The Bedroom Boom: Airbnb and London

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Residential Landlords Association

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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 23,000 subscribing members, and an additional 16,000 registered guests who engage regularly with the association, the RLA is the leading voice of private landlords. Combined, they manage almost half a million properties.

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.

About the Authors

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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.

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Executive Summary

'Sharing is caring' but is this the case with the rise of the sharing economy? Airbnb is a key facet of the sharing economy and is growing significantly worldwide. There are now more than 42,000 listings in London alone.

This research builds upon the previous Residential Landlords Association (RLA) report *'The Rental Revolution: What the Sharing Economy is doing to the PRS?'* and sets out to explore the explosive growth in Airbnb listings. In the first report, Simcock and Smith (2016) identified that 64% of entire home/apartment listings were available for more than 90 nights per year with an estimated annual revenue of £144,227,328.

It was argued that this is removing a significant amount of housing supply, restricting the amount of properties available to families and workers, and potentially pushing up rents.

This research investigates the growth in the usage of Airbnb between February 2016 and June 2016. From the analysis of the data it was found that there had been a substantial growth of 27% for the number of listings in London. Moreover, the number of entire home/apartment listings had increased by 24% to 21,861.

61% of these entire home/apartment listings were found to be available for more than 90 nights per year, and an increase from 11,296 listings in February to 13,320 in June. This is an 18% increase in the number of listings available for more than 90 nights over a period of 4 months. Furthermore, these highly available home/apartment listings were let on average for 98 nights per year. This finding shows that the number of listings possibly not adhering to planning regulations has increased dramatically and could be removing the supply of homes.

Furthermore, there is increasing concern over the commercialisation of the listings on Airbnb, with an increase of 38% in the number of listings classified as multi-listings (i.e. where the host has more than one listing).

We at the RLA are calling on the Government and the London Mayor to review the impact of the use of property sharing sites such as Airbnb on housing affordability and safety. The sharing economy is enabling businesses and individuals to profit on properties being used for long term on Airbnb and is preventing families, workers and young people from accessing affordable housing. We further recommend an assessment on the impact on London rents, and the education of tenants and landlords on the issue of sub-letting and the possible breaches of mortgage, insurance and licensing conditions.

Introduction

"Everything changes and nothing remains still" Heraclitus

Society is under constant change and a current zeitgeist is the movement towards the 'sharing economy'. Part of this trend has been the rise of Airbnb, which is successfully revolutionising the travel and short term rental industry.

Airbnb as a concept was born in 2007 in San Francisco when two graduates advertised their apartment for delegates of a local conference (Guttentag, 2015). By 2009, Airbnb was launched and has grown significantly worldwide since, with millions of nights booked in rooms and homes (Botsman & Rogers, 2010). Airbnb (2016a) reports that over 60 million consumers have used its sharing platform globally.

Airbnb is different to hotels or traditional bed and breakfasts as it does not own any of the property that is used through its platform. Airbnb is an online site that enables home owners to rent out spare bedrooms or the entire home/apartment as a short term let (Oskam & Boswijk, 2016). The home owner or 'host' is able to advertise their property as three different type of listing: shared rooms, private rooms, and, entire homes/apartments (Airbnb, 2016b).

The use of Airbnb to advertise entire homes/apartments has been substantial, with Airbnb claiming 57% of listings were entire homes/apartments (Guttentag, 2015). However, Airbnb do not generally release data on the number of listings, nevertheless, the company has been forced to release data to the New York States Attorney (Schneiderman, 2014). In order to analyse the impact of the use of Airbnb on society and housing we have had to use data sources such as insideairbnb.com, where data has been gathered on a number of cities worldwide (InsideAirbnb, 2016).

While the use of sharing sites have disrupted the tourist accommodation sector (Bock, 2015), Edelman and Geradin (2016) argue these changes can have a positive effect for consumers with the breakdown of regulations. Yet, Schneiderman (2014) argues there are concerns over the loss of affordable housing to short term rentals, negatively impacting on communities.

The use of Airbnb has grown worldwide and specifically in London. However, before May 26th 2015 it was a breach of planning control to rent out temporary sleeping accommodation without planning permission. As planning regulations prevented the use of residential property for short lets of less than 90 nights at a time. However, it has since been made possible for home owners to rent out their property in the capital as long as this is not for more than 90 nights in a year. The

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property owner still needs planning permission to do so if the total lets exceeds 90 nights in a year.

