

REPORT

HOMESHARING & LONDON'S HOUSING MARKET



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SUMMARY

60-SECOND SUMMARY

London is in the midst of a housing crisis, driven by significant undersupply and rising unaffordability. At the same time, tourism in the capital is booming, with a record 31.5 million visitors in 2015 alone. This has helped to drive up the use of online homesharing platforms, which provide accommodation within Londoners' own homes. 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 visit them ordinarily.

Despite these benefits, there are growing concerns that by removing some potential supply from the private rented sector in order to offer it for short-term lets, homesharing could exacerbate London's housing shortage. Using data from Airbnb – the capital's biggest homesharing website – we assessed the impact of homesharing on London's housing market. Our analysis, the first of its kind to use actual bookings data, finds that its impact on housing supply is currently negligible.

Policymakers' primary focus should therefore remain on the longstanding drivers of the housing crisis: the undersupply of land, the complexity of the planning process, lack of sufficient investment, and capacity challenges in construction. We simply do not build enough homes either in London or across the country. However, given homesharing's rapid expansion, policymakers should not be complacent about its impacts. In some high pressure markets, the risks it poses to housing supply – and the potential contribution to rent inflation – are more significant. Sensible regulation already exists, permitting casual lets of up to 90 days in a given year but requiring change-of-use planning permission for more than 90 days. The issue, therefore, is one of enforcement of the 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 better enforce the existing rules on the commercial letting of property that restrict casual letting without planning permission to 90 days per year.

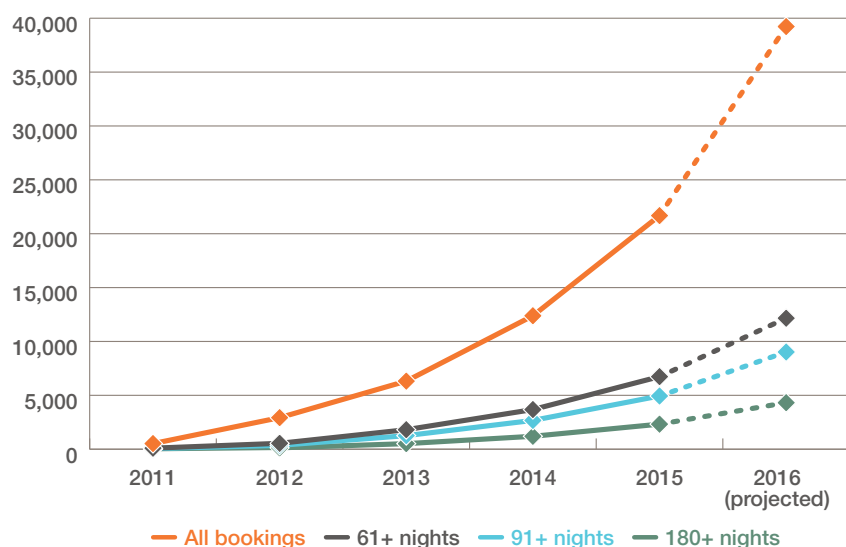
KEY FINDINGS

- The number of entire homes listed on Airbnb that hosted at least once during the year ('entire home booked listings') increased at an average annual rate of 187 per cent in London between 2011 and 2015. By 2015, the number of homes booked via Airbnb was 42 times higher than in 2011.
- The overall percentage of London's housing stock being let via Airbnb remains small, however, and is unlikely to be impacting significantly on housing supply. Entire homes booked at least once a year **make up less than 1 per cent of total private housing stock in London.**

- In most cases, Airbnb hosts operate on a casual basis: **53 per cent of entire homes were booked for between one and 30 nights in 2015**. However, a significant minority (31 per cent) were booked for more than 60 nights of the year.
- **Entire home listings deemed to be commercial under the 2015 Deregulation Act (that is, booked for more than 90 nights a year) comprised 23 per cent of Airbnb entire home booked listings in London in 2015**. At 4,938 homes, this is only a small proportion of the housing stock – but the fact that the 2015 figure represented a virtual doubling of activity relative to the previous year suggests this type of letting activity is growing quickly.
- The number of entire homes being booked for at least six months, the equivalent length of a typical assured shorthold tenancy, is growing (although lettings are likely to be spread throughout the year, and to multiple ‘tenants’). **Eleven per cent of homes were let for more than six months of the year in 2015** – twice as many homes as in the previous year.
- London’s high pressure boroughs, including Westminster, Camden, Hackney, Islington, Kensington and Chelsea, and Tower Hamlets, are particularly at risk of seeing an impact on supply if homesharing continues growing at its recent pace.
- Under-occupancy is high in much of outer London: 24 per cent of outer London homes have at least two spare bedrooms. Airbnb use is much less prevalent in these areas so there is significant potential for both Airbnb as a business to encourage activity in these boroughs, and for some of London’s homes to be better utilised through private room lets.

FIGURE A.1

Occupancy rates for entire homes are on the increase but ‘commercial’ homeshares remain a small proportion of all listings
*Number of entire home booked listings, by number of nights booked, in London boroughs, 2011–2016**



Source: Airbnb data
 *Note: Numbers for 2016 are projections.

RECOMMENDATIONS

We reinforce here the view that IPPR set out in the final report of the London Housing Commission (LHC), published in March 2016: the priority for policymakers should be to tackle the primary causes of London's housing crisis, namely: (1) the undersupply of land; (2) an overly complex and bureaucratic planning system; (3) low investment; and (4) too little capacity in the construction sector.

However, we believe that local authorities, the Greater London Authority (GLA), and homesharing sites themselves can and should act to minimise the future potential risks to housing supply in London posed by commercial homesharing. To enforce existing rules on short-term lets:

- **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**.

1. INTRODUCTION

Homesharing via online peer-to-peer platforms has taken off globally in the last few years (Guttentag 2015), and it's easy to understand why this has been the case in London, too. Tourism in the capital is booming, with a record 31.5 million visitors in 2015 alone (ONS 2015a). As part of an expanding 'sharing economy', homesharing offers potential hosts the opportunity to rent out a spare room or an entire property during periods when the space is vacant, as and when it suits them. Hosts gain additional income from otherwise under-utilised homes, and visitors benefit from a wider choice of varied accommodation, the chance to meet residents, and to explore neighbourhoods off the tourist trail. Airbnb is the world's largest peer-to-peer homesharing platform, operating in over 34,000 cities across 191 countries, with more than two million listings globally (Airbnb 2016a).

The government recently recognised homesharing's role in the UK's wider economy by offering tax relief for micro-entrepreneurs and referencing online homesharing (Osborne 2016). Airbnb is by far the biggest homesharing platform in the UK (Guttentag 2015). It recorded its first UK bookings in 2008 and opened its London office in 2012. Data provided to IPPR by Airbnb for the period of the first quarter of 2011 to the second quarter of 2016 demonstrates how the capital has embraced homesharing in the years since that opening. Notwithstanding seasonal fluctuations, the number of active listings has seen a rapid rise.¹ At the start of the second quarter of 2016, there were 29,581 active listings – an increase of 49 per cent² on the same date in 2015. Demand has also been high, with 1.5 million guests reported as staying in Airbnb lets in London between 1 September 2015 and 31 August 2016 (figure supplied by Airbnb).

Calculating Airbnb's exact market share is difficult when homeshare hosts can advertise across multiple platforms, and traditional bed and breakfasts, for example, can also use the site to reach potential guests. However, by way of comparison, alternative homesharing platforms such as Wimdu and 9flats offered 2,993 and 1,249 listings respectively in London in October 2016.³ This report therefore concentrates on homesharing arranged via Airbnb as a proxy for the London homesharing market as a whole, and uses data provided by the company. Further definitions and our methodology are detailed in the annex.

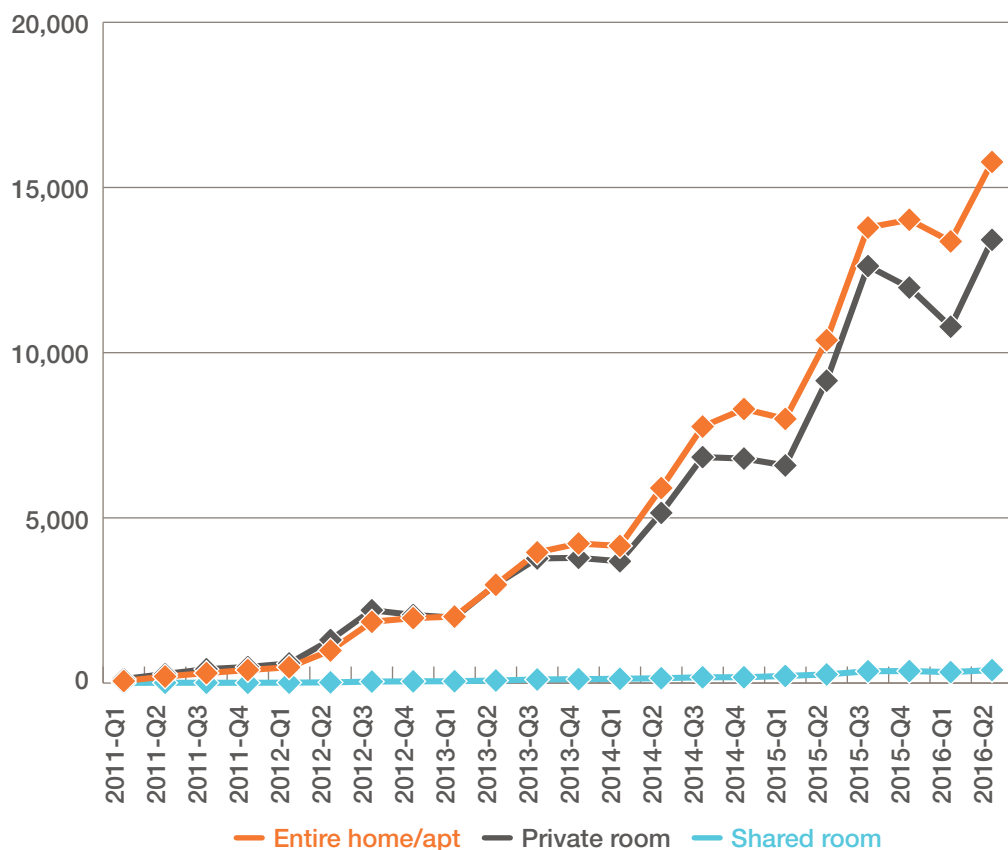
1 Active listings are listings that are displayed on Airbnb.com on a given date (regardless of availability, booking history, or whether they are 'active' on any other dates). Active listings are counted as the first day of each quarter: 1 January, 1 April, 1 July and 1 October.

2 Percentages rounded to nearest whole number.

3 Snapshot as of 14 October 2016.

FIGURE 1.1

The number of active Airbnb listings has been growing rapidly
Number of active Airbnb listings in London by listing type, Q1 2011–Q2 2016



Source: Airbnb data

One reason for homesharing's popularity in London is likely to be that prices are typically lower than those of hotels. The average day rate for London hotels in 2016 is forecast to be £144 (PwC 2016a) compared with £106 per night for an entire home listed on Airbnb in the second quarter of 2016, for example, and £45 for an Airbnb private room (analysis of Airbnb data supplied to authors). Recent research into the impact on the hotel sector is mixed: one PwC study found that 10 per cent of UK hoteliers reported a fall in demand in response to Airbnb's rise (PwC 2016b), while research by Savills concluded that the traditional hotel sector is and will remain relatively insulated from Airbnb's effects (Hickey 2015).

Homesharing platforms have significant potential to support local economies. The lower prices available via Airbnb mean people may be able to stay more cheaply and for longer than they would otherwise, while the range of locations offered means they can choose to stay in areas off the traditional tourist trail, which might otherwise struggle to attract visitors. According to Airbnb analysis, each guest spends on average £149 in local businesses, while 72 per cent of London's Airbnb listings are judged as being outside of hotel hubs where tourism has traditionally centred (Airbnb 2014, 2016b).

In addition, 55 per cent of Airbnb hosts have said that by hosting they have been able to stay in their own homes as it contributes to their cost of living (survey data supplied by Airbnb – see the annex for details on our methodology).

Despite the benefits, as homesharing continues to grow in popularity, concerns are developing regarding its impact on the availability of housing in London. Given the dysfunctional state of London's housing market, this is not surprising: decades of market and policy failure mean that too few homes are being built, housing is too expensive, and the costs to government of market failure are too high. London cannot supply the homes its growing population needs, and any potential threat to the supply that does exist is bound to attract attention.

