

Planning Committee

2.00pm, Wednesday 14 June 2023

Economic Impact of Residential and Short-term Let Properties in Edinburgh

Executive/routine Wards Council Commitments	Executive All 4, 10
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1. Recommendations

- 1.1 It is recommended that Committee notes:
- 1.1.1. That an independent assessment of the economic impact of residential and short-term let properties in Edinburgh was commissioned with a final report issued in May 2023; and
 - 1.1.2. That the findings of the report are one source of information that can be considered when assessing the economic impacts of short-term let planning applications and that given the report is considering generalities rather than the specifics of an individual case, it is likely that only limited weight can be attached to it as a material consideration when making planning application decisions.

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Report

Economic Impact of Residential and Short-Term Let Properties in Edinburgh

2. Executive Summary

- 2.1 The consultancy MKA Economics Ltd was appointed by the Planning Service to conduct an independent assessment of the economic impact of various types of property in Edinburgh if being used for residential purposes and provide a comparison if being used for short-term let purposes. MKA Economics has produced a report on the Economic Impact of Residential and Short-Term Let Properties in Edinburgh (“the Economic Report”) which is contained in Appendix 1.
- 2.2 The Economic Report shows that there are positive economic impacts from the use of properties for both residential use and short-term let use. The gross value added (GVA) effects are greater for residential uses than short-term lets across all property types and all areas.
- 2.3 The Economic Report is one source of information that can be considered when assessing the economic impacts of short-term let planning applications. However, given it is considering generalities rather than the specifics of an individual case, it is likely that only limited weight can be attached to it as a material consideration when making planning application decisions.
- 2.4 If further guidance on short-term lets is prepared in accordance with the decision of Planning Committee of [19 April 2023](#), the Economic Report will be used to inform the preparation of that guidance.

3. Background

- 3.1 The Council brought into force a Short-term Let Control Area for the whole of the Council’s area on 5 September 2022.
- 3.2 In the Control Area, a change of use of a dwelling to a short-term let is deemed to be a material change of use and therefore requires planning permission where that property is not the principal home of the landlord or occupier.
- 3.3 When the Control Area came into force the primary Development Plan policy governing Short Term Lets was policy Hou 7 in the Council’s Local Development Plan (“LDP”). The Council consulted on amending its planning guidance on short-term lets

between 29 September 2022 and 22 December 2022. The amended guidance was approved on 19 April 2022. This is contained in its [Guidance for Businesses](#). This guidance explains in more detail, relative to LDP Hou7, the criteria for determining whether to grant planning permission for a change of use to short-term let.

- 3.4 The [National Planning Framework 4](#) (NPF4) became part of the Council's development plan on 13 February 2023. It contains Policy 30 e) on short-term lets which states:

Development proposals for the reuse of existing buildings for short term holiday letting will not be supported where the proposal will result in:

i. An unacceptable impact on local amenity or the character of a neighbourhood or area; or

ii. The loss of residential accommodation where such loss is not outweighed by demonstrable local economic benefits.

- 3.5 In advance of NPF4 being adopted, the Scottish Government in November 2022 published a Revised Draft National Planning Framework 4. It contained the same policy, 30 e). On the basis of this draft and the likelihood that NPF4 would be become part of the Council's development plan, the Planning Service commissioned MKA Economics to provide an independent economic impact assessment of various types of property in Edinburgh if being used for residential purposes versus being used for short-term let purposes.

- 3.6 The consultation on revising the Council's short-term lets guidance had concluded prior to the adoption of NPF4. NPF4 Policy 30 e) is therefore not currently addressed in the Council's Short-term Lets Guidance.

- 3.7 On 19 April 2023, Planning Committee noted that the consultation on the short-term lets guidance was issued prior to the coming into force of National Planning Framework 4 (NPF4) in February 2023. It also noted that City Plan 2030 is currently at examination stage, and is expected to return to Committee in late 2023 or early 2024; It further noted that the Scottish Government may be issuing guidance shortly on the application of NPF4 in respect of short-term lets; It agreed that further guidance on the applicability of NPF4 and City Plan to short-term lets is likely to be required, and agreed to receive a report setting out options for consulting on further changes to guidance once City Plan 2030 has been adopted.

4. Main report

- 4.1 The analysis contained in the Economic Report finds that that the GVA effects are greater for residential uses than short-term lets across all property types and all areas.
- 4.2 Although the Economic Report notes that the employment effects are greater for short-term lets in most cases and that although tourism jobs are valuable, they are not as valuable in GVA terms as other economic activity in the city.
- 4.3 The Economic Report states that all businesses, and the resident population, and businesses in the tourism sector are facing significant economic challenges as a

result of the ongoing cost of living crisis, and the results it presents will continue to change throughout 2023 and beyond.

