



From Long-Term Lets to Short-Term Lets: Is Airbnb becoming the new buy-to-let?

Tom Simcock

Residential Landlords Association

August 2017



About the Residential Landlords Association

The Residential Landlords Association (RLA) represents the interests of landlords in the private rented sector (PRS) across England and Wales. With over 30,000 members, and an additional 20,000 registered guests who engage regularly with the association, the RLA is the leading voice of private landlords.

The RLA provides support and advice to members, and seeks to raise standards in the PRS through our code of conduct, training and accreditation and the provision of guidance and updates on legislation affecting the sector. Many of the RLA's resources are available free to non-member landlords and tenants.

The association campaigns to improve the PRS for both landlords and tenants, engaging with policymakers at all levels of Government, to support our mission of making renting better.

For more information about the RLA please visit www.rla.org.uk

You can also call us on 0161 962 0010, email info@rla.org.uk or tweet us @RLA_News

About the RLA Private Renting Evidence, Analysis and Research Lab

The Residential Landlords Association's (RLA) Private renting Evidence, Analysis & Research Lab (PEARL) is a research-based policy exchange for the private rented sector. We provide analysis and research on the economic, social, and political issues facing the private rented sector (PRS). Through this the RLA aims to inform, develop and promote policies that help to make renting better for all.

We provide high-quality research and through our reports, briefings, and events, the RLA's PEARL provides the opportunity for evidence led policy making in the PRS.

The RLA aims to make an important contribution to the policies that affect the PRS. We believe it is important that policy makers consider the evidence and the potential consequences in their decision making. We seek to influence decision makers in order to translate our research findings into an improved renting experience for landlords and tenants.

For more information about the RLA's Private renting Evidence, Analysis & Research Lab (PEARL) please visit research.rla.org.uk

You can also call us on 0161 495 9317, email research@rla.org.uk or tweet us @RLA_PEARL

About the Author

This report is written and researched by Tom Simcock of the Residential Landlords Association.

Tom Simcock MBPsS is the Senior Researcher for the RLA. Tom's expertise lies in researching change in society, quantitative and qualitative research methodologies, and behavioural and psychological change approaches. His research on the private rented sector and housing has received national media coverage and has been cited by the House of Commons, House of Lords and the London Mayor. For the past 4 years, he has been researching the changing roles of Fire and Rescue Employees as part of his PhD research. Tom holds an M.Sc. degree from the University of Manchester, and a B.Sc. degree from the University of Chester.

Disclaimer

This research report has been written to inform and stimulate policy debate. While effort has been made to ensure that the data and other information are accurate, some errors may remain. The purpose of the report is to provide information, analysis and background regarding the issues effecting landlords and the private rented sector. It is neither intended for use in advertising and promotions nor for market forecasting and no liability is accepted in either regard.

Copyright

Intellectual copyright resides with the Residential Landlords Association. However, we want to encourage the circulation of our work as widely as possible while retaining the copyright. We therefore have an open access policy which enables anyone to access this report online for free. Anyone can download, save, and distribute our work. Extracts may be quoted by the media with appropriate credit to the author and the RLA. All copyright and registered trademarks remain the property of their owners.

Note on Planning Permission in London for Short Term Lets

Outside Greater London there is no specific planning restriction on short letting and so there is little control on short term lets. Inside Greater London the *Greater London Council (General Powers) Act 1973* originally stated that letting of a property for less than 90 consecutive nights was a change of use for which planning permission would be needed. While not a criminal offence in itself, a breach of planning in this way would expose the person carrying it out to the risk of a planning enforcement notice being served. Breach of a planning enforcement notice is an offence punishable by fines and the recovery of money earned in breach of such an enforcement notice. The *Deregulation Act 2015, s44* relaxed the terms of the 1973 Act so that individuals could let property in which they were the council tax payer for periods of less than 90 consecutive nights provided that the short lets, taken in aggregate, did not amount to more than 90 nights in any one year. Therefore, this would allow occasional short letting but routine short letting would still be a breach of planning control.

Contents

Executive Summary.....	5
Background and Method.....	6
Short-term letting and the Private Rented Sector.....	9
How has the Sharing Economy changed over the past 12 months?	12
Conclusion	16

Executive Summary

Homes are no longer being used for long term accommodation. With the rise of the sharing economy, increasing world-wide tourism and technological revolution, people are using homes to provide accommodation to millions of tourists globally every year. In London alone, the number of listings on Airbnb has grown by 60% in just over 12 months to over 53,000 listings.

