

REPORT

# HOMESHARING & LONDON'S HOUSING MARKET

SUMMARY  
REPORT



Charlotte Snelling,  
Catherine Colebrook  
and Luke Murphy

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### IPPR

4th Floor

14 Buckingham Street

London WC2N 6DF

T: +44 (0)20 7470 6100

E: [info@ippr.org](mailto:info@ippr.org)

[www.ippr.org](http://www.ippr.org)

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## ABOUT THE AUTHORS

**Charlotte Snelling** is a researcher at IPPR.

**Catherine Colebrook** is chief economist and associate director for economy and housing at IPPR.

**Luke Murphy** is a senior research fellow at IPPR.

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# HOMESHARING AND LONDON'S HOUSING MARKET

## 60-SECOND SUMMARY

London's housing crisis is the result of failure to build enough homes to keep pace with growing demand, as the IPPR London Housing Commission demonstrated earlier this year (LHC 2016). Rising unaffordability is the result, with many families priced out of the market. At the same time, tourism in the capital is booming, with a record 31.5 million visitors in 2015 alone (ONS 2015a). This has helped to drive up the use of homesharing platforms, which provide accommodation within Londoners' own homes.

Some of the benefits of homesharing are obvious: hosts receive additional income, which helps with the cost of living; assets are better used and more productive; and parts of London outside the city centre benefit from tourists who might not ordinarily visit them.

However, the rise of homesharing also presents a concern: if landlords are removing homes from the private rented sector in order to offer them for short-term let, and are doing so in sufficient numbers, homesharing could be exacerbating London's housing shortage.

Using data from Airbnb – the capital's biggest homesharing website – we have assessed the impact of homesharing activity on London's housing market. Our analysis, the first of its kind to use actual bookings data, finds that, given both the number of homes currently being offered for short-term let and the proportion of those homes likely to be suitable for *long*-term let, homesharing's impact on housing supply in London is currently negligible.

Building too few homes remains the core cause of the capital's housing crisis. The prime concern and focus of politicians, policymakers and the public should therefore continue to be the longstanding drivers of that crisis: the undersupply of land, the complexity of the planning process, lack of investment and capacity challenges in construction.

Nonetheless, we do not believe that policymakers should be complacent about homesharing and there are some areas in which pre-emptive action would be desirable in order to ensure that the phenomenon does not contribute to the housing crisis in the future. In some high-pressure markets such as Camden and Islington there is potential for homesharing to worsen the situation.

Sensible regulation is already in place that permits casual lets for up to 90 days of a given year, but which also requires change-of-use planning permission for properties let for more than 90 days. The main issue, therefore, is one of the enforcement of existing rules, not the creation of new ones. We argue that policymakers, working with homesharing platforms, should act now to develop a sector-wide solution, and to

better enforce existing rules on the commercial letting of property that specify that 90-day limit.

A sector-wide solution is essential: otherwise, there is a risk that if one platform were to act, the affected hosts would simply switch between platforms. More leadership from the sector is necessary in this regard, and would be welcome.

Research by Airbnb (2016) suggests that homesharing makes positive contributions to London's economy. This view has been supported by the government, for example their recent decision to offer tax relief for micro-entrepreneurs and referencing online homesharing (Osborne 2016), and is echoed by wider research into the benefits of the sharing economy (PwC 2016), so supporting the sector is important. Through the measures we recommend, that support can be provided in such a way that helps the capital to succeed and thrive – as well as to remain a good place for its residents to call home.