- 4.4 Care needs to be taken with how the Economic Report is used. It is one source of information that can be considered when assessing the economic impacts of short-term let planning applications. In respect of the NPF4 policy that the change of use of residential accommodation for short-term lets should only be supported where this is outweighed by “demonstrable local economic benefits”, the Economic Report indicates that the conversion of residential accommodation would, generally, be expected to result in a loss of GVA, i.e. economic disbenefits. Given it is considering generalities rather than the specifics of an individual case, it is likely that only limited weight can be attached to it as a material consideration when making planning application decisions. Each planning application requires to be considered on its own merits. Applicants may be able to provide evidence that specific changes of use will deliver demonstrable economic benefits. The economic impacts are likely to vary depending upon the specifics of the property in question coupled with the overall tone of the market. For example, one aspect of the report is that it makes assumptions on occupancy rates. If the number of short-term lets in Edinburgh reduces, there may be potential that occupancy rates could increase. This could potentially increase the economic impact of an average short-term let.
- 4.5 The Economic Report is likely to be of relevance if and when the Council prepares draft revised guidance on short-term lets to address NPF4 Policy 30 e), however it would still just be one source of information in formulating the revised guidance. Any such revised draft guidance would be subject to detailed consultation prior to it being finalised.
- 4.6 The report requested by Planning Committee, on 19 April 2023, will set out options and if further guidance on short-term lets is prepared, the Economic Report will be used to inform the preparation of that guidance.

5. Next Steps

- 5.1 If the Council continues to receive significant numbers of short-term let applications consideration will be given to reviewing the report and seeking an update of it in advance of preparing new guidance. In this respect, the model that underpins the analysis has been designed to allow updates in the future.

6. Financial Impact

- 6.1 There are no immediate financial implications for the Council arising from this report.

7. Stakeholder/Community Impact

- 7.1 There has been no stakeholder or community engagement on this report.

8. Background Reading/External References

- 8.1 Report to 19 April 23 Planning Committee on [Proposed Changes to Short Term Let Guidance in the Non-Statutory Guidance for Businesses.](#)
- 8.2 Planning [Guidance for Businesses](#) which contains guidance on short-term lets.
- 8.2 [National Planning Framework 4](#) (NPF4).

9. Appendices

- 9.1 Appendix 1 – Economic Impact of Residential and Short-Term Let Properties in Edinburgh.



Economic Impact of Residential and Short-Term Let Properties in Edinburgh

A Final Report

For

City of Edinburgh Council

By

MKA Economics

24th May 2023

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Executive Summary

MKA Economics was appointed by City of Edinburgh Council (the Council) in November 2022 to present an independent economic impact assessment of various types of properties in Edinburgh if used as a residential property as opposed to being used for short-term holiday lettings. This report sets out the approach and methodology, and results as set out below.

The analysis shows that the gross value added (GVA) effects are greater for residential uses than short-term lets across all property types and all areas. Although it is noted that the employment effects are greater for short-term lets in most cases, however, although tourism jobs are valuable, they are not as valuable in GVA terms as other economic activity in the city.

All businesses, and the residents, and businesses in the tourism sector are facing significant economic challenges as a result of the ongoing cost of living crisis, and the results presented in this section will continue to change throughout 2023 and beyond. The model has been designed in such a manner to allow regular updates in future.

Figure 1.1: Economic Impact of Residential and Short Term Let Properties

Edinburgh Average - Residential				Edinburgh Average - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	7,516	7,301	1 bed	0.23	4,714	12,419
2 bed	0.31	12,559	16,267	2 bed	0.43	8,764	21,991
3 bed	0.49	19,699	22,065	3 bed	0.60	12,288	30,467
4 bed	0.62	25,117	32,040	4 bed	0.75	15,293	37,878
5 bed	0.77	31,212	42,355	5 bed	1.03	21,018	51,650

Edinburgh Central - Residential				Edinburgh Central - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.20	£ 8,212	£ 8,088	1 bed	0.29	£ 5,990	£ 15,542
2 bed	0.33	£ 13,208	£ 16,937	2 bed	0.55	£ 11,137	£ 27,840
3 bed	0.51	£ 20,706	£ 22,780	3 bed	0.77	£ 15,775	£ 38,970
4 bed	0.66	£ 26,417	£ 33,174	4 bed	1.05	£ 21,470	£ 52,548
5 bed	0.82	£ 32,841	£ 43,142	5 bed	1.10	£ 22,412	£ 55,537