This research builds upon our previous research reports and seeks to examine how the sharing economy has changed over the past 12 months. This report discusses the findings from a survey of 1,463 landlords, which examines firstly, tenant sub-letting on online platforms without permission, and secondly, investigates landlords changing their letting strategy from long term lets to short term lets. This report then analyses the latest secondary data available on Airbnb listings in London from InsideAirbnb. This enables key trends in short term lets to be mapped out and empower wider discussion on the issues arising from the growth in the sharing economy.

The number of entire home/apartment listed on Airbnb has increased by 54% in over 12 months, with an 8% increase in the number of these listings that are available for over 90 nights per year. This is now a potential 12,213 homes unavailable for families to rent for the long term.

The analysis of the secondary data also demonstrates the growing professionalisation of the sharing economy with the significant (75%) growth in the number of multi-listings on Airbnb. This finding suggests that more professionals are turning to Airbnb rather than home-owners looking to let out a spare room. The findings of the survey provide further evidence to support this argument. 7% of landlords are now moving properties from long term lets to short term lets. With over 1 in 3 landlords reporting this was due to the changes in Mortgage Interest Relief.

It is incomprehensible that the government is encouraging short term lets through tax breaks while removing support for landlords who provide homes for the long term. The government needs to reconsider this policy change if it wants to meet the further 1.8 million homes needed to rent by 2025. Without change supply in the private rented sector is going to dwindle and put pressure on families through increased rents. While there is no issue with home-owners or tenants (with permission) to use Airbnb for the short term when they are away, there needs to be a debate on the shift from long-term to short term lets. If this continues families, workers and young people will be prevented from accessing affordable properties to rent in the future.

Background and Method

Airbnb and other home sharing platforms are now a staple of the tourism industry worldwide, with Airbnb¹ reporting that over 60 million consumers have used its platform globally.

Airbnb emerged in 2007 in San Francisco when two graduates advertised their apartment for delegates of a local conference². Two years later, Airbnb as a platform was launched and has now grown significantly worldwide since, with millions of nights booked in homes globally³. Rather than property being owned by Airbnb, instead Airbnb is a platform that enables home owners to rent out a spare bedroom or their entire home as a short term let⁴. The home owner or 'host' is able to advertise their property as either shared rooms, private rooms or entire homes/apartments⁵.

Previous research has identified that 57% of listings on Airbnb were entire homes/apartments⁶. However, Airbnb does not regularly release data on the number of listings, yet in one case it was forced to release data to the New York States Attorney⁷. One possible source of data is from third-party websites that scrape data from the Airbnb website, one example is InsideAirbnb⁸ which has collated information on a number of cities worldwide. The use of Airbnb has been argued to have disrupted the tourist sector⁹, and is potentially negatively impacting on communities through the loss of affordable housing to short term rentals¹⁰.

In London, renting out a property on Airbnb or a similar platform was a breach of planning controls without permission from the Local Authority. However, from May 26th 2015 it has been possible due to the Deregulation Act 2015 to offer short term lets in London as long as this is not for more than 90 nights per year. The

¹ Airbnb. (2016a). About Us. Retrieved from <https://www.airbnb.co.uk/about/about-us>

² Guttentag, D. (2015). Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current issues in Tourism*, 18(12), 1192-1217.

³ Botsman, R., & Rogers, R. (2010). What's mine is yours: the rise of collaborative consumption: Collins Business Ed.

⁴ Oskam, J., & Boswijk, A. (2016). Airbnb: the future of networked hospitality businesses. *Journal of Tourism Futures*, 2(1), 22-42.

⁵ Airbnb. (2016b). What does the room type of a listing mean? Retrieved from: <https://www.airbnb.co.uk/help/article/5/what-does-the-room-type-of-a-listing-mean?topic=191>

⁶ Guttentag, D. (2015). Airbnb: disruptive innovation and the rise of an informal tourism accommodation sector. *Current issues in Tourism*, 18(12), 1192-1217.

⁷ Schneiderman, E. T. (2014). Airbnb in the city. *New York State Office of the Attorney General. New York*.

