

UMEGA LETTINGS • IMPROVING THE LIVES OF TENANTS AND LANDLORDS

2020 EDINBURGH RENTAL MARKET COMMENTARY





2020

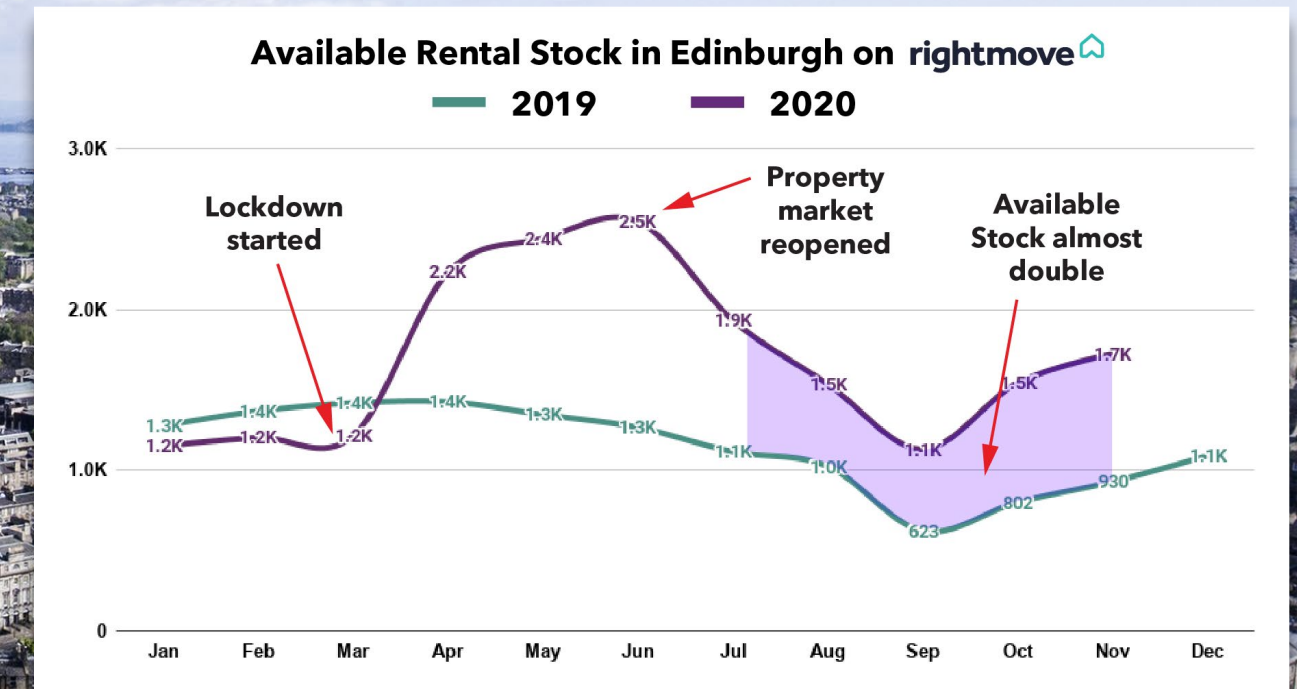
EDINBURGH RENTAL MARKET COMMENTARY

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2020 was a fascinating year in the Edinburgh rental market.

Usually the market is highly predictable; a long-term trend of demand for quality rental properties outweighing supply of rental housing overlaid with annual seasonality caused by the Edinburgh Festival and the city's large student population.

It will come as no surprise that the expected forces and behaviour of the rental market was turned upside down in 2020. Despite it being a year like no other, there is a lot that we can draw from the data and make sense of what has happened to the market and what to expect in 2021.





2020 Overview

January to March

Prior to lockdown, 2020 was looking like another predictable year for the Edinburgh rental market.

The private rented sector overall was growing but with an increasing proportion of rented property tenanted, the available stock levels were down 15% on 2019. This was causing rents to rise and we expected lower volumes of available stock and higher demand from prospective tenants to last throughout the year.