Edinburgh Eastern - Residential				Edinburgh Eastern - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.16	£ 6,323	£ 5,746	1 bed	0.19	£ 3,916	£ 10,391
2 bed	0.25	£ 10,041	£ 12,239	2 bed	0.29	£ 5,952	£ 15,249
3 bed	0.39	£ 15,833	£ 15,975	3 bed	0.43	£ 8,861	£ 22,100
4 bed	0.50	£ 20,081	£ 23,678	4 bed	-	£ -	£ -
5 bed	0.62	£ 24,860	£ 33,072	5 bed	-	£ -	£ -

Edinburgh North and Leith - Residential				Edinburgh North and Leith - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	£ 7,500	£ 7,290	1 bed	0.23	£ 4,765	£ 12,331
2 bed	0.34	£ 13,608	£ 17,952	2 bed	0.43	£ 8,855	£ 21,880
3 bed	0.53	£ 21,304	£ 24,712	3 bed	0.66	£ 13,437	£ 32,556
4 bed	0.68	£ 27,215	£ 35,104	4 bed	0.64	£ 13,044	£ 32,195
5 bed	0.84	£ 33,866	£ 47,523	5 bed	0.96	£ 19,624	£ 47,763

Edinburgh Pentland - Residential				Edinburgh Pentland - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.18	£ 7,052	£ 7,226	1 bed	0.21	£ 4,318	£ 11,516
2 bed	0.32	£ 12,791	£ 17,825	2 bed	0.42	£ 8,654	£ 21,628
3 bed	0.50	£ 20,028	£ 25,233	3 bed	0.55	£ 11,162	£ 27,897
4 bed	0.63	£ 25,581	£ 36,383	4 bed	0.65	£ 13,330	£ 33,384
5 bed	0.79	£ 31,829	£ 47,201	5 bed	-	£ -	£ -

Edinburgh Southern - Residential				Edinburgh Southern - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.21	£ 8,308	£ 8,088	1 bed	0.24	£ 4,974	£ 13,220
2 bed	0.33	£ 13,364	£ 16,937	2 bed	0.46	£ 9,333	£ 23,719
3 bed	0.52	£ 20,950	£ 22,780	3 bed	0.65	£ 13,329	£ 33,382
4 bed	0.66	£ 26,728	£ 33,174	4 bed	-	£ -	£ -
5 bed	0.82	£ 33,228	£ 43,142	5 bed	-	£ -	£ -

Edinburgh Western - Residential				Edinburgh Western - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	£ 7,698	£ 7,369	1 bed	0.21	£ 4,318	£ 11,516
2 bed	0.31	£ 12,340	£ 15,714	2 bed	0.42	£ 8,654	£ 21,628
3 bed	0.48	£ 19,375	£ 20,910	3 bed	0.55	£ 11,162	£ 27,897
4 bed	0.61	£ 24,680	£ 30,729	4 bed	0.65	£ 13,330	£ 33,384
5 bed	0.76	£ 30,649	£ 40,050	5 bed	-	£ -	£ -

1 Introduction

1.1 MKA Economics was appointed by City of Edinburgh Council (the Council) in November 2022 to present an independent economic impact assessment of various types of properties in Edinburgh if used as a residential property as opposed to being used for short-term holiday lettings.

1.2 In recent years, there has been a trend of residential properties in Edinburgh and Scotland being formally and informally repurposed as short-term holiday letting properties.

1.3 National Planning Framework 4 (NPF4) document sets out planning policies with respect to this. Policy 30e of NPF4 is as follows:

‘Development proposals for the reuse of existing buildings for short term holiday letting will not be supported where the proposal will result in:

- i. An unacceptable impact on local amenity or the character of a neighbourhood or area; or*
- ii. The loss of residential accommodation where such loss is not outweighed by demonstrable local economic benefits.’*

1.4 With regards to point ii, the Council requires an analysis of the local economic benefits of short-term holiday letting properties as opposed to residential properties.

1.5 The scope of the work is to prepare a simple table that compares the local economic benefits of a residential property versus a short-term holiday let properties for a range of scenarios.

2 Assessment Methodology

2.1 The scope of the work is to prepare a simple set of tables that compares the local economic benefits of a residential property versus a short-term holiday let property for a range of scenarios.

