounding.

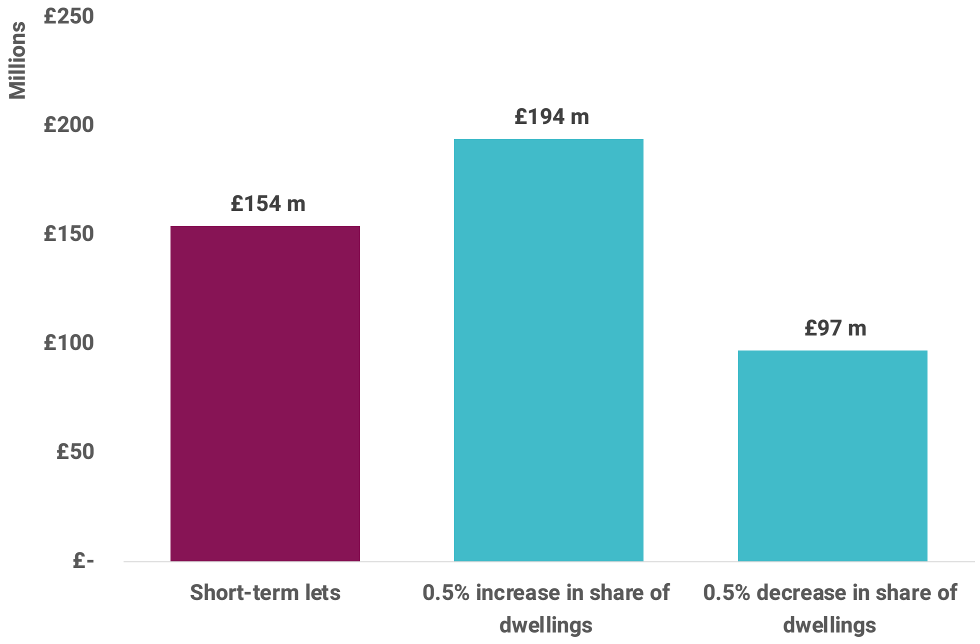
[16] Source: The Scottish Accommodation Occupancy Survey, 2023 (the average for Edinburgh and the Lothians was 47.5%)
[17] Based on the average spend in self-catered accommodation in Scotland of £162 and including an adjustment for spending on cleaning fees.

4.2 Economic Impact of Changes in the Sector

If the share of housing stock used as short-term lets were to increase, or decrease, by even 0.5%, this would result in large changes to the economic activity supported in the local tourism industry.

If the share of short-term lets as a proportion of all dwellings in Edinburgh were to increase by 0.5%, it is estimated that this would generate £194 million GVA for the local economy. If the share were to decrease by 0.5%, this would decrease to £97 million GVA.

Figure 4-1 Comparison of Potential Economic Impact Generated by Short-term Lets, GVA (£m)



Source: BiGGAR Economics Analysis

4.3 Summary

In 2023, the short-term let accommodation sector in Edinburgh is estimated to have generated £154 million GVA to the city's economy, and supported 5,580 jobs, as a result of the spending of guests in the local tourism industry.

If the share of housing stock this type of accommodation accounted for were to increase, or decrease, by a fraction of a percent this would result in large changes to the economic activity supported in the local economy.

5. Edinburgh's Housing Market

Secondary lets account for 0.8% of the City of Edinburgh's residential dwellings, below the threshold considered to be low density and too low to have any meaningful impact on the city's housing market.

One argument against the use of residential properties as STLs is that this prevents the home being used, or bought for, residential purposes. In November 2023, a housing emergency was declared in the City of Edinburgh by the local authority. The level of empty homes in the city places pressure on the local housing market and indicates a disconnect between the supply and demand in the city. As such, it is necessary to look at the wider context of the city's housing market to determine if STLs are actually an influential factor on the local housing supply, or if there are more pressing factors at play.

5.1 Short-Term Lets

Based on publicly available information produced by the City of Edinburgh Council on short-term let licence applications, it was estimated that there are currently 4,190 short-term let properties in Edinburgh. This is based on the number of licences issued (4,012) and those which have submitted an application (178).