April to June

Along came COVID and within a few short weeks, the rental market trend for 2020 changed completely.

Hundreds of properties were vacated at short notice and the level of available rental properties more than doubled during April to June. Normally available stock levels would gradually reduce over this period as we can see from the 2019 data, but not this year. Had the market been able to move without restrictions then a large increase in available stock would have reduced asking rents but instead the available property market went into stasis as everyone held their breath waiting for lockdown restrictions to be lifted.

July to September

Restrictions on moving home were lifted at the end of June and immediately the rental market exploded back into life.

With non-essential housing moves being allowed again and the announced reopening of Edinburgh's universities, the number of new tenancies agreed rose sharply and available stock levels dropped significantly as a result. Despite the volume of available rental properties reducing by more than half in July to September, 2020 available stock levels remained at least 50% higher than the same period in 2019.

October to December

Once the Universities returned and the market settled down, we started to understand the impact of the market's big freeze over the spring and summer.

Available stock levels were 50% higher at the beginning of October than in 2019 and there were a number of additional factors affecting the number of properties on the market; a greatly reduced international student population, hundreds of properties coming into the long-term market from short-term lets (AirBnB) and continuing COVID uncertainty. This time of year would usually see a steady rise in available properties on the rental market but this trend was exaggerated in 2020.

While you might expect this to mean that properties did not let as they would normally, the data tells us that high volumes of new tenancies were agreed but at a slightly slower pace than previous years. The average time a Umeqa property spent on the rental market rose to 27 days, only 3 days higher than in 2019. The market was very active and properties were still letting, it just took a little longer.

What does 2021 have in store?

Our view is that it's likely properties will take longer to let over the next few months and rents will be slightly reduced as a result but the impact on individual tenancies will not be as dramatic as the available stock data might suggest.

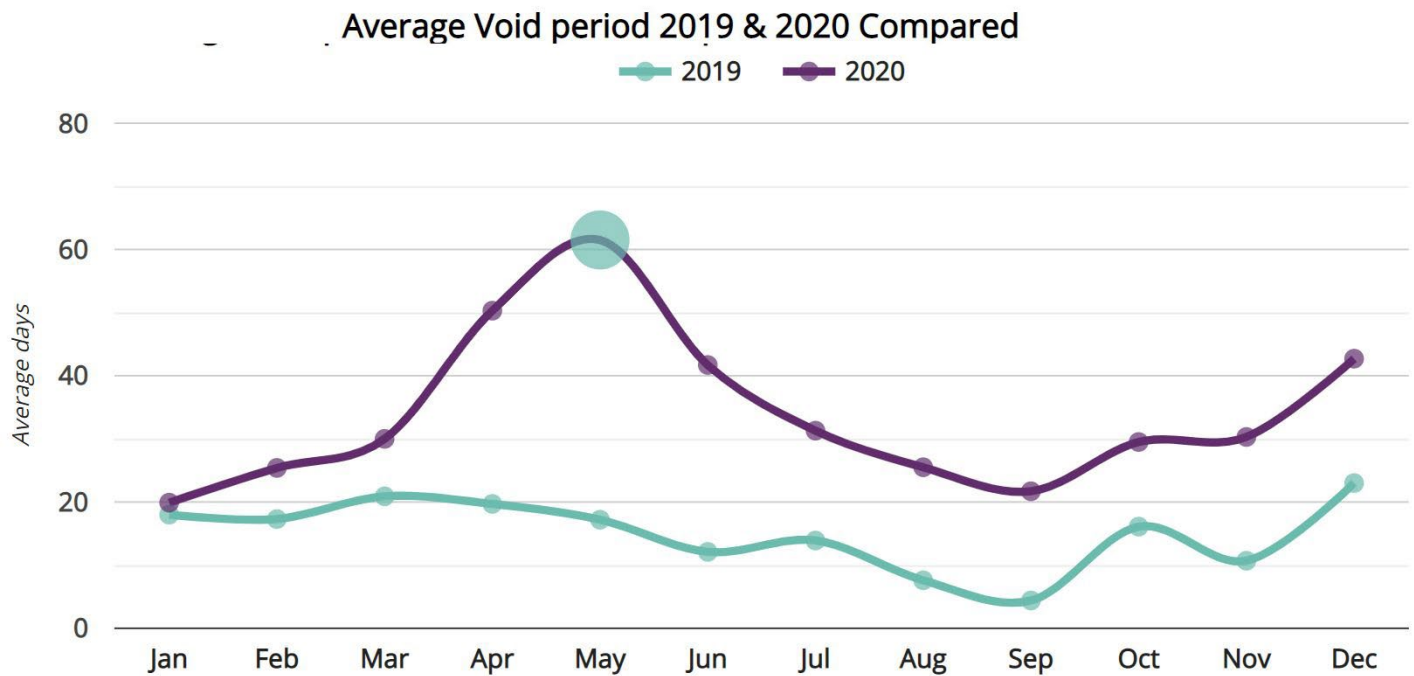
The reason for this could be that, despite the impact of COVID on the rental market in 2020, there continues to be a higher demand from prospective tenants than the supply of good quality rental properties.

