

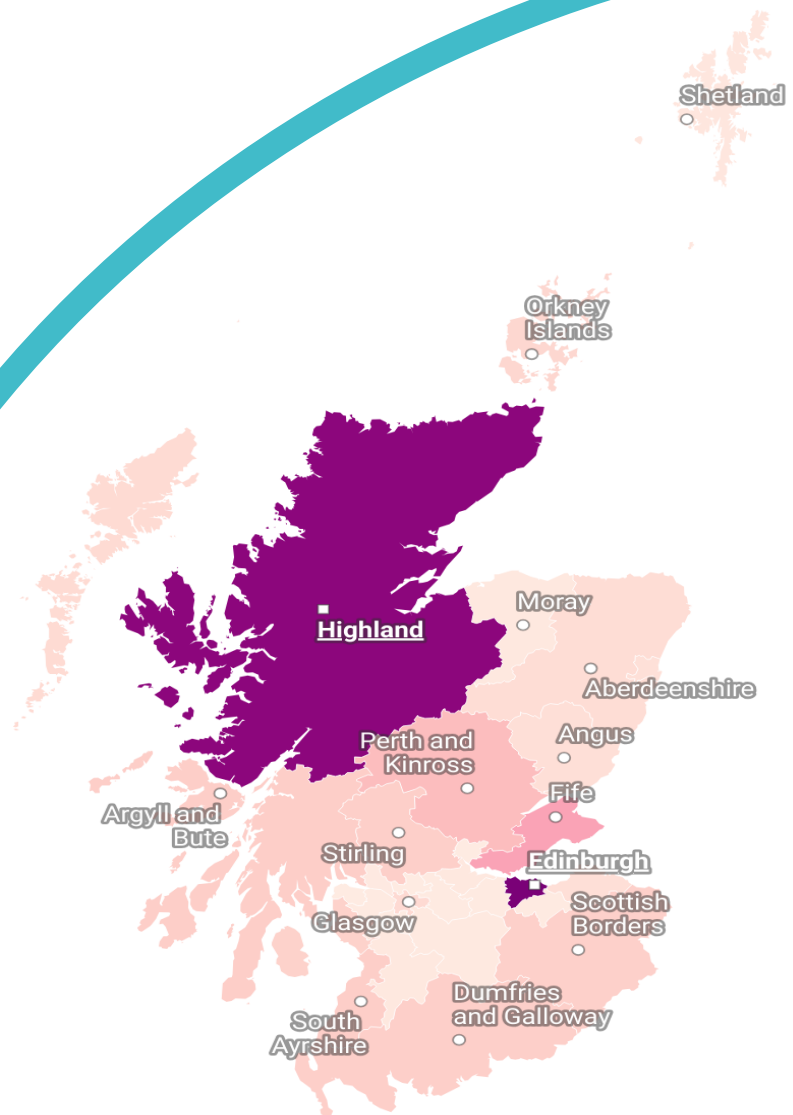
Economic Impacts of Short-term Lets in Scotland

A report to the Association of Scotland's Self-Caterers



ASSC

11th December 2024



Contents

1. Executive Summary	1
2. Introduction	2
3. Short-Term Lets in Scotland	3
4. Economic and Fiscal Impacts	8
5. Sectoral Impact	20
6. Appendix 1: Methodology	23
7. Appendix 2: Local Authority Analysis	26

Note: For the purpose of this report the reader can infer the term 'Secondary Let' to principally mean a property whose use is primarily short-term accommodation, typically operating for the majority of the year.



1.

Executive Summary

Secondary Lets, also known as full-time self-catering units, generate £864 million Gross Value Added (GVA) for the Scottish economy and support 29,324 jobs across the country. They account for less than 1% of the country's total housing stock and, on average, support an additional £32,400 GVA per property by accommodating visitors as opposed to it being used residentially.

Short-term lets account for a very small proportion of Scotland's housing stock, with Secondary Lets accounting for 0.8%.

- Short-term lets are estimated to account for 1.0% of dwellings in Scotland, of which Secondary Lets account for 0.8%. This is considerably less than the 3.6% that vacant properties account for and below the UN's threshold considered to be 'low density' for Europe.
- The share of dwellings accounted for by Secondary Lets varies across parts of the country, with rural areas such as Na-Eileanan Siar, Orkney, Shetland, Highland and Argyll and Bute, exhibiting greater proportions.

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

- The annual GVA associated with an average owner-occupier or private rented residential household in Scotland is £14,451, supporting one-tenth of a job in the Scottish economy.
- For a 2-bedroom short-term let, the average annual GVA is £50,159, supporting 1.1 jobs in the Scottish economy.
- For many short-term let premises, the economic impacts will be considerably greater than this due to the size of the property and nature of the local tourism market.

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 and the area of the country they are located.

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

- The short-term let accommodation sector is estimated to generate £864 million GVA and support 29,324 jobs across Scotland.
- The local authority areas of the City of Edinburgh and Highland together account for 44% of the total impact. This is because these areas have the greatest number of short-term lets and higher average tourism spend than other parts of the country.



2.

Introduction

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

The Association of Scotland's Self-Caterers (ASSC) commissioned BiGGAR Economics to assess the economic impact generated by short-term lets across the country. This is an independent analysis, based on the best available evidence on short-term lets in Scotland, and builds on previous analysis produced by BiGGAR Economics on the impact of the sector on the City of Edinburgh's economy.

2.1 Study Objectives

The purpose of this report is to provide an estimate of the total economic impact generated by the short-term let sector across Scotland, inclusive of the Gross Value Added (GVA) and employment supported. It also provides an analysis of the dispersion of this impact across the country.

Beyond the sectoral impact, the analysis is intended to provide an estimate of the economic and fiscal impact that is generated by a representative Secondary Let in Scotland. This is in comparison to the impact that would be generated if such a property were used residentially and is intended to highlight the difference in impact generated by the spending profile of those occupying as a visitor as opposed to a household.

The report also provides an overview of the impact of the sector on the country's housing market, highlighting the share of residential housing that is accounted for by all short-term lets, and those of Secondary Lets specifically.

2.2 Report Structure

This report is structured as follows:

- **Section 3** describes the current profile of the short-term let sector across Scotland and places it in the context of the country's wider housing market;
- **Section 4** presents an estimate of the economic and fiscal impacts generated by a representative short-term let property in Scotland and contrasts this with residential use;
- **Section 5** outlines the total economic contribution the short-term let sector makes to Scotland's economy;
- **Appendix 1** provides some details on the economic impact methodology; and
- **Appendix 2** includes additional analysis for local authority areas.



3.

Short-Term Lets in Scotland

Short-term lets make up 1.0% of all dwellings in Scotland with Secondary Lets accounting for 0.8%.