Since then circumstantial evidence identified that short term letting through Airbnb was potentially removing housing from the market through tenants sub-letting rooms and properties (Residential Landlord Assocation, 2016).

In our previous report on this issue, we identified that there were 33,715 listings in London and 65% of these were available for more than 90 nights per year. Furthermore, 64% of entire home/apartment lists were available for more than 90 nights per year bringing in an estimated annual revenue of £144,227,328. We argued that its usage was removing a significant amount of housing from the market, especially when London is suffering from a 'housing crisis' (Simcock & Smith, 2016).

Yet a further disturbing finding was that 39% of entire homes/apartments were multi-listings (where the host offers more than one property) and 78% of these were available for greater than 90 nights per year. It was argued that businesses were capitalising off the rising demand for short term lets and removing the opportunity of housing for those who need a property to live in (Simcock & Smith, 2016). We also discovered from a survey of landlords, that 15% of landlords had experienced issues with sub-letting by tenants.

Recently Insideairbnb.com have released new data for London. The purpose of this report is to examine the changes in the use of Airbnb between February 2016 and June 2016. During this period of time George Osborne in his Spring Budget of 2016 announced a tax break of £1,000 to support the sharing economy (Hickey, 2016). There is a potential for this to significantly help to increase the usage of Airbnb. Yet, it is unclear whether those who are capitalising off the usage of Airbnb are declaring their profits to HMRC.

Airbnb Listings in February 2016

The use of Airbnb internationally has been growing dramatically and London has not been immune from these changes. This section of the report provides a bench-mark to measure longitudinally the growth of the 'sharing economy' and the impact on housing in the capital. The data reported in this section was previously analysed and discussed in the RLA's previous report on the sharing economy and short term lettings (Simcock & Smith, 2016). The data was accessed in April 2016, and was made available on insideairbnb.com in February 2016.

Number of Listings

In total there were an estimated 33,715 Airbnb listings in London in February 2016. This was then split into the following:

- Estimated 17,625 entire home/apartment listings
- Estimated 15,607 private room listings
- Estimated 483 shared room listings

From this breakdown, it is evident that 52% of listings on Airbnb in London were entire home/apartment listings. While 46% were private room listings and a further 2% were shared room listings.

Availability of listings

The calculation of availability statistics for each listing through insideairbnb.com utilises the calendar of the listing and whether the listing is reported as available or unavailable on its calendar. There is an important caveat with this approach, unfortunately this approach does not differentiate between booked and unavailable properties and this could cause the statistics to underestimate availability of properties. Moreover, this relies on those listing properties to keep their calendar up-to-date for this to be accurate. Thus, it is important to take these caveats into account when analysing the following statistics.

65% of listings were available for more than 90 nights per year, and this equals 22,012 listings with high availability. This was split into the following:

- 64% of entire home/apartment listings were available for more than 90 nights (11,296 listings)
- 74% of shared room listings were available for more than 90 nights (356 listings)
- 66% of private rooms were available for more than 90 nights (10,360 listings)

Estimated Occupancy

The estimated occupancy of Airbnb listings is calculated through insideairbnb.com, where the number of bookings is estimated from the number of reviews for each listing. This is then used to calculate the occupancy rate with data from Airbnb on average length of stay for each city. This calculation provides an estimate of occupancy for each listing.

In London, estimated occupancy for all listings was 89 nights per year. This was then split into the following:

- For entire home/apartment listings this was slightly higher at 91 nights per year
- Private room listings at 87 nights per year
- Shared room listings at 82 nights per year

Average Price

The average price for all listings in the capital was £93 per night. This increased to £137 per night for entire home/apartment listings. While, the average price per night for private room and shared rooms was less than the average, with the average price for private rooms at £51 per night and £35 per night for shared room listings.

Estimated income per month

By using the estimated occupancy for each listing and the estimated average price, this enables the income per month for each listing to be calculated. From the analysis, it was calculated that the average estimated income per month for all listing was £639 per month. On average the estimated income for an entire home/apartment listing was £918 per month, significantly higher than the average for all listings. On comparison, the estimated income for a private room or shared room is significantly less than an entire home/apartment listing. The estimated income from a private room was £339, and the estimated monthly income from a shared room was £179.

