

The impact of short-term/holiday lets on UK housing

propertymark

OCTOBER 2022

KEY FINDINGS:

The rise of short-term lets (STLs) and its impacts on UK housing is highly localised.

69 per cent of agents believe the rise of STLs will negatively impact the private rented sector (PRS).

Increasing the supply of new homes and regulating the STL market are preferred solutions to issues caused by STLs.

EXECUTIVE SUMMARY

Previous research by Propertymark conducted in 2019 provided some context to the issue with figures and statistics relating to the growing number of properties let on a short-term basis, the loss of housing from the private rented sector (PRS) and the incentives behind such shifts. This research piece presents an updated picture of the current market for short-term lets (STLs), looks at the broader costs/benefits to our communities, and potential solutions that could maximise the benefits while minimising the drawbacks as seen by property agents.¹

The number of short-term lets has grown steadily in many areas of the UK over the past four years with a peak during the recent pandemic when many decided to holiday in the UK rather than risk travel abroad. There appears to have been some fall off since, but the number of STLs is steadily rising once again.

Our survey highlights the profoundly localised nature of the issue, with 76 per cent of agents operating in tourist hotspots reporting an increase in the number of STLs over the past four years. This dropped to only 33 per cent of agents operating in non-tourist hotspots.

Not everyone loses from the rise of STLs. Some benefit and some lose out no matter whether they are a property owner, tenant, agent, or the local community.

Most sales agents agree that the rise of STLs will have little impact on the sales market, while lettings agents overwhelmingly agree that it will negatively impact the PRS through a reduction in supply of quality accommodation and pressure on rents.

There have been several recent government consultations on the matter with Scotland freshly introducing new legislation that will see licencing of STLs in some local authority areas. This new policy only came into place on 1 October 2022, so the impact is yet to be seen. Edinburgh will be the first test case.

Agents see increased construction of homes in the private and social sectors as the primary solution to problems caused by STLs. An increase in supply would ease tension on the PRS and limit house price inflation so that local first-time buyers can get on the ladder. Regulation which could potentially limit the number of STLs and ensure a level regulatory playing field with the PRS is a close second to this solution.

GROWTH IN STLS AND OTHER TRENDS – WHAT'S THE ISSUE?

Our previous report found that 16 per cent of the British public had let out all or part of their home. However, the vast majority (70 per cent) had let property in which they usually live. A further 12 per cent used STLS to fill a gap between longer rentals.

Analysis of listings data from Inside Airbnb revealed that, as at September 2022, 59 per cent of properties were listed as 'entire home/apt' in London, suggesting a not-insignificant proportion are people letting out spare rooms. This figure compares to 69 for Edinburgh, 63 for Bristol and 62 for Manchester.

Short-term lets can be seen as an efficient use for under-utilised dwellings. Drs Richard Dunning and Thomas Moore (University of Liverpool) have defined under-utilised dwellings as "a dwelling that is uninhabited for more than 30 per cent of the year (and may or may not be furnished)".²

Airbnb

Until recently, it seemed the Airbnb craze was on a never-ending rise. Especially during the pandemic when a rise in staycations resulted from worldwide travel restrictions.

However, as with the nature of STLS being let for only short periods and the relatively low barrier to entry and exit from the market, some evidence suggests a retraction of listings in the post-restriction period.

This definition stretches from short uninhabited to long-term empty and stands in contrast to the well-known under-occupied concept, which is based on unused bedrooms.

Most importantly, an under-utilised dwelling can be fully occupied for a large portion of the year; however, it is empty for some periods (while the owner is away on business, for example).

If such properties were let when they were empty, property in the UK could be more efficiently utilised. Nonetheless, issues of antisocial behaviour and insecurity commonly associated with STLS would remain.

AIRBNB LISTINGS IN LONDON

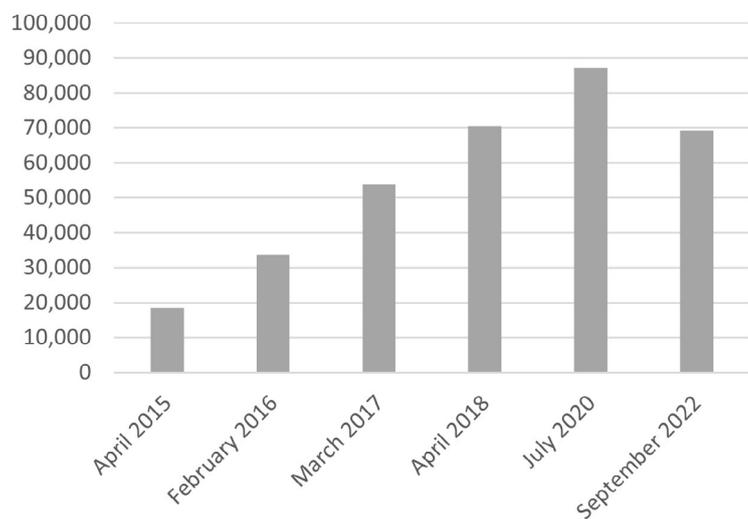


Figure 1: Number of Airbnb listings in London 2015–2022 (source: [Finder](#) and [Inside Airbnb](#))

¹ propertymark.co.uk/resource/the-impact-of-short-term-lets.html

² Dunning and Moore, 2022. Defining and measuring empty and underutilised dwellings in London.