## KEY FINDINGS

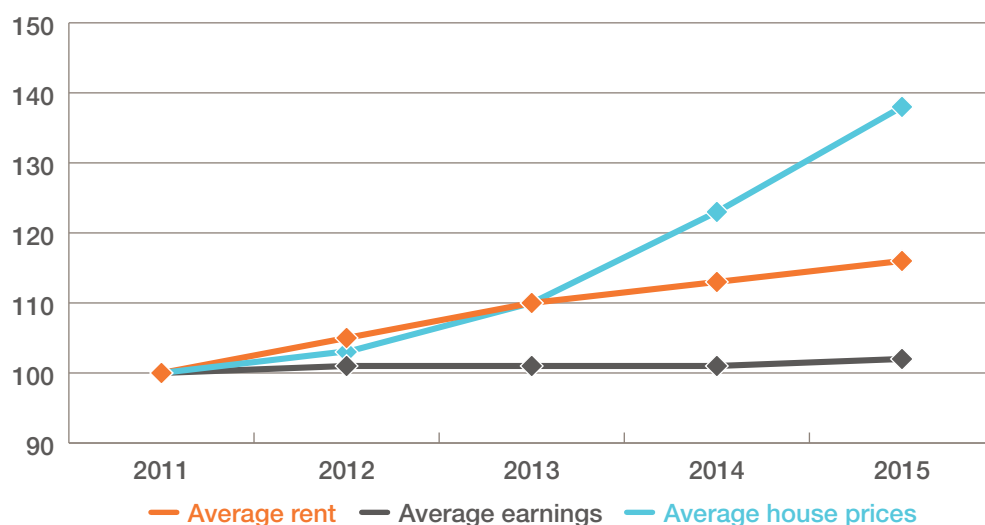
### The problem: A shortage of housing in London

London has long failed to build the homes that its growing population needs. Not enough land is being brought forward for development (MoL 2014, LHC 2015); the planning process slows down new building (BPF 2015); public investment in housing has fallen sharply, and private investment has not replaced it (LHC 2015); and what construction activity does occur tends to be managed by large housebuilders, which have an incentive to drip-feed new homes onto the market in order to avoid reducing prices (Molior London Ltd 2013).

FIGURE A.1

### Rises in both rents and house prices are outpacing average earnings in London

Average rents, earnings and house prices (2011 = 100), 2011–2015



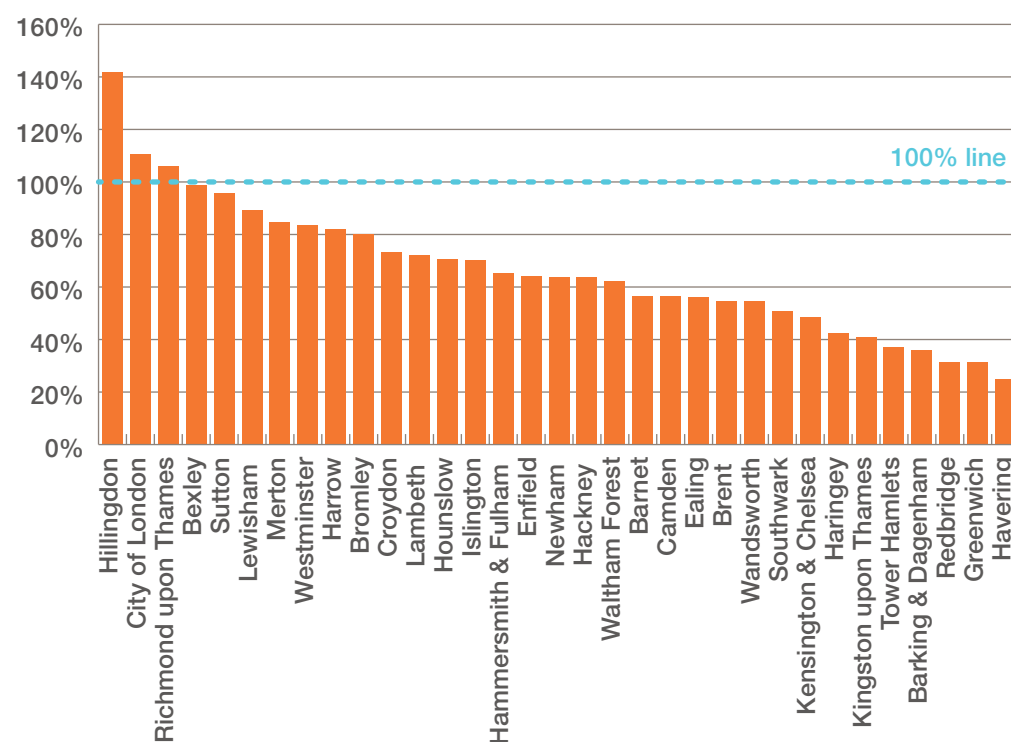
Sources: ONS 2015b, 2016, Land Registry 2016

The result is that housing in the capital has become increasingly unaffordable. In September 2016, the average home in London cost £488,000 – an increase of 11 per cent on the previous year (Land Registry 2016). The average monthly London rent in October 2016 was £1,542 (HomeLet 2016). Wages have not kept pace with housing costs, and this has squeezed living standards: the Resolution Foundation (2016) has found that a quarter of London households in the private rented sector are spending more than half of their income on rent.