This section presents an analysis of Scotland's housing market, specifically in relation to the share of housing that is accounted for by short-term lets across the country.

3.1 Short-Term Lets

Short-term lets are classified by the Scottish Government into the following categories¹:

- **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.

The focus of this report is on Secondary Letting as this is the type of property that could be used for residential purposes if it were not a short-term let.

One argument against the use of residential properties as Secondary Lets is that this prevents the home being used for residential purposes. In 2022, the regulation of the sector in Scotland changed, placing additional requirements on operators. 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.

The level of regulation of short-term lets differs across areas of the country, with some areas subject to more stringent regulation. Local councils have the authority to deem either the whole area, or a specific part of the area, a short-term let control area (STLCA). When this restriction is in place, it 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, in addition to obtaining a licence to operate. At the time of writing, this is the case for the City of Edinburgh and the Badenoch and Strathspey Ward, Highland.

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



National planning policy is generally supportive of tourism developments with Policy 30 of Scotland's fourth National Planning Framework (NPF4)², stating that new or extended tourist facilities or accommodation will be supported in locations identified in local development plans. However, Policy 30 also includes:

"e) 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."

Planning decisions will be based on the merits of individual applications. Based on the NPF4 Policy 30e, it will be necessary for applicants to demonstrate that the use of a property for short-term lets delivers local economic benefits.

3.2 Housing Market Analysis

3.2.1 Secondary Lets and the Total Housing Stock

Data produced by the Scottish Government on the number of short-term let licence applications, up to June 2024, indicates that there are approximately 24,810 short-term let properties in the country. A freedom of information request sent to local authorities in October 2024 provided data on the most recent estimated numbers. Where this was not available, the average change between June 2024 and October 2024 across local authorities was applied. This estimated that there are currently around 27,860 short-term lets in Scotland.

National Records of Scotland produce annual statistics on the number of households and dwellings in each local authority area across Scotland. In 2023, Scotland had a total of 2,721,225 dwellings. Short-term lets are therefore estimated to account for 1.0% of all dwellings in Scotland.

To put this proportion in context, a recent report by UNEC³ categorised 'high density' short-term let use as 3% or higher and low density between 1%-1.5%.

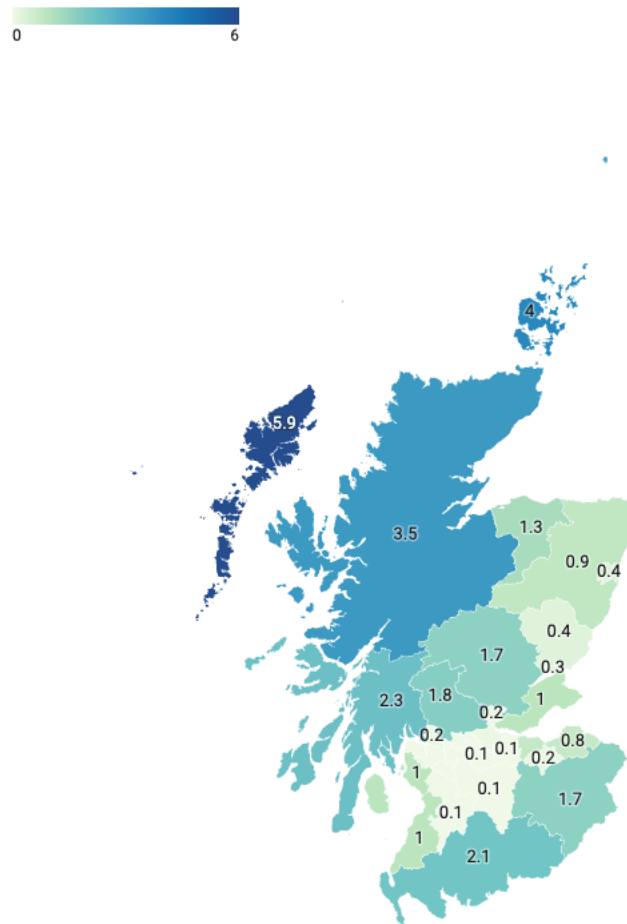
The focus of this report is on Secondary Lets, as this is the type of property that could be used for residential purposes if it were not a short-term let. Based on the share of short-term lets that are Secondary Lets in each local authority, it is estimated that there are currently around 21,501 Secondary Lets across the country, accounting for 0.8% of dwellings.

² Scottish Government (2023), National Planning Framework 4.

³ United Nations Economic Commission for Europe (UNECE), 2021, Sharing economy and its effects on housing markets

The proportion of dwellings accounted for by Secondary Lets varies across local authorities (Figure 3-1) and is highest in Na h-Eileanan Siar (5.9%), Orkney (4.0%), Highland (3.5%), Shetland (3.0%) and Argyll and Bute (2.3%).

Figure 3-1 Secondary Lets as a Share of Total Dwellings (%), October 2024



Source: BIGGAR Economics Analysis based on Scottish Government Licensing Statistics (June 2024) and information collected from local authorities (November 2024).

In every local authority area in Scotland, vacant dwellings account for a larger proportion of total dwellings than those by Secondary Lets (see appendix 2: Table 7-1). For Scotland as a whole, Secondary Lets account for 0.8% of dwellings, whereas vacant dwellings account for 3.4%.

For the five local authorities where the proportion of Secondary Lets is highest, these are also areas of the country with some of the highest rate of second homes: Na h-Eileanan Siar (5.7%), Orkney (4.0%), Highland (3.0%), Shetland (1.5%) and Argyll and Bute (6.6%), compared to 0.9% for Scotland as a whole (see appendix 2: Table 7-1). It is likely that some second homes are also Secondary Lets.

Given the small proportion of dwellings that are Secondary Lets (particularly when compared to vacant dwellings), it seems highly unlikely that they are a significant driver of trends in Scotland's housing market.



3.2.2 Private Rental Sector and Secondary Lets

Further evidence that Secondary Lets are not a driver of trends in Scotland's residential housing markets is provided by the latest data on trends in the private rental sector.

Recent data published by the Scottish Government⁴ found that between 2023 and 2024 average rents in Scotland had increased by 6.2% for two-bedroom properties and by 10.7% for three-bedrooms. In Lothian, which includes Edinburgh, where there has been a significant decrease in Secondary Lets, the annual increases were 14.0% for two-bedroom properties and 17.3% for three-bedrooms.

If Secondary Lets were a driver of trends in the private rented sector, then a significant decrease in their supply, as has been seen in Edinburgh, would have been expected to have downward pressure on average rents. That average rents in Edinburgh instead increased, at a substantially larger rate than for Scotland as a whole, is powerful evidence that the number of Secondary Lets does not influence rent levels in the private rental sector.