London

Data from the last year shown in Figure 2 revealed the number of Airbnb listings in London remaining fairly constant, suggesting the current pace of growth in the sector has slowed.

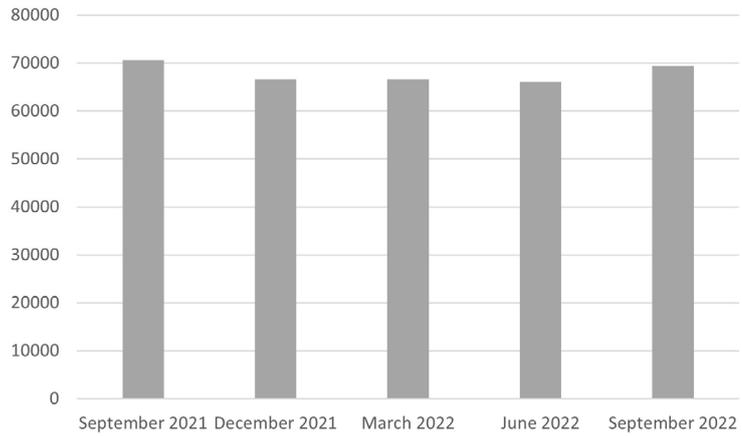


Figure 2: Number of Airbnb listings in London over last year (source: [Inside Airbnb](#))

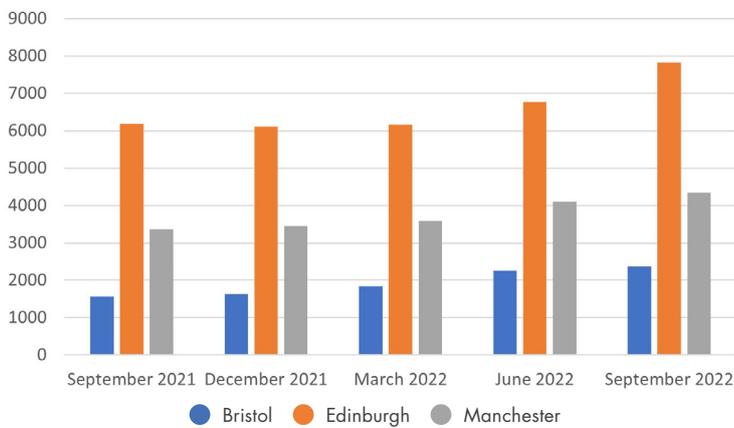


Figure 3: Number of Airbnb listings in Bristol, Edinburgh and Manchester over last year. (source: [Inside Airbnb](#))

Outside London

At the same time, listings in Bristol, Edinburgh, and Manchester (for which data is available) show incremental rises in the number of lets available.

Insights from our survey

58 per cent of respondents to our survey reported that the number of short-term lets within their local area has increased in the past four years.

A further 28 per cent reported that numbers had remained fairly constant, while only 13 per cent reported a fall in the number of STLs over this period.

Of those seeing growth in their regions, 38 per cent reported the primary driver being a transfer of property from the PRS and 34 per cent a specific property purchase to let in the STL market (See figure 5).

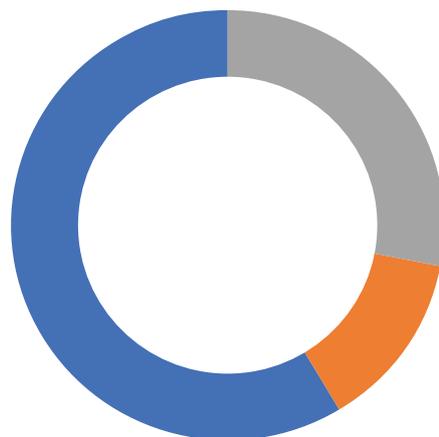


Figure 4: Change in the number of STLs in respondents' local region over the past four years