⁸ InsideAirbnb. (2016). About InsideAirbnb. Retrieved from <https://insideairbnb.com/about.html>

⁹ Bock, K. (2015). The changing nature of city tourism and its possible implications for the future of cities. *European Journal of Futures Research*, 3(1), 1-8.

¹⁰ Schneiderman, E. T. (2014). Airbnb in the city. *New York State Office of the Attorney General. New York*.

Residential Landlords Association¹¹ has since then received calls through to its Advice Team on the issue of tenant sub-letting on Airbnb. These calls provided the impetus to develop an in-depth research programme on the growth of short term lettings and the issues of tenants sub-letting through these online platforms. Our previous research identified that there were 33,715 listings available in London in February 2016, and 65% of these were available for more than 90 nights per year, we argued that this was potentially removing a significant amount of housings from the market¹².

In the spring budget of 2015, the former Chancellor George Osborne announced a tax break of £1,000 to support the sharing economy¹³. In our second research report, we explored if this had any impact on the growth in the usage of Airbnb. This examined data between February 2016 and June 2016 for London. This analysis identified a growth in usage of 27% over a 5-month period¹⁴. Indicating that the tax change had a significant impact on the number of people looking to rent out their property on Airbnb.

Following the previous research reports, the RLA has campaigned for greater self-regulation of properties on Airbnb to stop individuals from renting out properties for over 90 nights per year without appropriate planning permission. Consequently, Airbnb announced in December 2016 that they would start to restrict the number of nights a property can be listed without evidence of planning permission¹⁵.

The purpose of this research was to provide a bench-mark of Airbnb usage before the self-regulation of listings was started by Airbnb. This research therefore examines the latest secondary data available for London and provides a comparative analysis against previous data bench-marks across a range of measures. A further aim of this research is to explore whether landlords were still having issues with tenants sub-letting properties on Airbnb, but to identify whether landlords were themselves starting to move properties over to short term rentals rather than the private rented sector (PRS). This may be happening because the short-term rental market is unaffected by changes to mortgage interest relief, where this change could mean a majority of landlords would have their profitability

¹¹ Residential Landlords Association. (2016). CALL OF THE WEEK – AIRBNB. *Residential Landlord Association*. Retrieved from <http://news.rla.org.uk/news-rla-org-uk8739-2/>

¹² Simcock, T., & Smith, D. (2016). *The Rental Revolution: What the Sharing Economy is doing to the PRS?* Manchester, UK: Residential Landlords Association.

¹³ Hickey, S. (2016). Stop worrying, self-starters – the £1,000 tax allowance isn't just for internet sellers. *The Guardian*. Retrieved from <http://www.theguardian.com/money/2016/mar/21/sharing-economy-1000-tax-free-allowances-ebay-airbnb-micro-entrepreneurs>

¹⁴ Simcock, T., & Smith, D. (2016). *The Bedroom Boom: Airbnb and London*. Manchester, UK: Residential Landlords Association.

¹⁵ Residential Landlords Association (2016). Airbnb to restrict listings to 90 nights a year. *Residential Landlords Association*. Retrieved from: <https://news.rla.org.uk/airbnb-restrict-listings-london/>

reducing by over 20%¹⁶. This research provides the opportunity to develop our understanding of a rapidly transforming sector and the potential unintended consequences of government policy change.

¹⁶ Simcock, T.J. (2016). *Landlord Investment, Finance and Tax Report 2016*. Manchester, UK: Residential Landlords Association

Short-term letting and the Private Rented Sector

This chapter reports the findings of the survey of landlords that asked questions regarding tenant sub-letting and whether they themselves had started to offer short-term lets through Airbnb or a similar platform. This survey received a total of 1,436 responses from landlords. This chapter is split into two sections, 1) Tenant Sub-Letting, and 2) Is Airbnb disrupting the business model of Property Investors?

Tenant Sub-Letting

Overall, 7% of landlords reported that they had found their tenant had advertised a property or room on Airbnb or a similar platform without their permission. If we extrapolate¹⁷ this across to the wider landlord body, this is approximately 122,500 properties across the country being sub-let without the landlord's permission for short-term lets. Furthermore, it is likely that the mortgage, insurance and leasehold conditions for these properties have been potentially breached, which could cause significant issues for landlords.

The main reason for finding out about the sub-letting was through a regular Property Inspection (29%), followed by complaints from neighbours (25%) and seeing the advert online (24%). The full findings can be seen in the figure below.

