

The impact of short-term lets

Analysing the scale of Great Britain's short-term lets sector and the wider implications for the private rented sector

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1: Key findings and recommendations

In this section we set out the key findings from our research.

Key findings

Capital Economics has been commissioned by ARLA Propertymark to research and report upon the potential impacts of the growth of short-term letting platforms on the private rented sector in Great Britain. In order to do this we have used existing publically available data and analysis, as well as two new surveys conducted by YouGov: a survey of the general population and a survey of landlords.

Our key findings are:

- Short-term letting via online platforms has grown quickly over the past decade, with around 225,000 active listings on one site alone in 2017/18
- Sixteen per cent of adults in Great Britain have let out all or part of their property on a short-term basis over the past two years; most commonly they have let out their main residence but over three per cent of people have let out a property they own but don't usually live in
- The scale of short-term letting activity varies widely between locations; the number of listings in the London Borough of Westminster was equivalent to 6.7 per cent of its total dwelling stock compared to 0.2 per cent in the London Borough of Havering
- Landlords have come under increasing pressure from government regulations in recent years through the removal of tax relief, additional stamp duty and a ban on tenant fees
- Almost one quarter of landlords surveyed currently let out properties on short-term lets, while twelve per cent of these have done this by changing the use of a property that was previously used for long-term lets; almost 50,000 properties have already been made unavailable to long-term tenants in order for landlords to pursue short-term lets
- Increased flexibility and burdensome regulations in the long-term let sector were the main reasons for landlords to switch to short-term lets
- Ten per cent of landlords surveyed said they were 'very likely' or 'fairly likely' to offer short-term lets in the future in properties that are currently used for long-term tenancies
- If only the landlords that said they were 'very likely' to move to offering short-term lets were to do so, between 80 and 230 thousand properties could be unavailable for residents looking to rent, which is equivalent to between 1.5 and 4.3 per cent of the private rented sector dwelling stock in Great Britain
- If the landlords that said they were 'very likely' or 'fairly likely' to move to offering short-term lets were to do so, between 200 and 470 thousand properties could be unavailable for residents looking to rent, which is equivalent to between 3.8 and 8.7 per cent of the private rented sector dwelling stock in Great Britain

Recommendations

Based on the research and analysis presented in this report we have compiled a list of suggested recommendations for future policy. Given the increasing pressures that landlords have been put under in recent years and the risks to the private rented dwelling stock the government should:

- Carefully consider the impact of any future regulation that may incentivise landlords to start using their properties for short-term lets and thereby reduce housing supply for local people trying to find a home
- Ensure a level regulatory playing field between short-term and long-term lets including protections for tenants and health and safety requirements
- Ensure a level taxation playing field between short-term and long-term lets so there are no advantages for commercial landlords using their properties for short-term lets
- Identify ways to improve enforcement of cases in which commercial landlords are not complying with local planning laws or the 90 day limit for short-term lets in London
- Recognise that the impact of short-term lets on housing supply is not uniform across the country and 'one size fits all' regulations are unlikely to be optimal
- Distinguish between using one's primary residence for short term lets when the property is being under-utilised and commercial landlords renting out entire properties on a full time basis
- Monitor and track the number of entire properties on sharing platforms by hosts with multiple listings in different areas to inform future policy
- Consider introducing limits on short term letting activities in areas in which there is a demonstrable impact on private rented housing supply

2: The private rented sector

In this section we provide context and background to the private rented sector.

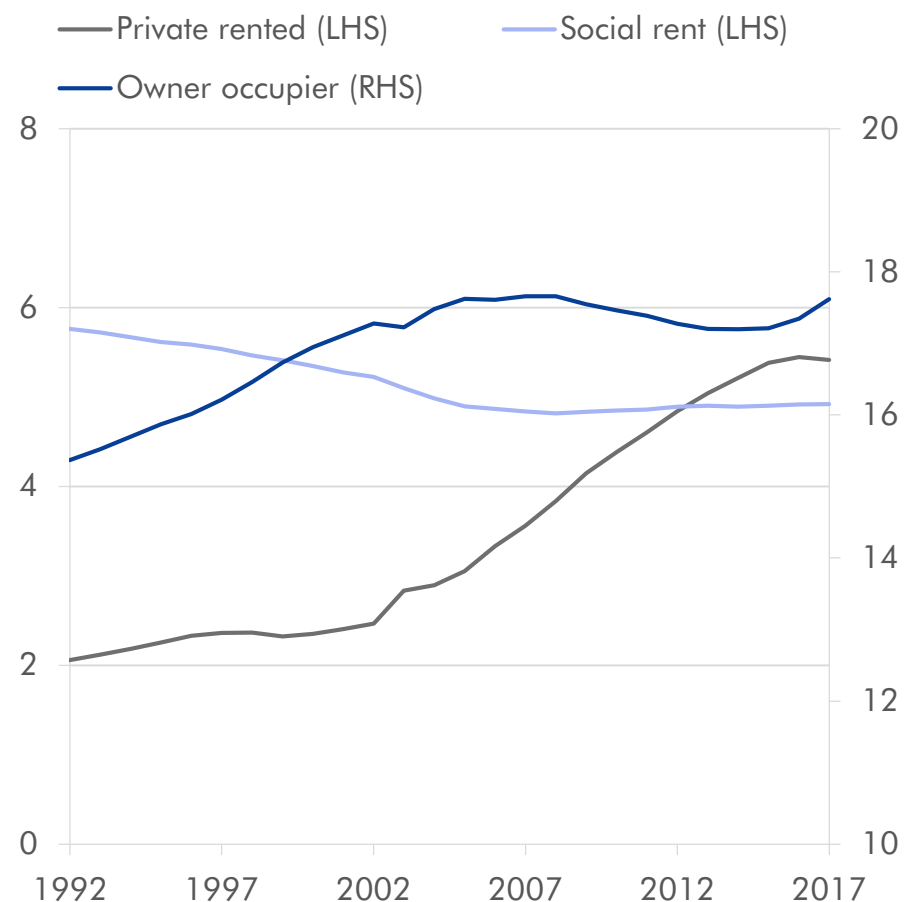
Private rented sector has more than doubled in size over 25 years

Private rented sector has grown in importance

The private rented sector's share of the dwelling stock in Great Britain has doubled from around ten per cent (2.4 million dwellings) at the turn of the century to almost twenty per cent (5.4 million dwellings) in 2017. This has coincided with the diminishing size of the social rented sector, while the number of owner occupiers has remained broadly the same as it was in 2004.

The introduction of buy-to-let mortgages in the mid to late nineties has been an important factor in the rise of the private rented sector. In addition, renting has become a necessity for many because of pressures in the owner occupier market. Increasing house price to income ratios and tighter lending conditions have made it more difficult, particularly for first time buyers, to purchase a property.

Dwelling stock by type of tenure, millions, Great Britain



Sources: Capital Economics and the Ministry of Housing, Communities & Local Government

Over 1.5 million landlords in England alone

There are over 1.5 million landlords in England

In 2018, there were 1.5 million landlords that had registered tenant deposits with a Tenancy Deposit Protection scheme, which has been a legal requirement since 2007 for assured shorthold tenancy agreements. We have estimated that the total number of landlords in Great Britain is around 1.75 million.

