

INVESTMENT



The long and the short of it

The economic climate means holiday lets are booming, writes Kirsty McLuckie

Like other parts of the property market, buy-to-let investors have experienced a rocky couple of years. But does the economic climate at the beginning of a new decade suggest an alternative to long-term letting? At least one rental agency believes that investing in homes for the short-term or holiday market could provide a better income than homes which are traditionally let for a minimum of six months or a year.

Dickins Self-Catering Apartments agency is based in Edinburgh and deals exclusively with short lets, everything from three days upwards, which takes in

people on weekend city breaks, academics coming to the city for a couple of weeks or months, or corporate lets to several colleagues on a training course, for example.

Louise Dickins says that looking at their occupancy rates for 2009 suggests that such investment properties are not only seemingly immune from the effects of the recession, but could actually be benefiting from the economic climate. Their records show that occupancy levels in one-bedroom apartments has increased by over 16 per cent and by over 20 per cent in two bedroom properties.

Many of these smaller apartments achieve occupancy rates of 85 per cent and higher and the company have found themselves having to turn potential customers away due to no availability during peak times.

It makes sense, says Dickins. "The weakness of the pound has encouraged visitors from other countries to come on city breaks to the UK and tightening belts at home means a rise in the fashion of staycationing, where British holidaymakers choose to stay in the UK for a break rather than go abroad."

She believes there is a corporate budgeting influence too. "Companies may not be so willing for employees to spend money on expensive hotel bills when a self-catering equivalent can be just as good."

For the property owners, there is an obvious advantage over investing in proper-

ties that are let long-term. Dickins says: "Most of our owners will use their flats at some time or other themselves which you can't do or might not want to do with a long-term let. But if you have a one bedroom pied a terre in the city, it is lovely to be able to come and use it from time to time if you live out of town."

Dickins also believes that the sluggishness of the property sales market has had a knock-on effect. "Short term lets are being used by many people whilst looking for a new home after they have sold theirs and have still to find one to buy. It's possible to extend by just one week, so it fits perfectly with people's changing circumstances."

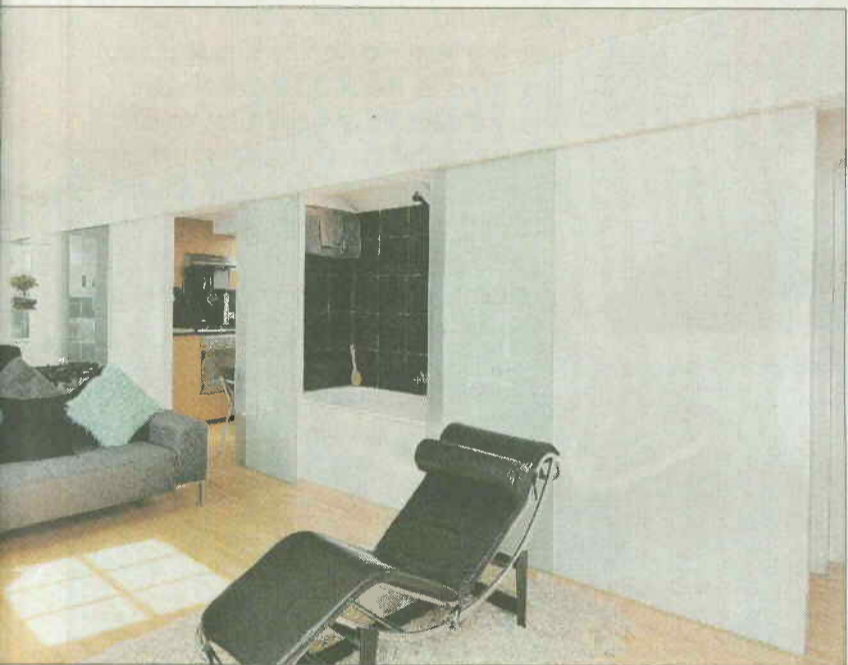
Not every area or property type will be successfully let. The research from Dickins shows that smaller flats in very central areas have the highest occupancy levels. Dickins says: "If you are talking

about people who are likely to move with their jobs around the country and require a base for a few weeks at a time, it is likely to be an individual or perhaps a couple, rather than a family, from a logistical point of view. We do have larger properties, for instance a townhouse in Northumberland Street, which is popular for larger family groups, perhaps coming to Edinburgh for a wedding and wanting a base to entertain whilst here, but on the whole the smaller properties have the highest occupancy rates."

She gives the example of a bijou flat in Thistle Street, which is one of their most popular, having a combination of location and value.

"The New Town is definitely good, even places such as Leith will not have the same appeal."

And she believes that it isn't necessary



Short-term lets are useful for people while they are looking for somewhere permanent, main; exterior, top, and interior, above, of 2 Northumberland Street in Edinburgh's New Town, a Dickins let

to spend a huge amount of money to get a good return. "The types of properties we are having the most success with are probably selling for anything between £160,000 to £215,000." Their rental prices start at just £275 for a week in the low season for a studio flat, but August and the festive season can reap big rewards, with a well placed two bedroom property bringing in £2,500 for the four weeks of the festival and about £60 per night in the low season. From this you have to subtract the agent's fees, which with Dickins is 19 per cent.