3.2.3 Wider Housing Context

Whilst it is beyond the scope of this report to fully explain the state of Scotland's wider housing market, there are evidently a range of complex, inter-linked, factors that do not relate to Secondary Lets.

The issues that have been identified that are influencing Scotland's wider housing markets and housing policy include:

- **the supply of social housing and homelessness:** reductions in the supply of affordable social housing supply, further heightened by the impact of inflation on those with the lowest incomes, has led to an increase in homelessness and overcrowding⁵;
- **rising housing costs:** increasing rent and mortgage payments (relative to incomes) for many households has raised concerns about the affordability of housing;
- **demographics:** the combination of population growth and decreases in household size (for example, the increase in one-person households), has been a driver in overall housing needs;
- **economic geography:** the patterns of regional economic challenges and opportunities, with some areas experiencing economic decline whilst other areas experience increasing prosperity and emerging growth sectors, has implications for the distribution of housing need and demand across the country;
- **construction costs:** the costs of building new homes has increased, as a result of increases in the costs of materials and labour, as well as the costs of meeting new regulations intended to reduce carbon emissions;

⁴ Scottish Government (November 2024), Private Sector Rent Statistics, Scotland, 2010 to 2024

⁵ <https://www.crisis.org.uk/ending-homelessness/homelessness-knowledge-hub/homelessness-monitor/scotland/the-homelessness-monitor-scotland-2024/>



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- **land supply:** limited land availability for the development of new housing has impacted the availability of supply, particularly in high demand areas.

The importance of each of these issues differs across the country and it is not possible to generalise for Scotland as a whole. What can be said for all parts of Scotland is that housing issues are complex, with many different drivers.

It is clear that Secondary Lets are not one of those drivers. Secondary Lets account for only a small proportion of dwellings (particularly when compared to vacant dwellings) and there is evidence that shows no relationship between the numbers of Secondary Lets and trends in rent levels in the private rental sector.

On this basis, it can be concluded that a reduction in the number of Secondary Lets would have no meaningful impact on the wider Scottish housing market.



4.

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.

4.1 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 Scotland were to be associated with an increase in residential use, leading to significant changes in housing and/or rental markets that, in turn, affect labour markets. If there were an increase in residential housing that led to an increase in the working age population in Scotland, 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 in the previous section, the number of properties in Scotland that are operating as Secondary Lets represent a small proportion of the total number of properties. This makes it unlikely that a reduction in the number of properties would have any meaningful impact on housing and/or rental markets and therefore on labour markets.

Areas that are particularly reliant on tourism and hospitality could however experience negative labour market effects if reduced activity were to occur as a result of less accommodation.

4.1.1 Household Types and Spending

The Scottish Household Survey (SHS)⁶ provides data on the number and composition of households in Scotland. This shows that 64.7% of Scottish households (around 1.7 million) were owner-occupied and 12.6% were private rented (around 320,000).

The SHS also provides an analysis of the different types of household composition (see Table 4-1). This shows that a total of 22% of households included children and 79% had one or two adults of working age but no children.

⁶ Scottish Government (December 2023), Scottish Household Survey 2022



Table 4-1 Household Characteristics

Household Type	Description	Proportion of Households*
Single adult	One adult aged 16-64 and no children.	21.8%
Small adult	Two adults aged 16-64 and no children.	19.2%
Single parent	One adult of any age and one or more children.	4.7%
Small family	Two adults of any age and one or two children.	11.8%
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.	5.1%
Large adult	Three or more adults and no children.	8.6%
Older smaller	One adult aged 16-64 and one of pensionable age and no children, or two adults of pensionable age and no children.	14.2%
Single pensioner	One adult of pensionable age (65 or over) and no children.	14.7%

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)⁷.

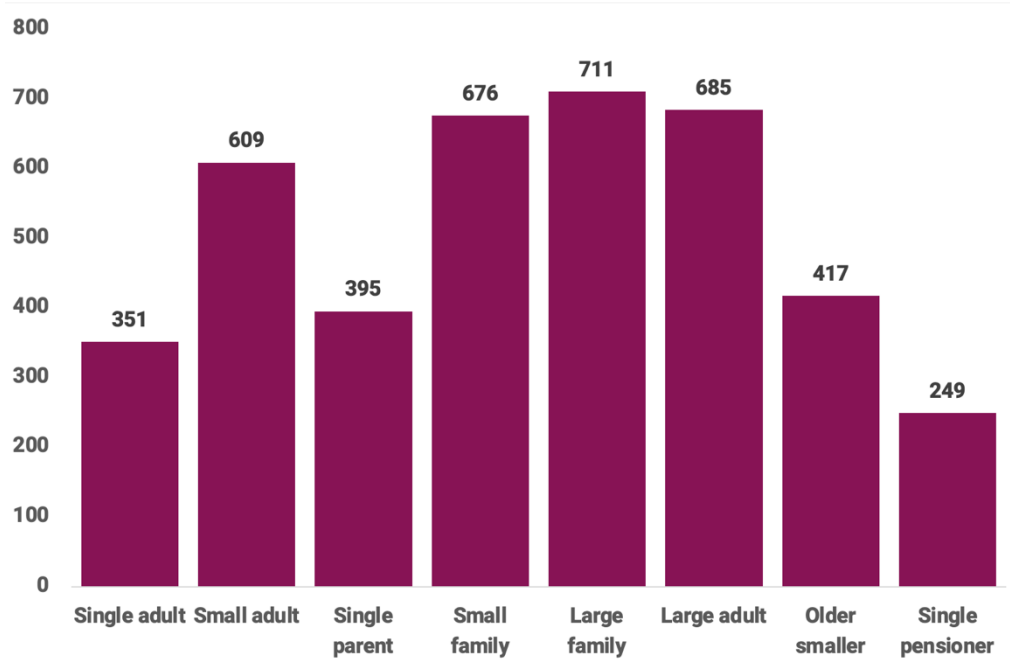
This spending data is available at the UK rather than local authority level and is likely to vary across the UK based on patterns of income and wealth. ONS also publishes data on differences in household disposable income in each local authority area⁸. This shows that disposable incomes in Scotland are 8.5% higher than the UK average.

The UK level spending data can therefore be adjusted to what might be expected in Scotland. On this basis, the weekly spending of Scottish households varies (Figure 4-1) from £249 per week (single pensioner) to £711 per week (large family).