Homesharing through companies like Airbnb has a number of possible implications for London's housing market. On the one hand, it could help London's homeowners make more efficient use of their homes and raise additional income, reducing the numbers of residents being priced out of the capital. On the other, if the attraction of homesharing continues to grow, and the prevalence and potential occupancy rates for homesharing subsequently increase, available accommodation could be withdrawn from the longer-term private rental market and instead be used for short-term lets – and, as a result, contribute to a shortage of homes and rising rents.

This report is the first of its kind to use bookings data obtained from Airbnb to conduct an assessment of the impact of homesharing on the capital's housing market. Using this data and wider indicators on the state of the housing market, it examines homesharing's impact at both a London-wide and borough level within the context of a range of long-standing and emerging influences acting upon London's housing.

It assesses the benefits that this growing sector and Airbnb might offer, as well as the possible risks both now and in the future, and considers how these might be mitigated.

2. LONDON'S HOUSING CRISIS

London's housing market faces two key problems – undersupply and unaffordability.

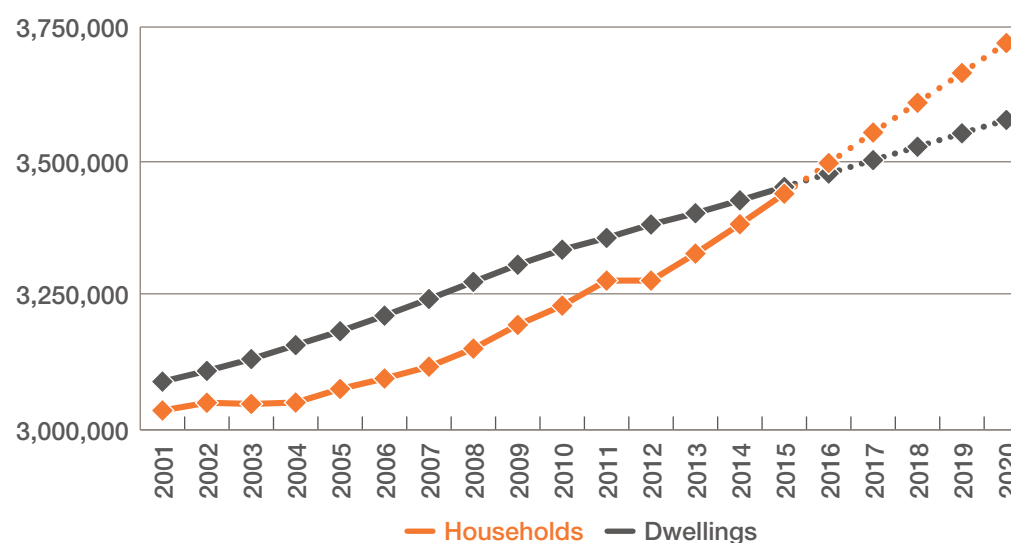
2.1. A CRISIS OF UNDERSUPPLY

The capital has long failed to build enough homes for its growing population. By next year, for the first time in recent history, the total number of households living in London will exceed the total number of homes.

FIGURE 2.1

Since 2012, housing demand has been growing more quickly than housing supply

*Number of households and number of dwellings in London, 2001–2020**



Sources: DCLG 2016b, 2016c

*Note: Figures for 2015–2020 are projections.

The number of new homes that are starting to be built in the capital and the number that have been completed are also failing to meet housing needs. The mayor's *Strategic Housing Market Assessment* estimates a need for 48,841 homes a year to keep up with London's population growth and a backlog of need (MoL 2014a). Yet London is falling far short of these targets, building an average of 20,000 new dwellings a year over the past decade. While the rate of building has improved recently with around 27,000 homes added in 2015, there is little immediate hope of easing the housing shortage in the near future via the delivery of new supply (DCLG 2016a).

London's housing delivery failures can be characterised by four core challenges: land, planning, investment and construction (LHC 2015, 2016).

Land

The mayor's London Plan does not identify enough land for the homes the capital needs (MoL 2014b; LHC 2015). To build 50,000 new homes per year, the next iteration of the *Plan* will need to identify at least 20 per cent more land than is currently identified. Numerous sites of under-utilised public land could be repurposed for housing and yet remain dormant: for example, the London Land Commission found 2,200 non-operational sites within London, including 19 non-operational Department of Health sites (LLC 2016). Disposal of public land is currently too slow to meet the land requirements for increased housing delivery.

There are also significant challenges with what has already been earmarked for development – in particular the London Plan is disproportionately skewed towards large sites.⁴ Approximately two-thirds of the land identified for homes in London is within such sites (LHC 2016). Evidence shows that development and the release of units are typically slower here than on smaller sites, partly as a result of infrastructure requirements (utilities, broadband, and so on). In London, many large sites are located on ex-industrial brownfield sites which call not only for infrastructure but can also require additional upfront investment to make developments safe and attractive places to live (Wilson and Brown 2016). It may therefore take decades to deliver the planned units.

Despite contentions that we do not need to expand the hunt for new developable land opportunities, land is already far more efficiently used in the capital than elsewhere. In inner London this is especially true, with 44.1 dwellings per hectare compared to 15.7 in outer London and 1.8 in England as a whole (DCLG 2016d).⁵ However, there probably is potential to increase housing density as a way of meeting demand: in London as a whole only 8.7 per cent of land is used for residential buildings while 62 per cent is green space and domestic gardens.

Outer London boroughs are where housing density is lowest and, relative to London as a whole, rising most slowly – dwellings per hectare rose from 14.5 to 15.7 in outer London between 2001 and 2015, compared with an increase from 38.3 dwellings per hectare to 44.5 in inner London (DCLG 2016d). However, there is a higher prevalence of owner-occupiers in outer London – for example, 74 per cent of homes are owner-occupied in the outer borough of Havering, versus 26 per cent in the inner borough of Hackney (ONS 2013a) – which means it can be more difficult to secure community buy-in to new developments. Many of these boroughs are also subject to strict greenbelt land restrictions or other designations and neighbourhood planning guidance, which places limits on where and how many homes can be built.

4 For residential dwellings, a large site is one where 200 or more units are to be built or, in the absence of unit figures, a site of four hectares or more (DCLG 2014).

5 The annex to this report lists which boroughs are designated as inner and outer.

Both outer and inner London boroughs are therefore under pressure to meet their housing needs, with the London housing crisis being felt widely across the capital's housing markets.

Planning

The complexity of planning processes means too few homes are being approved to meet housing delivery targets. In London, the length of time it takes to grant planning permission to a major development increased from 28 weeks in 2013–14 to 34 weeks in 2014–15 (BPF 2015). The planning system in London has been stymied by sharp reductions in funding to local planning departments – a fall of 46 per cent between 2010–11 and 2014–15, according to analysis by the National Audit Office (2014) – which has meant a reduction in the number of planning officers with the expertise to assess planning applications with sufficient speed to bring new developments to market. Analysis by London Councils (2016a) suggests that in 2014–15 local planning departments faced a planning fee funding shortfall of around £37 million pounds, which could only be found from already dwindling local government grants for other services.

In some instances, planning permission is being granted to sites where there appears to be little intention to build the planned homes. There are currently 110,000 unimplemented planning permissions in London (LGA 2016), which if coming to fruition would make a significant contribution to housing supply. In many cases, developers are not even attached to sites, which allows landowners to sit on plots with planning permission without enacting any activity.

Investment

To deliver 50,000 homes a year, the London Infrastructure Plan 2050 estimated that the capital needs around £16 billion of annual investment (GLA 2014). In 2015 investment was just £8 billion (BIS 2015). Public investment in particular has fallen, by as much as 60 per cent per new home between 2011 and 2015 (LHC 2015), and the private sector has been unable to close the investment gap. We do not yet know how Brexit will affect markets over the coming months but it is likely that with uncertainty both now and during negotiations, investors will take a cautious stance, meaning private investment will fall. Small and medium sized builders are especially likely to suffer in this context. Many are already struggling to find sufficient development finance and the history of recessions suggests a reluctance from lenders to support this part of the sector in times of greater risk (Holman et al 2015).

Construction

London is reliant on a small number of large house builders delivering homes for sale on a small number of large sites (Molior London Ltd 2013). The market used to be more diverse: local authorities were building 20,000 homes annually in London during the 1960s and 1970s; in 2014/15 they built only 280 (DCLG 2015). The move to there being more private and large developers not only increases the impact of economic fluctuations on building: it also means the sector only builds the number of homes it judges it can sell on the market for an attractive price at a given time. Homes purpose-built for renting therefore find it hard to compete in attracting developers' interest, despite demand continuing to grow.

Secondly, the industry is beset with skills shortages, with around half of London’s surveyors reporting that they struggle to hire (LHC 2015). With SMEs struggling to access both finance and land, the expertise and skills they can offer is being under-utilised. Estimates suggest that London needs to have 29,000 construction workers in training now in order to meet future demand, yet there are only 14,500 currently in this position (LCCI 2015 cited in LCCI 2016).

2.2. A CRISIS OF UNAFFORDABILITY

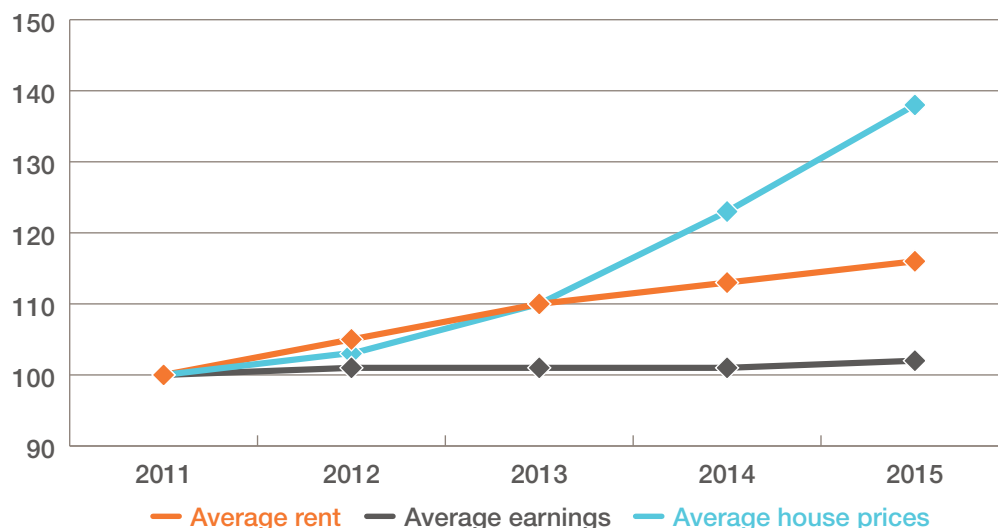
Most Londoners will be unaware how many housing units are built each year in the capital. What they do notice, however, is the growing affordability crisis.

That London is an expensive place to live should come as no surprise. It is a vibrant and attractive city that creates a significant proportion of UK wealth, offering current and prospective residents a diverse and plentiful supply of job opportunities as well as good transport connections to the rest of the UK and abroad. But the growing gap between the increase in housing costs and average earnings is having a widespread impact on Londoners, businesses and the economy.

FIGURE 2.2

Average rents and average house prices are rising faster than average earnings in London

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



Sources: ONS 2015b, 2016, Land Registry 2016a

In September 2016, the average home in London cost £488,000, an increase of 11 per cent on the previous year (Land Registry 2016b). The average house now costs around 12 times the median income. In contrast, in the North East homes cost just £125,000. Prices have also risen much more slowly – a 1.5 per cent increase from September 2015 (ibid). By the same token, rents are higher in London than elsewhere in the UK. The average monthly London rent in October 2016 was £1,542. In the East Midlands it was less than half this amount – £601 (HomeLet 2016). These

costs squeeze the incomes of London's resident population, among whom earnings have remained largely stagnant – rising just 2 per cent between 2011 and 2015 when private rents have increased 16 per cent and house prices 38 per cent.

London's households are finding themselves in poverty as a direct result of the financial strain associated with the rising cost of living. The Resolution Foundation (2016) has found a quarter of London households in the private rented sector are spending more than half their income on rent. This is despite anti-poverty literature tending to suggest that rent in excess of 35 per cent of income should be considered unaffordable (see Bibby 2015).

