

Section 1 Contemporary issues

Chapter 3

The rapid rise of short-term lets and the implications for the housing market

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Introduction

The recent rapid rise in the number of short-term lets across the UK, principally through Airbnb, has brought into sharp focus the question of how and at what level policymakers should deal with the issue. It is simultaneously a global phenomenon and a local problem, with cities across the world now home to a set of what might be thought of as 'globalhoods'; ultra-desirable neighbourhoods ready to be consumed by visitors from across the globe at an ever-increasing rate.¹ This, in turn, has given rise to something of a backlash from locals and activists, along with a growing academic literature on the topic and a range of new housing policies in cities worldwide.

Of course, short-term property rentals have always been part of the housing market and their existence is not a new development. Yet there certainly *is* something new going on in the sector. The rapid growth in recent years of platforms like Airbnb and Booking.com has significantly lowered barriers to entry, created a truly globalised market, and facilitated its expansion to such an extent that serious questions are now being asked about the impact of short-term lets on the housing market. In particular, the question of the potential 'misappropriation of housing stock' is a pressing one.² This chapter examines the rise of short-term lets in relation to their growth, geography and impact.

The chapter initially considers the growth of short-term lets in terms of numbers. It does this first by looking internationally and then within the UK, with a focus on Edinburgh and the Isle of Skye. It is clear from this that the last five years have seen substantial growth in the sector and that residents in many cities have begun to fight back. Related to this has been the emergence of new policies on short-term lets in cities such as Amsterdam, Berlin and London. One aspect that is often overlooked, however, is the impact of the growth of short-term lets in non-urban settings, and for this the Isle of Skye provides a useful case study.

Following an initial look at the data, the question of volume is then considered, to provide some context. This gives rise to two principal questions. First, might this growth in short-term lets really have a significant impact on the housing market? And, related to this, might it therefore merit more serious policy attention? The answers put forward here are 'possibly' and 'probably'. The 'effects on the market'

aspect must be treated with caution, however, so this paper also touches upon some methodological pitfalls that are to be avoided if we want to really understand what is going on. One important element of this is the temporal issue and the extent to which an individual property may only be available for short periods (e.g. 90 days or fewer each year) or whether it has effectively been removed from the dwelling stock by being available for short-term letting for most of the year. Put simply, when we see a short-term let listed online, we *cannot* always infer from this that it has been removed from the private rented sector, owing to the fact that a significant proportion of listings are for private rooms and the fact that most are not available year-round.

Another important question is whether we can trust the available data relating to the rise of short-term lets, given the reliance to date on web-scraped data sourced from Airbnb in particular. This question was effectively put to bed when Airbnb released their own data on the growth of short-term rentals in the UK and it was a very close match for data already circulating from activist sites such as Inside Airbnb. Anecdotal evidence, plus qualitative data on the impacts of short-term lets, reinforce the fact that this rapid growth is a topic worthy of attention.

Yet we remain in a state of policy limbo: caught out by the rapid rise of short-term lets, but not yet fully abreast of its implications for the housing market, nor clear on what form of regulation or legislation (if any) is the most appropriate response. To put it simply, the rise of short-term lets is often not particularly well understood, yet at the same time there is a growing belief that intervention is needed in the most popular locations.

The view put forward in this paper is that the rise of short-term lets brings many positives yet, left unregulated, there is a real risk of substantial and prolonged loss of neighbourhood amenity, misappropriation of housing stock, and displacement of long-term residents as a result.

The rise of short-term lets: some data

When it comes to understanding the growth of short-term lets, it is useful to focus on the rise of Airbnb, since they are the largest global platform in this area, with over five million listings in 81,000 cities, across more than 190 countries.³

Potential guests can book accommodation in minutes, in their own language on international versions of Airbnb.com, such as Airbnb.cn (in China) or Airbnb.de (in Germany).

From humble origins in 2007 when the founders offered accommodation to conference guests after all local hotels sold out, to the official launch of Airbnb in 2008, the company has grown rapidly and has been valued at around \$40 billion. Indeed, ahead of its highly anticipated initial public offering in 2019-20 some estimates have even seen it valued at up to \$65 billion. This valuation is higher than any single hotel group in existence.