⁷ ONS, Family Spending in the UK, Workbook 2 - Expenditure By Income (Table A23, By Household Composition), 2023

⁸ ONS Regional gross disposable household income: local authorities, Scotland edition, 2022

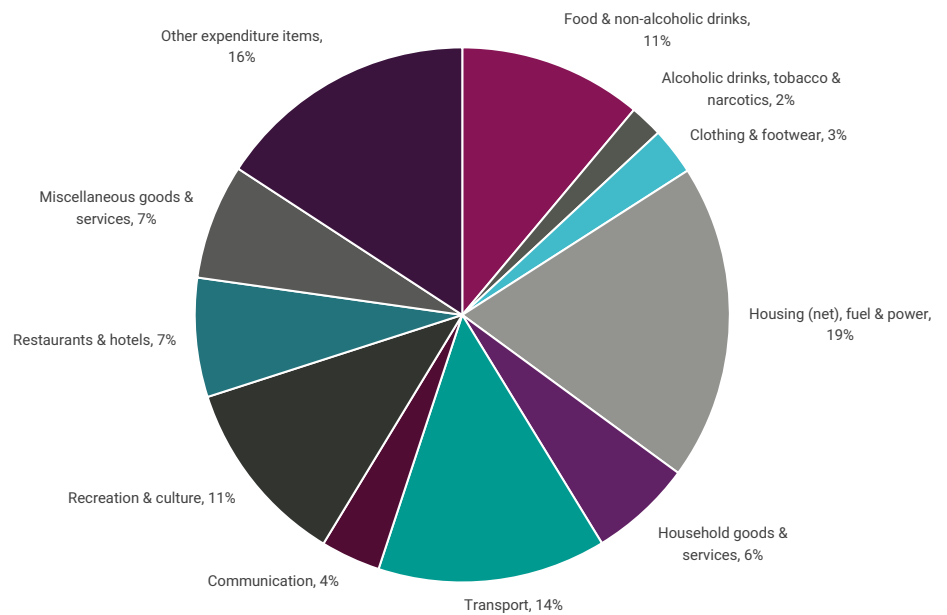
Figure 4-1 Weekly Household Spending by Household Type



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

ONS family spending data also provides details on the breakdown of spending by category (Figure 4-2).

Figure 4-2 Weekly Household Spending by Category



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



4.1.2 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 output⁹. 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 ONS¹⁰ provides multipliers¹¹ 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 Scottish economic impacts associated with each household type are summarised in Table 4-2. 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 an annual GVA of £14,451, supporting 0.1 (one tenth) of a job.

Table 4-2 Economic Impact by Household Type (Scotland)

Household Type	Annual GVA (£)	Jobs
Single adult	10,255	0.1
Small adult	17,759	0.2
Single parent	11,531	0.1
Small family	19,726	0.2
Large family	20,735	0.2
Large adult	19,973	0.2
Older smaller	12,176	0.1
Single pensioner	7,269	0.1
Weighted Average	14,451	0.1

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

The breakdown of the average annual economic impact for each local authority can be found in Appendix 2: Local Authority .

4.1.3 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

⁹ Scottish Government and ONS (August 2024), Scottish Annual Business Statistics 2022

¹⁰ UK and Scottish Input Output Tables

¹¹ 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.



2024-25 this ranges from an average of £944.06 for Band A to £3,469.42 for Band H and the weighted average (taking account of the number of properties in each band) is £1,461.94 (Table 4-3). This is a conservative estimate and is calculated taking the average of the Council Tax by band in each local authority in Scotland¹².

Table 4-3 Local Fiscal Impact by Council Tax Band (Average for Scotland)

Band	Annual Council Tax (£)
A	944.06
B	1,101.40
C	1,258.74
D	1,416.09
E	1,860.58
F	2,301.15
G	2,773.19
H	3,469.42
Weighted Average	1,461.94

Source: Scottish Government (2024), Council Tax by Band 2024-25.

4.2 Short-Term Let Use (Secondary Lets)

4.2.1 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 Scottish 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);

¹² Scottish Government (2024), Council Tax by Band 2024-25.



- Occupancy: 43% (occupancy rate for self-catering accommodation in Scotland¹³);
- 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): £33.95 (consistent with VisitScotland data on average spend per night for visitors¹⁴, although only 85% of the average price per night for self-catering accommodation in Scotland¹⁵).

Based on these assumptions, the property would be let for 157 nights during the year, with a total of 565 guest nights. If the average spend per guest per night was £97 (including £33.95 on accommodation), in line with the VisitScotland average for overnight visitors to Scotland in 2023, the total expenditure during the year would be £48,868 (excluding VAT).

Similarly, for each local authority the key assumptions used to calculate the annual spending for the property with the described characteristics are shown in the table below (capacity and average guests were kept the same as those for Scotland as a whole).

Table 4-4 Local Authority Key Assumptions

Local Authority	Occupancy Rate	Accommodation Spend per Night
Aberdeen City	37%	£27.30
Aberdeenshire	37%	£15.75
Angus	57%	£31.50
Argyll and Bute	45%	£26.60
Clackmannanshire	45%	£11.90
Dumfries and Galloway	28%	£26.95
Dundee City	57%	£31.15
East Ayrshire	61%	£28.70
East Dunbartonshire	27%	£17.85
East Lothian	48%	£25.20
East Renfrewshire	27%	£35.70
Edinburgh City	50%	£38.50
Falkirk	45%	£28.35
Fife	40%	£40.95
Glasgow City	27%	£38.15

¹³ The Scottish Accommodation Occupancy Survey, 2023.

¹⁴ VisitScotland Key statistics, 2023

¹⁵ The Scottish Accommodation Occupancy Survey, 2023



Local Authority	Occupancy Rate	Accommodation Spend per Night
Highland	48%	£35.00
Inverclyde	27%	£23.45
Midlothian	48%	£12.25
Moray	37%	£14.70
Na h-Eileanan Siar	45%	£18.20
North Ayrshire	61%	£23.80
North Lanarkshire	27%	£21.70
Orkney Islands	67%	£24.85
Perth and Kinross	47%	£31.15
Renfrewshire	27%	£24.50
Scottish Borders	31%	£40.95
Shetland Islands	65%	£9.80
South Ayrshire	61%	£22.75
South Lanarkshire	27%	£22.05
Stirling	45%	£30.80
West Dunbartonshire	27%	£32.55
West Lothian	48%	£19.95

Source: The Scottish Accommodation Occupancy Survey, 2023; VisitScotland Key statistics from Regional Factsheets, 2023.

4.2.2 Economic Impact: Short-Term Let Use

The economic impact of guest expenditure can be calculated based on data published by the Scottish Government and ONS¹⁶ on the ratio between expenditure (business turnover) and direct GVA, along with the ratio between business turnover and employment, to provide a basis for estimating direct employment supported.

Other data published by the Scottish Government and ONS¹⁷ provides multipliers¹⁸ 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 (expenditure of £48,868), the economic impact of this example short-term property in Scotland would be:

¹⁶ Scottish Government and ONS (August 2024), Scottish Annual Business Statistics 2022

¹⁷ Scottish Input Output Tables

¹⁸ 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 Local Authority areas and a half of the induced effect.