National Records of Scotland produce annual statistics on the number of households and dwellings in each local authority area across Scotland. In 2023, Edinburgh had a total of 263,597 dwellings. Short-term lets are therefore estimated to account for 1.5% of all dwellings in Edinburgh.

The type of short-term let accommodation determined the type of licence required. Short-term lets are classified, by the Scottish Government, into the following categories[18]:

- Secondary letting: a short-term let involving the letting of property where you do not normally live, for example a second home;
- Home letting: using all or part of your own home for short-term lets whilst you are absent;
- Home sharing: using all or part of your own home for short-term lets whilst you are there; and
- Home letting and sharing: a combination of the above, whereby the owner is sometimes present and part or all of the home is let to guests.

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[18] Scottish Government (June 2023), Short Term Lets in Scotland Licensing Scheme, Part 1 Guidance for Hosts and Operators

Self-catering accommodation is defined in law[19] as properties which are not the sole or main residence of any person; and which are made available for letting, on a commercial basis and with a view to the realisation of profit as self-catering accommodation. Self-catering units are known as 'secondary lets' as far as STL licensing is concerned.

The focus of this report is on secondary lets as this is the type of property that could be used for residential purposes if it were not a short-term let. Based on the information produced by the City of Edinburgh Council, there are currently 1,989 secondary lets in Edinburgh that have been issued a licence. A further 7 have submitted an application, bringing the total number of secondary lets in the city to 1,996. Secondary lets account for 47% of all short-term lets in Edinburgh, and 0.8% of all dwellings in the city.

To put this proportion in context, a recent report by UNEC[20]categorised 'high density' short-term let use as 3% or higher and low density between 1%-1.5%. If all short-term lets in Edinburgh were included this would therefore be classified as low density use. If only secondary lets were included, Edinburgh would be below the low density threshold.

5.2 Vacant Properties

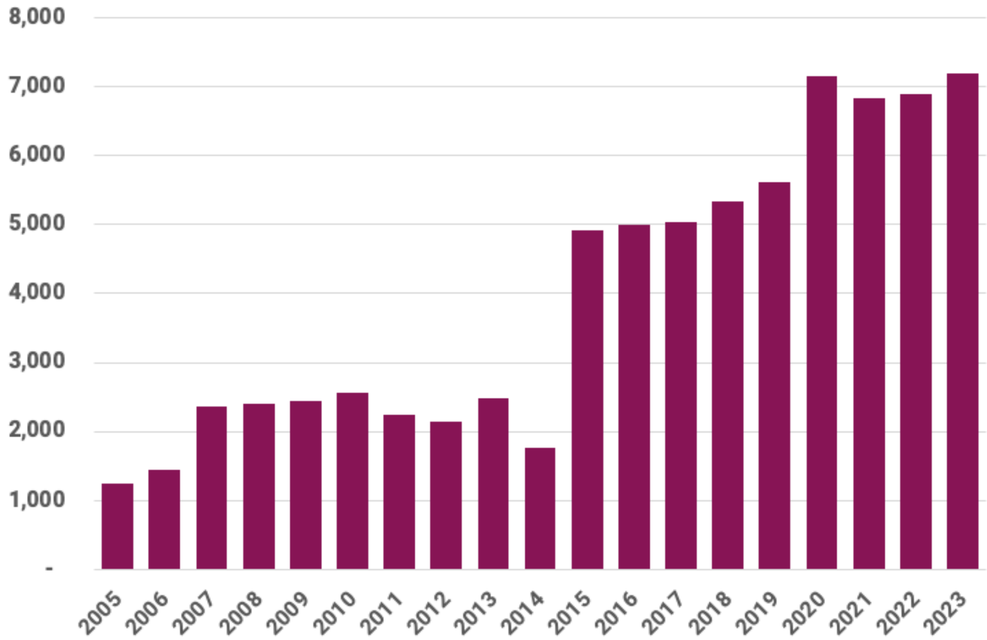
According to data produced by National Records of Scotland on Households and Dwellings in Scotland, in 2023, there were 10,445 vacant dwellings in Edinburgh, accounting for 4% of all dwellings in the city. The number of vacant dwellings in the city increased 134% between 2012 and 2022, which was the second highest rate across the country.