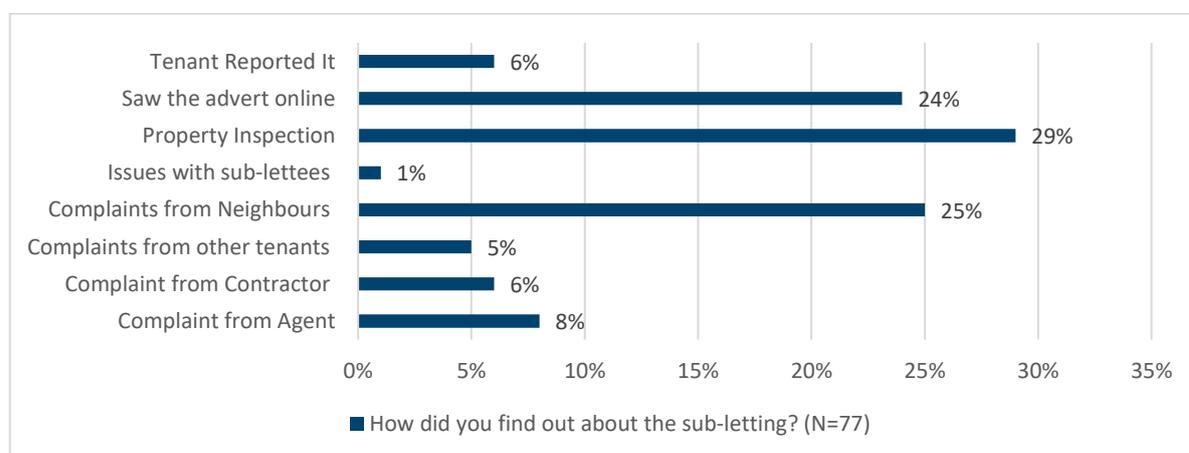


Figure 1. How landlords first found out about the sub-letting

The majority of properties where this had occurred were in London (55%), followed by the South East (14%), and then the North West (7%). This indicates that this issue is not confined solely to London but is also affecting the wider country.

¹⁷ Using the latest HMRC figures for number of landlords of 1.9 million landlords. Retrieved from: Walmsley, S (2017). Challenging the myth: Two thirds of landlords pay basic rate tax. *Residential Landlords Association*. Retrieved from: <https://news.rla.org.uk/two-thirds-landlords-pay-basic-rate-income-tax/>

The most popular outcome was for the landlord to evict the tenant from the property using a Section 21 notice (22% of landlords), followed by the landlord not doing anything about the issue (20%). Only 2% of landlords reported the tenant to the local authority and 1% decided to increase the rent.

Participants were able to provide comments in the form of an open text box. A number of landlords identified the anti-social behaviour and nuisance for neighbours that the sub-letting causes on Airbnb causes, but also the removal of homes for long term tenants. This is demonstrated in the below quotes:

“Airbnb tenants do not pay the same respect as normal residents, so it causes noise complaints and increases maintenance issues.”

“This is using up beds and rooms that should be in use for full time people. People are using Airbnb to undercut hotels, often passing increased costs onto landlords whilst earning significant extra money themselves.”

Is Airbnb disrupting the business model of Property Investors?

This section of this report explores if landlords are now starting to use Airbnb or similar platforms to advertise their properties rather than providing these homes to rent for the long term.

From this sample of landlords, 7% reported they had now started to offer properties as holiday/short term lets through Airbnb or a similar platform that they would have previously let in the private rented sector. Using the latest figures from HMRC for the number of unincorporated landlords it is estimated, that at a minimum, that 133,000 are moving from the private rented sector to short term lets.

These landlords were then asked why they had decided to change their business model to now offer short term lets. Overall, the majority of landlords reported this was due to financial reasons and policy changes in the sector. In particular, 36% of landlords identified that this was due to the changes to Mortgage Interest Relief. In the private rented sector, this tax relief is being reduced to 0% over a 4-year period and being replaced with a 20% tax relief, however, landlords offering short term or holiday lets are unaffected by this change. It has previously been found that 67% of landlords would face reduced profitability due to these changes, and 68% of these landlords would see their profitability reduce by at least 20%¹⁸. It is not surprising that landlords would therefore evaluate the options in relation to this change and make business decisions to ensure losses are kept to a minimum.