- Annual GVA: £50,159
- Jobs: 1.1

A breakdown of annual impacts based on the assumptions above for each local authority can be found in Appendix 2: Local Authority .

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

Firstly, on capacity, using the conservative assumptions of an occupancy rate of 43%, an average of 1.8 guests per room per night and a price per guest per night of £33.95, Table 4-5 sets out annual GVA and jobs impacts for 1, 2, 3, 4 and 5 bedroom properties.

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 £125,442, supporting 2.8 jobs.

Table 4-5 Scottish Economic Impact of Short-Term Let (Analysis by Capacity)

Key Assumptions		
Occupancy rate		43%
Average guests per night per room		1.8
Price per guest per night		£33.95
Rooms	Annual GVA (£)	Jobs
1	25,124	0.6
2	50,159	1.1
3	75,283	1.7
4	100,318	2.2
5	125,442	2.8

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 £33.95, Table 4-6 sets out annual GVA and jobs impacts for occupancy rates of 30%, 43%, 50%, 60% and 70%.

As the table shows, the economic impacts associated with a 70% occupancy rate are almost double those associated with a 43% occupancy rate.



Table 4-6 Scottish Economic Impact of Short-Term Let (Analysis by Occupancy)

Key Assumptions		
Capacity (rooms)		2
Average guests per night per room		1.8
Price per guest per night		£33.95
Occupancy	Annual GVA (£)	Jobs
30%	34,978	0.8
43%	50,159	1.1
50%	58,327	1.3
60%	69,956	1.6
70%	81,675	1.8

Source: BiGGAR Economics

Finally, on pricing, using the conservative assumptions of an occupancy rate of 43%, and an average of 1.8 guests per room per night for a 2 bedroom property, Table 4-7 sets out annual GVA and jobs impacts for prices per guest per night of £30, £55 and £70, as well as £33.95.

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

Table 4-7 Scottish Economic Impact of Short-Term Let (Analysis by Pricing)

Key Assumptions		
Occupancy rate		43%
Capacity (rooms)		2
Average guests per night per room		1.8
Price per guest per night	Annual GVA (£)	Jobs
£30	48,186	1.1
£33.95	50,159	1.1
£55	60,676	1.4
£70	68,170	1.6

Source: BiGGAR Economics Analysis.

4.2.3 Fiscal Impact: Short-Term Let Use

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



A review of recent short-term let valuations¹⁹ is used to calculate non-domestic rates in Scotland²⁰. Due to variations across different types of Secondary Let properties and locations, two examples are considered for which the average Scottish fiscal impacts are computed.

Table 4-8 displays the fiscal impacts for an example Flat in Scotland which is rated as 'Good' and being in 'Good Holiday Location'. This is valued at a rate of £550 per bedspace, with each bedroom being assumed to provide two bedspaces.

Table 4-9 shows the fiscal impact for an example Luxury self-catering unit in Scotland rated as 'Excellent' and being in 'Principal City Location'. This is valued at a rate of £3,000 per bedspace.

The non-domestic rates to be paid for 1, 2, 3, 4 and 5 bedroom short-term let properties are summarised in the tables, based on the poundage for 2024-25 of £0.498. The fees for short-term let licence applications are also related to the number of rooms. The average across local authorities' fees per bedspace is used to calculate the Scottish figures.

Table 4-8 Average Fiscal Impact by Capacity (Rooms)- Example 1 ('Good' property in 'Good Holiday Location')

Rooms	Non-domestic Rates	STL Licence Application Fee	Total
1	548	441	989
2	1,096	509	1,604
3	1,643	659	2,302
4	2,191	659	2,850
5	2,739	659	3,398

Source: BIGGAR Economics based on Scottish Assessors Association Valuation of Self-Catering Accommodation and Councils' Short Term Let Licence Application Fees, 2024/25.

¹⁹ Based on analysis of the Scottish Assessors Association portal (www.saa.gov.uk) and Scottish Assessors Association (2023), Valuation of Self-Catering Accommodation. Available at: https://www.saa.gov.uk/wp-content/uploads/2023/03/Self_Catering_Units_C17_23.pdf

²⁰ Edinburgh City is an exception as properties there that are valued in much higher basis.



Table 4-9 Average Fiscal Impact by Capacity (Rooms) – Example 2 ('Excellent' property in 'Principal City Location')

Rooms	Non-domestic Rates	STL Licence Application Fee	Total
1	2,988	441	3,429
2	5,976	509	6,485
3	8,964	659	9,623
4	11,952	659	12,611
5	14,940	659	15,599

Source: BiGGAR Economics based on Scottish Assessors Association Valuation of Self-Catering Accommodation and Councils' Short Term Let Licence Application Fees, 2024/25.

The fiscal impacts take no account of the Transient Visitor Levy, proposed by several Scottish local authorities from 2026.

4.3 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 than residents.

It is also the case that a higher proportion of visitor spending tends to be in sectors with high economic impacts. For example, one of the main areas of visitor spending is in the hospitality sector. This provides local employment and supports a larger hospitality sector than would otherwise exist if only catering to a resident population. By contrast, household spending will include an element of spending on groceries and other retail, which may support some retail employment but where only a small proportion of the supply chain effects will be retained in each local authority. This is supported by recent evidence produced by the Centre for Cities in November 2024, which indicates the difference in spending profiles between locals and visitors and the impact of visitor spending on sectors such as food and drink.²¹

The average fiscal impacts will also tend to be 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

²¹ <https://www.centreforcities.org/publication/spending-time-the-role-of-the-visitor-economy-in-uk-cities/>



types and their associated spending. An example is provided below to illustrate the scale of the differences.

The example is of a 2-bedroom property in Scotland - where it is assumed that short-term let use would be in line with average occupancy rates and visitor spending for tourism in Scotland, whilst a residential household might consist of two adults with no children. As Table 4-10 and Figure 4-3 show, the economic and fiscal impacts of short-term let use are greater than for residential use.

Table 4-10 Comparative Analysis (2 Bedroom Property)

Short-Term Let (Secondary Let)		Residential	
Key Assumptions:		Key Assumptions:	
<ul style="list-style-type: none"> ▪ 43% occupancy, 1.8 guests/room ▪ £33.95 per person per night ▪ £3,000 value per bedspace 		<ul style="list-style-type: none"> ▪ 2 adults (spend £609/ week) ▪ Council Tax Band C 	
Annual GVA (£)	£50,159	Annual GVA (£)	£17,759
Jobs	1.1	Jobs	0.2
Fiscal (£)	£6,485*	Fiscal (£)	£1,259

Source: BiGGAR Economics. *Note that fiscal impact of short-term lets is £1,604 for a £550 value per bedspace.