The ever more expensive cost of owning or renting a home in London can be associated with a considerable fall in quality of life and health and wellbeing. It also has economic implications: individuals are increasingly leaving the capital in order to find more affordable housing elsewhere in the country. A 2014 survey conducted by YouGov for Turner & Townsend and London First (2014) found that 49 per cent of Londoners would consider leaving the capital if rents and house prices continue rising.⁶

Rising unaffordability across the UK – both for tenants looking to pay rents and homeowners needing to make mortgage payments – has coincided with an increase in lodging activity. Research in 2014 showed a doubling in the numbers of households taking in lodgers in just five years (Liverpool Victoria, cited in Forrest 2014). Numbers remain small but demand appears to be growing for rooms among a younger generation who are unable to access suitable accommodation, while an increasing number of homes are under-occupied (Kingman 2014).

2.3. LONDON'S HOUSING CRISIS, BOROUGH BY BOROUGH

London's housing market is actually a composite of multiple distinct neighbourhoods and communities, each experiencing the housing crisis to varying degrees. On issues of supply and affordability, four key indicators identify where the challenges are most acute, and where opportunities to mitigate the housing crisis might be found: housing delivery relative to need; the level of vacancy; the prevalence of temporary accommodation; and under-occupancy. We consider each in turn and find that the pressures faced by London's local housing markets vary but in such a way that the housing crisis is being felt throughout both inner and outer London boroughs.

Housing delivery

All London boroughs have their own housing supply targets for the period 2015 to 2025.⁷ These targets are the minimum required, and the London Plan encourages boroughs to exceed these numbers. Based on the average annual delivery of net additional dwelling stock between 2010 and 2015, however, almost all boroughs look likely to fall short of their 2015–25 targets. Only Hillingdon, City of London, and Richmond

⁶ Figures from fieldwork carried out from 8 to 14 August 2014, surveying 1,200 people.

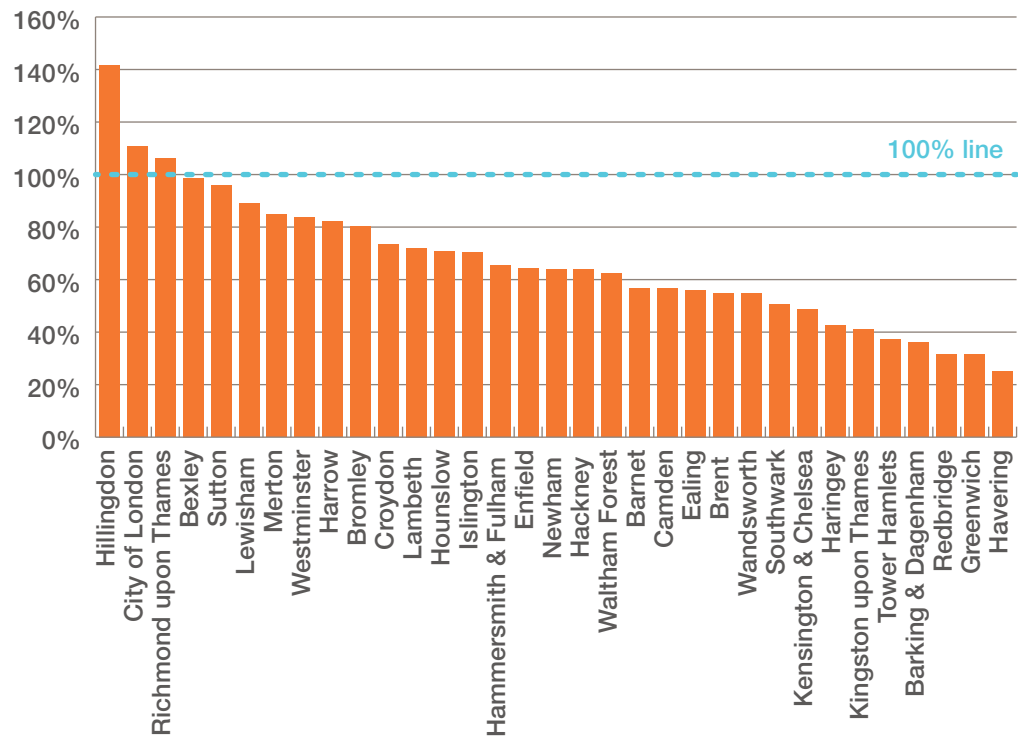
⁷ The latest London Plan (MoL 2016) has used the GLA's *Strategic Housing Market Assessment* from 2013 and *Strategic Housing Land Availability Assessment* from 2012 to calculate the minimum number of new homes needed.

upon Thames look set to deliver more than these stated guidelines. Meanwhile, Tower Hamlets, which has the highest target number in the London Plan at 1,458 homes, is currently only delivering 37 per cent of what is needed (DCLG 2016a).

Housing markets in inner London are especially high pressure as their central location continues to attract more inward migration and faster rates of population growth than average, particularly given high numbers of young and single person households (Aldridge et al 2015). Available land is also in shorter supply, as discussed above, suggesting the supply of new homes for more central areas may become increasingly challenging.

FIGURE 2.3

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**



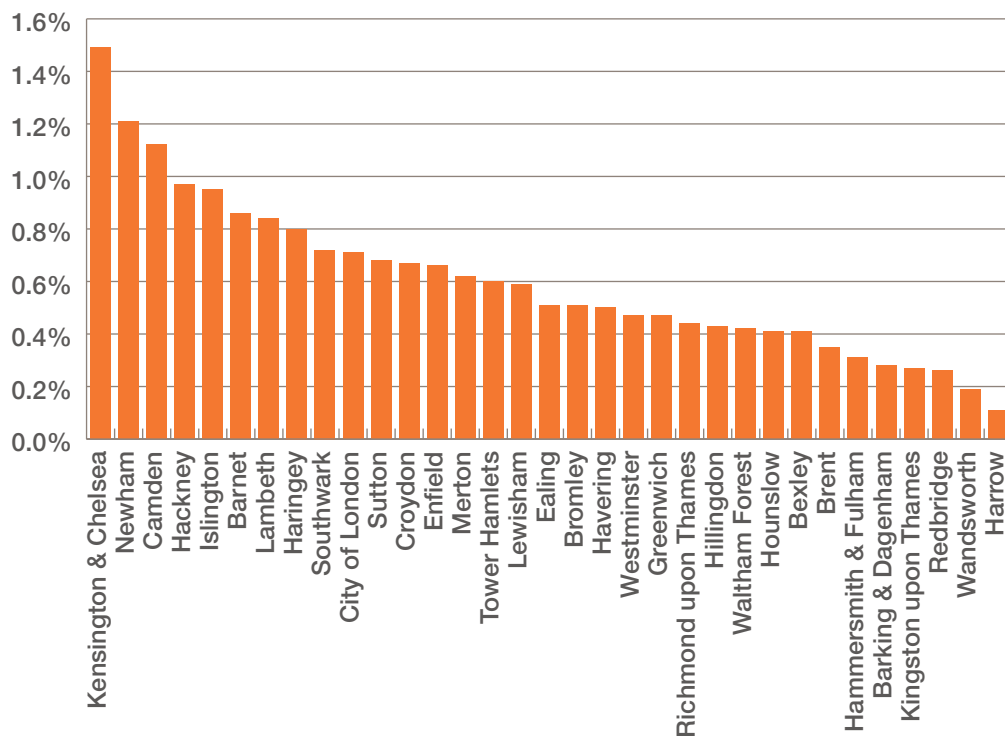
Sources: DCLG 2016a, *MoL 2016

Vacant properties

As well as a clear need to build more homes to meet housing need there may be some scope to tighten up on long term vacant dwellings. There are currently 20,915 residential properties in London which are classed as long-term vacant (i.e. that have been recorded as being empty for at least 6 months) (DCLG 2016e). In a number of boroughs more than 1,000 vacant properties, including Newham (1,318) Kensington and Chelsea (1,289) and Camden (1,138), are listed in the latest data. This suggests that there is potential stock available which, with investment in refurbishment, could be brought back into use to meet growing population needs.

FIGURE 2.4.

Some London boroughs have over 1,000 long-term vacant properties
Long-term (6 months+) vacant properties as a percentage of total dwelling stock in London boroughs, 2015



Sources: DCLG 2016b, 2016e

However, there is some inevitable churn within the market, with properties moving in and out of periods of vacancy and occupancy with relative frequency, and on their own these figures tell only a small part of the story. More crucial is the spare capacity within the capital, which is not being picked up by these current definitions of vacancy. Here, homes which are barely used and minimally furnished can be recorded as non-vacant, while a two-year grace period before which a council tax premium is applied can reduce the incentive among private homeowners to bring the property into more active use (Davies 2014).

Temporary accommodation

Between 2010 and 2014, London experienced a 77 per cent increase in homelessness acceptances.⁸ Meanwhile the number of households in temporary accommodation has also increased significantly, by 60 per cent between the end of 2010 and start of 2015 (Rugg 2016). Current figures suggest almost 53,000 households across the capital are recorded as living in temporary accommodation, including 88,270 children (DCLG 2016h) and this will not include the many households living in unsupported temporary accommodation, who are often excluded from official statistics (Rose and Davies 2014). This is clear evidence

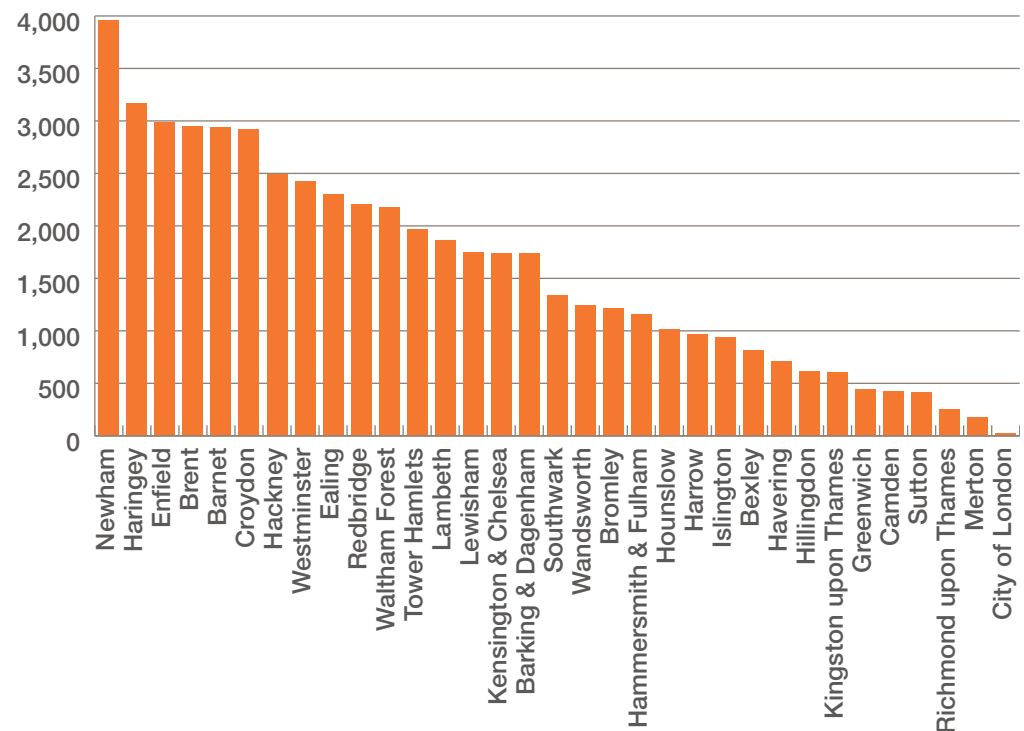
⁸ 'A "main homelessness duty" is owed where the authority is satisfied that the applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group. Such statutorily homeless households are referred to as "acceptances".' (DCLG 2016)

of London failing to meet the housing needs of its existing population, with a lack of suitable accommodation and unaffordable prices seeing more and more individuals and families becoming reliant on emergency hostels and B&Bs. Areas where this is particularly problematic include Newham (3.5 per cent of all households), Haringey (2.8 per cent), and Enfield (2.3 per cent). In these boroughs there are between roughly 3,000 and 4,000 households recorded as being accommodated by the local authority in temporary accommodation, be this a B&B, hostel, social housing, or a private rental property.