¹⁸ Simcock, T.J. (2016). *Landlord Investment, Finance and Tax Report 2016*. Manchester, UK: Residential Landlords Association

The participants of this survey were provided with the option to provide comments on why they were switching to short term lets. A number of the landlords revealed that this was not a choice that was made lightly, with some landlords reporting that the Government have forced them to make this change. This is indicated in the below quote:

"I didn't want to do this, but the tax changes have forced me down this route. Selling is not an option due to CGT, and this iniquitous tax which is effectively retrospective, is unjust in that my buy to lets are a business, just like any other. There will be less properties available to rent as a result of this tax."

Overall, this short survey has demonstrated a number of important changes occurring within the private rented sector (PRS). Firstly, tenants are sub-letting properties without the permission of landlords on Airbnb and similar platforms. This could cause serious issues for the landlord, with potential breaches to leases, mortgage and insurance conditions. In addition, this could also end with the tenant being served with an eviction notice for breaching the terms of their tenancy agreement. This issue is likely to be under-represented by the findings of this survey, with landlords reporting that they predominately only find out through actively looking for Adverts, visiting the property or from complaints. It is likely that this behaviour by the tenants could go completely un-noticed with the landlord never finding out.

Secondly, this research identifies a significant issue for the future of the PRS. In that landlords are now starting to offer their properties as short term lets/holiday lets on Airbnb or similar platforms rather than through the private rented sector. This transformation to their letting strategy is in part being driven by the changes to mortgage interest relief, with over 1 in 3 landlords listing this as a major reason for the change. This is a legitimate business decision for these landlords to take in order to mitigate their reduced profitability due to mortgage interest relief changes in the PRS. This change is certainly an unintended consequence of the implementation of this policy, however, with PwC¹⁹ estimating a further 1.8 million homes to rent are needed by 2025 it is likely that this policy could hinder the supply of these homes. The government rather than taking action that penalises the sector, needs to implement sensible policies that support landlords to provide homes to rent. Without a shift in policy, demand for properties is set to increase and this will place an upward pressure on rents, with potential increases predicted to be between 20 and 30%²⁰.

¹⁹ PwC. (2015). *UK Economic Outlook July 2015*. Retrieved from: <https://www.pwc.co.uk/assets/pdf/ukeyo-jul2015.pdf>

²⁰ Miles, D. (2016) *The impact of recent tax changes on the private rented sector*, November 2016, available at <https://workspace.imperial.ac.uk/business-school/Public/people/dmiles/Tax-Changes-November-2016.pdf>.

How has the Sharing Economy changed over the past 12 months?

This purpose of this research is to explore how society and the use of houses is changing, specifically by investigating the change in using 'homes' within the sharing economy as short term lets and the potential impact on the local housing market. This section of the report examines the changes in the usage of Airbnb in London between February 2016 and March 2017. This comparative analysis enables us to document and track changes, but to also empower wider discussions on the issues arising from these changes. The analysis reported in this section is based on three separate data-sets provided by InsideAirbnb.com, the first data-set provides the listings for February 2016, the second is for June 2016 and the final data-set provides the listings for March 2017. It is important to note that each data-set only provides a single snap-shot of the listings available on Airbnb at that time.

Number of Listings

Since February 2016 there has been a 60% increase in the number of listings available on Airbnb in London. Between February 2016 and March 2017 the number of listings had grown from 33,715 to 53,904 listings.



Figure 2. Number of London Listings on Airbnb between February 2016 and March 2017.

At the same time, the number of Entire home/apartment listings has grown from 17,625 listings in February 2016 to 27,175 listings in March 2017, an increase of 54%.

Table 1. Change in the number of Airbnb listings between February 2016 and March 2017

	February 2016	June 2016	March 2017	Percentage change (Feb 16 to March 17)
Entire home/apartment listings	17,625	21,861	27,175	+54%
Private room listings	15,607	20,213	26,019	+67%
Shared room listings	483	572	710	+47%
Total	33,715	42,646	53,904	+60%

We can see from Table 1 above that there has been a significant growth for all three types of property listing on Airbnb. The largest growth of 67% has been for private room listings, indicating a growth in individuals letting out a spare bedroom, but it is also possible that individuals are splitting up a property into multiple listings such as an Airbnb HMO. Our previous research identified case studies where landlords had found tenants sub-letting rooms in their properties, and in some circumstances turning living rooms into make-shift bedrooms²¹.