Airbnb's economic might, combined with its rapid growth, is significant, particularly when set in the context of austerity-depleted local authorities across the United Kingdom, who often lack the resources to respond to sudden shocks, and can rarely do so quickly even in times of plenty. Even if it is the case that the rise of short-term lets brings significant benefits to local economies, the pertinent question here is how any negative externalities associated with them can be dealt with. This was the topic of a recent study by Nieuwland and van Melik, who concluded that the sector 'is reverting back to a more traditional and commercial form of tourism, in which financial motivations prevail over social aspects of living with/as a local'.⁴ But first it is useful to consider the numbers in order to get a sense of scale.

Research by Colliers International in 2018 looked at the growth in overnight Airbnb stays in Amsterdam, Berlin, London, Madrid and Paris and reported 45 per cent growth in London between 2016 and 2017 for a total of 6.7 million overnight stays in 2017 (the highest in Europe). Paris, at 6.5 million, was next, followed by Berlin (2.2 million), Madrid (2.2 million) and Amsterdam (2.1 million). All five of these cities saw growth of 25 per cent or more between 2016 and 2017 but Madrid led the way at 67 per cent.⁵ This level of growth is fairly typical of the most popular tourist destinations across the world, from Sydney to New York to Santiago.

We must be careful at this point, however. These figures relate to the growth of whole properties or rooms being listed for short-term rental on Airbnb and we do not know if they are new to the short-term rental market. The data do not

necessarily, in themselves, directly say anything about the growth of the short-term rental sector. They also do not allow us to make inferences on the mix of short-term let types, whether they are full properties, shared properties or shared rooms; all of which are advertised on Airbnb (though it should be noted that shared rooms account for a tiny fraction of all rentals). An important additional point is the temporal question: not all properties are available for more than 90 days a year, for example. Many are, but many are not.

Having said this, by triangulating between data on the rise of short-term lets, growing disquiet from locals in neighbourhoods across the world, and the introduction of policies aimed at combating excessive numbers, it is reasonable to suggest that things are now out of kilter in some locations. Yet it is likely also the case that in many other locations the phenomenon is both sustainable and beneficial. A geographically nuanced approach to understanding the phenomenon is therefore essential.

Thus, across the world there have been a series of influential reports on the extent to which the rise of Airbnb has disrupted private housing markets. For example, a recent report found that both Sydney and Melbourne were home to over 20,000 Airbnb listings and another found more than 67,000 listings in New York City.⁶ Both suggested more stringent regulation was required.

Airbnb's own *UK Insights* report from 2017 said that there were 64,000 listings in Greater London alone.⁷ It stated that the total economic activity generated by hosts and guests across the capital was £1.62 billion and that, on average, hosts earned £3,000 in the year from July 2016. The total number of guests during this period was 2.1 million and the total income earned by all hosts was £342 million.

The most recent data from Inside Airbnb suggest there are over 77,000 listings in Greater London, broken down as follows:

- 42,758 entire homes (55.4 per cent of the total);
- 33,594 private rooms (43.6 per cent); and
- 744 shared rooms (1.0 per cent).

These figures can seem small when we compare them to the total number of households in Greater London, which stood at just over three million in 2018. Yet it is the geography of Airbnb here that is perhaps most revealing (see Figure 1.3.1) and provides a more meaningful context. If we take Tower Hamlets, in Inner London, we can see that there were just over 7,500 listings in December 2018, compared to a resident population of 308,000 and a household count of 126,000. Individual listings on Airbnb, or any other short-term letting website, do not equate to individual households, and of course not all listings are for entire properties. Nonetheless, if these 7,500 listings were all located in different properties, it could indicate Airbnb’s presence in almost six per cent of all households in Tower Hamlets. Data for all London Boroughs are provided in Table 1.3.1.