FIGURE 2.5

The number of households in temporary accommodation, particularly in some boroughs, demonstrates that London is failing to meet the needs of its existing population

Number of households in temporary accommodation, by London borough, March 2016



Source: DCLG 2016h

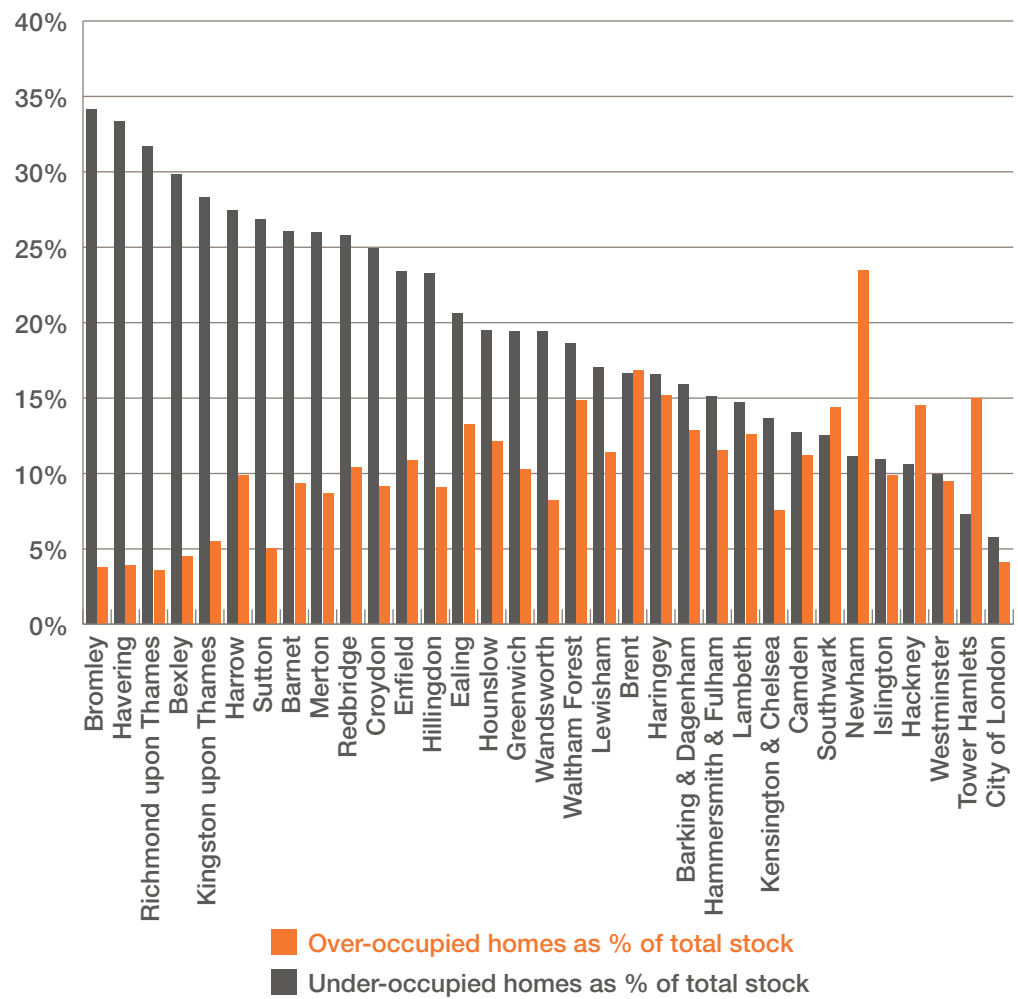
Under-occupancy

London is the most efficient user of property of all UK regions, which in some instances tips over into overcrowding: indeed, 11 per cent of households live in overcrowded conditions, more than double the rate of any other region (ONS 2013b). At the same time, there is still significant under-occupancy in some areas. Across London, more than 1.6 million homes are recorded as having two or more spare bedrooms (ibid). This is particularly common in areas that have high levels of owner-occupancy, such as outer London. In Bromley and Havering where almost three-quarters of homes are

owner-occupied,⁹ 34 and 33 per cent respectively of the total housing stock is recorded as having two or more spare bedrooms, amounting to 46,728 homes in Bromley and 33,455 in Havering where there is additional space (ONS 2013b; DCLG 2016b; authors' calculations). These spaces could potentially be better used if they were made available to individuals working or studying within the capital, for example.

FIGURE 2.6

Rates of both overcrowding and under-occupancy are particularly high in some London boroughs, though overcrowding is high in the capital overall
*Estimated over- and under-occupation as percentage of total stock, by London borough**



Source: DCLG (2016b); ONS (2013b)

*Note: overcrowding figures are from 2010 census, and total stock based on 2015 figures.

9 In Bromley 72 per cent are owned outright or with a mortgage; in Havering 74 per cent are owned outright or with a mortgage (ONS 2013a).

2.4 SUMMARY

- London's housing crisis is the result of a combination of factors which are directly contributing to significant levels of under-supply and, as a result, rising costs of living.
- Failures in identifying more land, speeding up planning, attracting investment, and supporting the construction sector, mean the current crisis looks set to continue. It is these areas on which policymakers must focus their attention.
- This is a London-wide issue, with all London's boroughs under pressure to manage their own housing supply challenges, including rates of new supply, the number of long-term vacant properties, or the needs of individuals and families moving in and out of temporary accommodation.
- While outer London is undoubtedly struggling – Redbridge and Havering, for example, meeting only 32 and 25 per cent of their London Plan housing targets – there are clear challenges in the inner London area and in neighbouring boroughs which share many of the inner city's characteristics.
- We identify six boroughs that are particularly high pressure: Camden, Hackney, Islington, Kensington and Chelsea, Tower Hamlets, and Westminster. Annual supply of new homes in these boroughs is currently failing to meet the targets set out in the London Plan, while their inner London locations means available land for meeting these targets is less easily found than in outer boroughs. At the same time, their central locations mean increased demand for tourist accommodation, and so for homesharing, too – the subject of the next chapter.

3.

THE PREVALENCE OF HOMESHARING IN LONDON

Although homesharing via online platforms is an increasing feature of London's tourist offer, the short-term lettings market is not new. No official figures are recorded, but data from the Great Britain Tourism Survey recorded 34,000 visits to self-catered rented accommodation in London in 2008 (Scanlon et al 2014).¹⁰ It was during that year that Airbnb recorded its first UK bookings but numbers were small at that point, with the majority of self-catered accommodation continuing to be rented via the traditional holiday let industry.

However, new online platforms have opened up homesharing to more households, who can now rent out their home, or rooms in their home, at a time and for a period that suits them. They also provide accommodation options to business travellers, and to residents who are between homes or in need of a temporary base.

Among policymakers, there appears to be growing recognition of the additional revenue homesharing can generate, and a desire to harness and encourage this as part of broader interventions to support the sharing economy (see Woskwo 2014). For example, the rent-a-room allowance was increased to £7,500 in 2015 – allowing people to make a bigger tax-free profit from renting out space in their homes. In addition, in March 2016 two new £1,000 tax allowances were introduced for property and trading income in what has been billed as the 'world's first sharing economy tax break' (Vaughn and Daverio 2016).

Alongside these financial incentives, regulation in London has been adjusted to favour homesharing activity. The Deregulation Act 2015 relaxed rules on planning permission in London to make it much easier for individuals to become hosts. Previously anyone wishing to host short-term lets was required to apply to their local planning authority, which would impose its own restrictions – although in reality these rules were rarely enforced. Following the reforms Londoners can now let their homes for up to 90 days a year without needing any form of registration or planning permission.

It is too early to determine the impact of these changes but in any case, homesharing is already booming. Since its arrival in the UK in 2008, Airbnb has become a leading platform for homesharing in the UK. In 2011, 1,212 of its listings across London were booked at least once. By 2015, this had risen to 42,405 listings with at least one booking, and if growth for the second half of 2016 has been in line with the same period in 2015, by the

¹⁰ Excluding camping and caravans.

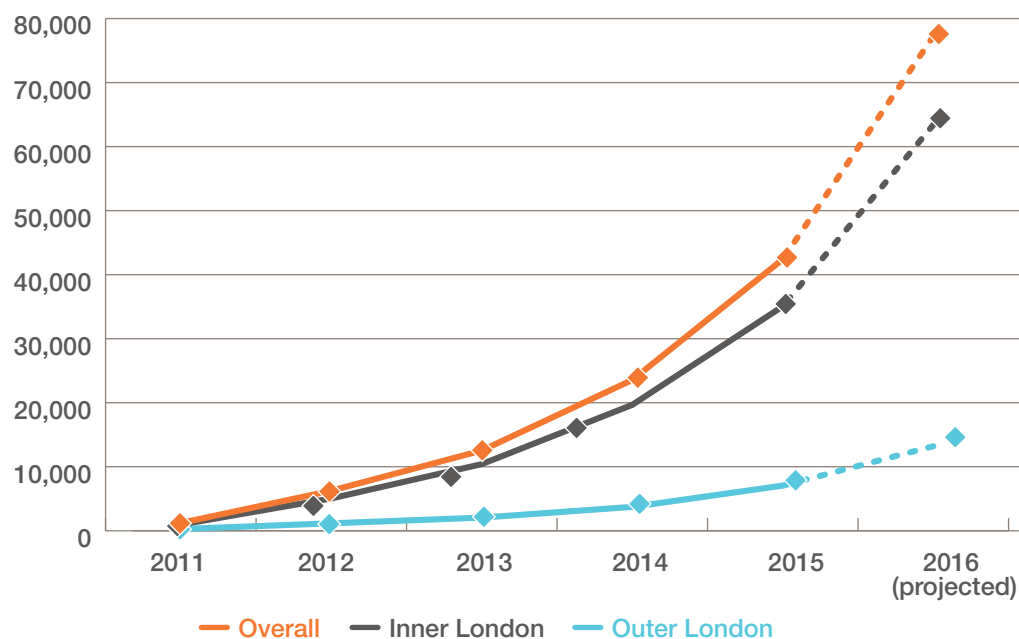
end of 2016 listings will have increased by 82 per cent on the previous year.¹¹

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.¹²

FIGURE 3.1

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

Number of entire home booked listings 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.

3.1 A THREAT TO AVAILABLE SUPPLY?

All forms of homesharing – whether private rooms, or entire homes – represent a use of the available housing stock and therefore could reduce the availability of homes for residents. However, it is the letting of entire homes that is potentially the most direct threat to residential supply, as it could divert available homes from long-term residential lets to more expensive and less secure short-term lets.

11 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 the 2015 total.

12 Inner and outer London designation is detailed in the annex.

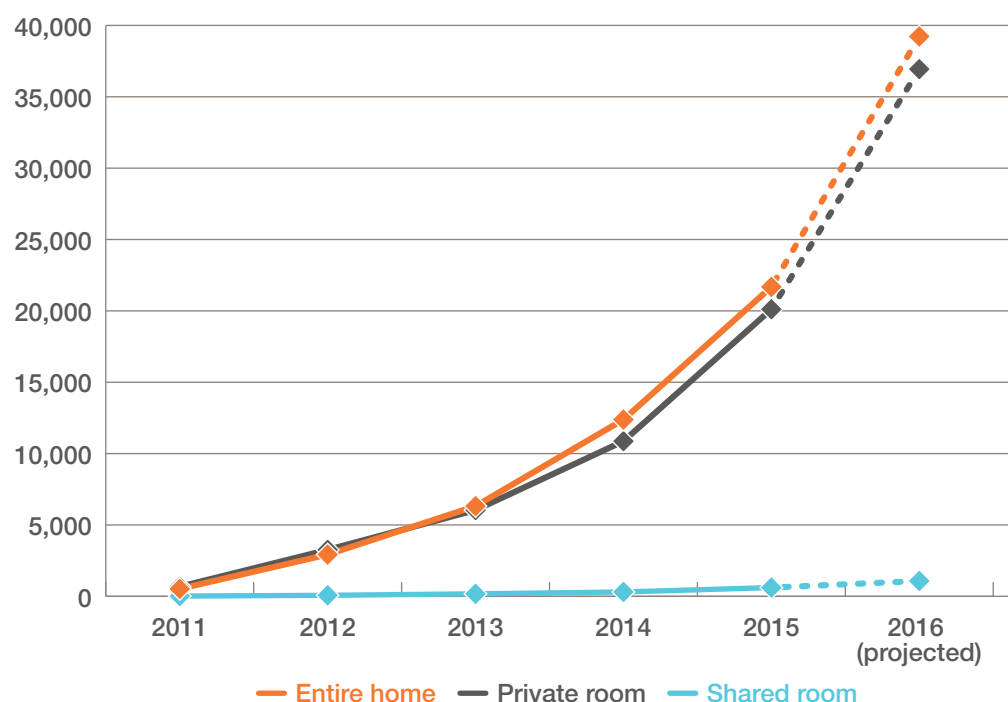
Entire homes are typically residential homes that are vacated for certain periods (e.g. when hosts themselves are on holiday), or self-contained blocks within homes (e.g. an annex to which there is a private entrance). Listings are self-defined by hosts, however, meaning that a proportion may be inaccurately described. Nevertheless, Airbnb’s guest feedback and review mechanisms mean that in the vast majority of cases entire homes will refer to whole properties; inaccurate descriptions risk attracting negative feedback and a subsequent loss of business and therefore are not common.