The intensity of the housing crisis varies by borough: some are falling desperately short of the level of house building that has been judged necessary to meet demand (see figure A.2). Tower Hamlets, for example, has the highest new homes target in the London Plan, at 1,458 homes, and is currently only delivering 37 per cent of what is needed (DCLG 2016a).

**FIGURE A.2**

**The majority of boroughs are failing to build the homes they need**  
*Average annual net additional dwellings, 2010–2015, as a percentage of minimum annual supply specified in the London Plan\**



Sources: DCLG 2016a, \*MoL 2016

### TRENDS IN HOMESHARING IN LONDON

Self-catered rented accommodation is not new, but innovations in online technology and business models have opened up homesharing to an increasing number of households. Airbnb recorded its first UK bookings in 2008, and opened its London office in 2012. Since its

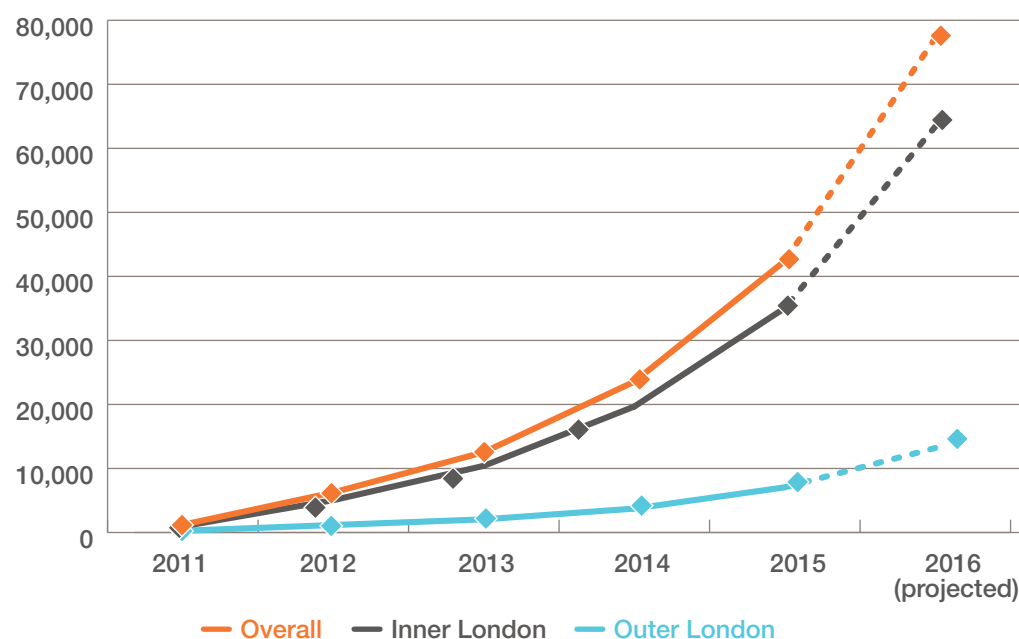
arrival, policymakers have shown interest in harnessing the potential benefits of homesharing as part of the wider sharing economy. One expression of this interest was the Deregulation Act 2015, which relaxed rules relevant to homesharing in London: Londoners can now let their homes for up to 90 days a year without needing any form of registration or planning permission.

Bookings data for Airbnb shows how use of the platform has risen rapidly since 2011 – particularly in inner London, although its growth has also been rapid in outer London. Research published by Airbnb has reported that between 2014 and 2015, areas such as Havering and Hillingdon experienced increases of 161 and 159 per cent respectively in terms of nights booked, while in the City of London and Hackney, growth was just 59 and 52 per cent (Airbnb 2016). However, absolute numbers remain much smaller in outer than in inner London.