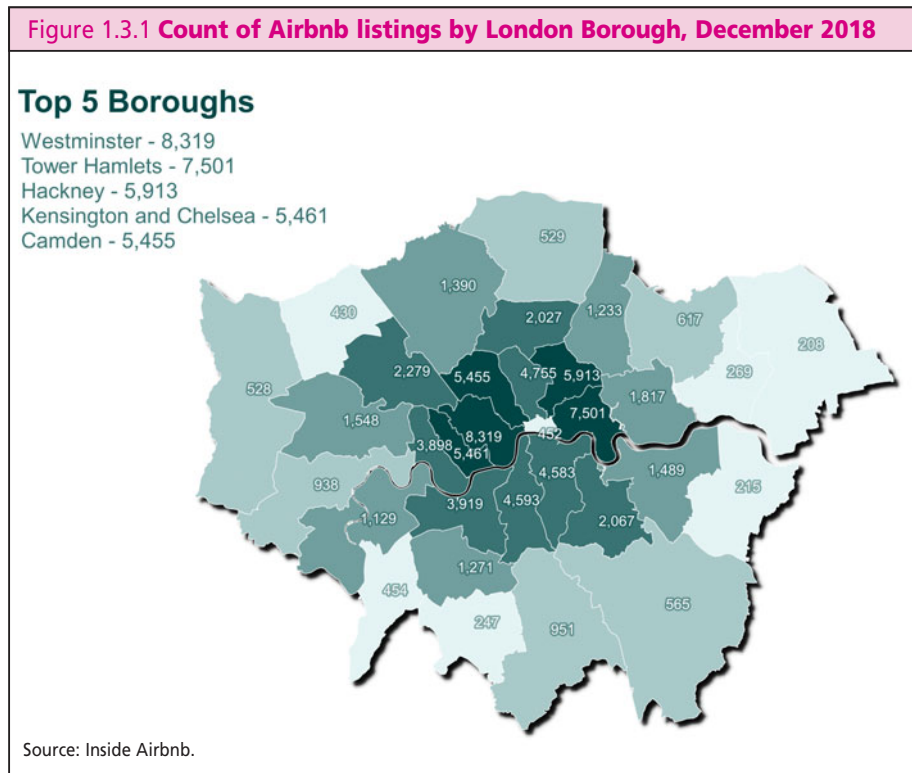


Table 1.3.1 Airbnb listings in London Boroughs, December 2018

London Borough	Total Airbnb listings (Dec 2018)	Entire home/ apt	%	Private room	%	Shared room	%	Population 2017	Rate
Westminster	8,328	6,164	74.0	2,116	25.4	48	0.6	244,796	29.4
Tower Hamlets	7,513	3,693	49.2	3,746	49.9	74	1.0	307,964	41.0
Hackney	5,907	3,152	53.4	2,726	46.1	29	0.5	275,929	46.7
Kensington and Chelsea	5,466	4,439	81.2	990	18.1	37	0.7	155,741	28.5
Camden	5,461	3,540	64.8	1,809	33.1	112	2.1	253,361	46.4
Islington	4,759	2,975	62.5	1,757	36.9	27	0.6	235,000	49.4
Lambeth	4,603	2,326	50.5	2,239	48.6	38	0.8	324,048	70.4
Southwark	4,592	2,409	52.5	2,115	46.1	68	1.5	314,232	68.4
Wandsworth	3,916	2,156	55.1	1,750	44.7	10	0.3	323,257	82.5
Hammersmith and Fulham	3,895	2,373	60.9	1,499	38.5	23	0.6	182,998	47.0
Brent	2,273	1,022	45.0	1,221	53.7	30	1.3	329,102	144.8
Lewisham	2,065	871	42.2	1,166	56.5	28	1.4	301,307	145.9
Haringey	2,026	877	43.3	1,123	55.4	26	1.3	271,224	133.9
Newham	1,820	691	38.0	1,068	58.7	61	3.4	347,996	191.2
Ealing	1,550	669	43.2	867	55.9	14	0.9	342,736	221.1
Greenwich	1,499	651	43.4	836	55.8	12	0.8	282,849	188.7
Barnet	1,388	548	39.5	827	59.6	13	0.9	387,803	279.4
Merton	1,272	567	44.6	695	54.6	10	0.8	206,052	162.0
Waltham Forest	1,232	531	43.1	682	55.4	19	1.5	275,505	223.6
Richmond upon Thames	1,130	619	54.8	508	45.0	3	0.3	195,680	173.2
Croydon	948	325	34.3	619	65.3	4	0.4	384,837	405.9
Hounslow	938	399	42.5	534	56.9	5	0.5	269,100	286.9
Redbridge	615	179	29.1	429	69.8	7	1.1	301,785	490.7
Bromley	567	229	40.4	331	58.4	7	1.2	329,391	580.9
Enfield	531	186	35.0	336	63.3	9	1.7	332,705	626.6
Hillingdon	528	166	31.4	356	67.4	6	1.1	302,343	572.6
Kingston upon Thames	454	175	38.5	277	61.0	2	0.4	174,609	384.6
City of London	451	392	86.9	56	12.4	3	0.7	7,654	17.0
Harrow	430	138	32.1	287	66.7	5	1.2	248,880	578.8
Barking and Dagenham	269	79	29.4	183	68.0	7	2.6	210,711	783.3
Sutton	247	78	31.6	166	67.2	3	1.2	203,243	822.8
Bexley	215	57	26.5	155	72.1	3	1.4	246,124	1144.8
Havering	208	82	39.4	125	60.1	1	0.5	256,039	1231.0