As Airbnb has become more popular in the capital, and all listing types have increased in number, there has been a shift away from private rooms towards more entire home listings being booked through the site. Entire homes comprised more than half of all booked listings in 2015 (51 per cent) with 21,860 properties receiving at least one booking. In just the first half of 2016 (the first and second quarters), entire homes had already hosted 19,221 nights in total.

FIGURE 3.2.

Airbnb booked listings in London are split between private rooms and entire homes

Number of entire home booked listings through Airbnb in London by listing type (entire home, private room or shared room), 2011–2016



Source: Airbnb data

Note: 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.

Despite this strong growth, London still has an unusually low proportion of entire home listings relative to other cities internationally. In London in 2015, 53 per cent, of entire homes were recorded in active listings on

1 April 2016. The proportion of entire home active listings internationally – across all Airbnb listings – is typically much higher, with latest figures for 1 September suggesting a split of 70 per cent entire homes and 30 per cent private or shared rooms (statistic provided by Airbnb).¹³

Survey data suggests that for many Londoners, homesharing via Airbnb tends to be seen as something that takes place within a primary residence, making use of spare rooms and additional space while seeking the social benefits of meeting travellers through the act of in-person hosting, for example shared meals (see Airbnb 2016b).

Outer London, where housing supply pressures are still notable but perhaps less severe than in inner parts of the capital, has seen the biggest rise in entire home listings. They almost doubled between 2014 and 2015, with 2,784 booked listings in 2015. However, only 39 per cent of outer London's Airbnb listings were entire homes in 2015 compared with 54 per cent of inner London's, where the absolute numbers are also much higher (18,791 booked listings in 2015).

Airbnb is typically more affordable for a visitor to London than a hotel, and on a per-night basis can offer a landlord or host a higher return than a long-term residential let. Westminster, for example, had the highest monthly rent of all London boroughs in 2015, working out at approximately £78 per night (VOA 2016; authors' own calculations). In the same year, an entire home being let via Airbnb in Westminster could earn a nightly rate of £130 (although it should be noted the quality of the two options is likely to differ). For London as a whole, even accounting for lower prices in the periphery, private homes let on Airbnb cost on average £98 a night (the quality point is again relevant here). This is an increase on a cost per night of approximately £70 in 2011.

The prospect of a higher nightly rate would not, in and of itself, be sufficient to encourage a landlord to withdraw their property from the private rented sector in order to let it via Airbnb. The overall economics would have to be favourable, which means taking into account periods of vacancy, the cost of administering short rather than longer lets, and the different rates of wear and tear under the two rental options. However, it is clear that the potential to earn much higher nightly rates via Airbnb could prompt some landlords to make their properties available for homesharing rather than a long-term let. This would reduce the supply of homes available for rent at a time when demand for private rented housing is rising steeply, which would exert upward pressure on rents (Bentley 2015). Further, landlords with multiple properties may choose to reserve properties decorated and furnished to a higher standard for holiday rentals while leaving poorer quality properties to the private rented sector.

Neither scenario is optimal from the perspective of London's long-term tenants – who represent a growing proportion of London's households (PwC 2016c). However, the threat of commercial homeshare lets are only cause for concern if landlords are actively switching their activity away

13 This statistic covers all Airbnb listings globally and may mask differences across and within countries, as well as between urban and rural areas.

from the private rented sector in sufficient numbers to have a material impact on the supply of homes. This is explored in the following section.

3.2. CASUAL OR COMMERCIAL LETS?

To assess the extent to which Airbnb might be diverting housing stock away from the private rented sector, we need to look at the prevalence of Airbnb lets relative to the overall private housing stock at a borough level, and judge the proportion of those lets that could in theory be available to the private rented sector, based on occupancy rates.

Across London, entire home listings on Airbnb are a fairly small part of private housing stock, and an even smaller proportion of total stock (i.e. including socially-rented homes). Our analysis finds that entire homes listed on Airbnb are less than 1 per cent of private housing stock in London. However, looking at a borough level, the significance of listings relative to the stock varies widely: for example, in the City of London, which has a fairly small residential housing stock and receives the tourist draw of a central location, listings were equivalent to almost 4 per cent of the private stock in 2015, while in the outer London borough of Sutton, listings were just 0.01 per cent of the total private stock.

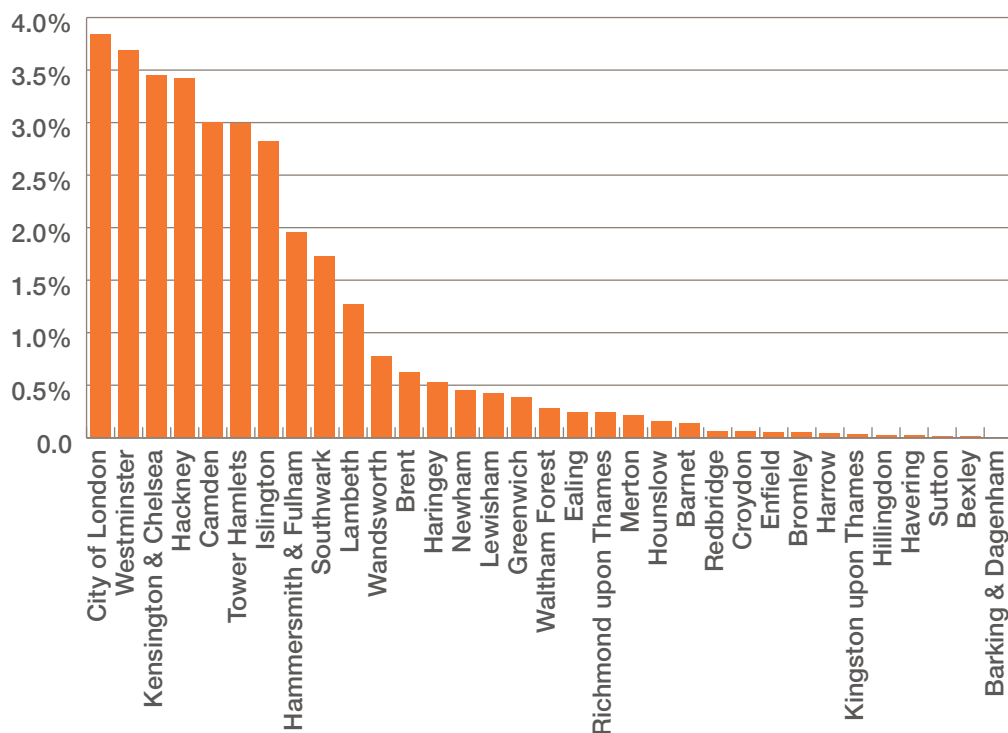
It is important to note that it is highly unlikely that all homes being listed for let on Airbnb would be candidates for the private rented sector: as noted above, a proportion will be family homes being vacated temporarily. But this comparison gives an indication of the significance of Airbnb activity in individual boroughs, which is important when we bear in mind that only Hillingdon, City of London, and Richmond upon Thames look set to deliver or exceed their housing targets as set out in the London Plan, as we saw earlier in this report (see figure 2.3). For instance, Westminster, Kensington and Chelsea, Hackney, Camden, Tower Hamlets and Islington are all set to miss their targets and all have a higher proportion of Airbnb-hosted entire homes of private housing stock than seen elsewhere in the capital.

There is limited information available about how properties are being used when they are not hosting Airbnb guests, and this is a key challenge to establishing the impact of Airbnb and other homesharing companies on London's housing supply. Assumptions have to be made as to whether a property is a primary residence, 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 it being a commercial let, which could in turn indicate if it could be let on a long-term basis, rather than via a homesharing site.

FIGURE 3.3.

Airbnb entire homes represent, on average, less than one per cent of London's private housing stock

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



Sources: Airbnb data; DLGG 2016b

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

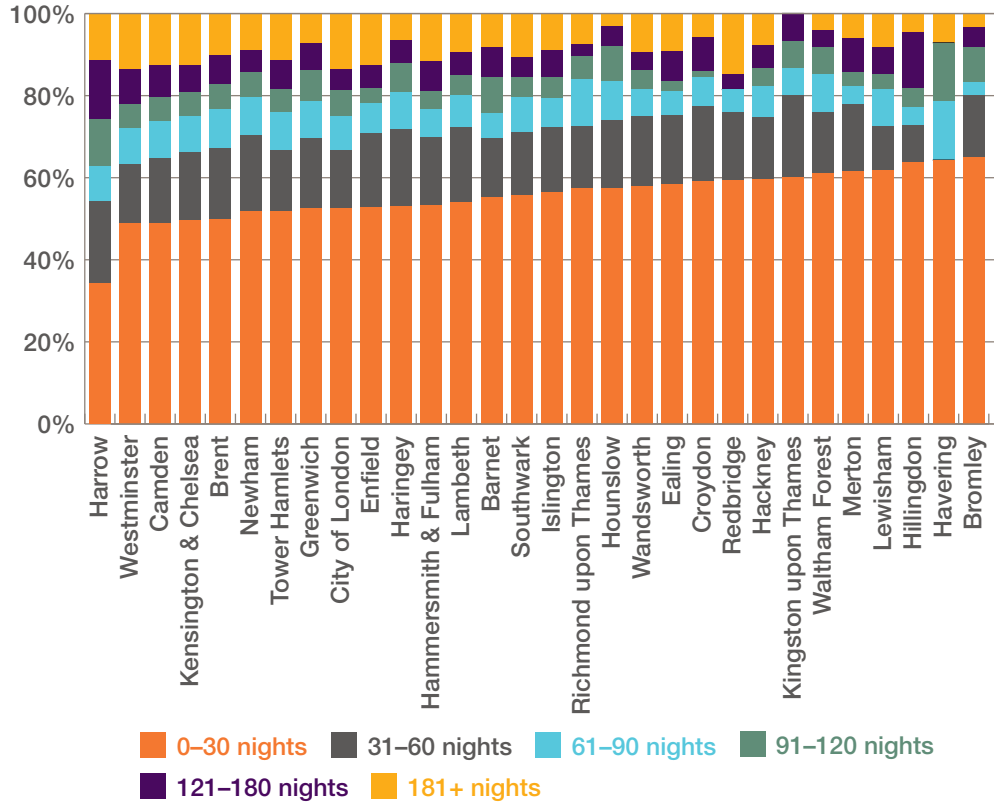
The 2015 Deregulation Act specifies a threshold of 90 days for determining whether the letting of a property should be considered a commercial activity. Properties in London only require planning permission for a change of use once they intend to and/or do move above this threshold. Applying this criterion to listings in 2015, 23 per cent (4,938) of Airbnb entire home listings in London would have been deemed commercial. This is equivalent to 0.2 per cent of private housing stock in London, although this masks borough-level variations.

In most boroughs – the notable exception being Harrow at just 34 per cent, albeit among only 35 entire home booked listings – the majority of entire homes on the Airbnb site were booked for just 30 nights or fewer. (For both Camden and Westminster, the figure was 49 per cent.) While we cannot be sure how these properties are used when not being let via Airbnb, it would be reasonable to assume they are primary residences. A cumulative total of 30 days is fairly well aligned to annual leave, bank holidays, and an occasional weekend when a household may be vacating their home temporarily. We would not judge this type of let to be detrimental to London's housing supply.

FIGURE 3.4.

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.

Analysis of surveys Airbnb has conducted with its London hosts and guests has found that the average length of stay per guest on a typical trip is 4.8 days (Airbnb 2016b). This suggests that while some individuals may use Airbnb as a longer-term form of accommodation, in many cases the short-term and private rented sector markets are catering for distinct groups.

While arguably still only a small proportion of London’s total housing stock – just 0.2 per cent, or 4,938 homes, in 2015 – the number of entire homes being let for more than 90 nights a year in London is rising quickly: the 2015 figure represented a virtual doubling of activity relative to the previous year. But to put the 2015 figure in context, more than 20,000 residential properties in London were classed as long-term vacant that year (DCLG 2016e).

Further, it is certainly likely that this figure includes primary residences since, for example, an owner with a second home could feasibly let out their primary residence every weekend – 104 nights a year. The figure of 4,938 homes is therefore likely to be an overestimate of the true extent of commercial letting of homes via Airbnb in the capital.