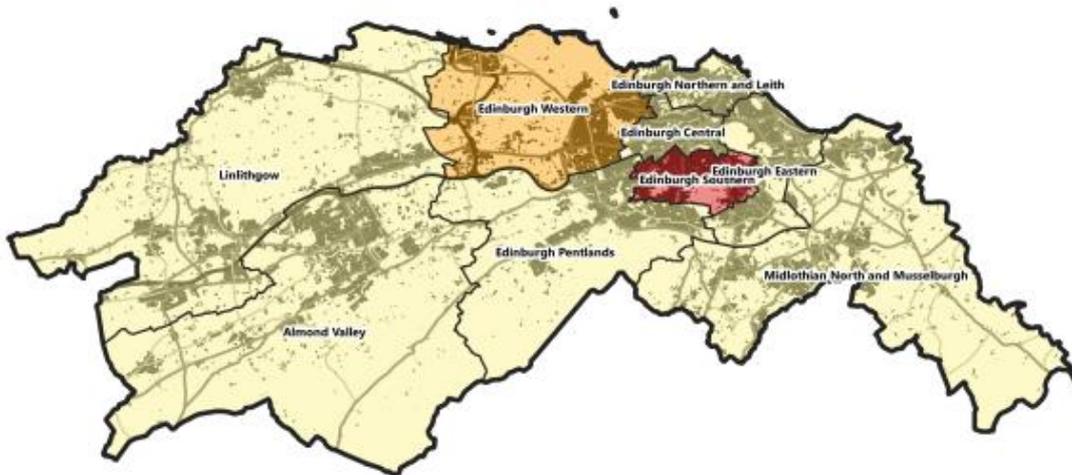
2.2 The analysis takes the form of a series of tables that sets out the expected economic impact for a single property if used for residential use and if used as a short-term holiday letting. A key consideration is that the table should present this data for various 'scenarios' of properties rather than presenting a single figure for the city overall. These scenarios include the number of bedrooms the property has and the location of the property. MKA Economics has considered how these different inputs would impact upon factors such as expenditure and occupancy/voids and how this would in turn impact upon the expected economic benefits.

2.3 For this assessment MKA Economics has devised an economic impact model which splits Edinburgh into its six Scottish Parliamentary constituency areas, these being:

- Edinburgh Central
- Edinburgh Eastern
- Edinburgh Northern and Leith
- Edinburgh Pentlands
- Edinburgh Southern
- Edinburgh Western

2.4 The analysis also summarises the impacts for Edinburgh as a whole as a result of drawing on the findings from the constituencies. These constituency areas are illustrated on the map below.

Figure 1.2: Edinburgh and Lothian Scottish Parliament Constituencies



2.5 These areas were selected according to the availability of data for both residential households as well as information for short-term lets. The residential figures are sourced from a range of local and national publicly available datasets. The lettings information is sourced from AirDNA, which is the data engine behind AirBNB and Vrbo, and has information on more than 6,660 active listings in Edinburgh. These are explained in more detail below.

Residential Use

2.6 The residential market in each character area were assessed according to the number of bedrooms, from one bedroom to five bedrooms.

2.7 In order to assess Council Tax impacts, a review of Council Tax statistics in each area was completed, using figures from the National Records of Scotland (NRS) (Estimates of Households and Dwellings in Scotland). An interrogation of Council Tax banding by property type and by constituency was undertaken to assess the expected Council Tax receipts by area and property tax.

2.8 The analysis has utilised Council Tax Charges for Edinburgh for the period 2023/24, these being A-C (Edinburgh average £1,517), D-E (Edinburgh average £2,233) and F-H (Edinburgh average £3,767). In terms of key assumptions, the analysis has assumed all one beds across all areas are in the A-C band and all five beds are in the F-H band. Using the statistics, the analysis has assumed that two bedroom properties in North, East and Pentlands remain in A-C as they have a higher proportion of these properties, and the other areas move to band D-E for two bedroom properties. North and East three bedroom properties remain in A-C, and Pentlands moves into D-E for three bedroom properties. In terms of four bedroom properties, East and North remain in D-E whilst the other areas move to F-H. The analysis has also applied a 25% reduction to the one bedroom / one person households.

Figure 1.3: Council Tax Bands

Area	One Bed	Two Bed	Three Bed	Four Bed	Five Bed
Central	A-C	D-E	D-E	F-H	F-H
Eastern	A-C	A-C	A-C	D-E	F-H
Northern & Leith	A-C	A-C	A-C	D-E	F-H
Pentlands	A-C	A-C	D-E	D-E	F-H
Southern	A-C	D-E	D-E	F-H	F-H
Western	A-C	D-E	D-E	F-H	F-H

2.9 In order to assess the number of adults, working adults and children in each home, the analysis has utilised figures from the Scottish Household Survey which found that the average number of bedrooms per household was 2.6 and the average household size was 2.2, so there was an average of 1.18 bedrooms per person in Scotland, or inversely 0.85 people per bedroom in Scotland.

2.10 On the basis that less than one person cannot reside in a house, the analysis has assumed one person for one bedroom homes, and then utilised the 0.85 proxy for each additional property size. A review of Office for National Statistics (ONS) (The Effects of Taxes and Benefits on Household Income, UK, 2021/22 - Reference Tables) also showed that the average number of children per household is 0.5 (in a typical household of 2.4), or 0.21 children per average house. The analysis has deployed this proxy per household size to calculate the number of adults per house. The working age numbers are converted to 'economically active' figures by deploying the economic activity rate for Edinburgh (81.4%) from ONS Annual Population Survey.