Source: Inside Airbnb; ONS, Mid-Year Population Estimates, 2017.

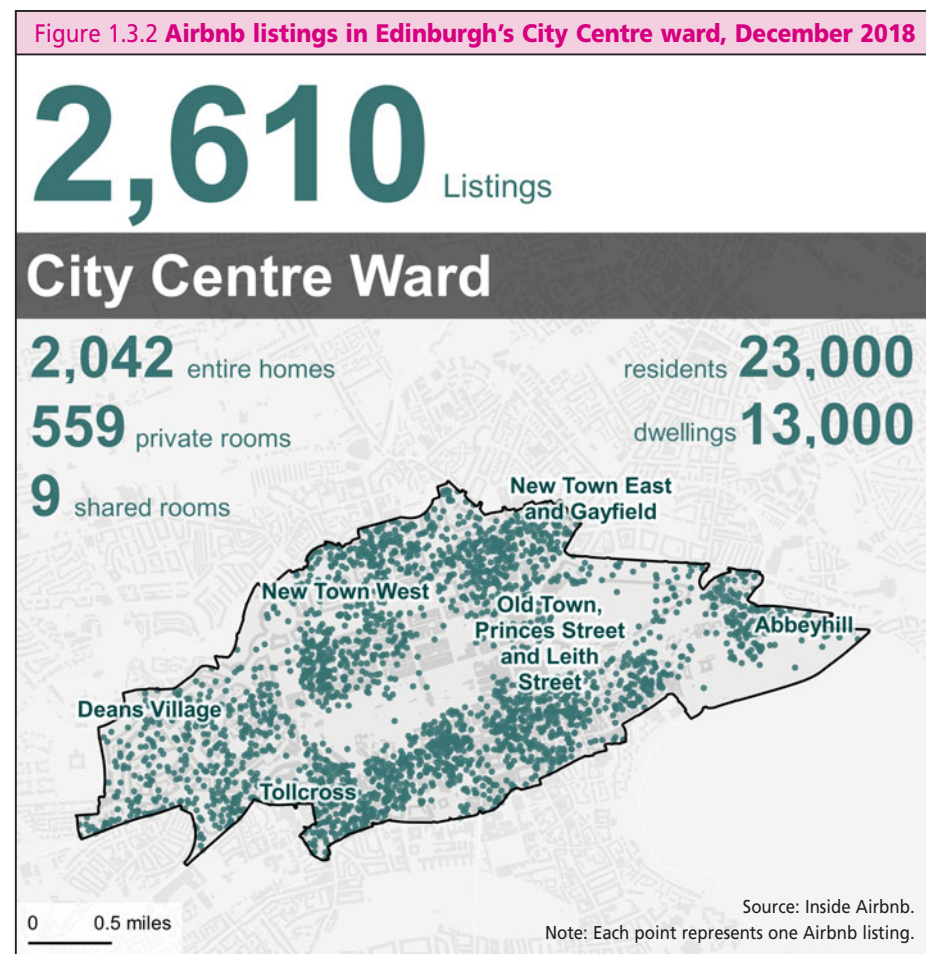
In Tower Hamlets, it actually appears that around 3,700 listings (50 per cent) are for entire properties. In Westminster, on the other hand, 75 per cent of more than 8,000 listings are for entire properties. If these properties have moved from the private rented sector to the short-term lettings sector for part of each year there would be cause for concern. There would be even greater cause for concern if these properties were now permanent short-term lets, unavailable to locals. The fact that we are not able to discern this from publicly available data needs to be remedied.