Void Periods Were Up

The **void period** is the time that a rental property is vacant between tenancies and is not generating rent.

The average void period for Umega properties soared when lockdown started in March. This was caused by scarce availability of cleaners and repair technicians to help get properties ready for re-let.

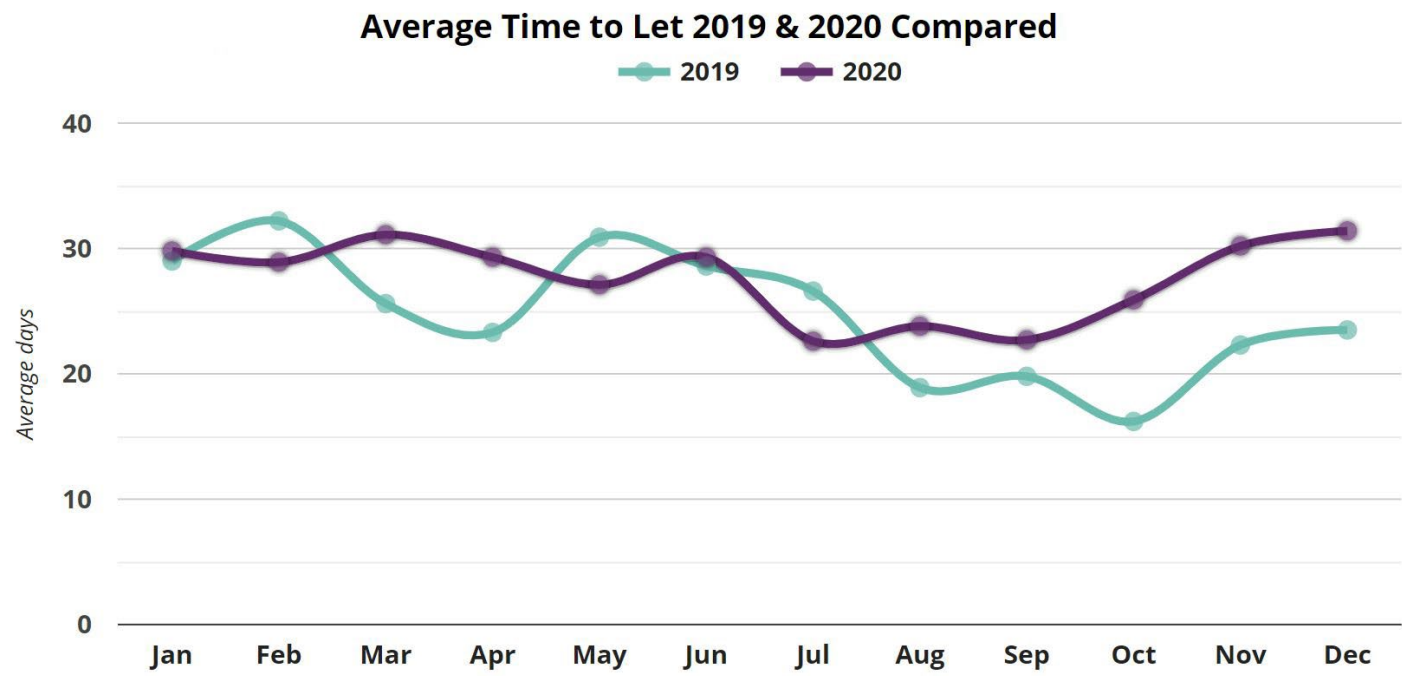
After an initial surge around May when average void periods reached a high of 60 days - 3 times longer than in 2019 - they dropped into the autumn as the market recovered. Due to the large number of properties on the market and less prospective tenants looking to move in the winter months, void periods ended the year at just over 40 days, almost double what they were at the end of 2019.