Figure 1.4: Tenure by Property Size

Property Type	Average Number of Residents	Average Number of Adults	Average Number of Working Adults
One Bed	1.0	0.8	0.6
Two Bed	1.7	1.3	1.1
Three Bed	2.6	2.1	1.7
Four Bed	3.4	2.7	2.2
Five Bed	4.3	3.4	2.8

2.11 Annual salaries were drawn from the Annual Survey of Hours and Earnings (ASHE), these salaries were used to assess the value of workers earnings, and therefore also present the economic value of these jobs, and enable taxation impacts to be calculated. These figures can be seen to be the economic value of the properties being occupied by working age residents, and would therefore have a beneficial impact on producing goods and services in other parts of the Edinburgh economy.

Figure 1.5: Average Salary by Area

Area	Avg. Salary	Diff with Edinburgh	Diff with Scotland
Central	£40,369	11%	27.4%
Eastern	£31,833	-13%	0.4%
Northern & Leith	£37,461	3%	18.2%
Pentlands	£37,229	2%	17.5%
Southern	£40,369	11%	27.4%
Western	£37,748	4%	19.1%
Edinburgh	£36,393		
Scotland	£31,697		

2.12 Income tax assumptions are based upon the Scottish Government taxation rate, where there is a tax free threshold of around £12,500. There is a starter rate of 19% up to £15,000, a lower tax rate of 20% up to £25,000 and a 21% rate up to £44,000. For the purposes of this assessment we have assumed a middle income tax rate of 21%. In terms of National Insurance, we have adopted the same approach and assumed 12% of salaries over the national threshold of £12,500.

2.13 Family expenditure rates were drawn from the ONS 'Family Spending in the UK' in 2021. The rate for Scotland was used as a baseline, and 'housing costs' in terms of heating and lighting were excluded as these are unlikely to be spent locally. The other items were all deemed to be potentially local benefits, e.g., food and drink, health, transport, and recreation. This provided an annual weekly expenditure per person of £190 and an annual figure of £9,850. In order to assess potential variances at the local level the base case figures were subjected to an increase directly related to the variance in the earnings in Edinburgh vis-à-vis Scotland. Total family expenditure was then presented, and these figures were subjected to a VAT adjustment of 20%, to provide a net family expenditure impact.

2.14 The total gross impact was calculated according to salaries and family expenditure. In order to reflect the likelihood that some of this activity would 'leak' out of Edinburgh as result of workers being employed outside the city and an element of their expenditure benefiting non-Edinburgh locations and businesses an adjustment for leakage was presented.

2.15 Travel to work statistics from the 2011 Census were reviewed, and it was assumed for each character area, that people travelling over 10km to work, would likely to be working outside of Edinburgh. Varying leakage rates were then assumed for earning and expenditure totals.

2.16 In order to convert the net local impact to employment and GVA per job. A review of the latest Scottish Annual Business Statistics (2019 figures) was completed. This review found that one Full Time Equivalent (FTE) job is created for every £126,585 in Edinburgh, and each FTE job across the Edinburgh economy has a GVA per head impact of £40,294. FTEs have been calculated based on 69% of Edinburgh's workforce being full time and 31% being part time, with part time posts assumed to be 0.5 of a job.

2.17 This assessment was then used to populate the 'Overview' for the residential properties by size and character area across Edinburgh's six parliamentary constituency areas.

Short-Term Letting Use

2.18 In terms of short-term lets, figures from AirDNA were used, as this is the largest and most up to date source of active and historic data for short term lets at the local level. In total AirDNA presented ten character areas for Edinburgh, and transposed into the six Scottish Parliamentary constituency areas, this assumes the following:

- Edinburgh Central: New Town, Old Town and Stockbridge
- Edinburgh Eastern: Craigmillar and Portobello
- Edinburgh Northern and Leith: Leith
- Edinburgh Pentlands: Edinburgh West and Balerno
- Edinburgh Southern: Marchmont, Morningside and Newington
- Edinburgh Western: Edinburgh West and Balerno

2.19 It should be noted that due to the scale of the AirDNA area of West Edinburgh and Balerno, this covers both Edinburgh Pentlands and Edinburgh Western. AirDNA figures outlined that, on average, two people stayed in a one bedroom property, four people in a two bedroom property, six people in a three bedroom property, eight people in a four bedroom property and ten people in a five bedroom property.

2.20 It should be noted that due to limited data for larger properties in some areas, such as Edinburgh Eastern, Pentland, Southern and Western, there is insufficient data to assess larger lettable properties.