To try to strip out as many primary residences as possible, we could look at the volume of residences being let for more than 180 nights, or around six months, a year – equivalent to the length of the majority of assured shorthold tenancies in England. Such properties accounted for 11 per cent of all listings in London in 2015, or 2,325 properties: equivalent to 0.1 per cent of the private housing stock.

On the basis of the available data, therefore, we conclude that the letting of entire homes in London via Airbnb is currently unlikely to be significant enough to have an impact on the supply of rented homes. However, its rapid growth in recent years would suggest this is something for local authorities and the GLA to monitor.

3.3. THE IMPACT AT A BOROUGH LEVEL

Although the London average suggests that the volume of commercial lets available via Airbnb is not currently large enough to exert an impact on supply, it could be that in certain boroughs, future increases in letting activity, particularly entire homes let for more than 90 days, could be more significant relative to the available housing stock.

Looking borough by borough at the average number of nights for which listings were booked in 2015, there is already significant variation across boroughs: in Kingston upon Thames, for example, only 13 per cent of Airbnb listings were booked for 91 or more nights; in Harrow, the figure was closer to 37 per cent.

Combining this information with borough-level housing stock data we can show, in figure 3.5, potentially commercial lets as a proportion of the private housing stock in each borough.

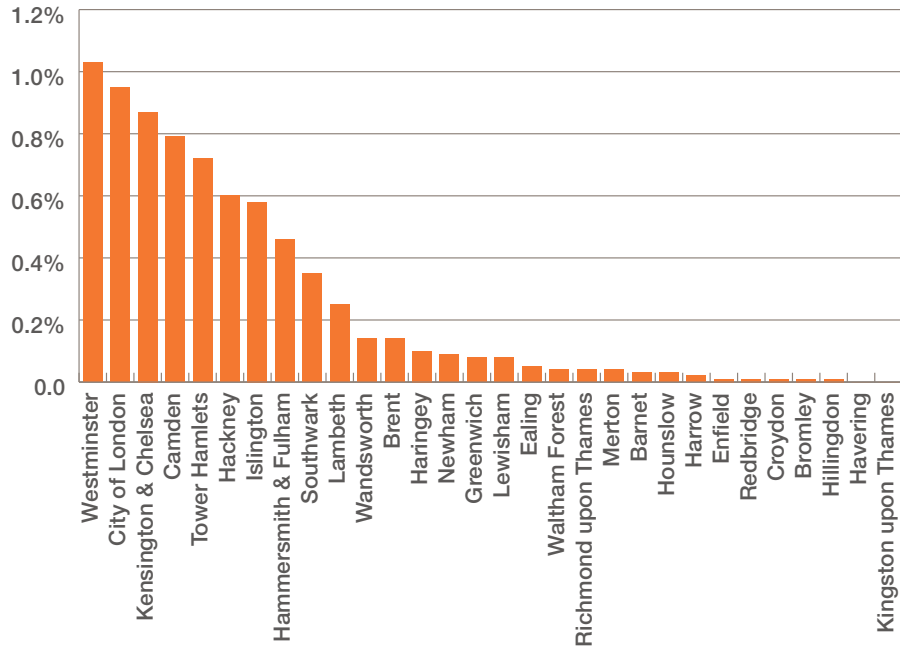
In some boroughs, such as Westminster, Kensington and Chelsea, Hackney, Camden and Tower Hamlets, while still relatively low as a proportion of overall private housing stock, the Airbnb listings are considerably higher in proportion than in other boroughs. The same is true of the City of London, although low rates of residential housing make this a less comparable case. In addition, with the exception of the City of London, none of these boroughs is currently set to meet its housing targets as set out in the London Plan. With the growth of Airbnb set to continue, and with entire homes let for more than 90 days a year growing proportionally within that, there is cause for consideration as to how the existing rules around planning permissions are best enforced.

An additional concern is that, for certain high-pressure boroughs, growth in short-term letting activity via peer-to-peer platforms and other online travel agencies is occurring alongside a worsening supply–demand balance. For these boroughs, we can examine how commercial letting activity via Airbnb compares with the rate at which boroughs are adding new homes, to gauge Airbnb’s significance relative to this crucial flow measure for supply.

FIGURE 3.5.

The number of entire homes booked through Airbnb varies a great deal between London boroughs*

Airbnb entire homes booked for more than 90 nights as percentage of private dwelling stock, 2015



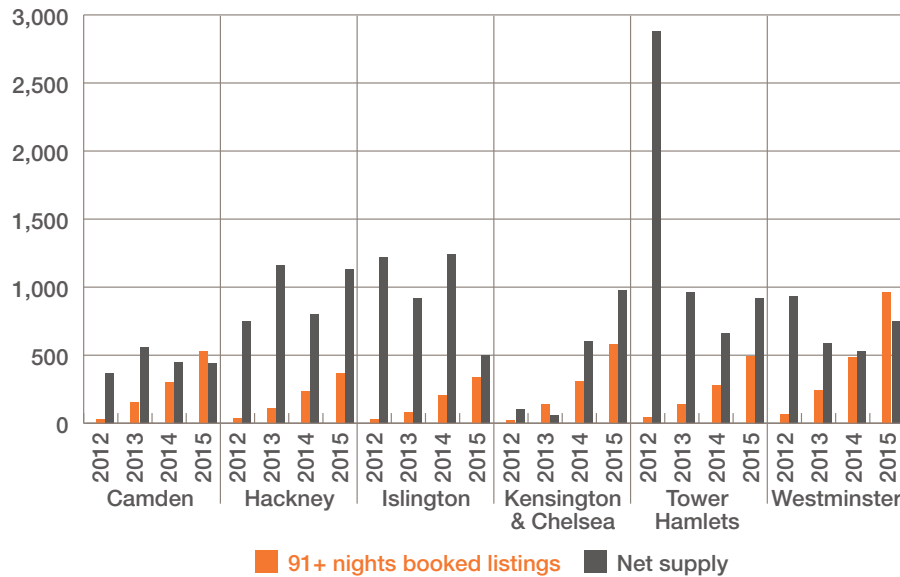
Sources: Airbnb data, DCLG 2016b

*Occupancy data was unavailable for Barking and Dagenham, Bexley, and Sutton.

FIGURE 3.6.

The difference between annual net new additions and entire homes on Airbnb let for more than 90 nights in some high-pressure boroughs is narrowing

Airbnb entire homes booked for more than 90 nights per year versus net new additional dwellings, 2011–2015



Sources: Airbnb data, DCLG 2016a

The London boroughs struggling to meet housing demand are clearly more likely to be affected in future by strong growth in the longer-term letting of entire homes through homesharing. As set out previously, it is not clear how many of the properties let for more than 90 days a year have the planning permission to do so as that data is not collected. It is in these areas in particular, though not exclusively, that there would be benefits to increasing awareness among hosts about the current rules. It is also clear that there are potential benefits to data-sharing between homesharing platforms and local authorities, to increase understanding of the impacts on local housing markets. Finally, a registration or licensing system that would allow for the monitoring of those properties being let without the requisite planning permission could help to contain long-term letting activity.

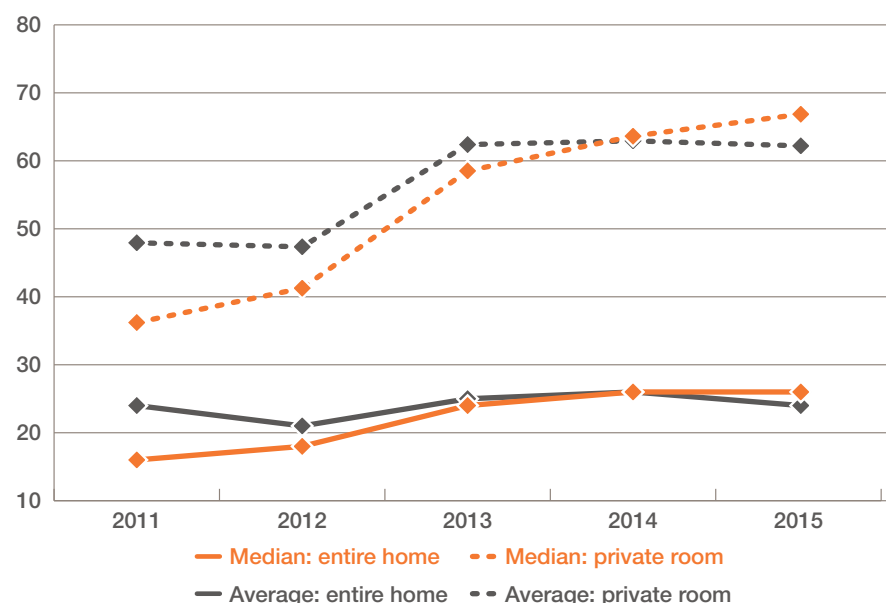
3.4. RECENT GROWTH AND FUTURE PROSPECTS

While there is little discernible impact on housing supply at present, a continued increase in occupancy rates could change that, both in (a) the number of nights for which a given property is let out through homesharing, and (b) the number of properties letting at a commercial rate (91-plus nights a year). Already, the number of entire homes being listed for longer periods of time has been growing. While median booking rates have remained relatively stable over time across all listing types – between 20 and 25 nights per year since 2013 – the average number of booked days has risen much more sharply, particularly for entire homes. In 2015 the average number of booked nights was 67, an increase of 86 per cent on 2011. This suggests that a rising proportion of homes are being booked for significantly more nights than the median, which is skewing the average upwards.

FIGURE 3.7

The average number of entire home bookings through Airbnb in London has been increasing year on year

Average and median number of nights books each calendar year by entire home and private room bookings in London through Airbnb, 2011–2015



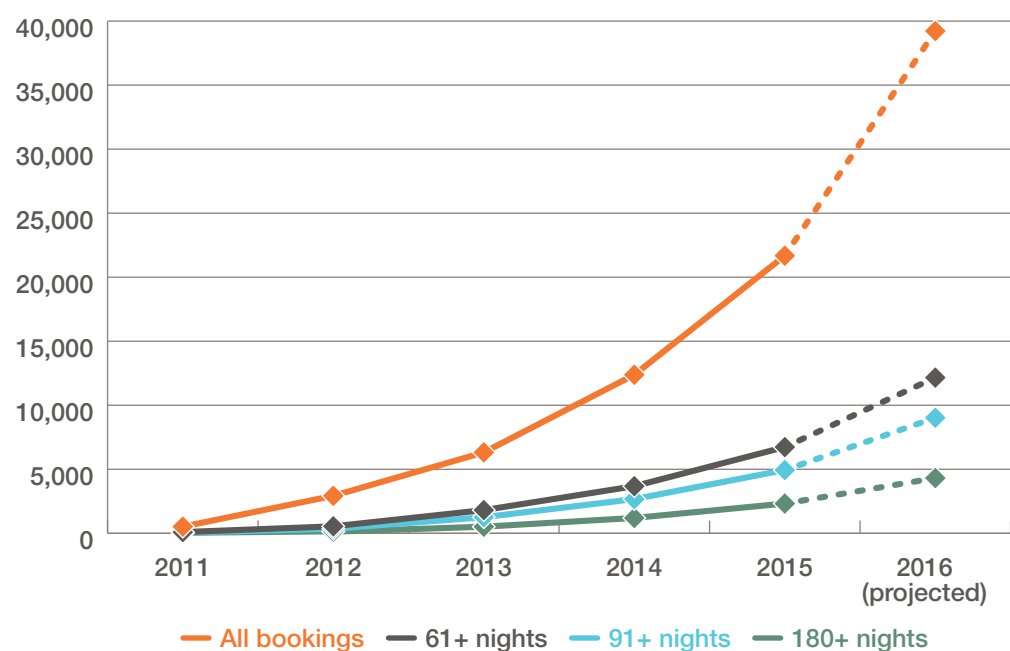
Source: Airbnb data

Across London, the proportion of entire homes being booked for longer periods has also been increasing over time. By the end of 2016 we can expect to see just over 9,000 properties booked for at least 91 nights: an increase of 83 per cent on the previous year.¹⁴

FIGURE 3.8

Occupancy rates for entire homes are on the increase

*‘Entire home’ bookings through Airbnb in London, by number of nights for which each property is booked and in total, 2011–2016**



Source: Airbnb data

*Figures for 2016 are projections.

Current regulations following the 2015 Deregulation Act suggest a base of 90 days for determining commercial activity.

These ‘commercial’ listings (91-plus nights) are also rising as a proportion of Airbnb entire home listings. The percentage of entire homes booked for fewer than 31 nights fell by 13 percentage points between 2011 and 2015. Those being let for more than the 90-day threshold (to a possible maximum of 365 days) increased by 12 percentage points, with almost half of these being occupied for at least 181 nights a year.

