

Department for Digital, Culture, Media and Sport

Developing a tourist accommodation registration scheme in England

Consultation response from Propertymark

September 2022

Background

1. Propertymark is the UK's leading professional body of property agents, with nearly 18,000 members representing over 12,800 branches. We are member-led with an executive Board of practicing agents who we work closely with to ensure that we uphold high-standards of professionalism and are able to advocate for legislative change on behalf of the sector.

Question 1: Are you able to provide us with evidence illustrating the size and nature of the short-term and holiday letting market in England and/or its regions, and how that has changed over time?

2. Propertymark is aware of three sets of evidence that illustrate the size and nature of the short-term and holiday letting market in England. Firstly, research Propertymark conducted with Capital Economics published in 2020. The report outlined that the number of active listings on Airbnb in the UK rose by 33 per cent in 2018 from 168,000 in 2017. The evidence also showed that London has the largest market in the UK, with the number of active listings rising four-fold from 18,000 in 2015 to 77,000 in 2019.¹ Secondly, a report by Greater Manchester Housing Action into Air BnB published in December 2021.² The report outlines the number of Airbnb properties has increased by over 300% between 2016 and 2020. This includes 1,409 instances when an entire property was let out for short-term lets, properties which could have housed 3,283 long-term residents. Thirdly, Propertymark surveyed members between August and September 2022. Of the 195 surveyed members, 58.5% stated that they had seen an increase in the number of short-term lets over the past 4 years, with only 13% stating that they had seen a decrease³. This increase was particularly prevalent in areas that were considered "tourist hotspots all year round" with 76% of respondents experiencing an increase in the number of short-term lets. Even areas that were not considered tourist hotspots are seeing increases, with 33% of members reporting increases and less than 15%

¹ <https://www.propertymark.co.uk/resource/the-impact-of-short-term-lets.html>

² <http://www.gmhousingaction.com/short-term-lets-manchester/>

³ In September 2022, Propertymark conducted a survey of its members which received 195 responses from letting agents. Our response to the consultation makes several references to this survey.

of respondents reporting decreases. These three different sets of evidence highlight a rise in short-term lets across the country in the past five years.

Question 2: What do you consider to be the main benefits of short-term and holiday letting for:

a) Homeowners

b) Consumers

c) Businesses and the wider economy

3. When considering the benefits of homeowners, the UK Government should consider homeowners as two groups. Firstly, those with their own property or a second property which they make available for a short period such as a few weeks throughout the year. They do this through renting out a room or the whole property. These homeowners benefit from the flexibility of letting out property on an infrequent and varied basis throughout the year and utilising occasions when they may be away on holiday and not living at the property to earn extra income. Secondly, homeowners who let their property or an additional property out for more frequent and longer periods throughout the year. This can include private landlords who have experience of letting their property in the private rented sector. These homeowners can benefit in three ways. Firstly, greater flexibility afforded by short lets. Secondly, less burdensome regulation when compared to the private rented sector. Thirdly, the ability to charge high nightly rents. To this end, research from Greater Manchester Housing Action found that even with a 60% occupancy rate the average cost per night for a two-bed flat (£95) would generate £1,710 a month. This is compared to an average long-term rental price of between £800-£1000 a month. If a landlord can manage an 80% occupancy rate, they could earn £2,300 a month.⁴ The report explains that even if legislation caps the number of days homeowners can rent out a property for short-term let, short-term lettings can still be more profitable than letting property in the private rented sector.

4. Consumers using short-term and holiday letting accommodation can benefit from having greater and more flexible access to holiday accommodation at a lower cost than a hotel, in a more convenient location and stay at premises that include household amenities. Short-term living accommodation can also provide accommodation for people when carrying out major renovation on their primary residence, moving home without the need to stay in a hotel or rent property in the private rented sector. Businesses such as letting agents can benefit from receiving additional transfer and management fees and the potential to increase their portfolio size. The wider

⁴ <http://www.gmhousingaction.com/short-term-lets-manchester/>

economy benefits from additional tourism, increased footfall, and spending within a local community.

Question 3: How do you assess levels of compliance with regulations on:

- a) Fire safety**
- b) Gas safety**
- c) Health and safety**
- d) Food and drink**

within the short-term and holiday letting market in England?