Multi-listings

From an analysis of the insideairbnb.com data, it was found that 38% of the listings were classified as multi-listings. These multi-listings are where hosts have more than one listing, a total of 12,744 listings. This is important as it could demonstrate

how properties are being used by small businesses to offer short-term holiday lets on a large scale and bypassing legislation and regulations that protect consumers.

The data identified that 6,934 or 39% of entire home/apartments are multi-listings. By further analysing these listings, it was found that 5,410 or 78% of the entire home/property listings that were multi-listings had high availability. Moreover, 36% of or 5,576 private room listings were multi-listings, and 48% or 234 shared room listings were classified as multi-listings. In total, 2,803 listings were where hosts had two or more other listings (8%).

Annual Revenue

To calculate the revenue per year for the listings, the occupancy rate, estimated nightly rate, estimated monthly income and number of listings are used to calculate total estimate revenue. For all 33,715 listings (assuming an estimated 25% occupancy) the annual revenue is approximately £258,526,620.

However, if we only include those that are recent/frequently booked (13,419 listings at an estimated 51% occupancy) the revenue for the year is £212,879,016 for these listings. The estimated average annual revenue for a listing is £7,668 per year and for an entire home/apartment listing the estimated average annual revenue is £11,016.

For the entire home/apartment listings the annual revenue (all 17,625 listings at an estimated 25% occupancy rate) is £194,157,000. However, if we only include the listings that are the most recent/frequently booked (7,218 listings with an estimated 51% occupancy rate) the revenue is £159,373,440 for the year.

If we examine the revenue for the listings that have high availability (i.e. listings for more than 90 nights per year, this is 11,296 listings at an estimated 28% occupancy rate), the revenue is £144,227,328 per year.

Airbnb Listings in June 2016

In the April Budget of 2016 George Osborne announced a £1,000 tax-free allowance to boost the 'sharing economy' and encourage home-owners to engage in short-term lettings through online sites such as Airbnb. This section of the report analyses new data on the usage of Airbnb in London allowing for an investigation of the growth of the sharing economy over the past 4 months.

Number of Listings

In total there were an estimated 42,646 Airbnb listings in London in June 2016. This was then split into the following:

- Estimated 21,861 entire home/apartment listings
- Estimated 20,213 private room listings
- Estimated 572 shared room listings

From this breakdown, it is evident that 51% of listings on Airbnb in London were entire home/apartment listings. While 48% were private room listings and a further 1% were shared room listings.

Availability of listings

The availability statistics of listings was calculated in the same manner as the previous data set.

63% of listings were available for more than 90 nights per year, and this equals 26,727 listings with high availability. This was then split into the following:

- Of entire homes/apartment listings, 13,320 were available for more than 90 nights per year (61% of entire home/apartment listings)
- While, 71% of shared room listings were available for more than 90 nights (403 listings)
- 64% of private rooms were available for more than 90 nights (13,004 listings)

Estimated Occupancy

The estimated occupancy of Airbnb listings was calculated in the same manner as the previous data-set, ensuring reliability and validity when comparing any difference in the statistics.

In London, estimated occupancy for all listings was 81 nights per year. This was then split into the following:

- For entire home/apartment listings this was slightly higher at 84 nights per year.
- Yet, in comparison private room and shared room listings were slightly lower at 78 nights and 72 nights per year respectively.

However, when we analyse the data further it was found that highly available properties were occupied on average for longer. The data found:

- The occupancy rate for highly available properties (those available for more than 90 nights per year) was 93 nights per year (this was for 63% of all listings).
- The occupancy rate for highly available entire home/apartment listings was found to be 98 nights per year (this was for 61% of entire home/apartment listings).

These occupancy rates are above the 90 nights per year planning regulation, identifying possible breaches of planning regulations and this clearly demonstrates the removal of 13,320 homes from long term housing.

Average Price
The average price for all listings in the capital was £97 per night. This increased to £139 per night for entire home/apartment listings. While, the average price per night for private room and shared rooms was less than the average, with the average price for private rooms at £52 per night and £54 per night for shared room listings.

