

**House of Lords Built Environment Committee inquiry into the impact of short-term lettings on
housing markets**
Written response from Propertymark
June 2022

Background

1. Propertymark is the leading professional body for estate and letting agents, commercial agents, inventory providers, auctioneers and valuers, comprising 18,000 members across the UK. We are member-led, with a Board which is made up of practising 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.
2. Propertymark welcomes the opportunity to respond to the House of Lord's Built Environment Committee's request for evidence on the impact of short-term lettings. We would like to draw attention to our previously shared response to Westminster Hall Debate on Second Homes and Holiday Lets in Rural Communities. A copy of that response has also been sent to the Committee and provides additional context behind our positions on short-term lettings.
3. Given the current low levels of housing stock, Propertymark and our members are concerned of the impact that the rise in short-term lettings could have in reducing supply even further.

Summary of our positions

4. Over the past few years, we have seen local and devolved governments take increasing interest in regulating second homes and short-term lettings. Both Scotland and Wales have looked to manage the impact of short-term lettings which they believe reduces access to good-quality and affordable housing.
5. As Westminster continues to consult on the impact of short-term lettings, our aim is to ensure that the UK Government is aware of the potential impact that increasing short-term lettings could have on the Private Rented Sector, as well as to share our concerns over the proposals devolved governments have made to address the decline in homes for the long-term rental market.
6. Our concerns over the impact of short-term lettings can be summarised in three main points. Firstly, tenants are currently struggling to find homes and an unregulated increase in short-term lettings would only make finding a home more difficult. Secondly, we are seeing landlords sell their rental properties and leave the Private Rented Sector. Thirdly, there are few alternatives to people looking for homes outside of the Private Rented Sector. Overall, people are finding it more and more difficult to find a home. With the market strained as it is, any further decrease in the availability of long-term rents will have significant consequences for renters.

The current situation of the Private Rented Sector

7. **Tenants are struggling to find homes** – We are seeing increasing demand for rental properties, with our monthly private rented sector report showing only five properties on average per member in February 2022. While this has increased significantly to nine by April 2022, this remains below the pre-pandemic for April between 2017-2019¹. While housing stock remains low, demand for rental properties remains high, with an average of 95 new applicants registered with each of our member branches in April 2022. As a result, we saw an average of ten new registrants for each property available to rent. Demand has become so high, that some agents have reported tenants feeling so desperate they are creating CVs for their children and pets as well as offering over the asking price to secure a property.

8. **There is an exodus of landlords leaving the Private Rented Sector** – While it is true that the Private Rented Sector in England has risen from 2.6 million households in 2007 to 4.7 million in 2017, in recent years the rapid growth has reversed². Between 2017 and 2021, it is estimated that the Private Rented Sector has decreased to 4.4 million households³. According to the UK Government’s English Private Landlords Survey 2021, 12% of landlords representing 21% of all tenancies reported that they had plans to reduce their portfolio size over the next two years. An additional 10% of landlords representing 8% of tenancies stated that they planned to sell all their properties and leave the private rented sector⁴. This represents an overall decrease in the size of the private rented sector, as only 11% of landlords representing 15% of tenancies have made plans to increase their portfolio size. While this does not mean all of these properties will leave the Private Rented Sector, our most recent survey into the PRS suggests that there has been a 49% reduction in properties available to rent per branch in March 2022 compared to March 2019⁵.

9. Furthermore, while the number of properties within the private rented sector has risen substantially since 2007, the number of homes within the social rented sector has risen only by an estimated 400,000 properties in the last decade⁶. During this same period, the population of England grew by over 4,000,000 and the waiting list for social housing has grown to 1.16m households, with additional research suggesting that the number of people in need of social housing is far greater than the official waiting list⁷. Due to the limited availability of social housing, many renters are looking to the private rented sector to provide the housing they need. This has had the effect of placing further pressure on the private rented sector, with additional demand for housing not being met by the social sector.