Figure 4-3 Comparative Analysis (2 Bedroom) GVA and Fiscal Impacts



Source: BiGGAR Economics



5.

Sectoral Impact

Short-term lets in Scotland generate £864 million GVA to the country's economy, supporting 29,324 jobs.

Short-term lets provide accommodation for tourists and other visitors. During their stay, guests spend money in the economy, supporting turnover and employment in businesses across the country. This section assesses the total economic impact associated with short-term lets in Scotland and the share of impact across the local authorities in 2023.

5.1 Economic Value of Short-Term Lets in Scotland

The impact of short-term lets varies across local authorities in Scotland as each area has its own unique characteristics, including number of short-term let properties and tourism levels. Therefore, the impact of short-term lets has been analysed for each local authority area to account for these variations. The findings of this analysis were then aggregated to estimate the total value of the sector for Scotland as a whole.

A conservative estimate of short-term lets has been made, based on short-term let licences issued across different local authorities (see section 3.2 for more details). The number of short-term lets per local authority were then applied to the assumptions set out in Table 4-4 to estimate the total impact generated.²²

Guests staying in short-term lets will spend in the economy during their visit, typically in sectors associated with the tourism industry (travel, hospitality, culture and shopping, as well as accommodation). The employment and GVA supported by this spending was calculated, using data from the Scottish Annual Business Statistics relating to each of these sub-sectors of the economy.

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 local authorities assumed to be 33% of the Scottish equivalent, and the induced at 50%.

Applying economic ratios and multipliers derived for the tourism economy in each local authority (see breakdown of impacts in Appendix 2: Local Authority) and totalling the impacts, it was estimated that short-term lets supported a total economic impact in Scotland as a whole worth £864 million GVA and supported 29,324 jobs in 2023.

²² The average spend per guest per night was adjusted for each local authority to account for differences between rates of spending of guests in short-term lets and the average tourist.



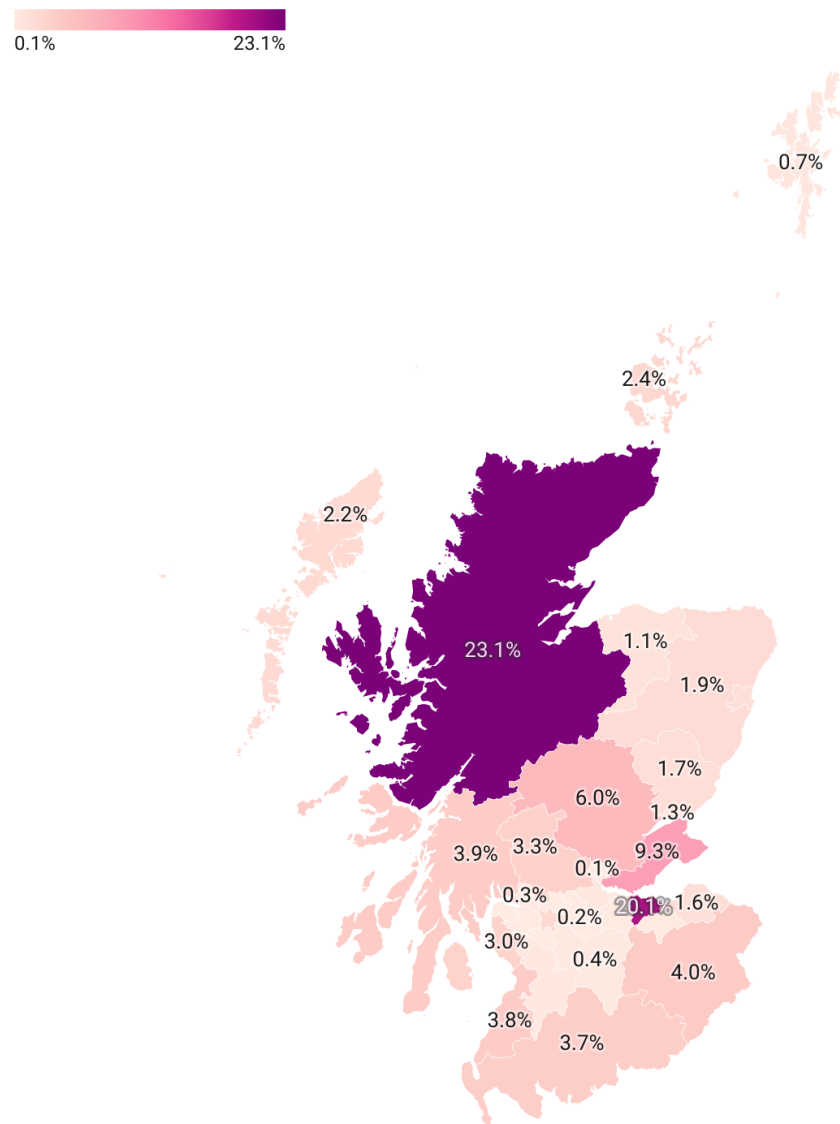
Table 5-1 Economic Impact of Short-term Lets in Scotland, 2023

	Direct	Indirect	Induced	Total
GVA (£m)	692	67	105	864
Jobs	26,408	1,300	1,617	29,324

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

The share of impact across different local authorities is shown in Figure 5-1 below.

Figure 5-1 Proportion of Scottish GVA and Jobs Impacts by Local Authority, 2023



Map data: © Crown copyright and database right 2019 • Created with Datawrapper

Source: BIGGAR Economics Analysis using Datawrapper.



5.2 Summary and Conclusions

In 2023, the short-term let accommodation sector is estimated to have generated £864 million GVA to the Scottish economy and supported 29,324 jobs. This is driven by the spending of guests in the tourism industry in each local authority, with Edinburgh City (20.1%) and Highland (23.1%) accounting for the largest proportions of the total Scottish impact.

It is noticeable that the analysis has found that Highland has higher economic impact associated with short-term lets than Edinburgh in 2023. These findings contrast the results from BiGGAR Economics' report in 2021²³, which showed that Edinburgh's pre-pandemic economic impact was 35%, with Highland being the local authority area with the second highest share of impact at 17%.

It is likely that the impact of Scotland's short-term lets licencing regulations in 2022 has been unevenly distributed across the country. For example, the whole of Edinburgh City Council has been designated as a control area meaning that planning permission is required for non-primary residence short-term lets. The analysis in this report suggests that a reduction in the supply of short-term lets in Edinburgh has reduced the city's contribution to the overall benefits they bring to Scotland's economy.

²³ BiGGAR Economics (2021), The Scottish Tourism Economy, Covid-19 and Airbnb.



6.

Appendix 1: Methodology

This appendix provides some additional details of the economic impact methodology.

An economic model was built to estimate the economic impacts generated by short-term lets, both for a representative example of an individual property and for the sector as a whole.