- Increased: 59%
- Decreased: 13%
- Stayed the same: 28%

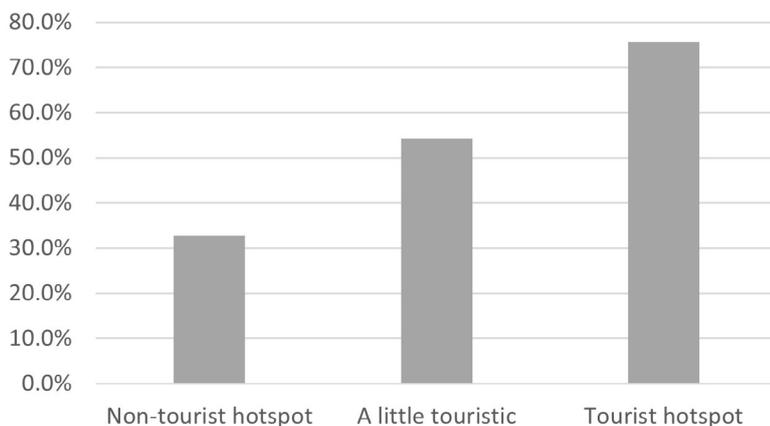
Specific patterns to this expansion noted by respondents primarily concerned the peak in demand due to the pandemic, the impact of government legislation and taxation disincentivising the PRS, and a rise in rent-to-rent practices (when a property is leased with the sole intention of sub-letting). In this case, Propertymark agents have told us that rent-to-rent has driven up the number of STLs in their area as entrepreneurs seek to cash in on the trend, running their own STL business without ownership of a property or the capital to make a purchase.

Finally, some agents reported a rise in try-before-you-commit. This has been driven by house-hunters in both the purchase and lettings market. It seems it has become increasingly more common for individuals to try out an area before committing to living there long-term.

44 per cent of respondents to our survey stated that they believed the rising popularity of STLs has incentivised investment in second homes. But how big is the issue of second homes?

On the face of it, it may seem like the issue of empty homes far outweighs those of second home ownership and short-term lettings. Recent data released by the Department for Levelling Up, Housing & Communities (DLUHC) revealed almost twice the number of dwellings recorded as empty for council tax purposes as for second homes – 468,000 empty vs. 253,000 second homes.³

RESPONDENTS REPORTING THE NUMBER OF STLs HAS INCREASED



● Respondents operational area

Figure 6: The rising number of STLs in tourist vs. non-tourist hotspots

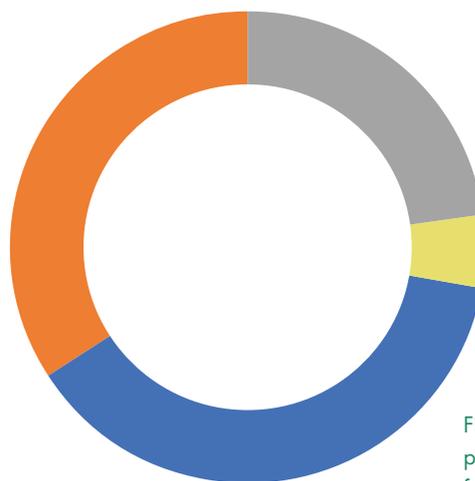


Figure 5: The primary driving factor behind the growth in STLs

The primary problem with this simplistic view is that empty homes and second homes are not dispersed across the country in the same pattern. Second homes are more likely to be situated in areas of natural beauty and tourist hotspots. Indeed, the entire issue of second homes and short-term lets is highly localised. 76 per cent of those who responded to our survey hailing from a self-described tourist hotspot reported observing increasing numbers of STLs advertised over the last four years. This compares to just 33 per cent of respondents who hailed from a non-tourist hotspot. Such observations underline the nuanced nature of the issue and the need to ensure a one-size-fits-all approach to any potential solution is avoided.

Differences between coastal and non-coastal regions also exist but are less pronounced, showing that the issue is not restricted to coastal areas, nor does it impact all coastal areas in the same way.

Current publicly available data on the number of second homes is also inconsistent. The introduction of council tax premiums incentivises homeowners not to declare properties as their second home. Furthermore, emotion also plays a role. For example, if someone owned two properties and divided their time between both, which would they feel was their primary home? Does an apartment occupied during the working week in Glasgow count as the primary residence, simply because more time is spent there than another property in the Highlands? To-date we still lack clear data on the location of second homes and short-term lets, even though this data could be collated by governments across the UK.