2.21 In terms of property tax, we were unable to access the Scottish Government Non-Domestic Tax Rate calculator as it is under review. Furthermore, a review of Edinburgh's District Valuers website identified no self-catering properties and it was therefore assumed that the properties were more likely to have a Council Tax impact, than a Non-Domestic Rate impact.

2.22 It is acknowledged that this position is subject to ongoing legislative changes. The same Council Tax proxies as outlined for residential properties by their size was therefore assumed for short-term lets.

2.23 In terms of booking data, we obtained booking charges and occupancy rates from AirDNA for each area and by property size, this assumed full properties and not properties which were subletting individual rooms within a residential property. The daily rate does not include the AirBNB service charge which is charged to the customer, which is set at varied between 14%. The cleaning charge is included in the daily rate, and this was extrapolated (being around 5%) of the daily rate, for illustrative purposes, although it is acknowledged that this varies by property to property. The analysis of daily rates and occupancy rates is based on the most recent year (Dec 21 – Nov 22) figures from AirDNA.

2.24 The daily expenditure by each overnight tourist staying in Edinburgh was sourced from VisitScotland's 'Tourism in Edinburgh' 2019, which is the latest source, and it is acknowledged that 2022 was expected to be similar to 2019, on the basis that Covid-19 restrictions were largely lifted and anecdotal evidence and a review of a range of tourism barometers suggesting 2022 was a similar year as pre-pandemic figures from 2019. The overnight figures assumed £99 for international travellers and £96 for domestic travellers, therefore £97.50 was assumed.

2.25 This average figure has been adjusted to account for the difference in booking rates across each property type and area, for example, where booking charges are higher, or lower, than average, this same factor has been adopted to alter the average daily spend figure. The logic being that those spending more/less on booking accommodation, are likely to spend more/less during their stay.

2.26 A headline summary of these short-term let metrics is presented in Figure 1.6 below.

Figure 1.6: Short-Term Lets – Tourism Assumptions

	Net Daily Rate	Spend Variance with Average	Occupancy Rate
Central			
1 bed	£142.15	25%	77%
2 bed	£196.01	22%	73%
3 bed	£287.54	21%	70%
4 bed	£468.61	23%	70%
5 bed	£591.68	7%	67%
Eastern			
1 bed	£96.69	-15%	74%
2 bed	£110.83	-31%	69%
3 bed	£173.94	-27%	65%
Northern and Leith			
1 bed	£113.09	-1%	77%
2 bed	£160.23	0%	71%
3 bed	£259.78	9%	66%
4 bed	£349.62	-8%	57%
5 bed	£510.44	-7%	68%
Pentland			
1 bed	£108.08	-5%	73%
2 bed	£161.13	1%	69%
3 bed	£226.08	-5%	63%
4 bed	£290.93	-24%	70%
Southern			
1 bed	£115.04	1%	79%
2 bed	£171.30	7%	70%
3 bed	£257.69	8%	66%
Western			
1 bed	£108.08	-5%	73%
2 bed	£161.13	1%	69%
3 bed	£226.08	-5%	63%
4 bed	£290.93	-24%	70%

2.27 Consultation with VisitScotland outlined that this included accommodation spend, and therefore this was subtracted from the spend rated, based on known accommodation costs in each areas and by property size. Therefore, a total per head accommodation spend could be calculated. This was then multiplied by 365 days and subjected to an occupancy rate which was reflective of statistics by area and property size from AirDNA.

2.28 In keeping with the residential assessment, a leakage rate was assessed. There are no statistics from VisitScotland which outline where tourists spent their time and money when visiting Edinburgh. However, a review of the Great Britain Day Visits Survey does provide an insight to expenditure by type, and concludes that around 32% of expenditure is accounted for by transport. It is expected that these costs will be borne outside Edinburgh, with the vast majority of the other costs (eating and drinking, retail and admissions) will benefit local businesses. For the purposes of this assessment, we have assumed a leakage rate of 32%.

2.29 In order to convert the net local impact to employment and GVA per job. A review of the latest Scottish Annual Business Statistics (2019 figures) was completed. This review found that one FTE job is created for every £126,585 in Edinburgh, and each 'Sustainable Tourism' FTE job across the Edinburgh economy has a GVA per head impact of £20,371. FTEs have been calculated based on 69% of Edinburgh's workforce being full time and 31% being part time, with part time posts assumed to be 0.5 of a job.