The data provided here are intended to give an overview of the growth of Airbnb and the presence of short-term lets in particular locations. It is very clear when we map the listings that there is a high degree of concentration. Put simply, the rise of Airbnb has been a highly localised phenomenon. Therefore, the next section of this chapter moves down a level to look at the issue at the micro-scale in one urban and one rural location.

Airbnb in Edinburgh and the Isle of Skye

The rise of Airbnb is a UK-wide phenomenon although its growth is concentrated in a relatively small number of locations, including in Scotland. In June 2018, Airbnb revealed through their Airbnb Citizen website the top 15 locations across Scotland, with a total of 10,500 in Edinburgh, up from 1,900 in 2014, and by far the highest in the country; Glasgow was next, with 2,700 listings. There were also significant numbers across the Highlands, with 850 in Inverness, 440 in Kyle of Lochalsh, and 330 in Fort William.⁸

The most recent data from Edinburgh (i.e. within the City of Edinburgh council boundary), sourced from Inside Airbnb in November 2018, suggest the figure has now risen to 11,985, with 61.5 per cent being for full properties, 38.2 per cent private rooms and 0.3 per cent shared rooms. For context, the City of Edinburgh had an estimated population of 513,000 in 2017 and a household count of 233,000. Given the growth rates experienced to date, and the fact that Edinburgh is a very popular New Year destination, this figure of almost 12,000 listings seems entirely plausible. When we look at this geographically, we can then see that it is largely concentrated in central Edinburgh (Figure 1.3.2).

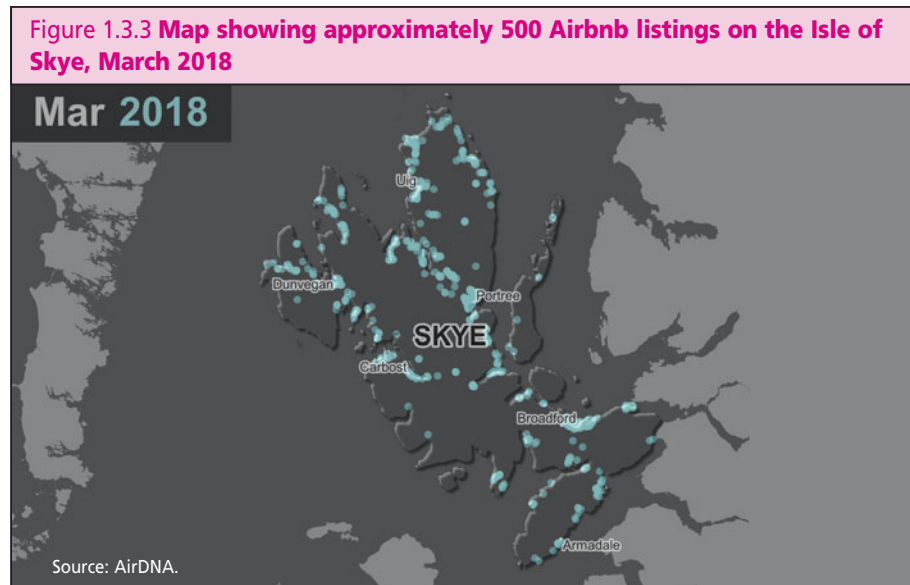


Edinburgh's City Centre ward has a resident population of around 23,000 and about 13,000 dwellings. There are 2,610 Airbnb listings in the area, with just over 2,000 of these being for entire properties. It is perhaps not surprising, given the 1:6.5 ratio of entire property listings to dwellings, that significant concerns have been expressed in recent years about such numbers being unsustainable. It is also not surprising that the issue has been debated in the Scottish Parliament, with Conservative MSP Graham Simpson saying regulation 'may well be necessary' and

Kevin Stewart, the Minister for Local Government, Housing and Planning, stating in a debate on the topic of short-term lets that such tourism ‘should not be at the expense of local communities’.