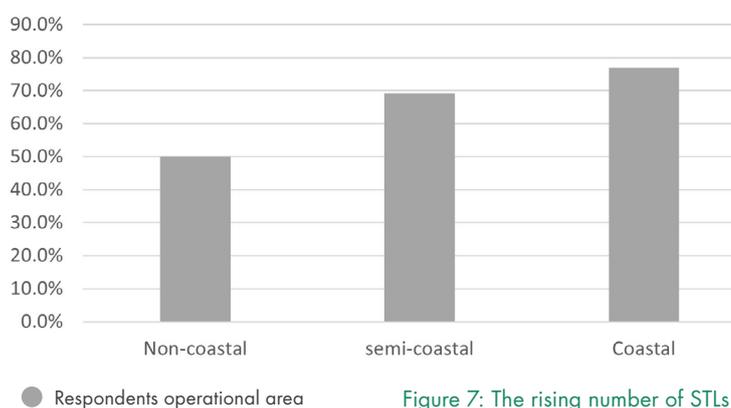


Figure 7: The rising number of STLs in coastal vs. non-coastal areas

Finally, it should be noted that the issue of second homes is not interchangeable with short-term lets. They both have their own positives and negatives. STLs have been associated with issues of anti-social behaviour, security concerns, and incentives for landlords to exit the PRS. These matters need not necessarily be associated with a second home. Second homes are associated with issues of excess demand, limiting the ability of locals to purchase affordable property in their area. The following section delves more deeply into the benefits and drawbacks of STLs specifically.

BENEFITS AND DRAWBACKS

In order to create a balanced picture, we asked property agents about the benefits of STLs for property owners, tenants, agents and communities.

Primary benefits for property owners included high yields on STLs, flexibility to use their property how and when they would like, and the reduced regulatory environment in which STLs are operated compared to the PRS. Our member agents have told us many times that the high rents paid on STLs is a key incentive for owners to let in this market. Research published by Greater Manchester Tenants Union (GMTU) and Greater Manchester Housing Action (GMHA) found that even with a 60 per cent occupancy rate, the average cost per night for a two-bed flat (£95) would generate £1,710 a month.⁴

This is compared to an average long-term rental price of between £800-£1000 a month. If a landlord can manage an 80 per cent occupancy rate, they could earn £2,300 a month.

Currently, STLs are not regulated and are not required to meet the standards of property let in the PRS. This has made STLs appear as a less burdensome option for owners wishing to rent out their property. At the same time, our agents have told us the primary reason many owners are put off the STL market is because of the additional effort required to manage the property, including late-night telephone calls and complaints from neighbours.

³ [DLUHC, Local Authority Council Tax base England 2021](#)

⁴ gmhousingaction.com/short-term-lets-manchester

Finally, our members mentioned several times that increased demand for property resulting from STLs can drive increases in property value. This can benefit owners already on the property ladder and individuals coming off or down the ladder as they seek to release the equity in their homes.



Figure 8: Most commonly used words in response to the question regarding advantages to property owners



Figure 9: Most commonly used words in response to the question regarding advantages to tenants

Agents reported the main advantages for tenants from the rise of STLs are the flexibility to enter into a tenancy and leave when they would like, having somewhere to occupy while renovations are completed on another property, the ability to try an area before committing long-term, and additional holiday choices. These are balanced with reduced choice in the PRS and higher property prices for first-time buyers.

Benefits to agents centre around an opportunity to expand their business and share in the owners profit. Again, these were balanced with the large relative burden of managing STLs compared to properties in the PRS. This is potentially the reason why we have seen a slow uptake of STL management by traditional lettings agencies.

Propertymark data collected separately as part of monthly *Private Rented Sector Reports* reveal between 5 and 10 per cent of member agents have at least one short-term let in their portfolio. A *Shrinking Private Rented Sector* report published by Propertymark showed that STLs made up less than 2 per cent of the average agent's managed portfolio in March 2022.



Figure 10: Most commonly used words in response to the question regarding advantages to agents



Figure 11: Most commonly used words in response to the question regarding advantages to local communities

Finally, the primary benefits to communities are economic boosts from tourism, the occupation of otherwise empty property, and increasing demand leading to higher asset values. Of course, these advantages are counter-balanced by problems with antisocial behaviour by holidaymakers with little concern for local residents, security concerns with people coming and going regularly from nearby property, and potential lack of PRS housing and high property prices preventing locals from making a start on the property ladder.

When asked whether they had come across issues with antisocial behaviour resulting from STLs in their professional experience, 37 per cent of property agents reported experience with this issue. Noise and parties have led to complaints received by our lettings agents. Sales agents have also noted that they can struggle to sell adjacent homes due to concerns with living so close to an STL property.

IMPACT ON SALES MARKET

The majority of estate agents responding to our survey believed that the rise of STLs would have no impact on the sales market (57 per cent). 23 per cent believed it would have a positive impact and 21 per cent a negative impact.

The reasons given for expecting a positive impact included an incentive for investment, its ability to keep chains flowing, and disenchantment with STLs leading to re-sale either because of the effort involved in these lettings or by impact of future regulation.