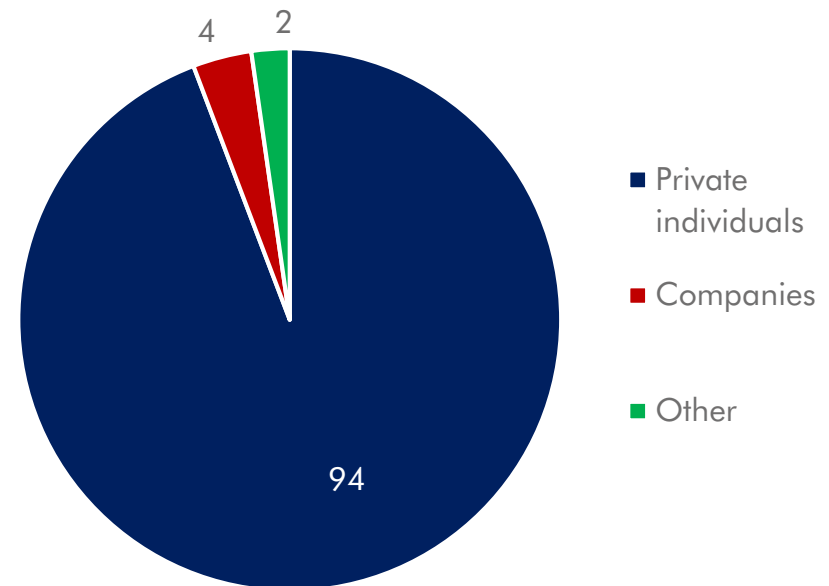
The Ministry of Housing, Communities & Local Government suggests that this covers between 56 and 71 per cent of all landlords in England, meaning there are likely to be a total of between 2.2 and 2.8 million landlords across the country.

The English Private Landlord Survey, which covers the population of landlords that have registered a deposit with a Tenancy Deposit Protection scheme, suggests that 94 per cent of landlords are private individuals. The remainder are set up as a company or other structures.

Residential lettings industry supports landlords and tenants

Although there are no official data on the size of the residential lettings industry, we have used official data on the wider real estate sector and estimates of fees received by estate agents to produce an indicative estimate. Residential letting agents employ approximately 60,000 people in England and Wales.

Landlord population in England by landlord type, 2018, per cent



Sources: Capital Economics and Ministry of Housing, Communities & Local Governments' 2018 English Private Landlord Survey

There are growing pressures on buy-to-let landlords from a range of government policies

Removal of tax relief hits landlords' bottom line

In 2015 it was announced that the tax relief landlords had enjoyed on mortgage interest payments would be restricted to the basic rate of income tax. This policy, covering the United Kingdom, is being phased in between 2017/18 and 2020/21 and will make returns on buy-to-let investments less attractive; it may encourage landlords to sell their properties or reconsider expanding their portfolio.

Higher stamp duty deters investment

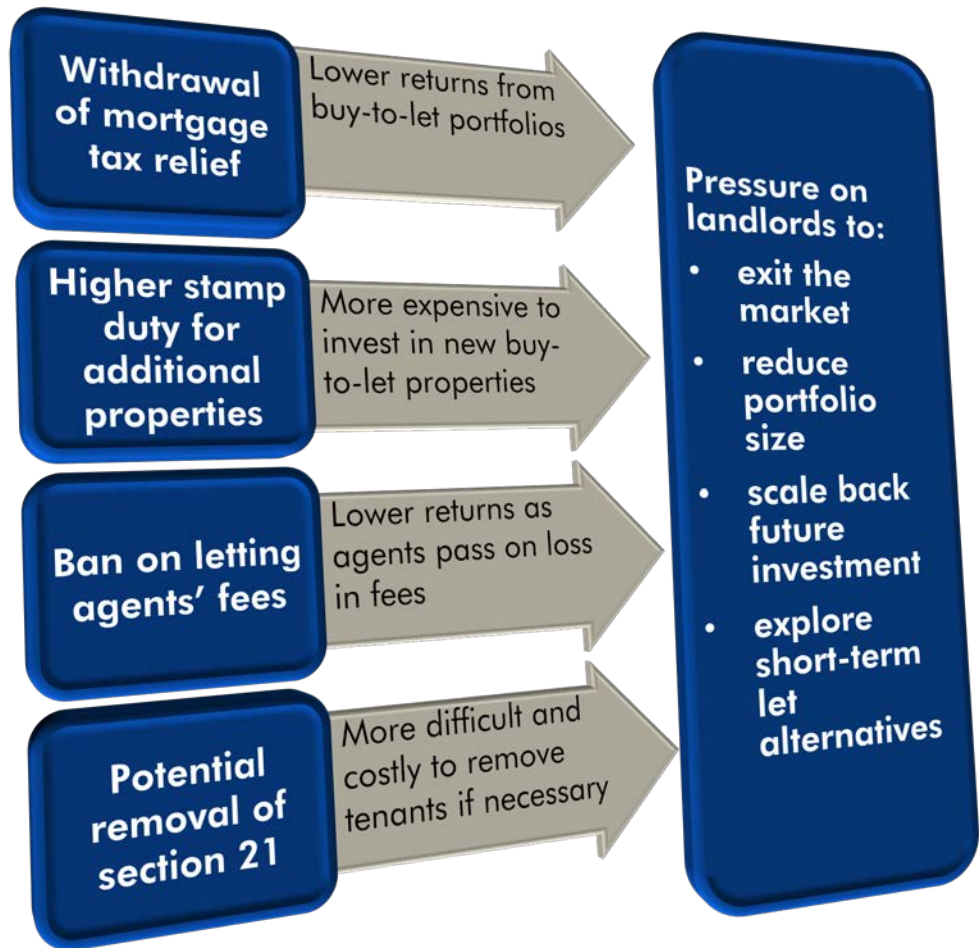
Effective as of April 2016, as part of the government's stated commitment to support home ownership, an additional three per cent Stamp Duty Land Tax was introduced on purchases of additional residential properties. This dis-incentivises buy-to-let investments. After the implementation of the policy, net additions to the buy-to-let stock fell sharply. In Scotland, this was increased to four per cent in January 2019.

Tenant Fee Act reduces income for some landlords

A ban on tenant fees in England has put pressure on letting agents and landlords, with much of the cost likely to eventually fall on the tenant through higher rents. Scotland has had an equivalent ban since 2012 while in Wales restrictions are contained in the Renting Homes (Fees etc.) (Wales) Act 2019.

Removal of Section 21 will make longer term lets less attractive

The government is currently consulting on the removal of Section 21 of the Housing Act 1988, which enables private landlords to repossess their properties without having to establish fault on the part of a tenant. Meanwhile, the Welsh Government is looking into limiting the use of similar eviction notices there. Without these powers, it will be harder and more expensive for landlords to remove problematic tenants. If this comes into force, without any mitigating policies, it could encourage landlords to exit the market or move to more flexible short-term tenancies.