Estimated income per month
By using the estimated occupancy for each listing and the estimated average price, this enables the income per month for each listing to be calculated. From the analysis, it was calculated that the average estimated income per month for all listing was £583 per month. On average the estimated income for an entire home/apartment listing was £844 per month, significantly higher than the average for all listings. On comparison, the estimated income for a private room or shared room is significantly less than an entire home/apartment listing. The estimated income from a private room was £312, and the estimated monthly income from a shared room was £157.

Multi-listings

From an analysis of the insideairbnb.com data, it was found that 41% of the listings were classified as multi-listings. These multi-listings are where hosts have more than one listing, a total of 17,593 listings. The data further identified that 9,305 or 43% of entire home/apartments are multi-listings. By further analysing these listings, it was found that 6,859 or 75% of the entire home/property listings that were multi-listings had high availability. Moreover, 40% of or 7,978 private room listings were multi-listings, and 54% or 310 shared room listings were classified as multi-listings.

Annual Revenue

To calculate the revenue per year for the listings, the occupancy rate, estimated nightly rate, estimated monthly income and number of listings are used to calculate total estimate revenue. For all 42,646 listings (assuming an estimated 22% occupancy) the annual revenue is approximately £298,351,416. However, if we only include those that are recent/frequently booked (14,718 listings at an estimated 53% occupancy) the revenue for the year is £241,610,688 for these listings. The estimated average annual revenue for a listing is £6,996 per year and for an entire home/apartment listing the estimated average annual revenue is £9,684.97.

For the entire home/apartment listings the annual revenue (all 22,861 listings at an estimated 23% occupancy rate) is £221,408,208. However, if we only include the listings that are the most recent/frequently booked (7,815 listings with an estimated 52% occupancy rate) the revenue is £178,275,780 for the year. If we examine the revenue for the listings that have high availability (i.e. listings for more than 90 nights per year, this is 13,320 listings at an estimated 27% occupancy rate), the revenue is £165,754,080 per year.

4 months. How has the Sharing Economy grown?

The aim of this report is to explore how society is changing, specifically examining the growth of the sharing economy and the impact on housing. This section of the report compares and examines the usage of Airbnb in London over a 4-month period. This enables us to document and track changes to society and enable discussions on the issues evolving from these changes.

Number of Listings

Over the four-month period, the number of listings on Airbnb have grown significantly. In February 2016 there were 33,715 listings, and in June 2016 this had grown by 27% to 42,646 listings.

Table 1. Change in Number of Airbnb Listings February to June 2016

	Feb 2016	June 2016	Percentage Change
Entire home/apartment listing	17,625	21,861	+24%
Private room listing	15,607	20,213	+30%
Shared room listing	483	572	+18%

As it is evident from Table 1 above, there has been substantial growth for all 3 types of property listing, with the largest growth occurring in private room listings and the second largest growth in entire home/apartment listings.

Availability of listings

In February, 65% of listings were available for more than 90 nights per year, however, as a proportion this decreased to 63% of listings over the 4-month period. The total number of listings that had 'high' availability increased from 22,012 to 26,727, a percentage increase of 21%.

Table 2. Change in Availability of Airbnb Listings February to June 2016

	Feb 2016	June 2016	Percentage Change
Entire home/apartment listing	11,296	13,320	+18%
Private room listing	10,360	13,004	+26%
Shared room listing	356	403	+13%

There has been a considerable increase in the number of Airbnb listings that are listed as being available for more than 90 nights per year, as it is demonstrated in Table 2 above. The largest change was for private room listings with a 26% increase over the four months, followed by entire home/apartment listings with an 18% increase.

Estimated Occupancy

The estimated average occupancy for all listing types was 89 nights per year in February 2016 and decreased to 81 nights per year in June 2016. A percentage decrease of 9%.

For entire home/apartment listings, the occupancy was 91 nights per year in February 2016 and decreased to 84 nights per year in June 2016, which is a percentage decrease of 8%.

The estimated occupancy decrease for private and shared room listings between February and June. For private room listings, this decreased from 87 to 78 nights per year, a percentage decrease of 10.3%. In addition, for shared room listings, this decreased from 82 to 72 nights per year, a percentage decrease of 12%.

These findings suggest that while the number of listings have increased and the level of competition is increasing between listings, there has not been the same increase in the level of demand or more 'hosts' are following the legal requirements to not let out the property for more than 90 nights per year.