**FIGURE A.3**

**Airbnb listings booked\* at least once in each year have grown rapidly in inner London\***

*Number of booked listings booked through Airbnb in inner and outer London and in the city overall, 2011–2016*



Source: Airbnb data

\*Note: 'Booked listings' are listings that have hosted at least once during the year or quarter to which the data refers. 2016 booked listings forecast using 2016-Q1 and 2016-Q2 data and the number of entire homes, private rooms, and shared rooms for 2015-Q1 and 2015-Q2 as a proportion of 2015 total. Projection rounded to nearest whole number.

Growth in bookings has been roughly evenly split between 'entire homes' (henceforth referred to as 'homes'), and 'private rooms'. However, in our judgement it is the sharing of homes, as opposed to rooms, via online platforms that poses the greater risk to housing supply, as this has the greatest potential to divert residential accommodation away from the rental market. We therefore focus the subsequent analysis on homes.

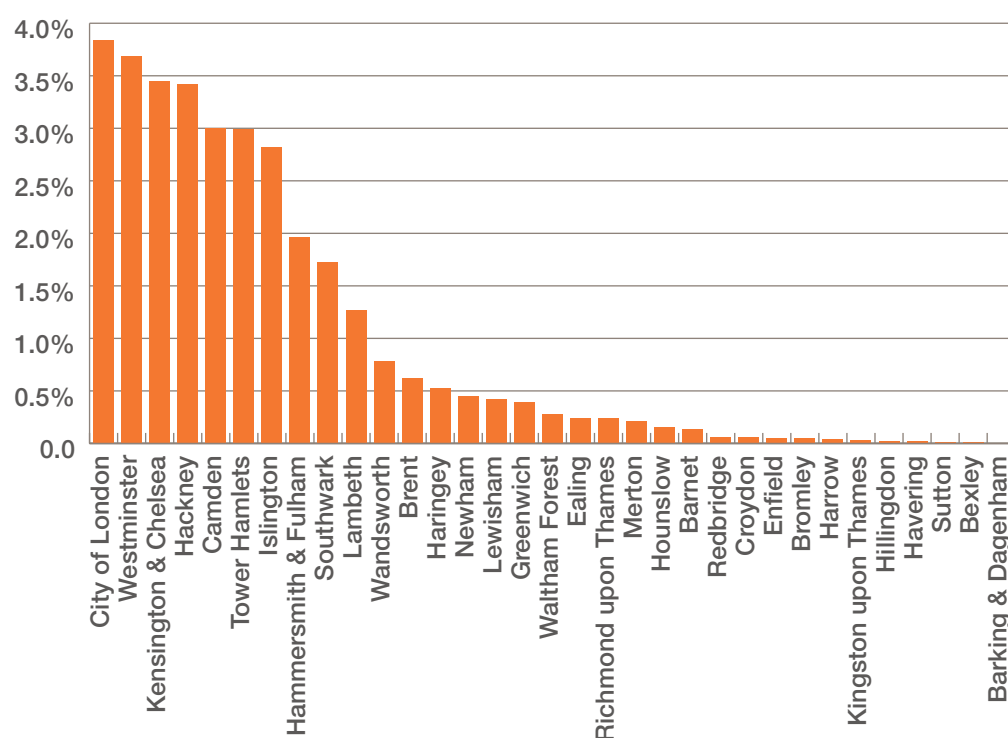


The number of Airbnb booked listings<sup>1</sup> of homes in London grew rapidly between 2011 and 2015. In 2011 just a few hundred homes were offered on Airbnb, but by 2015 that number had risen to around 40,000 homes being offered at least once within that year. In total, that comprises less than 1 per cent of total private housing stock in London – and the vast majority only offered for a very limited duration of stay.

**FIGURE A.4**

**Airbnb entire homes represent, on average, less than 1 per cent of London’s private housing stock**

*Airbnb entire homes\* as percentage of private dwelling stock by London borough, 2015*



Source: Airbnb data, DCLG 2016b

\*Note: figure for ‘entire homes’ counts all entire homes offered on Airbnb at least once within the time period shown.