Private rented stock fell in 2017 for first time since 1999

Some data suggest policies are starting to take a toll

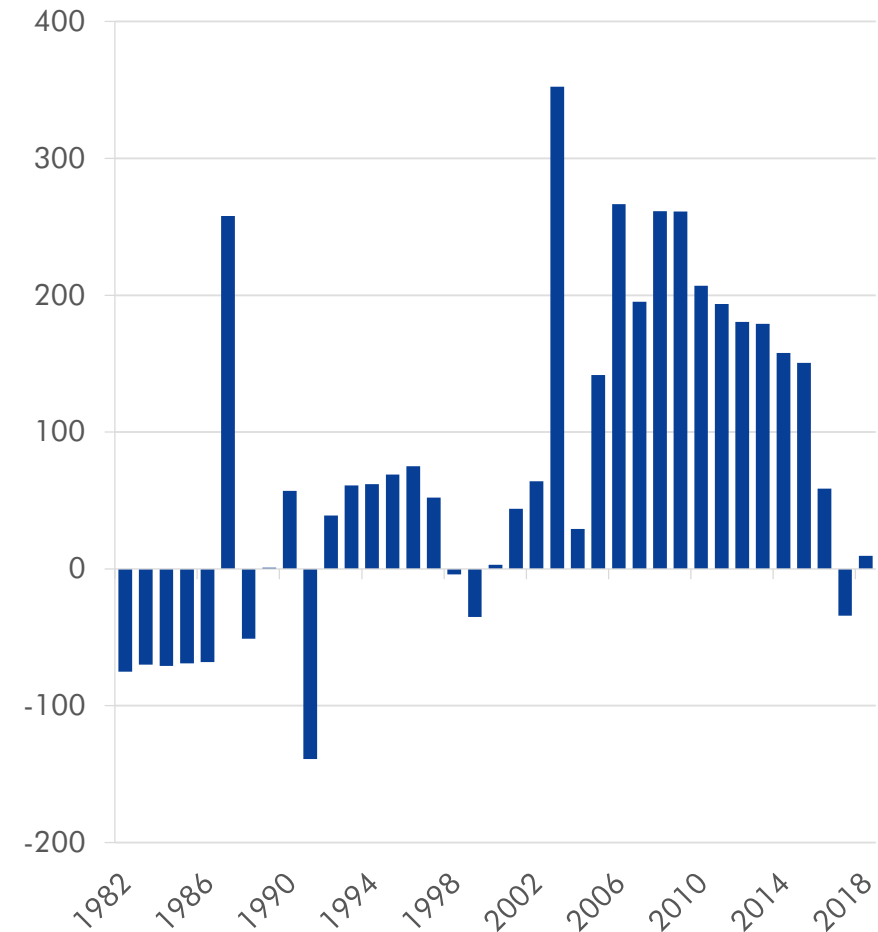
It is too early to tell from official data what the full impact of the policies affecting the private rented sector enacted to date will be. The phased withdrawal of mortgage interest relief and the high up-front cost nature of the industry mean that the impacts of the policy changes are likely to be spread out over a number of years. In particular, landlords' decisions to deleverage or exit the market are likely to be decisions made over time, especially with the current low rate environment limiting investment options elsewhere.

However, some data suggest that the policies are starting to have an effect. The number of dwellings in the private rented sector in England fell by 34,000 in 2017, the first fall since 1999. Provisional data suggest that there was a small increase in 2018, but not enough to push total stock back above 2016 levels. Although it is not possible to be certain, it seems likely that part of the sell-off is in response to the policies introduced by the government in recent years.

Short-term letting is further risk to homes available for tenants

The data on dwelling stock do not allow us to differentiate between private rented properties used for short-term and long-term tenancies; the change in stock represents total properties used to provide rented accommodation. Any impact on the number of properties available for local residents to live in, from landlords choosing to use their property for short-term lets, would be in addition to the impacts already seen in the wider market.

Annual change in private rented sector dwellings, England, thousands



Sources: Capital Economics and Ministry of Housing and Communities & Local Government

3: The short-term letting sector

In this section we outline what short-term letting is and how it differs to the traditional long-term letting model.

Short-term letting has grown over the past decade

Short-term letting of property has grown with sharing economy

The so called ‘sharing economy’ utilises technological advances to enable transactions between consumers and providers of under-utilised assets. Examples include car sharing services, peer-to-peer lending and co-working spaces. Over the past decade, accommodation platforms have emerged which connect people who want to rent out their properties or rooms on a short-term basis to guests looking for temporary accommodation.

Short-term lets differ from traditional tenancies

Although there are no official definitions, for the purposes of this report we define short-term lets as lets of entire properties or parts of properties of between one night and six months. Short-term lets provide flexible accommodation for tourists and those staying in a location for a short period. They are generally agreed between the ‘host’ and ‘guest’ through an online platform. This differs from traditional longer term tenancies in the private rented sector which typically have an initial fixed term of six months or more and are conducted under an Assured Shorthold Tenancy Agreement or similar.

The rise in short-term lets poses risks to the private rented sector

There are growing concerns that the short-term letting industry will have a negative impact on the private rented sector. As well as residents letting their property when it is not being used, commercial landlords are also being attracted to short-term letting. Rather than encouraging the use of an under-utilised asset, commercial short-term lets are potentially reducing the supply of much needed properties for people to live.

Key attributes of short-term lets and long-term tenancies

	Short-term lets	Long-term tenancies
Providers	Home-owners, renters and private landlords	Private landlords
Duration of tenancy	One night to six months	Six months or longer
Common contractual agreement	Agreement between host and guest usually through online platform such as Airbnb or Booking.com	Assured Shorthold Tenancy Agreement or similar
Tax	Rent a room relief allows up to £7,500 tax free for homeowners and renters	Tax paid on rental income
Standards and regulations	Unclear whether should require ‘change of use’ planning permission, decided on case by case basis. Lower health and safety standards	Subject to buy-to-let requirements and protections for tenants such as deposits held under Tenancy Deposit Scheme
Likely tenants	Tourists, short-term work trips, new residents looking for accommodation	Local residents

Source: Capital Economics

The increase in short-term letting has a wide range of impacts; we focus on the impact on the private rented sector

Short-term letting brings some benefits.....

The introduction of short-term lets has different effects on different stakeholders and there has been little detailed research into the extent of these effects. On the positive side, short-term letting can provide additional income to homeowners or renters, while providing visitors and short-term residents with increased choice, flexibility and lower prices.

.....and some negatives

Using residential areas for short-term accommodation can lead to issues in the local community such as an increase in anti-social behaviour, noise and a loss of community cohesion. It also has a negative impact on the traditional hospitality industry such as hotels and bed and breakfast businesses, which are at a disadvantage in having to pay business rates, VAT and often have higher health and safety standards.

A key concern is the impact on the private rented sector

Aside from the social issues in residential areas, the use of main residences for short-term lets does not have a direct impact on the private rented sector. However, a significant share of short-term lets are provided by professional landlords that may or may not have otherwise provided housing for long-term local residents. There is also concern that residential properties are being used as letting businesses without the required planning permission and protections for neighbours. Our analysis is focused on the impact of short-term letting on tenants, landlords and letting agents in the private rented sector.

Potential impacts of an increase in short-term lets

	Positives	Negatives
Homeowners/ renters	<ul style="list-style-type: none"> • Additional income stream 	<ul style="list-style-type: none"> • Risks to property • Strain on relationships with neighbours
Tourists/ short-term visitors	<ul style="list-style-type: none"> • Increased choice • Local experience • Price competition 	<ul style="list-style-type: none"> • Lower standards • Health and safety concerns
Local businesses	<ul style="list-style-type: none"> • Increased visitor spend in some local areas 	<ul style="list-style-type: none"> • Loss of business for hospitality sector
Local communities	<ul style="list-style-type: none"> • Vibrancy of the area 	<ul style="list-style-type: none"> • Anti-social behaviour • Over-crowding of properties • Transient community
Private rented sector		
Landlords/ letting agents	<ul style="list-style-type: none"> • Higher nightly rents • Increased flexibility • Less burdensome regulation 	<ul style="list-style-type: none"> • Higher void periods and uncertainty • Higher turnover and associated management costs • Increased likelihood of damage to property
Tenants	<ul style="list-style-type: none"> • Potential income if permitted to offer short term sub-lets 	<ul style="list-style-type: none"> • Reduced housing supply leading to less choice and higher rents

Source: Capital Economics

Some steps have been taken to consider ways to mitigate negative consequences of short-term lets

There is a 90 day limit in London

In London, prior to 2015 the use of residential premises as temporary sleeping accommodation was restricted and was classed as a material change of use for which planning permission was required. In 2015, restrictions were relaxed and a maximum of 90 nights letting of a residential property are permitted each year without planning permission.

Outside of London, no concrete steps have been taken yet

Aside from London there is no specific limit on the number of days a residential property can be let out on a short-term basis; it is up to the local planning authority to determine whether there has been a material change of use for which planning permission must be sought on a case by case basis.