Availability of Listings

Since February 2016, there has been a 23% increase in the number of listings that were available for over 90 nights per year. While there has been an increase of 8% in the number of entire home/apartment listings between February 2016 and March 2017, there was a decrease of 8% in the number of listings. This finding indicates the self-regulation by Airbnb could be having an effect, however, there is a limitation to using the availability of properties. If a property is already booked this is not identified in these findings, this therefore under-estimates the number of nights properties that are booked for more than 90 nights per year.

²¹ Simcock, T., & Smith, D., (2016). *The Rental Revolution: What the Sharing Economy is doing to the PRS?* Manchester, UK: Residential Landlords Association

This change however has not occurred for private room listings and shared room listings. Each of these listing type has experienced significant growth in the past 12 months, with a 40% increase in private room listings between February 2016 and March 2017. This suggests more individuals are turning to Airbnb to let out a spare bedroom for longer across the year or advertising as a private room to get around their obligations from the 90-night limit. The full findings can be found in Table 2 below.

Table 2. Change in the number of Airbnb listings with an availability over 90 nights between February 2016 and March 2017

	February 2016	June 2016	March 2017	Percentage change (Feb 16 to March 17)
Entire home/apartment listings	11,296	13,320	12,213	+8%
Private room listings	10,360	13,004	14,467	+40%
Shared room listings	356	403	463	+30%
Total	22,012	26727	27143	+23%

Multi-Listings and the Professionalisation of the Sharing Economy

The professionalisation of Airbnb with individuals offering multiple listings has expanded significantly over the past 12 months. For all property types, this has grown by 75% and this provides considerable evidence that the use of Airbnb is shifting dramatically from its vision of allowing home-owners to occasionally rent out a spare room or their property when away. The growth in multi-listings is significant cause for concern during a housing crisis, as this is 22,000 properties now potentially unavailable for long term renting.

Table 3. Change in the number of Airbnb multi-listings between February 2016 and March 2017

	February 2016	June 2016	March 2017	Percentage change (Feb 16 to March 17)
Entire home/apartment listings	6,934	9,305	11,595	+67%
Private room listings	5,576	7,978	10,342	+85%
Shared room listings	234	310	411	+75%
Total	12,744	17,593	22,348	+75%

One of the largest increases in multi-listings has been for private room listings, which has grown by 85% since February 2016. As discussed above, this potentially indicates that Airbnb hosts are turning properties into Airbnb ‘HMOs’ and offering multiple rooms of a property to different individuals. This would also enable the host to potentially get around the self-regulation by Airbnb on the 90-night limit. The full findings are available in Table 3 above.

Conclusion

Our research has identified that short-term lets have continued to grow over the past 12 months, by a substantial 60%. Furthermore, there has been a 54% increase in the number of entire home/apartment listings available on the platform. There has also been an 8% increase since February 2016 in the number of entire home/apartment listings that are available for over 90 nights per year, and this is now a potential 12,213 homes unavailable for families to rent for the long term.

This research also demonstrates the growing body of evidence for the professionalisation of the sharing economy with the significant (75%) growth in the number of multi-listings on Airbnb. This indicates that professionals are now taking over rather than those home-owners looking to let out a spare room.

The survey of landlords confirms this, with 7% of landlords now starting to offer their properties as short-term lets rather than in the private rented sector. Over 1 in 3 landlords reported that this was due to the changes in mortgage interest relief. At a time when there is a housing crisis and it is predicted by PwC that a further 1.8 million homes to rent are needed by 2025, it is incomprehensible that the government is encouraging short term lets through tax breaks while removing support for landlords who provide homes for families for the long term.

The findings of the survey also demonstrated that a small proportion of tenants are sub-letting without permission properties on Airbnb. Not only does this put the tenants at risk of being evicted, it also puts the landlord at significant risk with licensing, mortgage, and insurance conditions and increased repair costs.

While there is no issue on home-owners or tenants (with permission) to use Airbnb to advertise their property for the short term when they are away, we need to address the issue of a significant amount of properties moving from long term lets to short term lets. If this continues this will prevent families, workers and young people from accessing affordable homes to rent. The government needs to reconsider their changes to mortgage interest relief to regain the confidence of businesses within the private rented sector, but also there needs to be an in-depth assessment of this impact on the London private rented sector.