The issue was also the focus of a conference in March 2018, hosted by the Cockburn Association, a prominent Edinburgh civic society organisation. The post-conference report acknowledged the importance of tourism to Edinburgh’s economy but noted that in addition to disrupting the established hotels market, it also had a negative impact upon housing markets and neighbourhoods. Their view was that there is ‘an imperative need to license and regulate.’⁹

Clearly, there are some issues to be addressed with regard to the rapid growth and lack of regulation of short-term lets in cities as popular as Edinburgh or, more accurately, in parts of cities. This is a critical part of the story that should not be overlooked when it comes to policy. A combination of data and local responses provides evidence of this. Yet the phenomenon is not just an urban one. The Isle of Skye is a case in point.



With a resident population in 2017 of just over 10,462 in 5,813 dwellings, Skye has been the recent focus of media attention owing to what has been described as ‘overtourism’; put simply, its infrastructure and accommodation in particular have struggled to cope with tourist demand.

The latest figures from Airbnb in June 2018 tell us that there are 550 Airbnb listings in the Isle of Skye, or almost one for every ten dwellings. Short-term lets have been a prominent feature of the Skye economy and housing market for many decades, and their presence is nothing new, yet there has been considerable concern of late that a tipping point has been reached, with several recent media stories focusing on the issue, including a special report by Channel 4 News in June 2018.¹⁰ In particular, there are concerns that the current lack of affordable housing, likely exacerbated by the growth of short-term lets, has seriously impacted the ability of the NHS to recruit staff.¹¹ Another sign that demand may be outstripping supply in the sector is the number of new, non-traditional, non-permanent properties listed on Airbnb in Skye. These include free-standing wooden pods, cabins and a number of caravans and camper vans.

The growth of short-term lets in the UK: three key issues

The evidence above indicates that the growth of short-term lets has impacted and disrupted not only the established hotels market, but also housing markets and neighbourhoods. The question about the latter is ‘to what extent?’ and, therefore, ‘what should be done about it?’ There are three key issues.

The first relates to potential non-compliance with existing regulations, such as insurance, fire safety and planning permission. This applies in the UK but also internationally, as evidenced by the numerous press reports about what happens when short-term stays ‘go wrong’. Airbnb provide excellent resources for hosts on their ‘responsible hosting’ web pages, yet at present the lack of monitoring and licensing in most jurisdictions makes regulatory compliance something of a grey area in policy terms.

The second key issue arising from the rapid increase in short-term lets is the impact on neighbourhood amenity. In the most popular neighbourhoods across the world, referred to as ‘globalhoods’ by this author,¹² there is a kind of

housing-based ‘tragedy of the commons’ where individual visitors deplete the shared resource of the neighbourhood, for the most part unintentionally. Thus it is the case that established communities in cities like Barcelona, New York, Melbourne, Berlin and Edinburgh are often caught in a trap between a new form of dynamic, digitally-driven capitalism and a local regulatory environment that is struggling to keep up. This is particularly important given the fact that it is not just homes, but entire neighbourhoods, that are being shared.

The third issue is what impact all this activity is having on established housing markets. There is little evidence to date of a *significant* increase in rents or house prices associated with the rise of short-term lets. In New York City, for example, rents were reported to have increased by just 1.4 per cent as a result of Airbnb reducing housing supply.¹³ The evidence presented here suggests that there is likely to be significant, quantifiable impacts upon established housing markets both with respect to rising rents and increased property values, but only in quite tightly bounded local areas, such as Edinburgh’s New Town, or parts of it. The lack of data for such small areas makes identifying this relationship more challenging, yet it is not too much of a leap to presume that the two might be connected. This is one of the main areas in which further research and better data are needed.

How should policymakers respond?