5. Overall, 57% of our members who we surveyed have not noticed any issues with local authorities enforcing compliance within short-term and holiday lettings market when compared to the private rented sector. Whilst this may seem a positive statistic, we are concerned that local authorities are taking little action to monitor and enforce rules within the short-term and holiday letting market. We have concerns for two reasons. Firstly, we know that there are a low number of private rented property inspections by local authorities and are therefore unlikely to have the capacity to inspect additional properties let in the short-term and holiday letting market. Secondly, local councils do not have sufficient financial resources to invest in officers who can adequately inspect properties and enforce the wide range of rules and regulations in both the private rented sector and short-term lettings market. Without additional resources and access to appropriate data relating to the number of properties let on a short-term basis in a local authority area there is concern that councils are unable to carry out compliance checks and control thousands of properties that are being let on a short-term basis.

Question 4: Do you consider there to be a problem with breach of contractual agreements in the short-term and holiday letting market in England? If so, why?

6. We do not have data or information to answer this question.

Question 5: Do you consider there to be other legal provisions concerning the supply of short-term and holiday letting to paying guests which are not covered elsewhere in this call for evidence but where there are issues with awareness, compliance and/or enforcement?

7. Yes, we do consider there to be other legal provisions concerning the supply of short-term and holiday letting to paying guests where there are issues with awareness, compliance and/or enforcement. These can be looked at three areas. Firstly, ensuring specific rules for all short-term and holiday lets such as ensuring working smoke and carbon monoxide alarms are present in the property, owners are prevented from running any kind of business from the property and there is a designated person to contact in an emergency. Secondly, reducing the impact of existing residents such as requiring maximum occupancy rules per bedroom to reduce noise levels and help manage on street parking. Thirdly, a standard information document to be provided at the start of the stay which includes information relating to local waste and recycling rules.

Question 6: Do you consider the increase in short-term and holiday letting in England to have had adverse consequences on the housing market?

Option 1 - Yes, this is a major problem

Option 2 - Yes, but this is only a minor problem

Option 3 - No, there is no problem

8. Yes, we do consider the increase in short-term and holiday letting in England to have had adverse consequences on the housing market and this is a major problem (option 1). According to our aforementioned survey, 69% of Propertymark members who we surveyed have stated that short-term lets will have a negative impact on the private rented sector, with only 9% stating that it would have a positive impact. There are two reasons for this. Firstly, an increase in short-term and holiday letting in England is impacting the number of properties to rent in the private rented sector. Our research on short-term lets has indicated that of the 23% of landlords who offered short-term tenancies in 2019, twelve percent did so by changing properties from longer term tenancies to short-term tenancies. Secondly, an increase in short-term and holiday lets reduces the number of homes for people to purchase which increases house prices as supply is reduced.

Question 7: Do you consider noise, anti-social or other nuisance behaviour in short-term and holiday lets in England to be a problem? If so, why?

Option 1 - Yes, this is a major problem

Option 2 - Yes, but this is only a minor problem

Option 3 - No, there is no problem

9. Yes, Propertymark considers noise, anti-social or other nuisance behaviour in short-term and holiday lets in England to be a major problem (option 1). Over a third of Propertymark members who we surveyed had come across problems with noise, anti-social or other nuisance behaviour associated with short-term lettings. Furthermore, we know that reported incidents of noise, partying, complaints from neighbours means it can be difficult to sell adjacent property.

Question 8: Aside from the impacts on housing and incidents of anti-social/nuisance behaviour, do you consider the increase in short-term and holiday letting in England to have had other adverse impacts on local communities and residents?

Option 1 - Yes

Option 2 – No

10. Yes, aside from the impacts on housing and incidents of anti-social/nuisance behaviour, we do consider the increase in short-term and holiday letting in England to have had other adverse impacts on local communities and residents. We think this for two reasons. Firstly, an increase in short-term lets in tourist hotspots have made it more difficult for homebuyers to sell property, due to being so close to holiday rentals. Secondly, reducing the supply of homes across all long-term tenures within these areas has made it more difficult for new people to move into which has impacted on employment and community cohesion in certain areas.

Question 9: Which of the following do you consider to be the most appropriate form of response in the short-term letting market?

1 - Do nothing

2 - Provide more information to the sector

3 - Develop a self-certification registration scheme

4 - Develop a registration scheme with light-touch checks

5 - Develop a licencing scheme with physical checks of the premises

6 - Regulatory alternative to a registration system, such as extension of the Deregulation Act 2015

11. Almost 70% of Propertymark members who we surveyed believe that the UK Government should introduce a licencing scheme with physical checks of short-term let premises. This will have three primary benefits. Firstly, enforcing a licencing scheme with minimum standards will reduce the impact of short-term lets on the private rented sector. Secondly, regulations will level the playing field between short-term and long-term let markets which in turn will help maintain a

strong prosperous private rented sector. Thirdly, it will provide local authorities with data to help enforce standards and keep consumers safe.