Of these bookings, in most London boroughs, the majority of homes were booked for fewer than 31 nights in 2015 – this is true of 53 per cent of homes across London as a whole.<sup>2</sup> However, a significant minority (31 per cent) of homes were booked for more than 60 nights per year. Home listings deemed to be commercial under the Deregulation Act 2015 (that is, booked for more than 90 nights per year) comprised 23 per cent of all Airbnb booked listings of homes in London in 2015 – amounting to 4,938 homes.

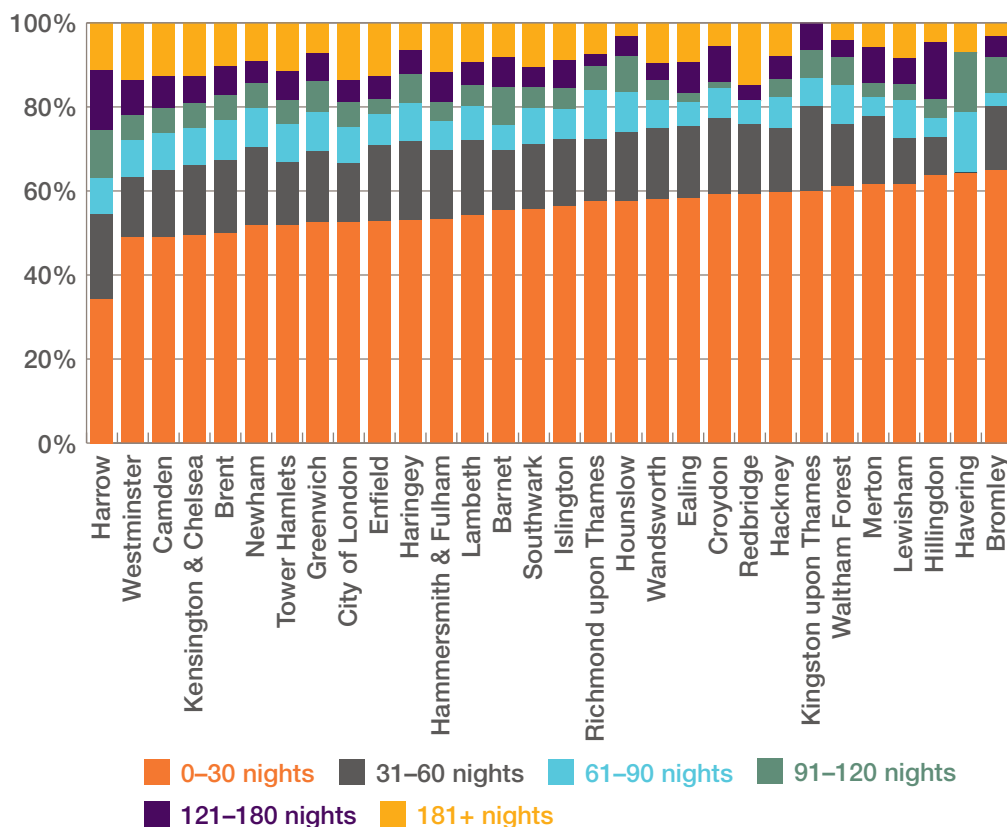
1 ‘Booked listings’ are listings that have hosted at least once during a given period.

2 Occupancy data for Barking and Dagenham, Bexley and Sutton was not available from Airbnb.

**FIGURE A.5**

In most London boroughs, the majority of homes are booked for fewer than 31 nights

*Spread of Airbnb entire-home occupancy rates, by number of nights booked, in London boroughs,\* 2015*



Source: Airbnb data  
 \*Note: Occupancy data for Barking and Dagenham, Bexley and Sutton was not available from Airbnb.

There are, nevertheless, some boroughs that are outliers. In Kensington and Chelsea, Camden, Hackney, Westminster, Tower Hamlets, and Islington, the number of homes let for more than 90 days as a proportion of private housing stock is, if still small, considerably higher than elsewhere. In these areas, where the number of Airbnb hosts continues to grow strongly and the proportion of longer lets of entire homes continues to grow within that, these lettings may, in future, come to exert growing pressure that may exacerbate existing housing supply issues.