Average Price

The average price per night for all types of listing on Airbnb increased in the February to June period, with the price increasing from £93 a night to £97 a night, a percentage increase of 4%.

- The average price per night for entire home/apartment listings increased from £137 to £139 a night, a percentage increase of 2%.
- While the average price per night for private rooms increased from £51 to £52 a night, a percentage increase of 2%.
- Yet, the greatest increase was for shared rooms, where the average price per night increased from £35 to £54 per night, a percentage increase of 54%.

Estimated income per month

While the number of listings on Airbnb has increased between February and June, the average income per month has decreased. In February 2016, the estimated average income per month was £639 for all listings, while this has decreased to £583 in June 2016. A decrease of 9%.

A similar decrease was found for entire home/apartment listings where the estimated average monthly income was £918 in February and this decreased to £844 in June. This is a decrease of 8%.

For private room listings the monthly income decreased from £339 in February to £312 in June, a decrease of 6%. Furthermore, for shared room listings the monthly income decreased from £179 in February to £157 in June, a decrease of 12%.

Multi-listings

Examining the extent of multi-listings is important as it provides an indication on the commercialisation of property for the use on short term letting sites like Airbnb. By comparing the data between February and June, it was found that the percentage of listings that were multi-listings (where the host has more than one listing) increased:

- In February 2016, 38% of all listings (12,744) were multi-listings
- This increased to 41% of all listings (17,593) in June 2016
- Overall, this was an increase of 38% in the number of multi-listings

Table 3. Change in number of Airbnb Multi-Listings February to June 2016

	Feb 2016	June 2016	Percentage Change
Entire home/apartment listing	6,934	9,305	+34%
Private room listing	5,576	7,978	+43%
Shared room listing	234	310	+32%

Overall, the analysis demonstrates that there has been a significant increase in multi-listings for all listing types. From Table 3 above, it is clear that private room listings have seen the largest increase, with a change of 43%. This is followed by a 34% increase in the number of entire home/apartments being listed by a host with other listings.

These findings are concerning as it highlights the possible commercialisation in the usage of Airbnb, with 41% of listings being advertised by hosts with more than one listing. Moreover, the significant increase in private room listings could signify properties are being transformed into hotels or in some case's illegal HMOs.

Annual Revenue

As the usage of Airbnb has increased, it is likely that there has been a similar growth with the estimated annual revenue for hosts. In February, the estimated revenue for all listings was £258,526,620, this increased to £298,351,416 in June, which is a 15% increase in revenue.

If we examine the estimated revenue for the listings that are only those most recently/frequently booked, in February this was 13,419 listings with a revenue of £212,879,016 and this increased to 22,861 listings in June with an estimated revenue of £241,610,688, an increase of 14%.

Conclusion

The findings of this report show the substantial growth (27%) in the usage of Airbnb over just 4 months. Moreover, there was a 24% increase in the number of entire homes/apartments that were listed on the platform. The analysis of the data demonstrated that the number of entire homes/apartments available for more than 90 nights per year had increased by 18% between February and June. This is a potential 13,320 homes that are unavailable for families and workers on a long term basis. There is mounting evidence that shows the use of Airbnb is drifting from its vision of allowing home-owners to occasionally rent out a spare room or their property when on holiday.

We argue that the growth in the usage of short term letting sites through the sharing economy is further eroding the housing stock. This is an important debate for local and national government to engage in, especially at the time of a housing shortage. At a time when the government is trying to further regulate private renting, it is incomprehensible that the government is trying to encourage an unregulated sector, where there is a huge potential for properties to move from long term letting to short term letting.

Yet, it is clear from the data with the 34% increase in the number of multi-listing entire home/apartments (where the host have more than one property) that professionals are now taking over the market rather than those home owners looking to let out a spare bedroom.

There is also the worry that this can encourage sub-letting by tenants, we identified in our previous research that 15% of landlords had experienced issues with tenants sub-letting online through sites like Airbnb (Simcock & Smith, 2016). This not only puts the tenant at risk of being evicted if there is a no sub-letting clause in their contract, but this also puts landlords at risk with licensing conditions, mortgage conditions, insurance conditions, and increased repair costs.

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