Question 10: What do you consider to be the costs and associated burdens of these options, who would bear the costs and how might they be mitigated?

12. Local authorities currently have a duty to monitor and inspect private rented accommodation to ensure that they meet regulatory standards. This is currently funded through the local authorities' tax regime. Short-term renters benefit from programmes such as rent a room relief, which allows them to claim up to £7,500 tax-free income on their rents. By comparison, landlords renting properties to long-term tenants in the private rented sector have seen their tax relief reduced since 2015 in five different ways. Firstly, levying an extra cost (via a higher rate of property tax) on those buying property to let. Secondly, withdrawal of tax relief on mortgage interest at the landlord's marginal rate, and replacement with a 20% tax credit (phased in over four years from 2017). Thirdly, the 10% Wear and Tear Allowance for fully furnished properties was replaced with a relief that enables all landlords of residential dwelling houses to deduct the costs they actually incur on replacing furnishings, appliances and kitchenware in the property. Fourthly, maintaining the Capital Gains Tax (CGT) for rented property at 28%, when it was reduced to 18% for other assets. Fifthly, rise in corporation tax from 19% to 25% from 2023, which will affect company landlords only (announced March 2021). We would recommend removing tax exemptions for short-term lets, which have encouraged landlords to leave the private rented sector. The revenue from local taxes on short-term let licensing could then be used to fund inspections and the enforcement of minimum standards.

Question 11: Do you have any insight or evidence on the impact of schemes that are already running, or approaches taken elsewhere in the world?

Scotland

13. Scotland's Short-Term Lets Licensing Order takes effect on 1 October 2022, which will be the first step taken within the UK to officially monitor short-term lets by requiring all councils in Scotland to have an operational licensing system. Licensing short-term rental properties aims to not only protect existing communities in areas with high visitor numbers through the management of short-term let licences, but ensure an appropriate number are allocated and

provide local authorities with an understanding of activity in a particular area. Propertymark has shown its support for the introduction of health and safety as part of the requirements being put in place through the licensing system as protecting those seeking a short-term let is of utmost importance. With Edinburgh in particular faced with an overhaul of short-term lets, licensing will now enable the local authority to control the number available within the capital and encourage longer term rentals which are desperately needed in order to compete with growing demand. In our response to the Scottish Government's consultation, we proposed two amendments to the Order that would make clear that a holiday let falls within the scope of the definition of a short-term let and ensure that landlords providing Houses in Multiple Occupation (HMOs) are not subject to duplicate licensing requirements.⁵ Such an amendment to the HMO definition would have the additional benefit of affording contract and transient workers the same health and safety rights as those that reside in a shared rented property full-time.

Wales

14. Propertymark responded to the Welsh Government's consultation on Local Taxes for Second Homes and Self-Catering Accommodation.⁶ The Welsh Government was seeking views on its approach to address issues of affordability and the impact of second homes and holiday lets on communities. In particular, the consultation sought views on allowing local authorities to levy a higher rate of council tax on second homes and long-term empty properties. Our response can be summarised through the following key points. Firstly, the implementation of charging a premium is inconsistent, which has limited the effectiveness of the premium. Secondly, since the premium was introduced, the number of long-term empty properties has increased while the number of affordable housing delivered has consistently fallen short of the Welsh Government's estimate of need. Thirdly, we advise that funds should be ring-fenced to ensure they are allocated towards the intended objectives of the policy – to increase the number of homes available within the Private Rented Sector. Fourthly, we propose that long-term empty property should be subject to an increasing premium, dependent on the length of time it has been vacant. Fifthly, we urge the Welsh Government to consider an amendment to Small Business Rates Relief to exclude short-term let businesses from claiming the exemption, which would make an investment in the Private

⁵ <https://www.propertymark.co.uk/resource/short-term-lets-licensing-in-scotland.html>

⁶ <https://gov.wales/consultation-local-taxes-second-homes-and-self-catering-accommodation-html>

Rented Sector more attractive.⁷ The UK Government should take these into consideration when considering ways to reduce the impact of short-term lets on the Private Rented Sector.