**CONCLUSIONS AND RECOMMENDATIONS**

Our analysis finds that London’s housing crisis – characterised by undersupply and unaffordability – has been and is being primarily driven by wider policy failures that have rendered the capital unable to build the new homes that it needs. Our view, therefore, remains unchanged from that set out in the final report of the London Housing Commission (LHC), published in March 2016 (LHC 2016).

The priority for policymakers should be to tackle the primary causes of London's housing crisis, namely the following.

1. The undersupply of land.
2. An overly complex and bureaucratic planning system.
3. Low investment
4. Too little capacity in the construction sector.

The LHC set out the terms of a new housing deal that central government should strike with the mayor of London and the London boroughs (ibid). We believe that such a deal should be reached as soon as possible.

Homesharing is becoming increasingly popular among hosts and guests alike. However, its share of the market and its scale across the capital remains relatively small – likely too small to be a significant contributor to the housing challenges that London faces.

However, while it remains small-scale relative to London's housing stock, homesharing is growing in popularity, price and occupancy. These three elements combined have the potential to have an impact upon London's housing supply in the future, by motivating more landlords to move their properties out of the private rented sector and into the short-term letting market – particularly in some higher pressure markets.

We therefore believe that local authorities, the Greater London Authority (GLA) and homesharing sites themselves can and should act to minimise the potential future risks to housing supply in London posed by commercial homesharing. Sensible regulation is already in place that permits casual letting for up to 90 days in a given year, but which also requires change-of-use planning permission for properties let for more than 90 days. This rule, introduced in the Deregulation Act 2015, is a recent change, and until sufficient time has passed to allow comprehensive evaluation of its impact it does not make sense to consider amending the regulations. In any case, we believe that the current rules represent proportionate regulation – provided that the rules are properly enforced. Some properties let for more than 90 days will have planning permission – for example, serviced apartments – but given such rapid growth it is likely there are many cases where planning permission for a change of use has not been obtained. We recommend the following measures are taken to ensure that the existing rules on short-term lets are enforced.

- **Homesharing sites should ensure hosts are reminded of the 90-day rule** throughout the hosting process, and provide more guidance on the differences between accommodation types (such as private homes, serviced apartments and short-term lets).
- **The GLA and local authorities should ensure they provide information** on their websites on how the 90-day regulations apply, and the responsibilities for hosts.
- **Homesharing sites should cap hosting activity at 90 days per home per calendar year as a default**, placing the burden of proof on hosts to demonstrate that they have secured the appropriate change-of-use permission if they wish to let out their homes for more than 90 days.

- **Homesharing sites should share their data with local authorities**, to help them understand the impact of homesharing in their boroughs.
- **The GLA should work with local authorities and homesharing platforms as responsible businesses to introduce a registration scheme** through which planning permission could be more easily recorded, to help enforcement of the existing rules.
- Homesharing sites should **explore ways to encourage increased hosting in London's outer boroughs**.

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### Methodological note

The majority of the data presented in this report was obtained from Airbnb, covering the period Q1 2011 to Q2 2016, across all listing types and for all London boroughs. Airbnb listings are self-defined by hosts, and cover three types of accommodation.

- **Homes (51 per cent all bookings in 2015)**  
Guests have access to a whole property where the host is absent during the stay and no other guests are being hosted, and therefore provides privacy additional to that of a private room listing. This can extend to a self-contained annex or guest house with separate entry.
- **Private rooms (47 per cent all bookings in 2015)**  
Guests have access to the privacy of a single room, which is made available within a shared space with shared facilities.
- **Shared rooms (2 per cent all bookings in 2015)**  
Guests have access to accommodation in which all spaces, including bedrooms, are shared.

It is the letting of homes that is potentially the most direct threat to residential supply if it diverts available homes away from the rental market. Assumptions must be made as to whether a property is a primary residence, that would otherwise be lived in by owner-occupiers; a second home that is partially occupied during the year; or simply vacant. The proportion of the year for which a property is let is one way of determining the likelihood of its being a commercial let, which could in turn indicate its potential for being let on a long-term basis rather than via a homesharing site. The Deregulation Act 2015 specifies a threshold of 90 days, beyond which the letting of a property is considered a commercial activity.

Where we refer to current Airbnb bookings activity, this reflects bookings data for all quarters of 2015.

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