Logic behind negative expected outcomes for the sales market included antisocial behaviour making it harder to sell, properties not being cared for in the same way as by owner occupiers, reduced supply as owners hold onto property for longer – making ends meet with STLs – and increased demand/prices making it harder to save a deposit.

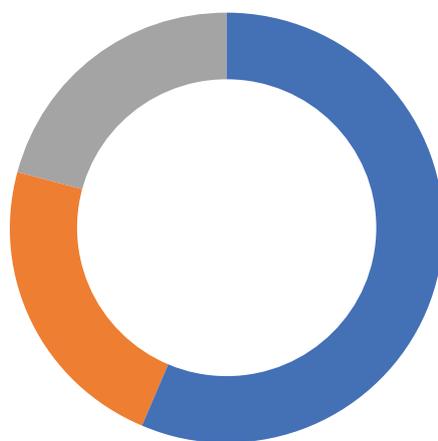


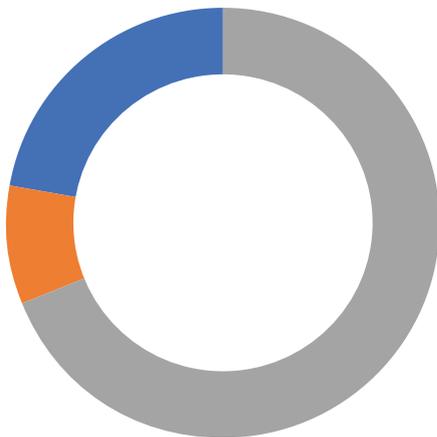
Figure 12: Impact of STLs on the sales market

- No impact: 57%
- Positive impact: 22%
- Negative impact: 21%

IMPACT ON THE PRS

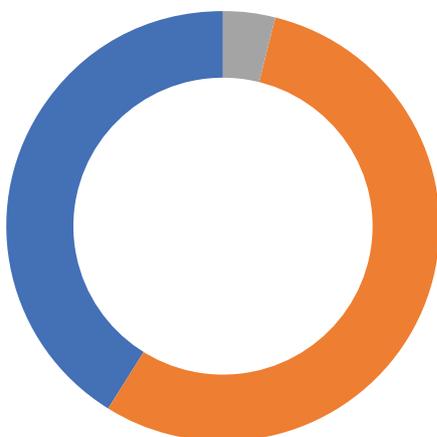
In contrast to estate agents, the majority of letting agents reported they believed STLs would negatively impact the PRS (69 per cent). 22 per cent believed there would be no impact and nine per cent a positive impact. 41 per cent reported concern about the impact of STLs on the PRS. And of those who reported that they believe STLs will have a negative impact on the PRS, 54 per cent were concerned about that impact.

Primary expectations of a negative impact centred around reduced supply as properties switch from the PRS to STLs, the resulting pressure this will put on rents and affordability, and potentially putting agents out of business in extreme cases.



● No impact: 22% ● Positive impact: 9% ● Negative impact: 69%

Figure 13: Impact of STLs on the PRS



● Concerned: 41% ● Not concerned: 55% ● Don't know: 4%

Figure 14: Concern over the impact of STLs on the PRS

Those who let a spare room benefit from programmes such as rent a room relief, which allows them to claim up to £7,500 tax-free income on their rents. By comparison, landlords renting properties to long-term tenants in the PRS have seen their tax burden increase in recent years. Higher rates of stamp duty on buy-to-let properties, the withdrawal of tax relief on mortgage interest costs and replacement with a 20% tax credit, removal of the 10% Wear and Tear Allowance for fully furnished properties being replaced with an at-cost relief, maintaining Capital Gains Tax (CGT) for rented property at 28%, when it was reduced to 18% for other assets, and a rise in corporation tax from 19% to 25% from 2023, have all incentivised a switch from PRS to STL.

While STLs are generally expected to have a negative impact on the PRS, agents are less generally concerned with the impact. This is because their impact appears to be seen as less critical than other threats to the PRS. For example, when considering the biggest issues facing the longevity of the PRS earlier this year, agents told PropertyMark in A Shrinking Private Rented Sector survey that their primary concerns were with the weight of legislation, energy efficiency targets, increasing costs and tax policies. Out of 407 responses, only one agent noted the impact of STLs. This is not to say that STLs are not potentially insidious.

Further evidence collected in the Shrinking Private Rented Sector survey revealed the growth of STLs over the last four years. STL properties managed by agents as a percentage of their total portfolios rose from 1.0 per cent on average in March 2019 to 1.7 per cent in March 2022. In 2019 the average agent who responded to the survey managed 294 properties, including three STLs. In 2022 the average agent managed 259 properties which included four STLs. Thus, the number of properties available to rent in the PRS has gone down at the average agency, while the number of STLs has risen over the same period. While this may look small, it must be remembered that these figures are UK-wide and negative impacts of STLs are primarily found in places with high concentrations such as tourist hotspots, where numbers will have risen more steeply.