Scotland has recently introduced extra powers for local authorities

In April 2019, the Scottish Government issued a consultation on the regulatory framework around short-term lets. The consultation sought views from stakeholders on the need for changes to the regulatory framework, as well as on the types of short-term lets which should be regulated and the controls which should be applied. The consultation responses were published in October 2019 and overall a majority of respondents supported regulation for short-term lets in some form. Edinburgh City Council set up a working group in 2018 to address the issue and outlined its preference for a licensing regime.

In January 2020, it was announced that from the Spring of 2021 local authorities will have the power to implement a licensing scheme for short-term lets. The aim of this is to help councils to understand the local market and improve safety measures.

4: Scale of the short-term letting sector

In this section we examine the available evidence to determine the scale of the short-term letting sector. Some of the findings are based on a survey of adults in Great Britain which included questions about their short-term letting activity.

Sixteen per cent of adults have let out a property in the last two years

Survey suggests sixteen per cent have let out their property

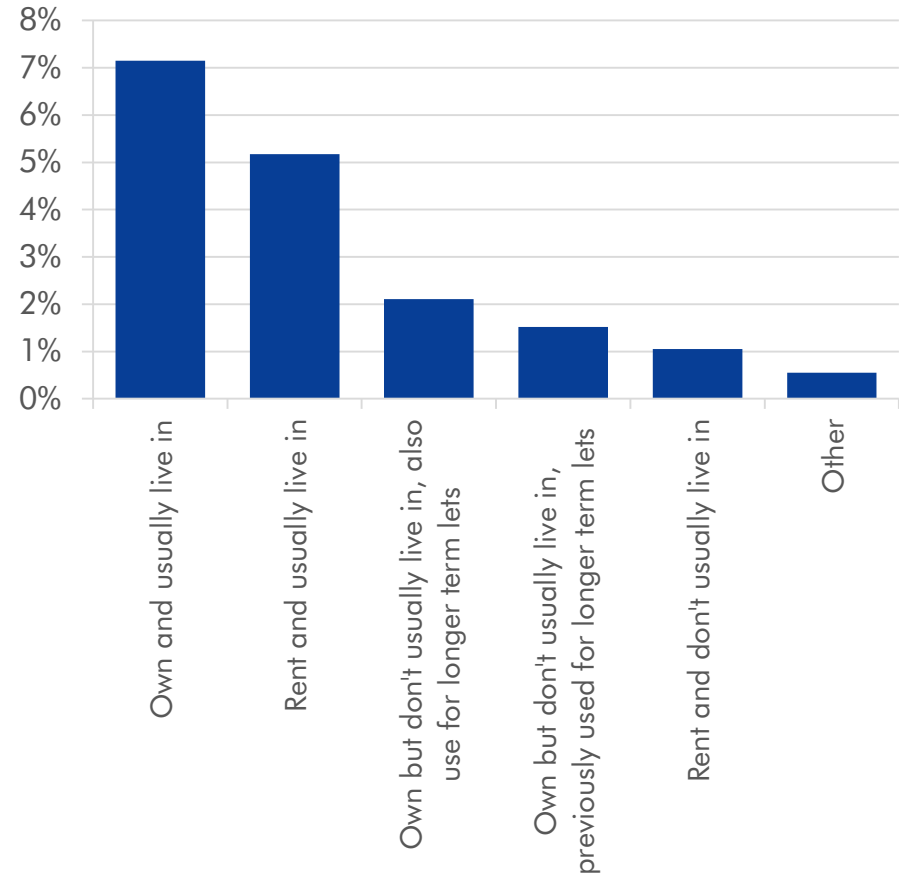
A representative survey of the British population suggests that sixteen per cent of adults have let out all or part of their property at least once in the last two years. This equates to 8.2 million people. After accounting for household size, this suggests that 4.5 million properties have been used for short-term lets at some point in the last two years out of a total dwelling stock of 24.2 million.

This represents the total number that have been used over a two year period. It includes all lets whether they are through an online platform or arranged formally or informally offline. As such, it gives an indication of the prevalence of short-term letting but not of the stock of properties currently available. (See page twenty.)

Most common to let out main residence

The most common form of short-term letting is of properties that the provider usually lives in. Over twelve per cent of the adult population have let out the property that they usually live in at least once in the last two years; seven per cent had let out a property they own and five per cent had sub-let a property that they rent.

Share of adults that have let all or part of their property on a short-term basis in the last two years, Great Britain



Sources: YouGov and Capital Economics. Survey conducted in October 2019. Sample size = 2,149. Respondents could pick more than one answer.

London and the Midlands have the highest rate of short-term lets

London and the Midlands have highest rate of short-term lets

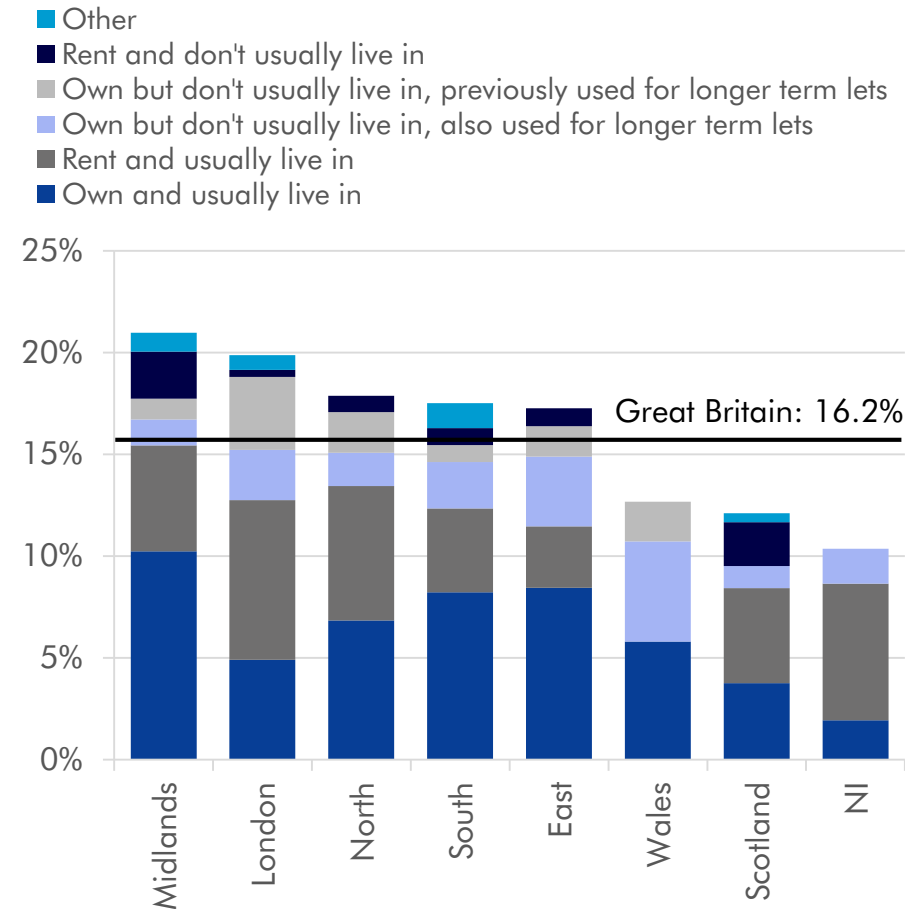
At 21 and twenty per cent of the adult population respectively, the Midlands and London have the highest share of people that have let out a property on a short-term basis in the last two years. Meanwhile, the devolved nations of Wales, Scotland and Northern Ireland had the smallest shares.

There are regional differences in the type of people offering lets

In London, a higher share of landlords reported that they had used a property that they rent and usually live in for short-term lets than elsewhere in the country. This likely reflects the lower share of home ownership in the capital.