As shown in Figure 5-1, the number of long-term vacant properties in the City of Edinburgh has increased significantly over the past 20 years, with a rise of 481%. The rise has been particularly pronounced over the past 10 years and has increased since the introduction of the short-term let licensing scheme in 2022.

[19] The Council Tax (Dwellings and Part Residential Subjects) (Scotland) Amendment Regulations 2021

[20] United Nations Economic Commission for Europe (UNECE), 2021, Sharing economy and its effects on housing markets

Figure 5-1 Long-Term Empty Properties, City of Edinburgh (2005 - 2023)



Source: Scottish Government (2023). Empty Properties and Second Homes

5.3 Residential Property Prices

As shown in Figure 5-2, the median residential property has risen consistently over the past 20 years, with a sharp rise from 2016. As of 2023, the value was estimated at £268,961.

The average/mean house price in Edinburgh is currently around £334,000[21], making it the local authority area with the highest average house price in the country. The average monthly rent stands at around £1,370, in comparison to the Scottish average of £969. This represents a rise of 14.3% since August 2023. The ratio of prices to income in Edinburgh was 10.35, in comparison to 8.71 for Scotland, indicating affordability is likely a factor in demand for housing stock in the city.

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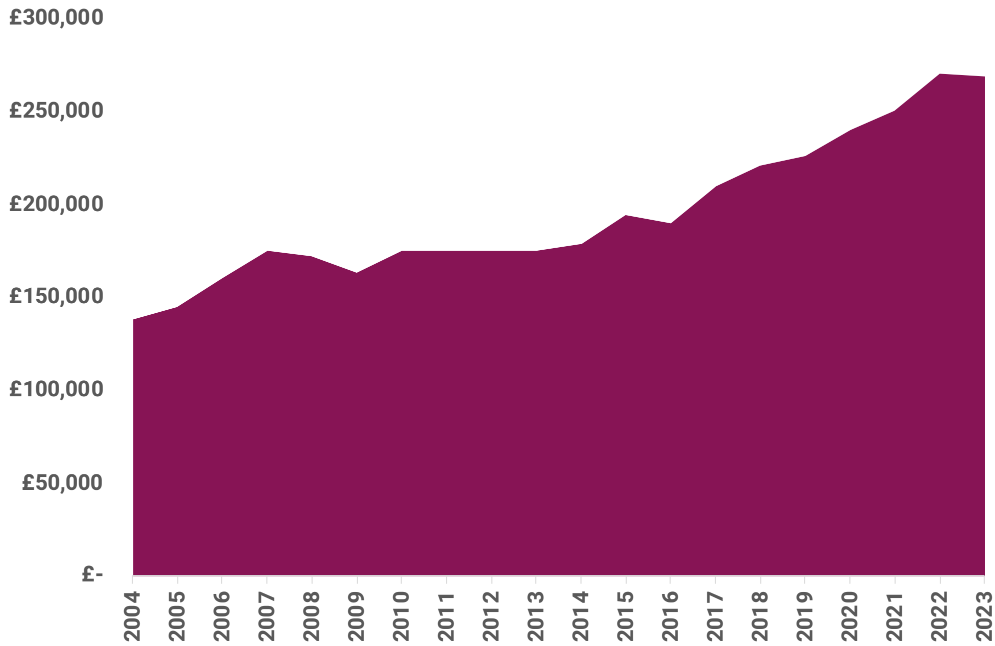
21 https://www.ons.gov.uk/visualisations/housingpriceslocal/S12000036/

Figure 5-2 Median Residential Property Price, City of Edinburgh (2004 - 2023)