RECENT REGULATORY CHANGES AND CONSULTATIONS

Since the last Propertymark report on the impact of STLs on UK housing, both Welsh and English Governments have consulted on matters surround STLs, while Scotland has already introduced a new law.

SCOTLAND

The Scottish Government recently introduced legislation that allows local authorities to require STLs to be licenced. The scheme started on 1 October 2022 but only Edinburgh council has thus far announced plans to introduce the licencing scheme. When in place, all STLs will require a licence before any new bookings can be taken.

WALES

As part of its 'three-pronged approach', the Welsh Government has consulted on a proposal to make amendments to planning policy and development management in Wales. The proposals would create new use classes for second homes and short-term lets which would enable local planning authorities to manage their development through the General Permitted Development Order 1995 (GPDO) and extend powers to place occupancy restrictions on new build property.

Propertymark has argued that the use of a property as a second home does not constitute development, and suggest that other mechanisms, such as council tax premiums and the higher rate of Land Transaction Tax (LTT), already enable second homeownership to be moderated.⁵

ENGLAND

In England, the UK Government recently concluded a call for evidence on developing a tourist accommodation registration scheme in England, which closed on 21 September and to which Propertymark responded on behalf of members.⁶

This consultation sought information on the impact of the Deregulation Act 2015, which relaxed restrictions meaning that dwellings in London could now be used as temporary visitor accommodation (for a maximum of 90 days per calendar year) without the need for planning permission. In our survey, several agents told us that they believed the 90-day cap was not being monitored. The impact has been a reduction in supply of quality accommodation in the PRS and pressure on rental prices.

Analysis of Inside Airbnb data revealed that as at September 2022, of the 'entire home/apt' properties listed as available, 40 per cent were available for more than 90 days. This suggests the majority of properties are only let out when the occupiers are not otherwise present. Still, this equates to 16,640 homes that could otherwise be occupied by long-term tenants easing pressure on supply and rents in the PRS.

The UK Government is considering introducing a licencing scheme with physical checks for short-term let premises in England. 68 per cent of respondents to our survey supported the introduction of such a scheme. This rose to 73 per cent for those living in a coastal area, 74 per cent for those living in a tourist hotspot, and 79 per cent for those concerned about the impact of STLs on the PRS. The primary driver of this support was to level the playing field between the PRS and STLs. When asked why they did not support the licencing scheme, agents' reasoning revolved around the ever-increasing burden of legislation and tax on landlords, and concern that the policy is unlikely to be effectively enforced.

SOLUTIONS

When asked what the solution may be to the problems caused by STLs including pressure on the PRS and demand for property pricing out locals, the most common response from agents was to increase the overall supply of housing through new building – either in the private sector, social, or both.

This response was closely followed in popularity by introducing regulation to level the playing field between STLs and the PRS, and reincentivising the PRS by making the relationship fairer between landlord and tenant as well as by reducing taxation. A full breakdown of solutions and their frequency among responses by the 195 agents surveyed can be found in Figure 15.