Meanwhile, London also saw a larger share of people who reported that they had offered short-term lets on properties that they previously used for longer term lets.

Share of people that have let out property on short-term let over last two years by property type



Sources: YouGov and Capital Economics. Survey conducted in October 2019. Sample size = 2,149. Respondents could pick more than one answer.

Almost one quarter of a million listings for short-term lets on largest property rental site

Almost one quarter of a million properties listed on Airbnb alone

There are a range of sites on which people can advertise and let out their property (or part of their property) in the United Kingdom. These include: Airbnb, Booking.com, Homeaway, House Trip and Vacationrentals.com. There are limited data available in the public domain on the scale of their activities.

However Airbnb, the largest of the platforms, does release some data on the number of properties listed on their site and their location. According to their data, there were 223,200 active listings in the United Kingdom on their site between July 2017 and July 2018.

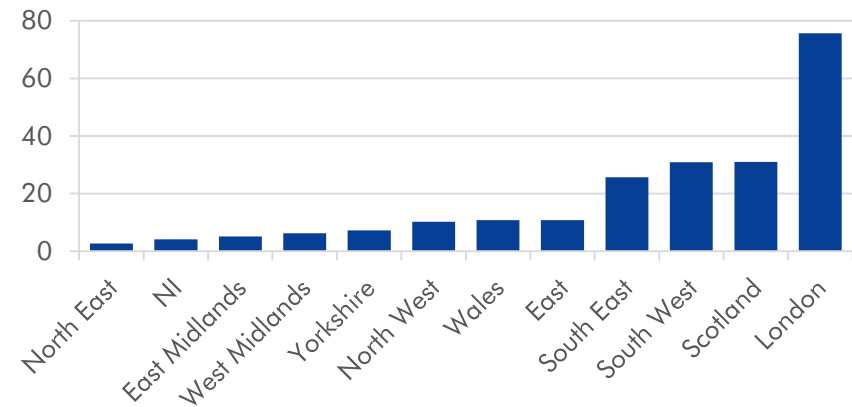
London is the largest market

The capital has the most properties listed both in terms of absolute number and on a per person basis. In 2017/18, there were 76,000 active listings in London, equating to 8.5 for every thousand of the population. Scotland and the South West are the next largest markets with 5.7 and 5.5 properties listed per thousand of the population respectively. The region with the smallest number of listings is the North East.

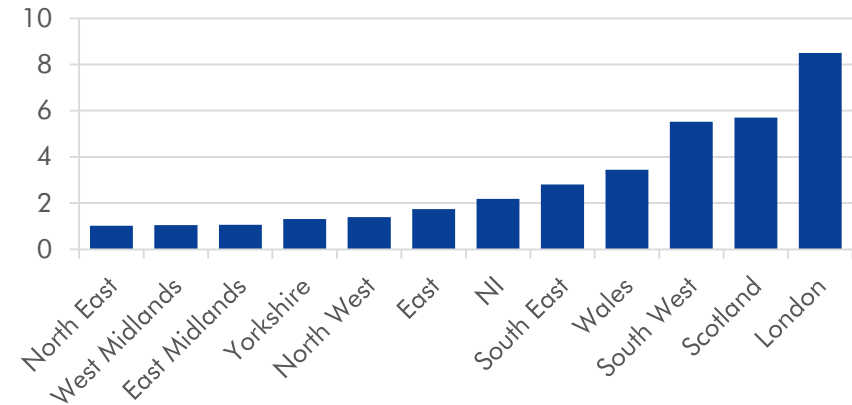
Actual scale of short-term letting will be higher

The data on Airbnb gives an indication of the scale of the short-term letting activity but it is an underestimate given it doesn't include properties listed on other websites, properties let off-line or those arranged informally.

Number of listings on Airbnb in 2017/18, thousands



Number of listings on Airbnb in 2017/18 per thousand of population



Sources: Capital Economics and AirBnb UK Insights Report

The number of properties being advertised has grown quickly over the past few years

Strong growth in the number of listings

Although the data are limited, they show that the total number of active listings on Airbnb in the United Kingdom rose by 33 per cent from 168,000 in 2017 to 223,000 in 2018.

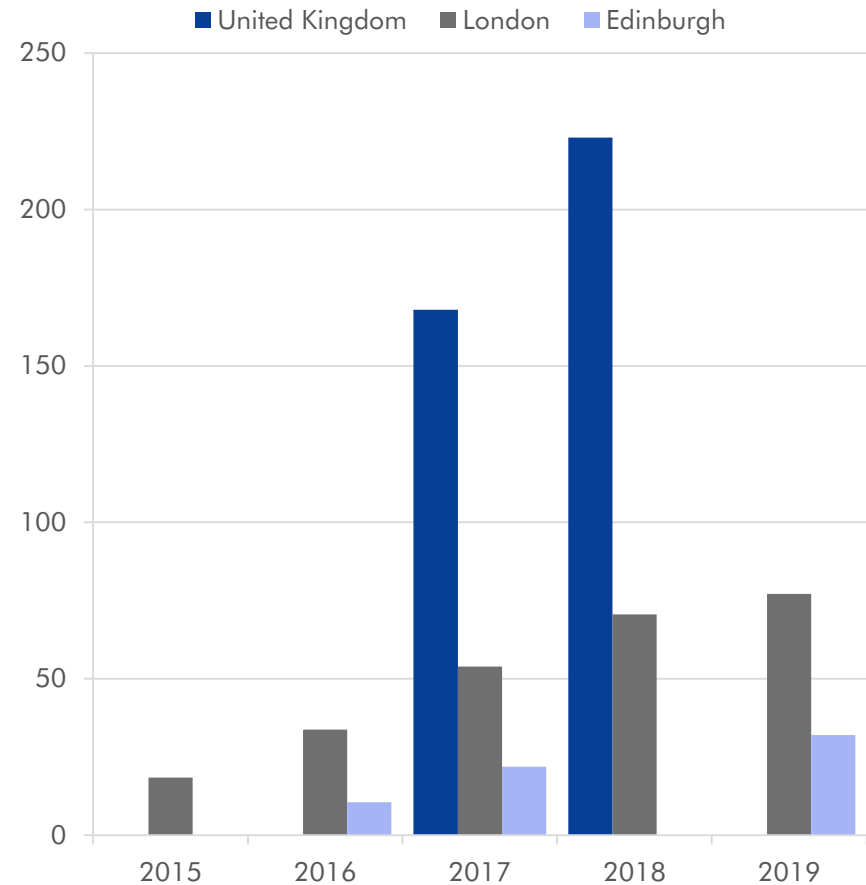
London listings have quadrupled since 2015

In London, the largest market for short-term lets in the United Kingdom, the number of active listings has grown consistently for the years that we have data. The total in the capital has increased more than four-fold from 18,000 in 2015 to 77,000 in 2019.

Number of listings has almost tripled in Edinburgh in three years

Edinburgh has also seen fast growth in the number of listings. According to Inside Airbnb data, there were 32,000 active listings in the city in 2019, up from 11,000 in 2016.

Number of active listings on Airbnb, United Kingdom



Sources: Inside Airbnb, Housing and Social Justice Directorate and finder.com. Note: Different sources compiled together and refer to different months for different years and locations. Edinburgh data not available for 2015 and 2018. UK data only available for 2017 and 2018.

The density of short-term letting activity is not uniform and disproportionately affects some areas

Large difference in prevalence in Scottish local authorities

As part of their consultation process, the Scottish Government commissioned research into the short-term letting sector in Scotland. As with other studies, the research focused on Airbnb listings. The research highlighted the disproportionate impact of short-term letting activity in different areas.