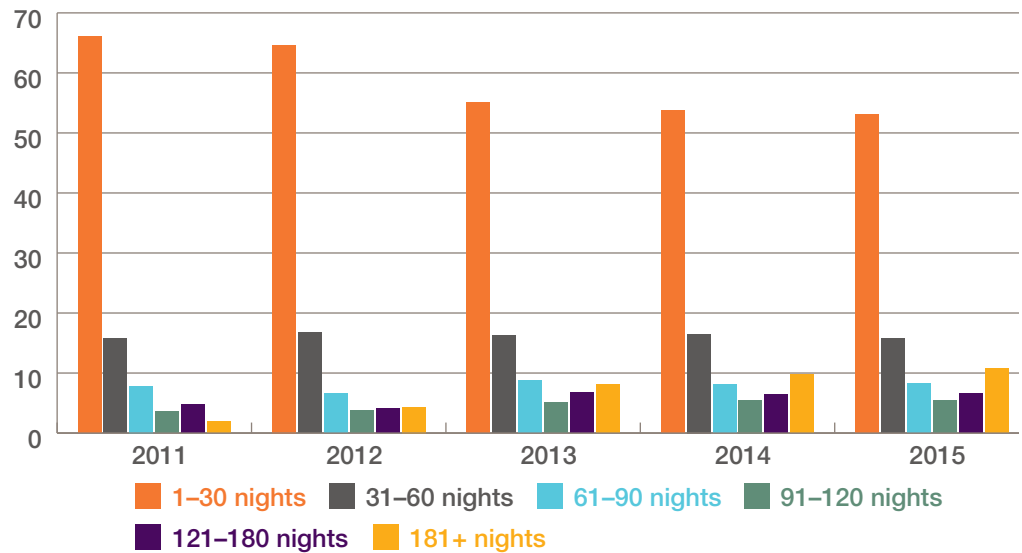
There is no way of knowing from this dataset whether the listings being occupied for more than 90 days a year are doing so with the requisite planning permission. At present, Airbnb does not verify this before allowing a property to be booked. Some will have permission, for example traditional bed and breakfasts using the platform to advertise rooms. It is certainly possible, however, that some proportion of this growing cohort of higher-occupancy hosts is not adhering to the regulations.

¹⁴ All 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. Number of properties booked for each occupancy length in 2016 estimated using total projected booked listings and the proportion of listings for each occupancy type in 2015, and rounded to the nearest whole number.

FIGURE 3.9

The proportion of entire home listings in London on Airbnb being booked at higher occupancy rates has been increasing

Proportion of entire home bookings through Airbnb, by number of nights for which each property is booked, 2011–2015



Source: Airbnb data

3.5. SUMMARY

- The number of private homes in London being let via Airbnb is rising, although its overall significance relative to the housing stock remains small: in 2015 it amounted to less than 1 per cent of the total private housing stock in London.
- In the majority of cases, hosts on Airbnb operate on a casual basis with 53 per cent of entire homes booked for between one and 30 nights a year in 2015, and only 16 per cent for 30 to 60 nights. However, a significant minority are booked more than this with 31 per cent of entire homes booked for more than 60 nights a year.
- The number of entire homes being booked for more than 90 nights a year – the threshold for a let being considered commercial under the 2015 Deregulation Act – is on an upward trend: 23 per cent of homes – 4,938 – were let out for more than 90 nights in 2015: an 85 per cent increase on 2014.
- Some of these properties 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.
- The number of listings being booked for more than 180 nights a year has risen even more sharply: bookings in 2015 were virtually double the previous year. At 2,325 homes across London in 2015, the overall prevalence of these lets remains small, but the rapid recent growth means this form of letting activity merits close monitoring by local authorities and the GLA. The typical assured shorthold tenancy is six

months, but it is important to note that bookings via Airbnb need not occur over consecutive nights, which again means not all of these properties are necessarily suitable for the private rented sector.

- In a number of London boroughs, namely Kensington and Chelsea, Camden, Hackney, Westminster, Tower Hamlets, and Islington – as well as the City of London – the number of entire homes let for more than 90 days as a proportion of private housing stock is considerably higher than elsewhere, although still relatively small. Nevertheless, with the number of Airbnb hosts continuing to grow strongly and the proportion of longer lets of entire homes growing within that, these areas may be susceptible to growing pressure in future, which may exacerbate existing housing supply issues.
- We therefore conclude that homesharing does not currently exert an impact on housing supply or rents – but in future certain high-pressure boroughs look more susceptible to impacts than others.

4. PRIVATE ROOMS: AN UNTAPPED ASSET?

Undersupply of new homes is London's major – and, arguably, its ultimate – challenge, but better utilisation of existing housing can also play a role in meeting the needs of the capital's growing population.

4.1. EFFICIENT OR INEFFICIENT HOUSING?

Overcrowding statistics suggest London has a need of around 440,000 more bedrooms in total, with 11 per cent of homes considered to be overcrowded (ONS 2013b).¹⁵ In theory, if rooms listed through Airbnb were made available for lodgings in the private rented sector, they could meet some of the existing need. There are many individuals requiring homes in the capital – for work, for study, or to be near family – who while unable to afford entire properties either as owner-occupiers or renters, could benefit from access to lodgings in private rooms. Moreover, some Airbnb hosts are willing to share their homes on at least a semi-permanent basis. In 2015, 4,228 private rooms in London were booked through the site for 91 nights or more – and 1,881 were booked for more than 180 nights. In some cases these will be in traditional bed and breakfast accommodation which will have planning permission and use Airbnb to reach new guests but in other cases this will be occurring in private homes.

However, key to Airbnb's popularity is its flexibility: it allows hosts to determine if and when they are happy to accept guests. Places may be advertised as 'available' but this does not mean households are obliged to host when approached by potential guests – although anti-discrimination law¹⁶ applies (Solomon 2016). As such, advertising on Airbnb offers advantages to hosts who do not want a long-term, full-time commitment. It is unlikely that, were Airbnb not to exist, its entire stock of private room listings would be available for rent to London residents.

In addition, overcrowding is not simply a problem experienced by individuals. In many cases, large families occupy homes that are too small for them. In Tower Hamlets, for example, 86 per cent of housing is either a flat or maisonette (VOA 2015), which typically restricts the size of homes in terms of square metres, and yet households are similar in size to the average London household at 2.4 people (DCLG 2016g). Since dividing up households is unlikely to be an option, the private rooms let via Airbnb are unlikely to be a feasible solution to this form of overcrowding.

15 Estimate from authors' own calculations: 301,325 properties are in need of one additional bedroom, and 69,206 properties need at least two further bedrooms. At a minimum this suggests a need of 439,737 more bedrooms.

16 The Equality Act 2010 protects people from discrimination in the workplace and in wider society, and therefore acts to protect people from unlawful discrimination in being granted access to accommodation.

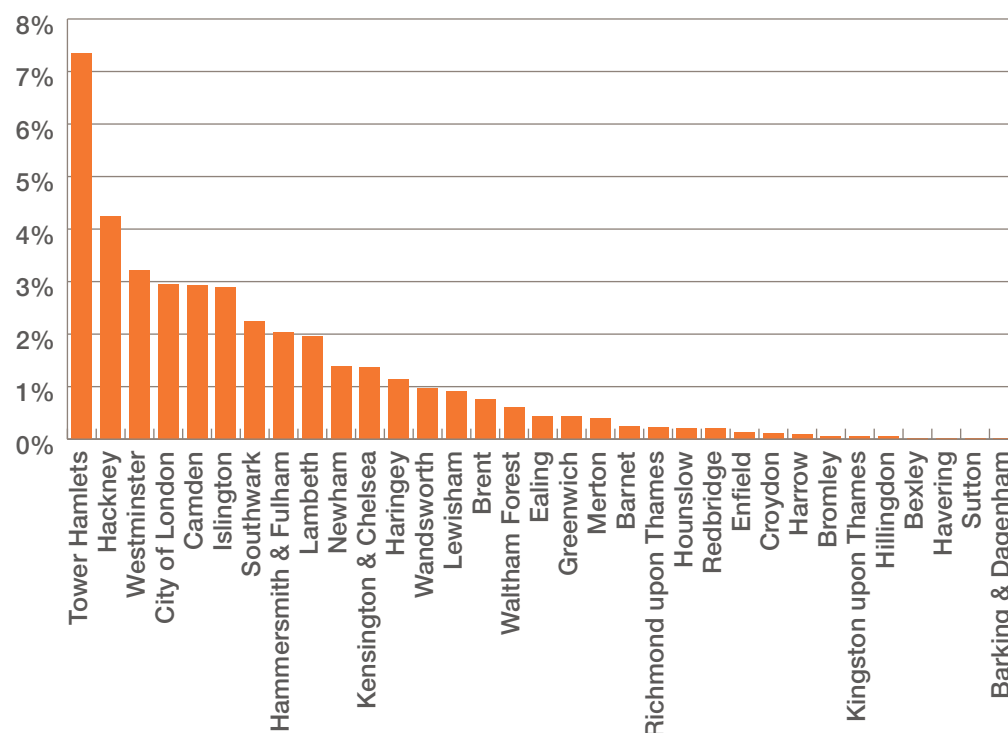
Furthermore, there is already a private room market in London and it is unrealistic to expect all Airbnb hosts to take on lodgers, or all spare bedrooms in the capital to become rental accommodation.

On the other hand, there is evidence of significant under-utilisation of housing stock in many areas of London where there are high rates of under-occupancy, particularly in some outer London areas, where Airbnb activity is much lower. This is a missed opportunity as the economic opportunity for local areas to bring in tourists and visitors via shorter-term homesharing is not being taken.

FIGURE 4.1.

The number of booked private rooms on Airbnb as a proportion of spare bedrooms varies across London

*Estimated number of booked private room listings as a percentage of available spare bedrooms in London, by borough**



Source: Airbnb data; ONS (2013b)

*Note: spare bedroom figures are from 2010 census, and Airbnb figures are for 2015.

The number of booked private rooms as a proportion of spare bedrooms is greater in the higher-pressure areas of inner London. For instance, in Tower Hamlets there are 41,860 spare bedrooms in the borough, including around 8,000 properties with at least two spare bedrooms (and therefore judged as being under-occupied under the bedroom standard). There is also a relatively high number of private room booked listings, at 3,060 (for 2015). Where the borough has capacity to host it is doing so, and yet there remain high rates of overcrowding at 16 per cent of all dwelling stock (ONS 2013b).

Meanwhile in the outer London borough of Bromley, there are approximately 136,778 spare bedrooms, including 46,700 homes with more than two spare bedrooms. These rooms and properties are under-occupied and possibly under-used, and yet in 2015 only 84 private room listings were booked on Airbnb in the borough – less than one per cent of its under-occupied dwellings. This is an illustration of how, in many outer London boroughs, very little use is being made of available bedroom space and there is great potential to explore how homesharing might be encouraged in these areas.

4.2 SUMMARY

- Private rooms let through homesharing, including via Airbnb, could in theory meet some of London's bedroom need, by being let longer-term rather than on a casual basis.
- However, in practice there is little potential for Airbnb's private rooms to meet many of London's challenges. In most cases they would not be a viable solution to the overcrowding challenges faced by many London households.
- Under-occupancy is particularly prevalent in outer London boroughs. This is also where Airbnb has less of a presence. There is therefore potential here for both the local economies of the boroughs themselves, and for residents, to benefit from more efficient use of that housing by exploring the possibilities of homesharing.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

This report finds that London's housing crisis – characterised by undersupply and unaffordability – has been and is being primarily driven by wider policy failures that have seen the capital being unable to build the new homes it needs. We conclude, therefore, that the primary focus of policymakers should be on tackling the drivers of London's housing supply crisis, outlined in section 5.2. below.

Homesharing is becoming increasingly popular among hosts and guests alike, but its share of the market and its scale across the capital remain relatively small and likely too small for it to be a significant contributor to the challenges 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 impact more significantly on 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. This is particularly true in high-pressure, inner-London boroughs where bookings of entire homes for more than 90 nights of the year are on the rise, such as Kensington and Chelsea, Hackney, Camden, Westminster, Tower Hamlets, and Islington. These boroughs could find it increasingly difficult to meet the housing needs of their growing populations if these trends in homesharing continue.

Therefore, we also conclude that policymakers, working with homesharing providers, should act now to better enforce existing rules and guard against any future risks to London's housing supply posed by homesharing. These interventions should be targeted at those that are not adhering to planning requirements as opposed to curbing wider homesharing, which is largely a casual activity. Options that could maximise the opportunities from homesharing to help utilise London's under-occupied homes should also be explored.