Time To Lets Were Relatively Unaffected

Time to let (TTL) is the average time each rental property is advertised on the market before a suitable new tenancy is agreed.

Surprisingly to us, the average TTL did not significantly increase in 2020. The only time of the year to see a noticeable increase in TTL was the last 3 months of the year where available stock levels were higher than previous years combined with less prospective tenants looking to move in the winter months.

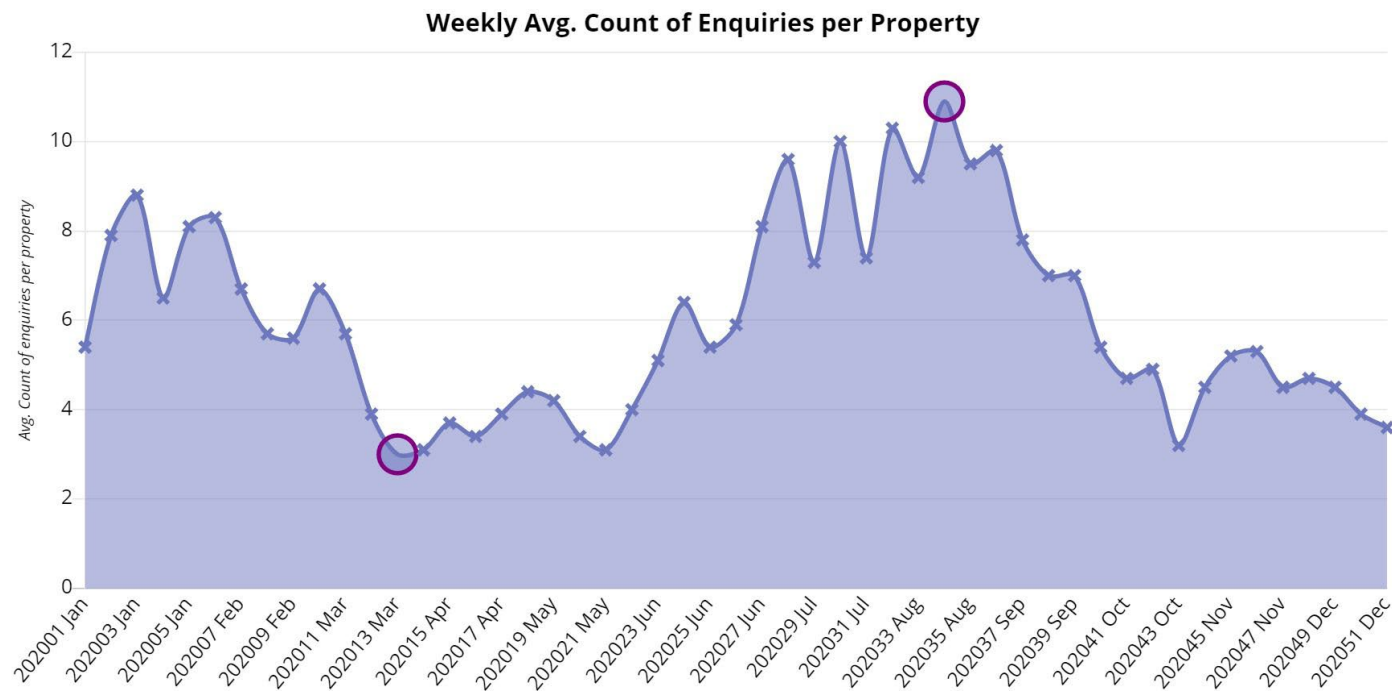


Demand for Rental Property Never Went Away

Tenant enquiries in Edinburgh throughout 2020 were heavily impacted by COVID restrictions. Prior to lockdown in the spring, tenant enquiries followed