The number of entire homes listed comprised 3.4, 3.1 and 2.7 per cent of the total dwelling stock in Highland, Argyll & Bute and the City of Edinburgh respectively. This compares with authorities such as East Dunbartonshire, North Lanarkshire and East Renfrewshire where the number of listings of entire homes was equivalent to just 0.1 per cent of the dwelling stock.

Extent of activity varies widely at more localised levels

The differences in impacts between areas is clear at much smaller geographical dis-aggregations. Some local communities are more attractive to tourists and as such generate more interest in short-term let accommodation.

At a ward level, the number of entire home listings made up 12.8 and 11.4 per cent of Edinburgh City Centre and Skye respectively, compared to just 1.9 and 1.0 per cent in Sighthill/Gorgie and Forth.

Number of entire home listings on Airbnb as a share of total dwelling stock, May 2019

Top five local authorities		Bottom five local authorities	
Highland	3.4%	South Lanarkshire	0.1%
Argyll & Bute	3.1%	East Ayrshire	0.1%
Na h-Eileanan Siar	2.7%	East Dunbartonshire	0.1%
Edinburgh, city of	2.7%	North Lanarkshire	0.1%
Orkney Islands	1.8%	East Renfrewshire	0.1%
Top five from selection of wards		Bottom five from selection of wards	
City Centre (City of Edinburgh)	12.8%	Anderston/ City/ Yorkhill (Glasgow City)	2.5%
Skye (Highland)	11.4%	Craigtintny/ Duddingston (City of Edinburgh)	2.4%
Highland (Perth & Kinross)	6.7%	Fountainbridge/ Craiglockhart (City of Edinburgh)	2.3%
Fort William & Ardnamurchan (Highland)	6.4%	Sighthill/Gorgie (City of Edinburgh)	1.9%
Oban North & Lorn (Argyll and Bute)	6.4%	Forth (City of Edinburgh)	1.0%

Sources: Housing and Social Justice Directorate, Inside Airbnb and Capital Economics

The density of short-term letting activity is not uniform and disproportionately affects some areas

Central London boroughs have highest density of short-term lets

The City of London has the highest density of Airbnb listings, which accounted for seven per cent of dwelling stock. In part, this reflects the relatively small number of residential properties in the borough. Other central London boroughs including Westminster, Tower Hamlets, Kensington & Chelsea and Hackney all saw the number of listings equivalent to more than five per cent of their dwelling stock.

Meanwhile, in the outer London boroughs of Sutton, Bexley and Havering, the number of short-term let listings on Airbnb was equivalent to just 0.3, 0.2 and 0.2 per cent of dwelling stock respectively.

Number of listings on Airbnb as a share of total dwelling stock, October 2019

Top ten London boroughs		Bottom ten London boroughs	
City of London	7.0%	Croydon	0.6%
Westminster	6.7%	Redbridge	0.6%
Tower Hamlets	6.3%	Hillingdon	0.5%
Kensington and Chelsea	6.2%	Harrow	0.5%
Hackney	5.4%	Enfield	0.4%
Camden	5.2%	Bromley	0.4%
Islington	4.6%	Barking and Dagenham	0.4%
Hammersmith and Fulham	4.4%	Sutton	0.3%
Southwark	3.5%	Bexley	0.2%
Lambeth	3.3%	Havering	0.2%

Sources: Inside Airbnb, MHCLG and Capital Economics

Listings data suggest increased commercialisation of short-term lets; a large share of properties advertised are from providers with multiple listings

Professional lets of whole properties biggest risk to housing supply

The main threat to the availability of places for people to live in the private rented sector comes from professional landlords using short-term letting platforms to rent out their property rather than having long-term tenants. A property that an individual rents out while they are on holiday would not have otherwise been used to house long-term tenants.

Entire homes for rent from users with multiple listings most likely issue

It is not possible to tell from existing data how many properties being used for short-term lets would have otherwise been used for long-term tenancies (although we present new evidence of this in section 5). However, identifying users with multiple listings of different entire properties available for rent on a short-term basis gives us an indication of the potential scale of the issue.

There are data for London on the share of listings posted by users with multiple listings. Across London, this amounted to 47 per cent of all listings in October 2019. Meanwhile, 56 per cent were listings for entire properties. In some boroughs the shares are considerably higher.

Top ten London boroughs by share of multiple listings, October 2019

	Share of listings by users with multiple listings	Share of listings that are for entire properties
City of London	74.5	86.9
Westminster	65.9	74.0
Kensington and Chelsea	60.5	81.2
Camden	55.7	64.8
Hillingdon	53.6	31.4
Tower Hamlets	51.9	49.2
Brent	49.2	45.0
Hammersmith and Fulham	48.6	60.9
Newham	48.6	38.0
Harrow	48.1	32.1
London	46.6	55.5

Sources: Inside Airbnb, MHCLG and Capital Economics

5: Impact on the private rented sector

In this section we assess the impact that the rise of short-term letting has had, and is likely to have on the private rented sector. Some of the findings are based on a survey of landlords in Great Britain which included questions about their short-term letting activity and intentions for the future.

Studies suggest there is cause for concern regarding the stock of homes available for residents

Survey of landlords found significant share turning to short-term lets

In 2017, the Residential Landlords Association published the results from a survey of its members. Although their membership isn't necessarily representative of the entire landlord population, they reported that seven per cent of respondents had started to offer properties as short-term lets that they would have previously let in the private rented sector. They reported that for over one third of landlords this was due to the changes in mortgage interest relief.

Residents in Scotland cited impact on housing as biggest concern

As part of a research report commissioned by the Scottish Government, a survey of around 200 residents was conducted and asked about the negative impacts of short-term lets. The two biggest concerns were the reduction in homes available for general residential use and reduced affordability of housing for local people, for which 62 per cent and 57 per cent of respondents agreed that short-term lets had a negative impact respectively. Just 21 per cent of respondents disagreed that short-term lets had a negative impact on these factors.

Almost 50,000 properties already taken off the market for long-term renters

Nearly one quarter of landlords surveyed offered short-term lets

In a survey of around 1,000 landlords in Great Britain, sixteen per cent said that they only offered short-term tenancies and a further seven per cent said that they offered both short-term and long-term tenancies. Although the sample isn't representative of all landlords nationally, it does provide a strong indication that a significant share of landlords are involved in the short-term letting industry.

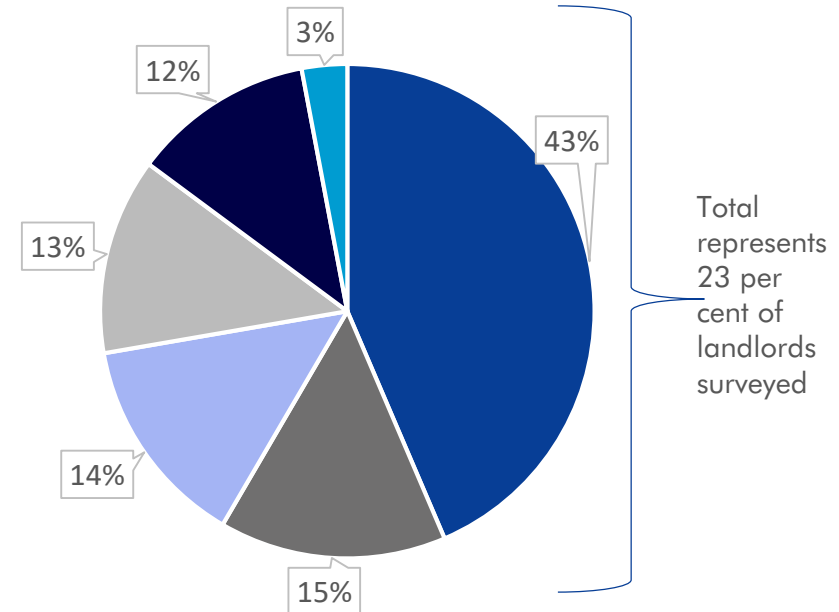
Almost three per cent of landlords surveyed re-purposed properties

Of the 23 per cent of landlords that offer short-term tenancies, twelve per cent did so by changing properties from use for longer term tenancies. Of the overall landlord population surveyed, this equates to 2.7 per cent. If this share is applied to landlords across the country, and we conservatively assume that all those landlords changed the use of just one property, it equates to 46,000 properties that have already been made unavailable for local people looking for a home to rent. This accounts for 0.9 per cent of the private rented sector dwelling stock in Great Britain.