5.2. RECOMMENDATIONS

Our view remains as set out in the final report of the London Housing Commission (LHC), published in March 2016: the priority for policymakers should be to **tackle the primary causes of London's housing crisis**, namely:

- The undersupply of land
- An overly complex and bureaucratic planning system
- Low investment
- Too little capacity in the construction sector

The LHC set out the terms of a new housing deal that central government should reach with the mayor of London and the London boroughs. This would include central government committing to:

- Delivering new flexibilities around planning and allowing a new London Housing Committee to set planning fees for London.
- Allowing both the Greater London Authority and the boroughs to borrow more for housebuilding and infrastructure.
- Devolving stamp duty on the same model as the government's recent devolution of business rates to local authorities.

In return, the mayor and boroughs should commit to:

- Doubling the supply of new homes in London to 50,000 per year by 2020, and to maintain this for at least the following five years.
- Ensuring that London has sufficient housing at submarket rents.
- Eliminating non-decent housing from the private rented sector by 2025.

However, we believe that local authorities, the GLA and homesharing sites themselves can minimise the potential future risks to housing supply in London posed by commercial homesharing – an emerging influence in a number of London's local housing markets. Sensible regulation already exists permitting casual lets up to 90 days in a given year but requiring change-of-use planning permission for lets of more than 90 days. The issue, therefore, is one of enforcement of the existing rules, not the creation of new ones.

Better enforcement of commercial short-lets

Since May 2015, hosts in London have been required to obtain change-of-use planning permission if they want to rent their properties for more than 90 nights a year (legislation.gov.uk 2015). These changes brought London's rules broadly into line with the rest of England. Prior to this, under rules dating back to the 1970s, hosts in London boroughs were required to secure planning permission for holiday letting activities of any kind, even if for fewer than 90 days.¹⁷ However, this rule was infrequently enforced – in the 30 years following its introduction only 35 appeals across the capital against letting activities were brought forward (Scanlon et al 2014). Difficulty enforcing the law looks to be one reason for this: Westminster Council, for example, has historically placed great emphasis on regulating holiday lets, and yet it still has some of the highest rates of short-term letting in the capital (ibid).

The relaxed rules have not been in place in London for long, but the growth of homesharing – for the time being at least – is showing no signs of slowing down. This overall increase, and the rise in the number of entire homes being booked on Airbnb for more than the 90-day threshold over which planning permission is required (now 23 per cent of the total), means the potential future implications of homesharing for London's housing supply cannot be ignored. We believe that the current rules represent proportionate regulation – provided the rules are properly enforced. It is therefore not sensible to consider further

¹⁷ Section 25 of the Greater London Council (General Powers) Act 1973 defined all holiday letting in the capital as a use class, requiring planning permission, irrespective of the number of days of the let.

amendments at this stage. Instead, the issue is one of enforcement of the current rules, not the creation of new ones.

Recommendation: 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).

Recommendation: The GLA and local authorities should ensure they provide information on their websites on how the 90-day regulations apply, and the responsibilities of hosts.

It is welcome that regulatory restrictions and host responsibilities are posted online. However, an independent review commissioned by the Department for Business, Innovation and Skills in 2014 into the sharing economy found that homesharers were frequently unclear on the regulations that apply to them (Woskko 2014). For example, the current 90-night limit runs on a calendar basis, referring to a cumulative total, and is therefore not limited to consecutive bookings. Hosts may wrongly believe themselves not to be breaching regulations if they do not operate on a full-time basis. There should, therefore, be increased communication of regulations and fines to ensure greater adherence to current rules. This should extend to increased transparency on how different types of accommodation are defined, for example private homes, serviced apartments and short-term lets. This will aid regulation by helping in the identification of commercial versus casual homeshare listings, and support guests in choosing the accommodation option most suitable for their needs.

Homesharing sites should therefore take the opportunity to make their hosts aware of the rules, via a pop-up on the website, or an email reminder, for example. Local authorities should provide the platforms with links to their planning permission instructions online, which can be included at both these stages, with clear reference being made to fines, which can be up to £20,000.

Local authorities and the GLA should also make clear on their own websites how the regulations relating to homesharing and the 90-day rule are applied, and the responsibilities hosts have, particularly regarding planning permission, where they wish to book their homes for more than the 90-day limit.

Recommendation: Homesharing sites should cap hosting at 90 days per entire-home listing per 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 develop the technology within their online platforms so that, where an individual has not provided proof of planning permission and has reached the 90-day limit, a block is imposed to prevent them from exceeding 90 booked nights in a calendar year. This would not apply to those hosts and commercial accommodation operators who have obtained planning permission, so will not

disadvantage established businesses, nor would it prevent homesharing at casual rates.

This system would also offer an important advantage for casual homeshare hosts. A small number of commercial hosts who – through guest review accumulation and higher rates of availability – could come to dominate through a more trusted offer, if stricter checks are not introduced. For example, Airbnb’s ‘superhosts’ must have at least 10 bookings a year, albeit with no requirements on the number of nights booked (Airbnb 2016c), which may then favour commercially-run listings, which are able to offer more nights’ accommodation than casual hosts.

This should be a concern for homesharing sites like Airbnb, as it moves them away from their unique selling point of being able to offer ‘authentic’ London stays (see Airbnb 2016b), something that is typically offered through its more casual resident hosts. Finding ways to strengthen the implementation of the regulations will therefore help homesharing companies to support their casual hosts.

Recommendation: Homesharing sites should help authorities understand the impact of homesharing by sharing or publishing their data.

Airbnb could assist the GLA and local authorities to understand the impact of homesharing by sharing/publishing their data, provided it is anonymised. This would assist local authorities in particular to monitor the impact where there are areas with a high proportion of homesharing. The Deregulation Act 2015 includes room for some local flexibility in that it allows a local planning authority (with consent of the Secretary of State) to require planning permission for short-lets of less than 90 days a year where such an action would be necessary to protect the amenity of a local area.

Through the provision of data, boroughs will be able to access evidence of where homesharing activity is highest and allow them to act where they find cause to do so.

Recommendation: The GLA should work with local authorities and homesharing platforms as responsible businesses to introduce a registration system through which planning permission could be more easily recorded, to help enforcement of the existing rules.

Individual homesharing sites can help with the enforcement of the regulations by capping their hosts’ activity. However, hosts could circumvent this control by using multiple sites to let their property or room. To avoid this, local authorities and the GLA need a more systematic way of monitoring short-term letting.

A more uniform registration system at a London-wide level should therefore be explored. Currently, there is no easy way of quickly identifying those hosts who have obtained planning permission and those who have not, and as a result the enforcement of the regulations is a challenging task. Local authorities operate different systems and have multiple ways of recording where and how permissions have been granted. This allows those who are breaking the rules to escape

unpunished. It also unfairly undermines the reputation of Airbnb and other homesharing platforms, and that of the casual hosts upon which their businesses are based.

The GLA should explore the introduction of a registration system through which each host obtaining planning permission is granted a single unique identification number. A firm commitment from homesharing companies, the GLA, and London's local authorities to work together will be required in order to introduce the registration system into the online hosting process – for example, requiring hosts to provide their registration number at the point of registering and posting a new listing. This requires a commitment on the part of the GLA to ensure its databases on planning permissions, obtained via local authorities, are updated regularly and are shared with homesharing companies on an ongoing basis.

A London-wide system would minimise the burden on individual local authorities and simplify the process into something that can be easily incorporated into homesharing registration. It is also a recognition that homesharing is not a phenomenon unique to any single area and so demands a London-wide approach.

City-wide licensing

In 2014, San Francisco introduced a short-term residential rental registration system, through which individuals can apply for permission to rent out their primary residence legally. Hosts seeking a registration number must be a permanent resident and in possession of liability insurance, listing a single unit that is not subject to any outstanding city code violations. In return, an approved application enables a host to let their home through homesharing platforms such as Airbnb for a maximum of 90 nights a year when they are not present, and for an unlimited number of nights a year if they are present when they are hosting (City and County of San Francisco 2016). Registration is recorded by a single number – in the form, STR-xxxxxxx – which can easily identify those hosts operating legally and those which are not.

From the perspective of the local authorities, uniform registration would enable them to monitor the rates of commercial homesharing and holiday letting better. Part of this should involve tracking planning permissions for change of use, and ensuring rates do not exceed that which cannot be matched by new housing supply.

The opportunities in private room listings

Services already exist for connecting landlords with lodgers, and rooms can be advertised through various channels. Homesharing platforms do not need to step into this field. However, with high availability of spare rooms across the capital and growing economic, demographic and social demands on London's households, homesharing through online technology could offer some solutions to wider issues affecting London's housing crisis.

Airbnb's hosting activity has been most evident in inner London, an inevitable consequence of its proximity to major tourist hotspots and transport hubs. This is likely to be true of other homesharing platforms too.

Recommendation: Homesharing sites should explore encouraging increased hosting, particularly in private rooms, in outer London boroughs.

Homesharing sites have an opportunity to promote themselves more widely, boosting their presence in the outer boroughs and highlighting the benefits of private rooms – unlocking the 'authentic London' (Airbnb 2016b) by providing stays with hosts. This has the potential to alleviate some of the pressure felt in the more constrained housing markets of centrally located boroughs, while making good use of under-occupied homes, and spreading any positive economic effects more widely.

A move outward is already happening to some extent, with growth strongest in outer London boroughs. In Havering, booked listings increased 161 per cent on the year in 2015, and in Hillingdon by 159 per cent (Airbnb 2016b). There is also evidence that Airbnb is encouraging this. For example, Waltham Forest partnered with Airbnb to produce the Waltham Forest Culture Map, published in September 2016, to promote local businesses and attractions, as recommended by local hosts (Airbnb/Waltham Forest Council 2016).

Numbers remain comparatively small, however: although inner and outer London experienced similarly rapid growth rates in booked private room listings between 2014 and 2015, inner London had a total of 15,465 bookings in 2015, compared with just 4,149 across outer London.

There remains potential to move much more homesharing activity outwards towards those areas in which there is less pressure on the housing market and to renew a focus on letting private rooms within those areas.

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ANNEX

METHODOLOGICAL AND TERMINOLOGY NOTES

AIRBNB

Airbnb listings are self-defined by hosts, and cover three types of accommodation:

- **Entire homes** – 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** – guests have access to the privacy of a single room but this is available within a shared space with shared facilities.
- **Shared rooms** – guests have access to accommodation with all spaces, including bedrooms, shared.

Listings are defined as follows:

- **Active listings** are listings that are displayed on Airbnb.com as of a particular date (regardless of availability, booking history or whether they are ‘active’ on any other dates). Active listings are counted on the first day of each quarter: 1 January, 1 April, 1 July and 1 October.
- **Booked listings** are listings that have hosted at least once during the year or quarter to which the data refers.
- **Booked listings for 2016** include only 2016-Q1 and 2016-Q2 as the available data at the time of writing. Forecasts have been made using information on the proportion of entire homes, private rooms, and shared rooms in 2015-Q1 and 2015-Q2 within the 2015 totals for each (49, 45 and 46 per cent, respectively; information obtained directly from Airbnb).
- **Length of stay** refers to the number of nights booked, and does not extend to the day on which guests check-out.

Data

Additional survey data from Airbnb to which we refer was collected in 2015 (n = 250 hosts) and was provided directly to IPPR by Airbnb.

Price information was originally reported by Airbnb in US dollars and converted to pounds sterling by Airbnb at the point of data collection. Prices are provided for each quarter as a median. Where reported annually, this is the average of the four medians.

Where discussions and data refer to the current Airbnb experience, this reflects bookings data from 2015, which was the most up-to-date complete year at the time of writing. Comparative London-wide statistics are, where possible, taken from as close to this date as possible and referenced throughout.

DESIGNATION OF LONDON BOROUGHS AND LOCAL AUTHORITIES

Inner London: Camden; Greenwich; Hackney; Hammersmith and Fulham; Islington; Royal Borough of Kensington and Chelsea; Lambeth; Lewisham; Southwark; Tower Hamlets; Wandsworth; Westminster (and City of London).

Outer London: Barking and Dagenham; Barnet; Bexley; Brent; Bromley; Croydon; Ealing; Enfield; Haringey; Harrow; Havering; Hillingdon; Hounslow; Kingston upon Thames; Merton; Newham; Redbridge; Richmond upon Thames; Sutton; Waltham Forest.

Source: London Councils (2016)