a predictable and stable pattern of around 7 enquiries per property, per week. however this dropped to 3 per properties when only essential moves were allowed for 3 months from April.

Enquiries rebounded immediately on the reopening of the housing market and remained high until October when levels dropped off. This shows significant changes throughout the year caused by a mixture of Edinburgh’s normal seasonality and the impact of COVID on the market.

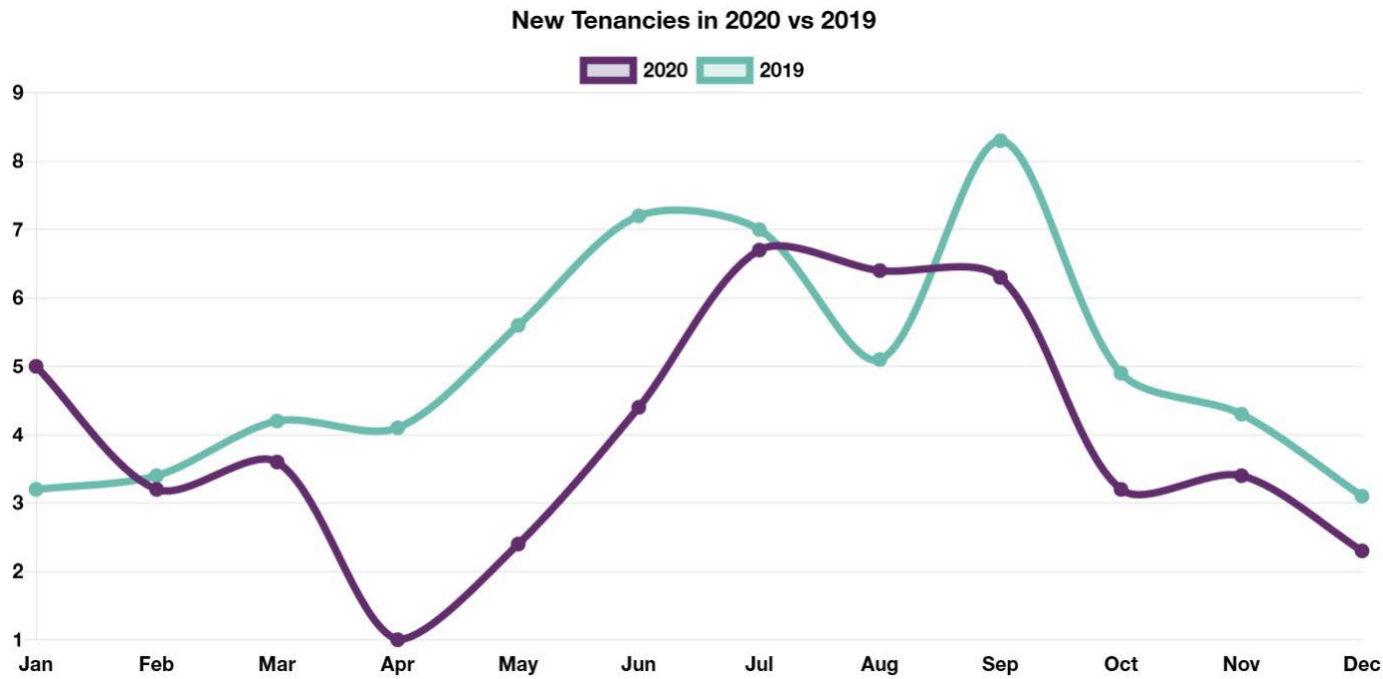
The surprising and reassuring figure for landlords is that average weekly enquiries per property at no point dropped lower than 3 showing the underlying strength and popularity of Edinburgh’s rental market in 2020.