More homes could have potentially been added to private rented stock

Of the 23 per cent of landlords that offer short-term tenancies, almost 30 per cent had added properties to their portfolio to do so or were new entrants that could have instead chosen to invest in properties for longer term tenancies.

Share of landlords offering short-term lets by entry to the market



- Hadn't considered offering long term tenancies
- Added properties to portfolio for short term tenancies
- Considered offering long term tenancies
- Other
- Changed existing properties to offer short term tenancies
- Don't know

Sources: YouGov and Capital Economics. Survey conducted in October 2019. Sample size=232

Flexibility and less regulation are key factors that have encouraged landlords to offer short-term lets instead of long-term lets

Flexibility to use the property as desired most common reason

Around 46 per cent of landlords surveyed that offered short-term lets did so to enjoy more flexibility in how they use their property. The share citing flexibility as a reason for landlords who offer both short-term and long-term tenancies within their portfolio was almost 60 per cent. This is likely to become more of an incentive if Section 21, which allows landlords to ask tenants to end their tenancy without a reason, is abolished in England and Wales as proposed.

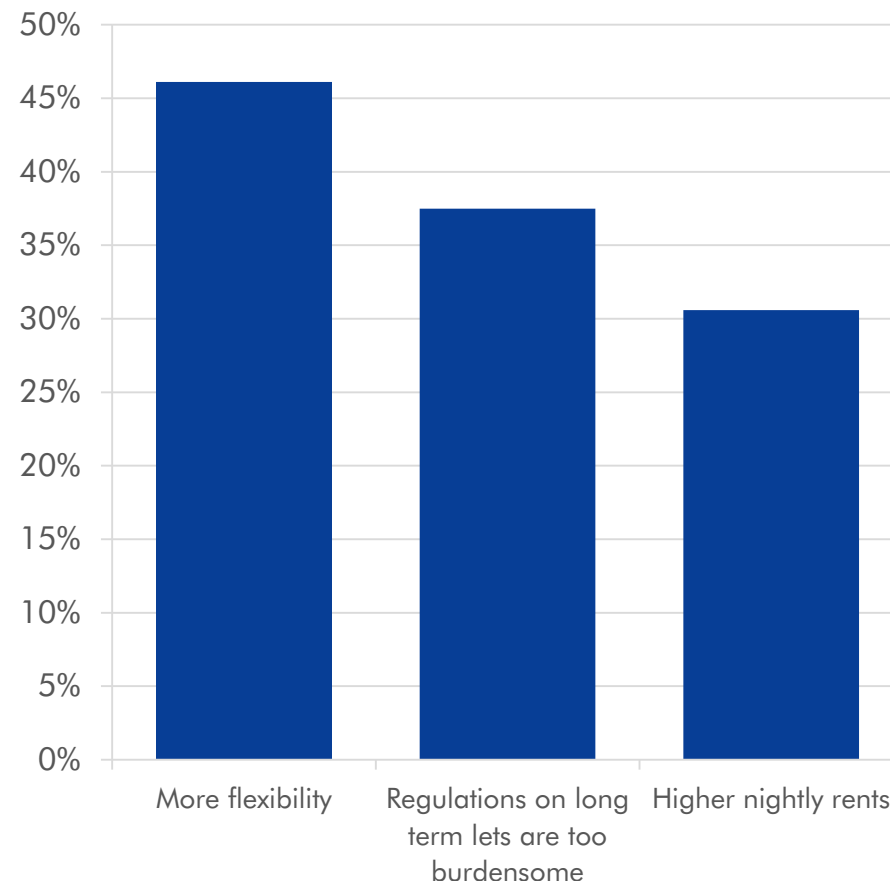
Over one third of landlords incentivised to avoid burdensome regulations

Burdensome regulations in the long-term letting market was cited by 38 per cent of respondents as a reason that they had changed some of their properties that were used for long-term lets to use for short-term lets.

Landlords recognise the opportunity to achieve higher rents

Just under one third of landlords surveyed were encouraged to change the use of properties to short-term lets because they thought they could achieve higher rents for the nights that the property is occupied.

Share of landlords offering short-term lets by reason for entering market



Sources: YouGov and Capital Economics. Sample size = 232. Note: 'other' and 'don't know' are not shown in graph

Majority of landlords unlikely to consider switching from long-term to short-term lets

Three fifths of landlords very unlikely to switch to short-term lets

The majority of landlords indicated that they are ‘very unlikely’ to start offering short-term lets using properties that they currently let out on a long-term basis. A further 23 per cent said that they were ‘fairly unlikely’ to do so.

Landlords are concerned about the extra work involved

The reason that was most commonly cited for not wanting to offer short-term lets was the required uptake of additional responsibilities. When offering short-term lets, the landlord has to take responsibility for tasks that would usually be the tenants responsibility such as paying bills, furnishing the property and cleaning the property. Sixty per cent of landlords surveyed identified this as a reason for not wanting to switch to short-term lets.

Meanwhile, almost half of respondents were worried about the additional management responsibilities, such as organising the arrival and departure of tenants on a regular basis.

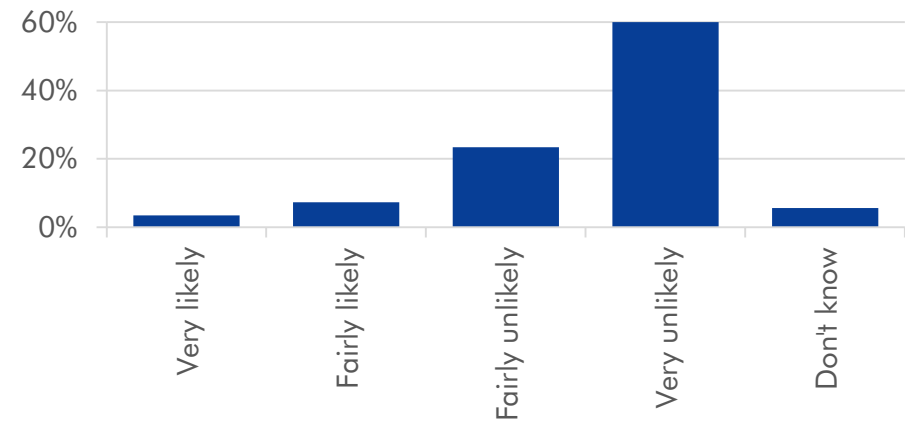
Uncertainty in income streams concern many landlords

One of the potential problems for landlords in offering short-term lets is that there are usually longer periods where the property is vacant and the income stream is less predictable. Given a large market for short-term lets is tourists, the demand for properties tends to be seasonal. Half of landlords provided this as a reason they did not want to switch away from long-term lets.