The big question, of course, is what this means for UK housing policy. Some form of additional regulation is perhaps necessary if growth continues unabated and local authorities have no way to accurately monitor the situation. For Edinburgh this may come in the form of a suggested amendment to the Scottish Planning Bill suggested by MSP Andy Wightman. The amendment would treat short-term lets as a ‘change of use’ and require formal planning permission. The bill is currently at stage 2 of the legislative process and is not due to proceed to stage 3 (i.e. for approval or rejection) until Spring 2019, yet if it comes into effect it could significantly change the sector and bring it into line with other housing tenures.

Yet despite the problems discussed here, the original business model of Airbnb and the sharing economy more generally is still arguably a force for good. It is also likely here to stay, so we need to find accommodation for both in a way

which protects the rights of individual residents, preserves neighbourhood amenity and allows the continuation of high-volume tourism in our most popular locations. The situation as it stands does not seem sustainable.

Approaches which seek to mitigate negative externalities should be spatially-sensitive and recognise that not all areas are affected equally, as we can see clearly in Table 1.3.1 where several London Boroughs with more than 200,000 residents have fewer than 500 Airbnb listings.

Three practical suggestions can be offered for better management of the short-term lettings sector. These may not necessarily be straightforward or quick to implement, but in the long term they could mitigate some of the most serious negative externalities:

- First, and echoed in reviews of the short-term lettings sector across the world, is to simply ensure better data exist on short-term lets, so that local authorities can keep track of their growth and location. International evidence suggests that there is a real data deficit in relation to the scale of the phenomenon, making it harder to manage. The maxim that ‘if it cannot be monitored it cannot be managed’ seems apt. A possible solution already exists and has been in effect in Barcelona and Catalonia since June 2018. Airbnb launched a ‘responsible home-sharing tool’ which allows for more scrutiny of the sector.¹⁴ New hosts on Airbnb are required to consent to data sharing with the local authority, ‘...making it easier for them to verify that listings comply with the law and to help clampdown on potential bad actors’. This emerged after a year of negotiation between Airbnb and the City of Barcelona, and provides a model which other cities could follow. Sharing data on the location, duration and management of short-term lets would be a simple and effective solution to the current lack of reliable information.
- Second, monitoring and regulation of the short-term lettings sector requires an appropriate level of resource. This could be funded through a modest ‘tourist tax’ of the kind in place in cities such as Amsterdam, and in more than 400 governments and local authorities across the world. In July 2018, Airbnb also started collecting tourist tax in 22,821 cities in France and in August 2018 they

gave their backing to such a levy in Edinburgh. At the time of writing, the City of Edinburgh is in fact consulting on the introduction of a transient visitor levy, or 'tourist tax'. Management of any sector costs money, and this would be a way to fund it that has also worked successfully across the world. Navigating the politics of such a move may prove difficult, yet it seems like an appropriate compromise. Given the experience of other cities it is unlikely to have a detrimental impact upon visitor numbers.

- Third, local authorities ought to be able to introduce, through the planning system, caps on the number of short-term rentals in particular high-pressure areas. This could be ward-based and such 'visitor pressure zones' (VPZs) could then be monitored and managed locally to ensure there is a balance between neighbourhood amenity and local economic vitality. There are elements of this in Glasgow's City Development Plan 2017 (Section 4.6) yet it is unclear whether a policy of this nature would stand up to legal scrutiny.¹⁵ Such a proposal is of course potentially complex and controversial, yet it is worth exploring more fully. The reason for suggesting this geographical policy intervention is that the negative externalities associated with short-term lets appear to be more spatial than temporal yet, to date, policy responses have instead focused on time limits rather than location limits.

Given the inelasticity of housing supply, and that fact that homes are not principally an economic good, it is unsurprising that the question of short-term lets has risen up the policy agenda. Yet it is unlikely to trouble politicians at the national level, owing to its highly localised nature, and the fact that companies like Airbnb bring undoubted economic benefits to local economies across the world. Policy interventions to date have tended to focus on time limits, such as the mooted 90-day cap in Edinburgh, but as we have seen it is often the geographical concentration of short-term lettings that is the root of the problem. The challenge now for UK housing policy is to balance the interests and rights of residents with this form of digitally driven global capitalism.

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