New Tenant Move-ins Lower than in 2019

In 2019, we experienced a high volume of move-ins during the start of the summer and the normal spike in early September at the beginning of the University academic year.

Unsurprisingly we experienced a significant drop in move-ins at the beginning of April as the pandemic hit and all-but essential moves were halted, but this was followed by a rapid recovery. For the remainder of the year, new tenant move-ins tracked below 2019 levels, but without the normal surge of new tenancies starting in September mainly due to the absence of international students in Edinburgh.

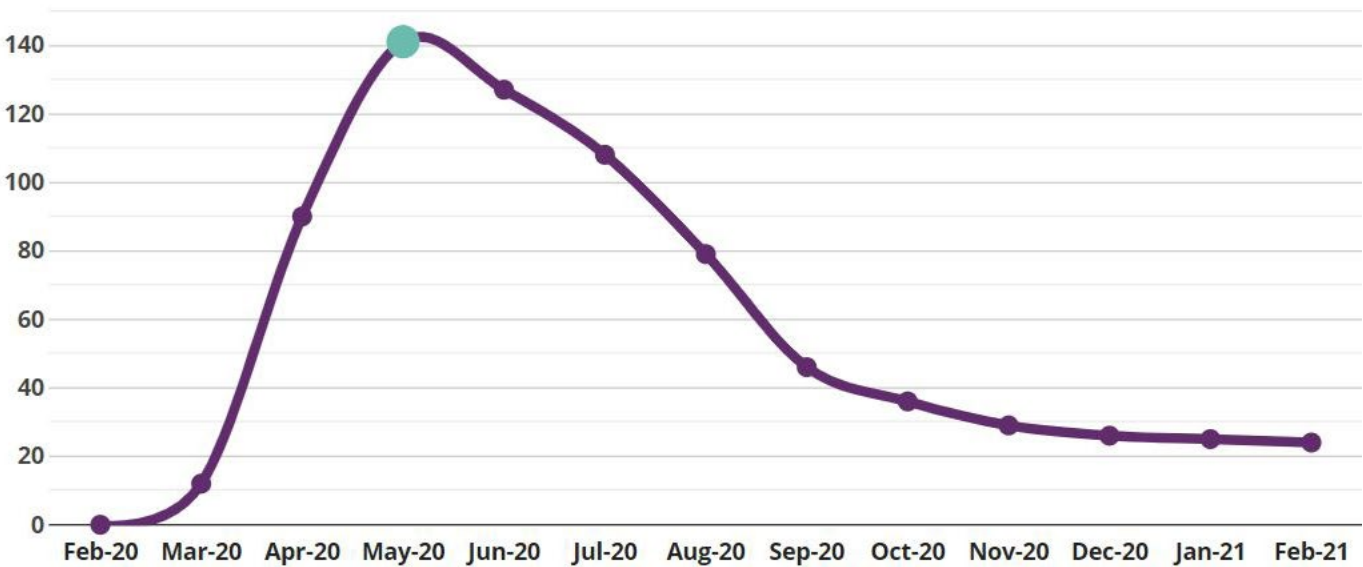


Rents Reduced Temporarily to Keep Tenancies Going

Prior to Coronavirus impacting the country’s economy and Edinburgh’s rental market, reducing the rent in the middle of a tenancy was not a common occurrence. When COVID took hold in March, keeping existing tenancies going where tenants’ income reduced during lockdown became one of our top priorities.

We negotiated 140 temporary rent reductions during the first 8 weeks of lockdown and although some of the reductions remained in place until the end of the year, the majority of reduced tenancies were back up to the pre-COVID rent level by the end of the summer.

PROPERTIES WITH A REDUCED RENT AGREED - MONTH TO MONTH





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