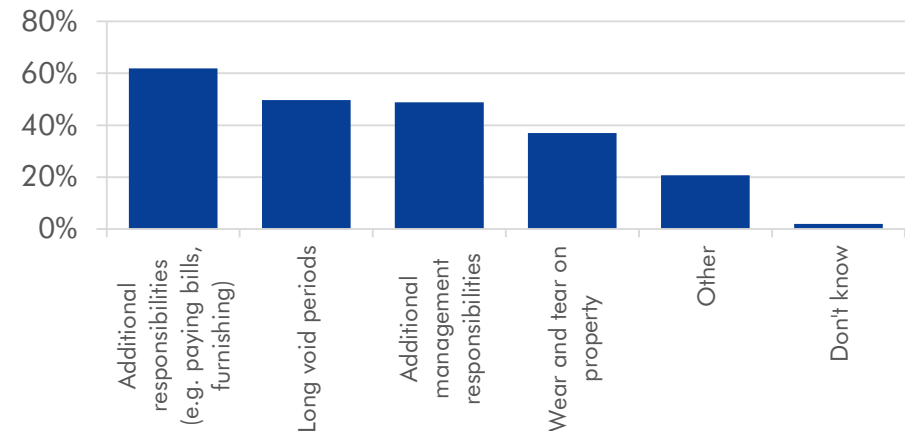
Landlords also worried about property damage

Given a high turnover of tenants and less rigorous procedures for checking tenants before moving in, over one third of landlords are worried about the wear and tear of their property.

Share of landlords that offer only long-term lets that would consider offering short-term lets in the future



Share of landlords not likely to offer short-term lets by reason



Sources: YouGov and Capital Economics. Survey conducted in October 2019. Sample size: top chart= 893, bottom chart = 232.

But around ten per cent of landlords are likely to consider switching, which would have a significant impact on already stretched housing supply

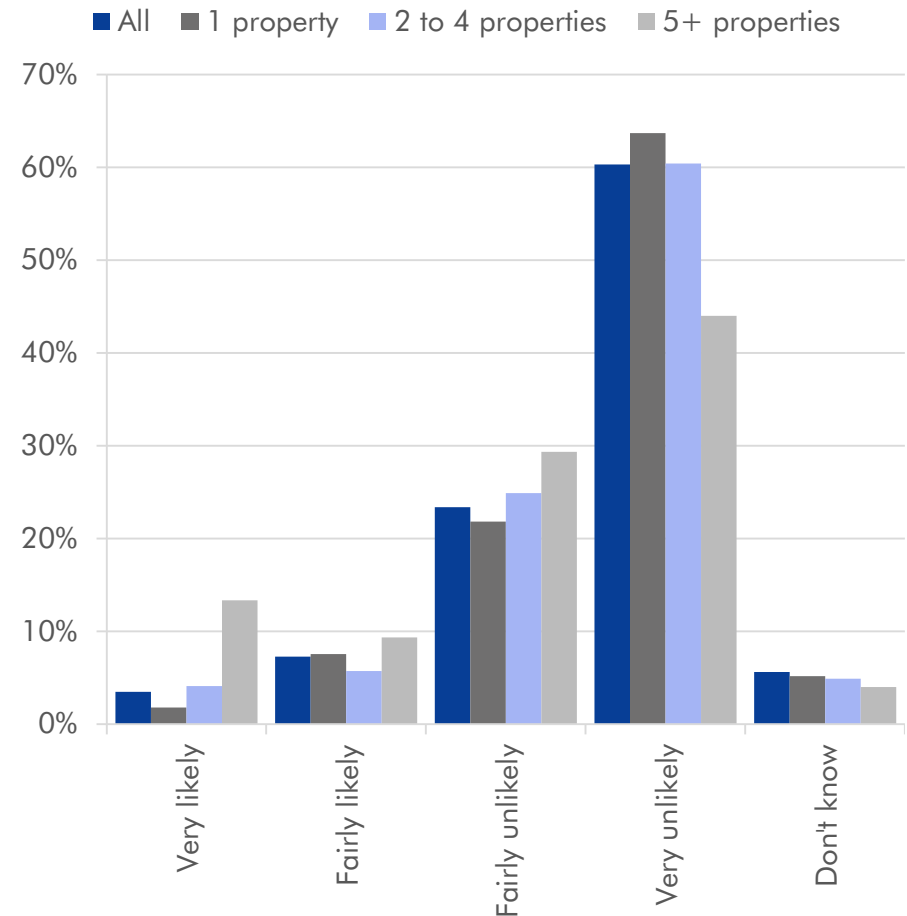
Ten per cent of landlords surveyed likely to consider short-term lets

In our survey, landlords that currently offer long-term lets were asked how likely they were to change the use of one or more of those properties to short-term letting in the future. Overall, three per cent of landlords said they were 'very likely' to while seven per cent said they were 'fairly likely' to.

Landlords with larger portfolios more likely to switch

Landlords with more than five properties in their portfolio are considerably more likely to reduce their offering of long-term lets and replace with the short-term letting model. These landlords are likely to be more professional commercial businesses that have the resources to deal with the extra management responsibilities that short-term letting requires. Thirteen per cent of landlords with five or more properties said they were 'very likely' to change some of their properties currently used for long-term tenants while nine per cent they were 'fairly likely' to.

Share of landlords that offer only long-term lets that would consider offering short-term lets in the future by portfolio size



Source: YouGov and Capital Economics. Survey conducted in October 2019. Sample size = 893.

230 thousand properties could be lost from private rented housing supply if landlords that have indicated they are 'very likely' to change the use of their properties do so

We have modelled the potential impact on housing supply

Our model applies the results from a survey of landlords to official statistics on landlords and dwelling stock. Given that portfolio size has a significant impact on the likelihood to consider moving to short-term lets, we apply our disaggregated results to the landlords within different portfolio size bands. Although the mix of landlords in our sample is not necessarily applicable nationwide, this process goes some way to account for any differences.

Between 80 and 230 thousand homes could be lost

Using conservative assumptions we estimate that between 80 and 230 thousand homes could be re-purposed from long-term lets to short-term lets. This is based only on the potential actions of the share of landlords that said they were 'very likely' to switch at least one of their properties in the future. This represents between 1.5 and 4.3 per cent of the current private rented sector dwelling stock in Great Britain.

Potential impact on private rented dwelling stock if landlords that answered 'very likely' to switching long-term lets to short-term act on their intentions, thousands

	Landlords	Private rented stock	Landlords change only 1 property	Landlords change half portfolio
South West	152	474	7	20
East	155	484	7	21
North West	190	592	9	25
South East	237	740	11	31
North East	66	207	3	9
East Midlands	124	388	6	17
Yorkshire and the Humber	158	493	7	21
West Midlands	131	409	6	17
London	328	1,022	15	43
Wales	65	203	3	9
Scotland	133	414	6	18
Great Britain	1,740	5,425	80	231
% private rented dwelling stock			1.5%	4.3%

Source: Capital Economics

470 thousand properties could be lost from private rented housing supply if landlords that have indicated they are likely to change the use of their properties do so

Potential impact on private rented dwelling stock if landlords that answered 'very likely' or 'fairly likely' to switching long-term lets to short-term act on their intentions, thousands

	Landlords	Private rented stock	Landlords change only 1 property	Landlords change half portfolio
South West	152	474	18	41
East	155	484	18	42
North West	190	592	22	51
South East	237	740	28	64
North East	66	207	8	18
East Midlands	124	388	15	34
Yorkshire and the Humber	158	493	19	43
West Midlands	131	409	15	35
London	328	1,022	38	89
Wales	65	203	8	18
Scotland	133	414	16	36
Great Britain	1,740	5,425	204	470
% private rented dwelling stock			3.8%	8.7%

Almost half a million properties could be made unavailable to long-term tenants

We estimate that between 200 and 470 thousand homes could be re-purposed from long-term lets to short-term lets over time. This is based on the potential actions of the share of landlords that said they were 'very likely' or 'fairly likely' to switch at least one of their properties in the future. This represents between 3.8 and 8.7 per cent of the current private rented sector dwelling stock in Great Britain.

Source: Capital Economics