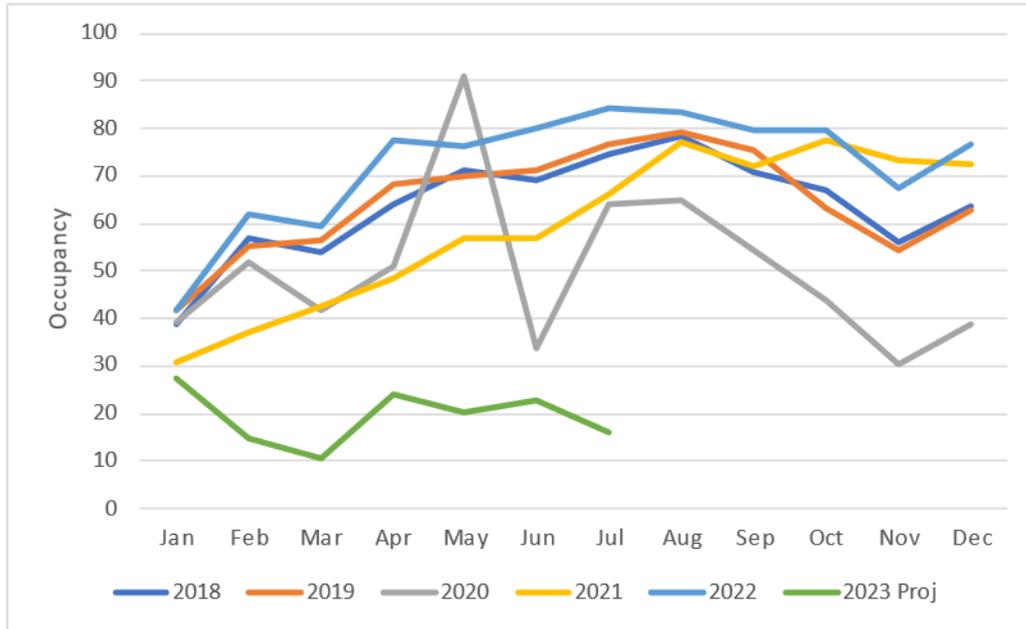
Limitations and Assumptions

2.30 This assessment is based on a review of publicly available datasets and through subscribing to active rental data from AirDNA. These figures utilise the most recent sources and figures at the time of the analysis, January 2023.

2.31 It is acknowledged that the UK, Scotland and potentially Edinburgh is moving into an economic slowdown, and this will have a marked impact on residential and short term let impacts presented below. The assessment has not assessed unemployment, and this may be an area which changes in the near future. Similarly, salary levels may become depressed and spending power adversely affected by the ongoing cost of living crisis. This is a dynamic situation and this 'snapshot' assessment should therefore be reviewed going forward.

2.32 Similarly, it is known from a review of AirDNA figures that forward projections from occupancy rates are showing signs of being much lower in 2023 than achieved in 2022. The following figure presents the achieved occupancy rates in 2022 and those forecast for 2023, it is known that rates in January 2023 are already around 50% below those achieved in early 2022.

Figure 1.7: Edinburgh Short Term Lets: Occupancy Rates 2018 (Actual) – July 2023 (Projected)



2.33 Caution should be taken when reviewing future projections as these are likely to change and are presented as these are only bookings that have been to date. However, this expected dramatic downturn is validated by the findings of a recent survey completed by the Association for Scottish Self Caterers (published 11th January 2023¹) which found that:

- Between January and March 2023, average occupancy is at 24% across those businesses that are open;
- Between April and June, based on existing bookings to date, average occupancy is 32%;
- Between July and September average occupancy is just 31%.

2.34 Looking at January – March 2023 bookings, 61% respondents note that the season is worse or much worse (28% much worse) than the same period in 2022. In overall terms, when describing how the anticipated 2023 season is looking so far compared to 2022, 64% respondents note that the season is worse or much worse (25% much worse).

2.35 In comparison to last year 43% say their bookings for the next three months are substantially lower than last year with a further 22% saying bookings are slightly lower. In comparison to last year 41% say their bookings are substantially lower for the next six months with a further 28% saying they are slightly lower.

¹ <https://www.assc.co.uk/assc-occupancy-survey/>

2.36 The survey also found that:

- 91% continue to be concerned about the impact of short term letting licensing (69% very concerned)
- 86% concerned about lack of consumer confidence to book holidays (47% very concerned)
- 89% concerned about the very cost of doing business (41% very concerned)

2.37 All businesses, and the resident population, and businesses in the tourism sector are facing significant economic challenges as a result of the ongoing cost of living crisis, and the results presented in this section will continue to change throughout 2023 and beyond. The model has been designed in such a manner to allow regular updates in future.

3 Results

3.1 The results of the assessment are presented in the following tables.

3.2 The analysis shows that the GVA effects are greater for residential uses than short-term lets across all property types and all areas. Although it is noted that the employment effects are greater for short-term lets in most cases, however, although tourism jobs are valuable they are not as valuable in GVA terms as other economic activity in the city.