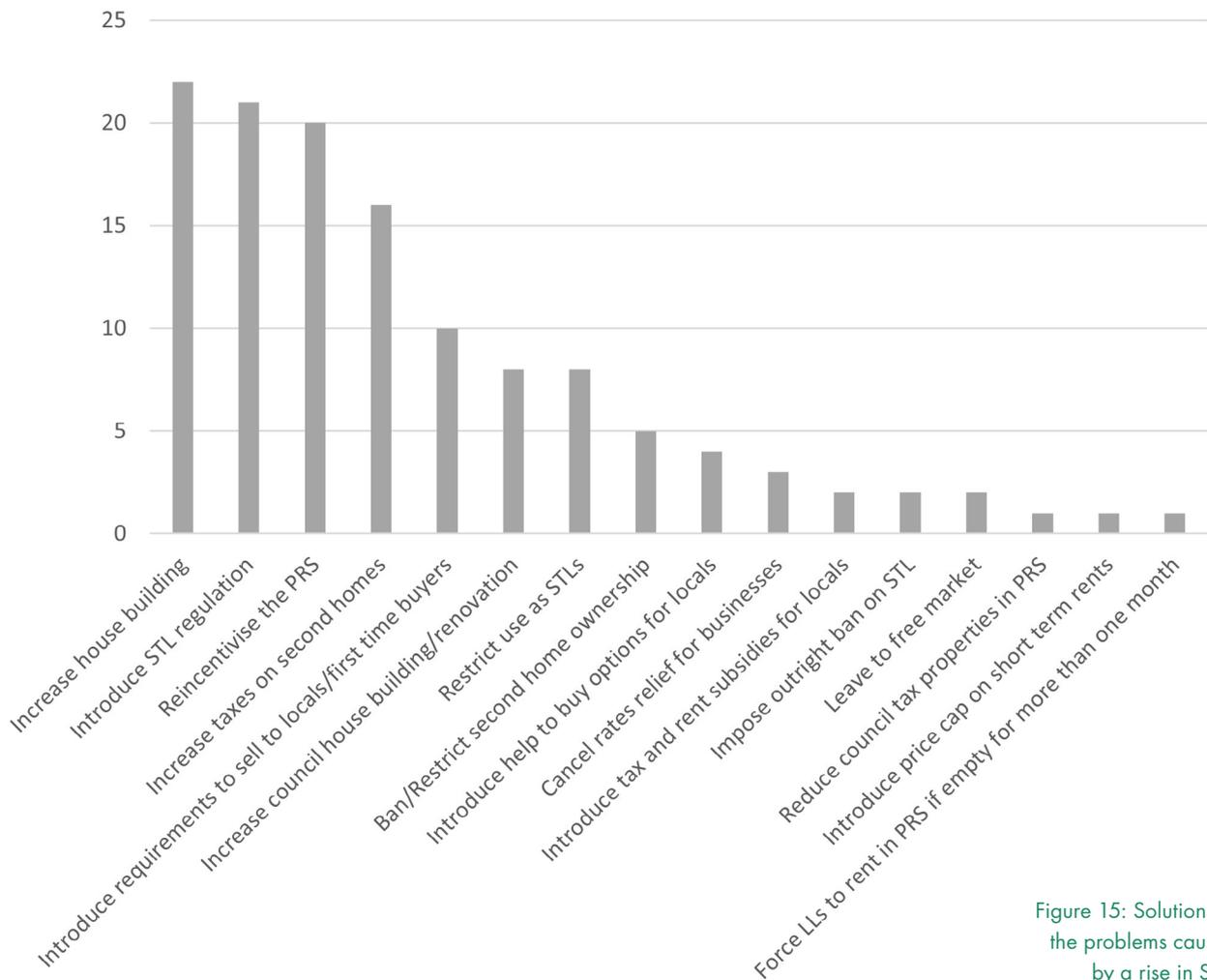


Figure 15: Solutions to the problems caused by a rise in STLs

⁵ propertymark.co.uk/resource/consultation-welsh-government-consultation-on-planning-legislation-and-policy-for-second-homes-and-short-term-holiday-lets.html

⁶ propertymark.co.uk/policy/consultations.html

RECOMMENDATIONS

The UK Government should provide tax incentives to help landlords respond to the on-going demand for homes in the PRS.

To boost the supply of rented housing, the UK Government should remove the three per cent surcharge on additional homes, reverse the changes to mortgage interest relief, and carry out a review of all taxes relating to private landlords.

Any legislative changes must balance the needs and concerns of their communities with wider economic and tourism interests.

This will require powers for local authorities to develop localised solutions rather than a 'one-size-fits-all' approach.

The UK Government must carefully consider the impact of any new STL regulation on the PRS.

If there are areas where short-term letting activities have a demonstrable negative impact on the supply of the PRS, the UK Government should consider introducing limits on short-term lets.

The Government should consider extending current health and safety requirements as well as tenant protections for short-term lettings.

This would bring the protections for tenants on par with the private rented sector.

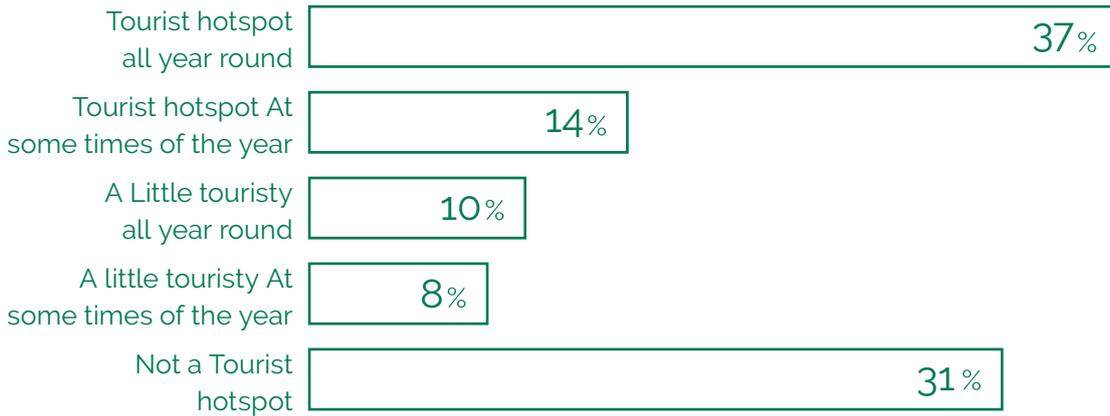
Legislation should distinguish between one person's property being used for short-term lets when its under-utilised and larger private landlords renting out entire properties on a full-time basis.