6.1 Measures of Economic Impact

This report expresses the economic value generated using two widely accepted measures of economic contribution: gross value added (GVA) and employment (jobs):

- **gross value added:** a measure of economic output, the monetary contribution that an organisation or activity adds to the economy through its operations. This is usually expressed as the turnover of an organisation minus costs of bought-in goods and services; and
- **employment (jobs):** expressed in terms of the full-time equivalent (FTE) jobs.

One of the reasons these measures are so widely used is that they provide a convenient way of capturing the entire economic contribution of the sector in a single number.

GVA and employment figures are estimated using the ratios between turnover, GVA and employment in the relevant sectors e.g. for a given level of turnover, a certain level of GVA or employment would be supported²⁴. Given the nature of short-term lets and their typical use as accommodation for visitors to a particular location, it is likely that the majority of their spend will go on sectors related to the tourism industry. As such, economic ratios for sectors relating to accommodation, travel, and hospitality, culture and shopping, were averaged to create appropriate ratios for tourism-related expenditure.

6.2 Multiplier Effects

There would also be wider effects as a result of spending in the supply chain (known as indirect effects) and spending by staff in the wider economy (known as induced effects). These are estimated using Type I (indirect) and Type II multipliers (indirect and induced)²⁵ which were averaged to create relevant estimates for the tourism industry. An assessment was also made on the share of the Scottish multipliers that would be retained within local authority areas. This accounts for the fact that not all of the impact will be retained in local authority areas as visitors, and households,

²⁴ Scottish Government (2024), Scottish Annual Business Statistics

²⁵ Scottish Government (2023), Input-Output Tables.



spend in other parts of the country (sometimes referred to as 'leakage' from the local economy).

6.3 Additionality and Displacement

In line with guidance produced by the HM Treasury Green Book, the economic assessment considers aspects such as additionality and displacement.

One such scenario would be the case that guests choosing to stay in short-term lets displaces those who would otherwise stay in accommodation such as local hotels, therefore reducing the impact generated by these facilities. However, this would require that the hotel sector had capacity to accommodate additional guests. In much of Scotland, tourism patterns are seasonal with the greatest numbers of visitors in the summer, when hotel occupancy rates tend to be high.

The switching of short-term let visitors to hotels would also be influenced by pricing and affordability, since the average price per person per night tends to be significantly less in short-term lets than in hotels. Reliable recent data is not available on spending on different types of accommodation. However, VisitScotland data²⁶ shows that the average spend per night of all tourists in 2023 was £97 and that just over a third of daily spending is on accommodation.

However, hotel costs are substantially greater than this and so the spending patterns of hotel guests are quite different to those staying in other types of visitor accommodation, including short-term lets. For example, the average rate per hotel room in Edinburgh in 2023 was £145²⁷, so even based on two guests per room, this spending on hotel accommodation (at least in Edinburgh) would be approximately double the average spend of visitors to Scotland on accommodation.

There is evidence available on how sensitive visitors are to changes in prices, which provides some insight into whether short-term let visitors may be prepared to pay hotel prices. The Price Elasticity of Demand (PED) is a measure of how demand might respond to a price change. Research for the Scottish Government²⁸ found the average PED in tourism for destinations in Europe considered to be similar to Scotland was -1.26. This means that when the price increases by 1%, demand falls by 1.26%. On that basis if prices were to double, demand could be expected to fall to close to zero. To put that another way, it is extremely unlikely that short-term let visitors would be prepared to pay hotel prices.

It is also worth noting that the accommodation offering, and thus visitor market, for hotel and short-term let accommodation are different. Short-term let accommodation provides self-catered facilities that are less likely to be found in a hotel. Short-term let guests choose to stay in the properties for such facilities and it cannot be assumed that they would otherwise have chosen to stay in a hotel.

²⁶ Source: VisitScotland (2024), Key Statistics, 2023

²⁷ Source: Colliers (2024), UK Hotel Market Index 2024

²⁸ Scottish Government (July 2021), Review of Evidence of Elasticities Relevant to Tourism in Scotland



Additionally, the accommodation offerings of short-term lets tend to attract guests looking to stay for extended periods of time, such as mature students, home-movers and temporary workers. It is unlikely that many of these guests would be able to afford staying in a hotel for the same duration of time.

On this basis, it is reasonable to assume that any interchange between short-term let and hotel accommodation would be very limited, constrained by the supply of hotel rooms (particularly in the busier tourism months) and affordability of hotels for short-term let visitors.

Nevertheless, to account for any potential displacement on other types of accommodation providers, an additionality assumption of 80% was made to the number of nights spent in short-term let accommodation.

The broader concept of additionality considers whether the sector or business, that is the subject of an economic impact study, is the source of that economic activity and whether it would still occur in the absence of that sector or business. In the context of the tourism economy, that includes considering what attracts visitors and so what visitor spending can be attributed to.

The analysis does not attribute tourism spending in Scotland and the economic impacts that arise to the short-term let sector. It is recognised that the drivers of tourism include Scotland's scenery, history, attractions and events and so these are the drivers of tourism behaviour.²⁹ However, if there is a lack of sufficient visitor accommodation to meet the preferences and budget of potential visitors, the tourism potential of Scotland will be restrained. The spending of short-term let visitors and the associated economic impact would not occur.

A sufficient supply of short-term let properties may not be the driver of Scottish tourism, but it is a necessary condition to allow the sector as a whole to operate.

6.4 National and Local Analysis

The impacts have been assessed for each local authority area in Scotland and for Scotland as a whole.

In the case of the individual property analysis in section 4 the impacts were assessed for Scotland as a whole to give an average value for a Secondary Let property across the country. In the case of the sector analysis in section 3, the figure for Scotland provides an aggregate of the sum of the local authority impacts. In this way, the Scotland sector total is inclusive of variances between local authorities.

Data for each local authority area was gathered from publicly available data on overnight tourism and factsheets produced by VisitScotland.

²⁹ Visit Scotland (2024), Scotland Visitor Survey 2023

7.

Appendix 2: Local Authority Analysis

7.1 Comparison of Secondary Lets and Vacant Dwellings

The table below provides an estimate of the share of dwellings Secondary Lets account for in each local authority area in Scotland, in comparison to that accounted for by vacant dwellings (homes that have been empty for more than six months) and second homes.

For Scotland as a whole Secondary Lets account for 0.8% of dwellings, slightly less than the proportion that are second homes and considerably less than the 3.6% that vacant dwellings account for.

The share of dwellings accounted for by Secondary Lets varies across parts of the country, with rural areas such as Na-Eileanan Siar, Orkney, Shetland, Highland and Argyll and Bute, exhibiting greater proportions. In these cases, the proportion that are Secondary Lets is less than the proportion that are second homes and/or vacant dwellings.