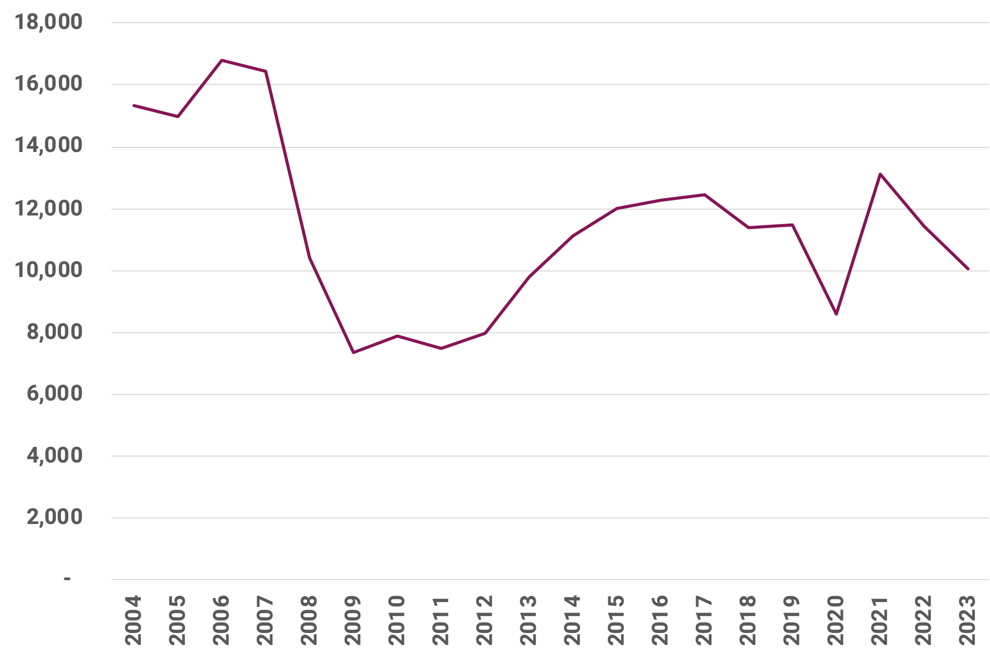


Source: Registers of Scotland (2024). House Price Statistics 2023.

5.4 Residential Property Sales

As shown in Figure 5-3, residential property sales have fluctuated over the past 20 years. Sales experienced a pronounced decline during the global financial crash of 2007- 08 and then did not begin to grow again until around 2013. The beginning of the Covid-19 pandemic in 2020 also resulted in a sharp decline in sales before rising in 2021 and declining again since. This implies that residential property sales are linked to broader economic conditions and the implications these have on income levels and financial security.

Figure 5-3 Residential Property Sales Volume, City of Edinburgh (2004 - 2023)



Source: Registers of Scotland (2023). Property Market Report 2022-23.

5.5 Future Demand

The population of Edinburgh is projected to be 6.6% higher than that of 2018 by 2028.[22] By 2043, it is expected to be around 13% higher, indicating a population change of 68,066 over the 25 years. This is significantly greater than the 2.5% population increase expected across Scotland as a whole between 2018 and 2043. To accommodate this projected population growth, housing supply will need to match this increasing demand.

As indicated in this section, there are currently around 10,445 vacant dwellings in the city. With an average household size in the city of 2.14, this would accommodate around 22,350 people if the vacant properties were all used for residential use. As such, even if the vacant dwellings in the city were used for residential use, there would be a significant shortfall in those required to accommodate a growing population. An increase in supply will therefore be required.

5.6 Summary

Edinburgh has a unique housing market in that it faces pronounced trends compared to other areas of the country. Median property prices have grown substantially over the past ten years in particular and are significantly higher than the average for the country as a whole. At the same time, the volume of property sales has been

[22] National Records of Scotland, Sub-national Population Projections (2018 – 2043).

declining. This suggests that affordability is a driver in the demand for properties in the area.

The number of vacant properties, and long-term vacant properties in particular, in the city continues to rise. This rise has continued since the introduction of the short-term let licensing scheme, indicating that this may have contributed to an increase in empty properties that may previously have been used as short-term accommodation.

All short-term lets account for 1.5% of the City of Edinburgh's residential dwellings, with secondary lets accounting for 0.8%. This is below the threshold considered to be low density and too low to have any meaningful impact on the city's housing market.

Providing housing supply that is both affordable and available for a growing population is a key driver in addressing the city's housing crisis.

The City of Edinburgh is subject to tighter restrictions on short-term let properties in an attempt to restrict the number of properties of this kind in the area. As such, the overarching findings in this report on the impacts of short-term lets on local economies can largely be applied to the sector across the country as a whole.

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