The latter has a far greater impact on the supply of the PRS and any legislation affecting entire properties let out in the short-term must be considered carefully.

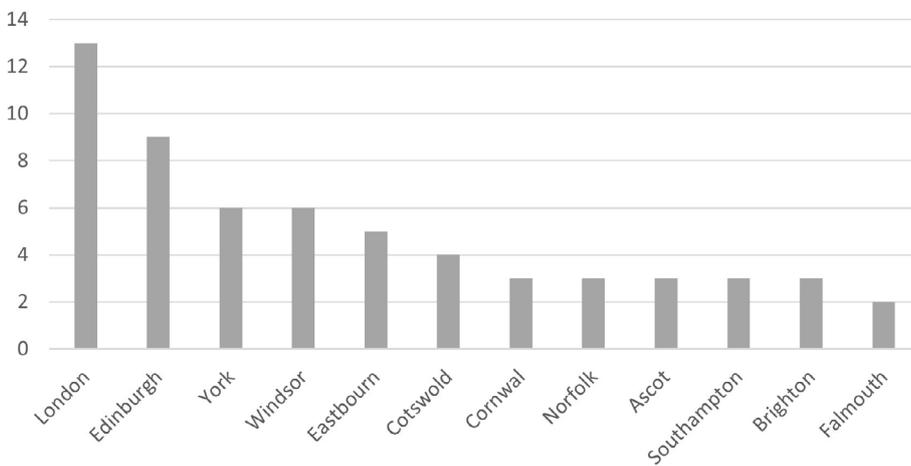
The UK Government should ensure that there are adequate funding and enforcement procedures in place at a local level.

This will provide local authorities with the capacity to take action against short-term landlords if day limits are imposed.

Most responses were received by agents living in self-described tourist hotspots.

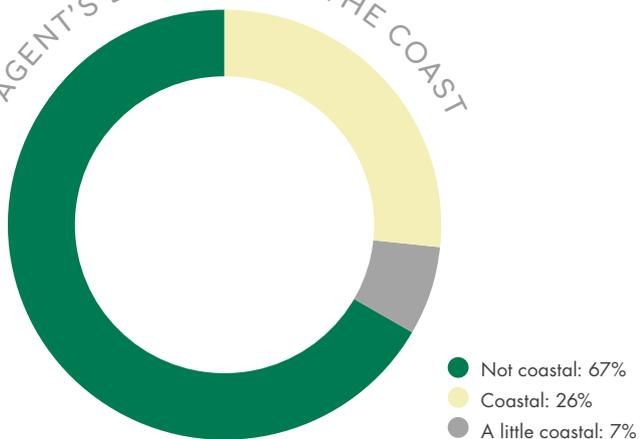


AGENT'S LOCAL HOTSPOT

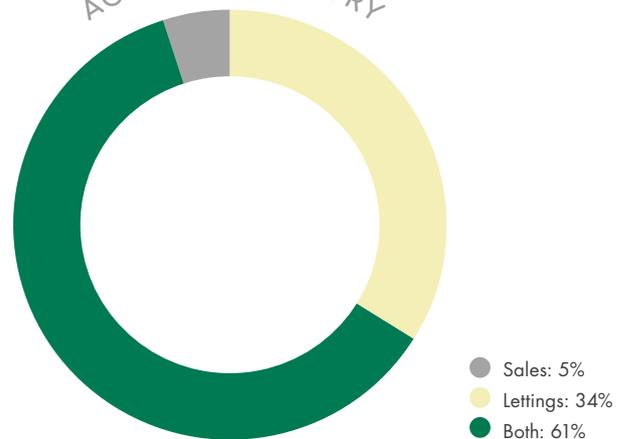


The most common hotspot location was London.

AGENT'S LOCAL AREA: THE COAST



AGENT'S INDUSTRY



Most agents did not live by the coast and the majority of agents worked in both sales and lettings.

ABOUT PROPERTYMARK



Propertymark is the leading professional body for estate and letting agents, commercial agents, auctioneers, valuers, and inventory providers comprising nearly 18,000 members. We are member-led with

a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry leading training programme and mandatory Continuing Professional Development.

EDITOR NOTES

For further information contact:
Propertymark Press Office
Tel: 01926 496 800
Mob: 07595 214 302
Email: mediaenquiries@propertymark.co.uk