Simon Donaldson, of Simpson and Marwick, says that they have many clients looking for dual purpose properties. "They want something that they can use, but that will bring in a rental income when they aren't there." He agrees that the location of the property is key. "The size doesn't matter so much as long as it is

within walking distance of the centre. The budget they give us can be anything up to £400,000 but many people are looking for a well located, compact flat." Simpson and Marwick are currently marketing a studio flat in Northumberland Street for offers in the region of £165,000 which Donaldson says would suit the purpose well.

Louise Dickins says that if investors want to get it right, they have to take advice before they buy and not just go with something that they want to stay in themselves. "To get the best returns, you need to buy a good flat in a good area, but that doesn't have to mean that it is the most expensive. We often advise our clients before they buy on the suitability of a property. If you are prepared to put your own needs second and look at it as an investment, short term letting can work really well."

OPINION

Predicting another year of uncertainty



COLETTE MURPHY

THERE ARE MANY contrasting opinions being thrown around at the moment when it comes to predicting what the next 12 months will bring for the property sector.

We have seen the housing market start to recover from the effects of the economic downturn in 2009, with many reports currently showing that house prices are continuing to rise across the UK. Confidence has been returning to the property sector and the number of house sales has also been on the rise.

Despite this positive news, however, it has also been a challenging time for many would-be buyers. There have been very few major changes introduced by lenders over the past year so – although the number of mortgage approvals has been rising slowly – it is still difficult for many would-be buyers and investors to secure the necessary funds needed to buy a property.

The rental sector has certainly been an unpredictable place for much of the last year. At the start of 2009, the market was swamped with a surplus of properties put up by reluctant landlords – those people who were forced to turn to the rental sector after failing to sell their home. The swelling number of properties meant that tenants enjoyed a wealth of choice when it came to finding a home

and rent levels fell accordingly as landlords began competing fiercely for business.

Between January and November we saw rent levels falling month-on-month, while fewer landlords came into the market to put new properties up for rent. However, the situation has recently taken a turn for the better and in December we recorded the first moderate increase in rents on re-let properties during the whole of 2009 – a clear indication that the market is on the rise.

But despite this recent stability, I believe that 2010 will continue to be unpredictable for the rental market – mainly due to the fact that we do not know what will happen to the availability of money being offered by banks and other major lenders over the coming months.

Fewer property owners are coming into the rental sector and, as a result, the market has become quite stagnant. While rental yields are currently very good, many investors have been unable to secure the necessary funds to buy new properties and the supply of rental stock has therefore dwindled.

If lending continues to be problematic throughout 2010, it's likely that the supply of new properties on the rental market will remain low and tenants will find they have far less choice when it comes to renting a home. We may also see some existing landlords deciding to take their properties out of the rental sector and putting them up for sale instead – which will deplete stock levels further and may force rents to rise.

On the other hand, if the economy improves, lending restrictions are eased and confidence returns to the housing sector in the next 12 months, we may actually see more investors coming in and bringing new properties into the rental sector. This would lead to more choice for tenants, competition among landlords and, as a result, may lead to more competitive rent levels.

There's still a good demand for rented properties in Edinburgh. The Capital has a thriving student population that relies on the rental market and, although the financial sector has been hit over the past year, the city is still a popular destination for people to relocate to – and many of these will rent a property in the short term.

Some experts are suggesting that there may be further falls in house prices this year, which means that we may see even more people turning to the rental sector over the next 12 months – especially if they are planning to sell their properties quickly while competition among buyers is high, renting in the short term and then buying new homes when prices bottom out.

However, the fortunes of the property market 2010 are far from clear and there are a lot of ifs and maybes to consider when considering the fate of rented property in Scotland. We will have to just wait and see whether the market continues to recover over the coming months. ● Colette Murphy is director at Edinburgh letting firm Braemore Property Management

USP



The Modernist Villa, Cap d'Antibes
Designed in 1961 by Claude Parent, one of France's most revered modernist architects, this villa is a very bold statement of avant-garde architecture in raw concrete and glass.

And the location isn't bad either: it sits at the summit of Cap d'Antibes, which along with stunning views of both the Bay of Antibes and Golfe-Juan, gives it one of the smartest addresses in the world.

Cap d'Antibes and the town of Juan-les-Pins surrounding it are in south-eastern France, on the Mediterranean

Sea in the Côte d'Azur, located between Cannes and Nice. The area has a long association with both the super-rich depicted by the likes of F Scott Fitzgerald, who holidayed regularly here, and modern art. Picasso stayed in the town's castle for a while and it is now a museum dedicated to his art.

So this modernist villa, described as an incredible, experimental and iconic piece of architecture, seems the right sort of thing to be buying here.

The house has 250sq m of living space and four bedrooms, all of which have been designed to take advantage

of the panoramic views. Of course, the buyer won't just be investing in floor space. The architect, Claude Parent, was elected a member of the Académie des Beaux-Arts and the villa was listed in 1989.

So not only is the house a beautiful home in one of the world's most desirable real estate locations, but also an opportunity to own a piece of (recent) history.

● The villa is priced at €5.3 million, for more information contact Modern Homes Worldwide, tel: 0207 095 8701, www.modernhomesworldwide.com