3.3 All businesses, and the resident population, and businesses in the tourism sector are facing significant economic challenges as a result of the ongoing cost of living crisis, and the results presented in this section will continue to change throughout 2023 and beyond. The model has been designed in such a manner to allow regular updates in future.

Figure 1.8: Economic Impact of Residential and Short Term Let Properties

Edinburgh Average - Residential				Edinburgh Average - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	7,516	7,301	1 bed	0.23	4,714	12,419
2 bed	0.31	12,559	16,267	2 bed	0.43	8,764	21,991
3 bed	0.49	19,699	22,065	3 bed	0.60	12,288	30,467
4 bed	0.62	25,117	32,040	4 bed	0.75	15,293	37,878
5 bed	0.77	31,212	42,355	5 bed	1.03	21,018	51,650

Edinburgh Central - Residential				Edinburgh Central - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.20	£ 8,212	£ 8,088	1 bed	0.29	£ 5,990	£ 15,542
2 bed	0.33	£ 13,208	£ 16,937	2 bed	0.55	£ 11,137	£ 27,840
3 bed	0.51	£ 20,706	£ 22,780	3 bed	0.77	£ 15,775	£ 38,970
4 bed	0.66	£ 26,417	£ 33,174	4 bed	1.05	£ 21,470	£ 52,548
5 bed	0.82	£ 32,841	£ 43,142	5 bed	1.10	£ 22,412	£ 55,537

Edinburgh Eastern - Residential				Edinburgh Eastern - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.16	£ 6,323	£ 5,746	1 bed	0.19	£ 3,916	£ 10,391
2 bed	0.25	£ 10,041	£ 12,239	2 bed	0.29	£ 5,952	£ 15,249
3 bed	0.39	£ 15,833	£ 15,975	3 bed	0.43	£ 8,861	£ 22,100
4 bed	0.50	£ 20,081	£ 23,678	4 bed	-	£ -	£ -
5 bed	0.62	£ 24,860	£ 33,072	5 bed	-	£ -	£ -

Edinburgh North and Leith - Residential				Edinburgh North and Leith - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	£ 7,500	£ 7,290	1 bed	0.23	£ 4,765	£ 12,331
2 bed	0.34	£ 13,608	£ 17,952	2 bed	0.43	£ 8,855	£ 21,880
3 bed	0.53	£ 21,304	£ 24,712	3 bed	0.66	£ 13,437	£ 32,556
4 bed	0.68	£ 27,215	£ 35,104	4 bed	0.64	£ 13,044	£ 32,195
5 bed	0.84	£ 33,866	£ 47,523	5 bed	0.96	£ 19,624	£ 47,763

Edinburgh Pentland - Residential				Edinburgh Pentland - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.18	£ 7,052	£ 7,226	1 bed	0.21	£ 4,318	£ 11,516
2 bed	0.32	£ 12,791	£ 17,825	2 bed	0.42	£ 8,654	£ 21,628
3 bed	0.50	£ 20,028	£ 25,233	3 bed	0.55	£ 11,162	£ 27,897
4 bed	0.63	£ 25,581	£ 36,383	4 bed	0.65	£ 13,330	£ 33,384
5 bed	0.79	£ 31,829	£ 47,201	5 bed	-	£ -	£ -

Edinburgh Southern - Residential				Edinburgh Southern - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.21	£ 8,308	£ 8,088	1 bed	0.24	£ 4,974	£ 13,220
2 bed	0.33	£ 13,364	£ 16,937	2 bed	0.46	£ 9,333	£ 23,719
3 bed	0.52	£ 20,950	£ 22,780	3 bed	0.65	£ 13,329	£ 33,382
4 bed	0.66	£ 26,728	£ 33,174	4 bed	-	£ -	£ -
5 bed	0.82	£ 33,228	£ 43,142	5 bed	-	£ -	£ -

Edinburgh Western - Residential				Edinburgh Western - Short Term Let			
Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation	Unit Size	Net Local FTE Jobs	Net Annual Local GVA Impact	Gross Annual National and Local Taxation
1 bed	0.19	£ 7,698	£ 7,369	1 bed	0.21	£ 4,318	£ 11,516
2 bed	0.31	£ 12,340	£ 15,714	2 bed	0.42	£ 8,654	£ 21,628
3 bed	0.48	£ 19,375	£ 20,910	3 bed	0.55	£ 11,162	£ 27,897
4 bed	0.61	£ 24,680	£ 30,729	4 bed	0.65	£ 13,330	£ 33,384
5 bed	0.76	£ 30,649	£ 40,050	5 bed	-	£ -	£ -