Table 7-1 Local Authority Housing Analysis

Local Authority	Vacant Dwellings as a % of Total Dwellings	Second Homes as a % of Total Dwellings	Secondary Lets as a % of Total Dwellings
Scotland	3.4%	0.9%	0.8%
Aberdeen City	6.3%	0.6%	0.4%
Aberdeenshire	4.2%	1.0%	0.9%
Angus	4.2%	0.7%	0.4%
Argyll & Bute	4.7%	6.6%	2.3%
Clackmannanshire	2.7%	0.2%	0.2%
Dumfries & Galloway	4.2%	1.8%	2.1%
Dundee City	3.6%	0.7%	0.3%
East Ayrshire	2.6%	0.2%	0.1%
East Dunbartonshire	1.9%	0.1%	0.1%
East Lothian	2.2%	0.9%	0.8%



Local Authority	Vacant Dwellings as a % of Total Dwellings	Second Homes as a % of Total Dwellings	Secondary Lets as a % of Total Dwellings
East Renfrewshire	1.2%	0.2%	0.1%
Edinburgh, City of	4.0%	0.6%	0.8%
Falkirk	2.5%	0.1%	0.2%
Fife	3.2%	1.3%	1.0%
Glasgow City	2.2%	0.2%	0.1%
Highland	4.5%	3.0%	3.5%
Inverclyde	5.0%	0.3%	0.1%
Midlothian	1.9%	0.1%	0.2%
Moray	3.8%	1.7%	1.3%
Na h-Eileanan Siar	8.0%	5.7%	5.9%
North Ayrshire	3.6%	2.1%	1.0%
North Lanarkshire	2.8%	0.0%	0.1%
Orkney	5.6%	4.0%	4.0%
Perth & Kinross	3.5%	1.6%	1.7%
Renfrewshire	3.1%	0.2%	0.1%
Scottish Borders	4.8%	1.7%	1.7%
Shetland	7.5%	1.5%	3.0%
South Ayrshire	3.4%	0.9%	1.0%
South Lanarkshire	2.6%	0.1%	0.1%
Stirling	3.1%	0.7%	1.8%
West Dunbartonshire	2.9%	0.0%	0.2%
West Lothian	2.2%	0.1%	0.1%

Source: BiGGAR Economics Analysis based on data produced by the Scottish Government and National Records of Scotland

7.2 Comparison of Residential and Short-term Let Use of an Individual Property

The annual economic impact of a representative 2-bedroom property (with an average of 3.6 guests) being used as a short-term let, in comparison to residential use, is shown in the table below.



The data presented in the table below is ranked in descending order of the annual GVA generated by the use of a property as a short-term let across local authorities (e.g. the annual GVA generated by a property as a short-term let is highest in Edinburgh and lowest in East Dunbartonshire). The difference in the ranking of local authority areas for short-term let use as opposed to that for residential use is due to the difference in the number of short-term lets, occupancy rates, and average tourism spend per area.

Table 7-2 Annual Impact by Local Authority: STL vs Residential

	Short-term Let Use		Residential	
	Annual GVA (£)	Jobs	Annual GVA (£)	Jobs
Edinburgh City	51,922	1.3	14,539	0.1
Angus	48,366	1.2	10,093	0.1
Dundee City	47,828	1.2	9,798	0.1
East Ayrshire	47,424	1.2	9,267	0.1
Highland	45,118	1.1	12,829	0.1
Orkney	44,888	1.1	11,191	0.1
Fife	44,214	1.1	10,434	0.1
Perth & Kinross	39,644	1.0	12,581	0.1
North Ayrshire	39,328	1.0	9,187	0.1
South Ayrshire	37,592	0.9	11,298	0.1
Stirling	37,112	0.9	12,799	0.1
Falkirk	34,160	0.9	11,092	0.1
Scottish Borders	33,791	0.8	10,864	0.1
East Lothian	32,278	0.8	12,806	0.1
Argyll & Bute	32,051	0.8	11,810	0.1
Glasgow City	27,800	0.7	9,689	0.1
Aberdeen City	26,898	0.7	11,645	0.1
East Renfrewshire	26,015	0.6	11,526	0.1
West Lothian	25,554	0.6	11,736	0.1
West Dunbartonshire	23,719	0.6	11,339	0.1
Na h-Eileanan Siar	21,930	0.5	10,302	0.1
Dumfries & Galloway	20,192	0.5	10,948	0.1



	Short-term Let Use		Residential	
	Annual GVA (£)	Jobs	Annual GVA (£)	Jobs
Renfrewshire	17,853	0.4	11,551	0.1
Shetland	17,099	0.4	11,956	0.1
Inverclyde	17,088	0.4	11,494	0.1
South Lanarkshire	16,068	0.4	10,970	0.1
North Lanarkshire	15,813	0.4	10,189	0.1
Midlothian	15,691	0.4	12,833	0.1
Aberdeenshire	15,518	0.4	11,839	0.1
Moray	14,484	0.4	12,627	0.1
Clackmannanshire	14,339	0.4	10,858	0.1
East Dunbartonshire	13,007	0.3	12,154	0.1

Source: BIGGAR Economics Analysis

7.3 Sector Impact by Local Authority

The table below provides an estimate of the economic impact generated by the short-term let sector across each local authority in Scotland.

Table 7-3 Economic Impact of STLs across Local Authorities, 2023

	GVA (£m)	Jobs
Highland	199.9	6,786
City of Edinburgh	154.0	5,580
Fife	80.1	2,721
Perth and Kinross	51.8	1,757
Scottish Borders	34.5	1,169
Argyll and Bute	33.5	1,136
South Ayrshire	32.9	1,117
Dumfries and Galloway	31.8	1,079
Stirling	28.3	960
North Ayrshire	26.3	894
Orkney Islands	21.1	717



	GVA (£m)	Jobs
Glasgow City	20.0	680
Na h-Eileanan Siar	19.0	646
Aberdeenshire	16.6	563
Angus	14.5	493
East Lothian	14.2	482
Aberdeen City	13.0	443
Dundee City	10.9	370
Moray	9.3	314
Shetland Islands	6.4	217
Falkirk	5.6	190
East Ayrshire	4.4	150
South Lanarkshire	3.2	110
West Dunbartonshire	2.6	87
Renfrewshire	2.2	73
Midlothian	1.8	62
West Lothian	1.5	52
North Lanarkshire	1.4	46
Inverclyde	1.2	40
East Renfrewshire	1.0	34
Clackmannanshire	0.9	30
East Dunbartonshire	0.6	22

BiGGAR Economics, Shandwick House,
67 Shandwick Place, Edinburgh, Scotland EH2 4SD

info@biggareconomics.co.uk

biggareconomics.co.uk

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