¹ <https://www.propertymark.co.uk/resource/prs-report-apr-2022.html>

² <https://www.ons.gov.uk/economy/inflationandpriceindices/articles/ukprivaterentedsector/2018>

³ <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report>

⁴ <https://www.gov.uk/government/statistics/english-private-landlord-survey-2021-main-report/english-private-landlord-survey-2021-main-report--2>

⁵ [A shrinking private rented sector | Propertymark](#)

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf

⁷ <https://www.housing.org.uk/resources/people-in-housing-need/>

Impact of short-term lettings

10. **Landlords switching to short-term lettings** – Our research on short-term lets has indicated that of the 23% of landlords who offer short-term tenancies in 2019, twelve percent did so by changing properties from longer term tenancies to short-term tenancies⁸. Extended across the UK’s landlord population, this potentially means 46,000 properties had been taken away from the private rented sector since 2015. When we asked landlords who solely rented out long-term lettings, one in ten stated that they were very or fairly likely to offer short-term lets in the future. This means up to 230,000 properties could be left unavailable for tenants looking for long-term rents. Considering that our most recent member survey found there were 10 registrations for every available property our agents listed, the sector is already suffering from an unprecedented mismatch of demand for each property available. Any further strain on the sector risks further rent increases and difficulties for people to find homes.

11. **Incentives to join short-term lettings sector** – Given the current state of the Private Rented Sector, large numbers of landlords switching to the short-term lettings is a likely scenario. The most cited reason behind landlords planning to reduce or sell their entire portfolios was recent and forthcoming legislative change (55% and 53% respectively). This is reflected in the main reasons why landlords switch to short-term lets: 46% due to the greater flexibility afforded by short-term lets, 37% because regulations on long term lets are too burdensome, 31% because they can charge higher nightly rents⁸. This suggests that there are several incentives for landlords to move into the short-term lettings sector. Research published by the University of Manchester found that the average 2 bed flat in Manchester City Centre and Hulme could generate between 1.7 and 2.9 times the amount of rent that it could through long-term rent⁹. This is with an 80% occupancy rate. Even if legislation caps the number of days landlords can rent out a property for short-term let, short-term lettings can still be more profitable for landlords.

Recommendations

12. The Private Rented Sector is facing an unprecedented lack of supply of property, which risks increasing rents further and making it more difficult for people to move home. While there are several factors behind the supply of homes within the private rented sector, it is clear that the increase in short-term lettings has led to a reduction in available properties to rent. If this trend continues, we could see hundreds of thousands of homes made unavailable for long-term rent.

13. Given the current levels of available properties, any further reduction in available property will have catastrophic implications for the availability of homes. Due to this, we have made the following six recommendations. Firstly, any legislative changes should ensure that local authorities have appropriate regulatory powers to balance the needs and concerns of their communities with wider economic and tourism interests. This will require localised solutions rather than a ‘one-size-fits-all’ approach. Secondly, the UK Government must carefully consider the impact of any new regulation on the private rented sector if it would incentivise landlords to start using their properties for short-term lets, thereby reducing housing supply for local people. Thirdly, the UK Government should consider extending current health and safety requirements as well as tenant protections for short-term lettings. Fourthly, ensure that there are adequate enforcement procedures in place if day limits are imposed on short-

term lets. Fifthly, any legislation will need to distinguish between one person's property being used for short-term lets when it is under-utilised and larger commercial landlords renting out entire properties on a full-time basis. Sixthly, consider introducing limits on short-term letting activities in areas in which there is a demonstrable impact on private rented housing supply.

14. We have also responded to the Welsh Government's consultation on Local Taxes for Second Homes and Self-Catering Accommodation. The Welsh Government was seeking views on its approach to address issues of affordability and the impact of second homes and holiday lets on communities. In particular, the consultation sought views on allowing local authorities to levy a higher rate of council tax on second homes and long-term empty properties. Our full response is linked below¹⁰, and our response can be summarised through the following key points. Firstly, the implementation of charging a premium is inconsistent, which has limited the effectiveness of the premium. Secondly, since the premium was introduced, the number of long-term empty properties has increased while the number of affordable housing delivered has consistently fallen short of the Welsh Government's estimate of need. Thirdly, we advise that funds should be ring-fenced to ensure they are allocated towards the intended objectives of the policy – to increase the number of homes available within the Private Rented Sector. Fourthly, we propose that long-term empty property should be subject to an increasing premium, dependent on the length of time it has been vacant. Fifthly, we urge the Welsh Government to consider an amendment to Small Business Rates Relief to exclude short-term let businesses from claiming the exemption, which would make an investment in the Private Rented Sector more attractive. The Committee should take these into consideration when considering ways to reduce the impact of short-term lets on the Private Rented Sector.

⁸ <https://www.propertymark.co.uk/resource/the-impact-of-short-term-lets.html>

⁹ <http://www.gmhousingaction.com/wp-content/uploads/2021/12/AirBnB-Report-Dec-21-2021.pdf>

¹⁰ [Welsh Government consultation on Local Taxes for Second Homes and Self-Catering Accommodation | Propertymark](#)