Amsterdam

15. Amsterdam has long faced issues with what is referred to as ‘overtourism’ and fears that an unregulated short-term lettings market would reduce the supply of homes within the Private Rented Sector. Due to this, Amsterdam has strict regulations around providing short-term and holiday lets, with clear distinctions between these types of lets. A ‘short stay’ is a rental of private housing (rent above €710.68) for durations between seven nights to six months and for no more than four residents at a time. On top of this limitation, the owner of the property must secure a permit to use their property for short stay rentals⁸. A property is considered a holiday rental in Amsterdam if the property that is being rented is the property owner’s primary address. Since January 2019, residents can only a holiday rental out for a maximum of 30 days per calendar year. The UK Government should also consider distinguishing between different types of short-term lettings, as it would ensure that different and more effective legislation can be targeted at those who rent out their property when under-utilised and those who let out entire properties for most of the year. This would be more effective at minimising the risks to the private rented sector than a single policy aimed at both types of short-term lettings. While the impact of the regulations in Amsterdam is unclear, a research paper in 2021 looking into the impact of short-term lettings on house prices in Amsterdam indicated a positive correlation between the increasing size of short-term lettings and an increase in surrounding house prices⁹. It is not therefore, unreasonable to suggest that any reduction in short-term lets will have a positive impact on the private rented sector and home ownership. In many ways, Amsterdam’s approach to short-term lets is several years ahead of the UK’s and should provide a useful guide as to the effectiveness of a registration scheme as evidence of its impact emerges.

European Commission

16. The European Commission (EC) announced the short-term accommodation rental initiative in March 2020, calling for a “more resilient, innovative and sustainable ecosystem” for tourism,

⁷ <https://www.propertymark.co.uk/resource/consultation-welsh-government-consultation-local-taxes-second-homes-self-catering-accommodation.html>

⁸ <https://blog.keycafe.com/understanding-short-term-rental-regulations-in-amsterdam/>

⁹ <https://op.europa.eu/en/publication-detail/-/publication/cf2a7bed-c995-11eb-84ce-01aa75ed71a1>

including new rules for short-term rental services. The EC is committed to enforcing ‘appropriate rules’ on short-term lettings to promote the growth of SMEs while limiting the impact on the availability of affordable housing¹⁰. The final details of the initiative are still in development, however the EU is looking to impose requirements for local authorities to access relevant and necessary data regarding short-term lets within their jurisdiction. The UK Government should consider adopting similar data sharing requirements for platforms such as Air BnB and others which organise short-term lets. This would enable local authorities to have the data necessary to develop appropriate legislation if an increase in the size of short-term lets is having a negative impact on the supply of the private rented sector.

Question 12: What has been the impact of the Deregulation Act 2015, specifically changes made by section 44 to the Greater London Council (General Powers) Act 1973?

17. When surveyed, our London members believe that the Deregulation Act 2015 and specifically changes made by section 44 to the Greater London Council (General Powers) Act 1973 have had little impact. Members are concerned that the regulation is poorly enforced, with many people renting property over the 90-day limit. Councils in London do not have access to any information that confirms a property is being used for short-term lettings and there is no requirement to notify a Council of such an intention of use. Conversely, the focus is on Councils to prove that a home is not only available for 90 nights a year but has been booked and occupied for that time. However, without up-to-date data on the number of nights booked, Councils in London are only alerted through reports from residents, which ultimately requires pro-active evidence gathering by the local authority. Without access to data, it is very difficult for Councils to investigate and effectively enforce against breaches in short-term lettings.¹¹ If a similar regulation is to be enforced across England, local authorities will require the resources to properly enforce the 90-day limitations.

Question 13: Is there any other information related to short-term lettings and/or the issues already raised in this call for evidence that you wish to draw to the government’s attention?

18. The Private Rented Sector is facing an unprecedented lack of supply of property, which risks increasing rents further and making it more difficult for people to move home. Our research

¹⁰ [Tourist services – short-term rental initiative \(europa.eu\)](http://europa.eu)

¹¹ <https://www.london.gov.uk/what-we-do/housing-and-land/housing-and-land-publications/publication-tom-copley-more-bnb-short-term-lets-londons-housing-crisis>

shows that there was a 49 per cent reduction in properties available to rent per branch in March 2022 compared to March 2019.¹² While there are several factors behind the supply of homes within the Private Rented Sector, it is clear that the increase in short-term lettings and the low levels of enforcement and flexibility that it provides homeowners has led to a reduction in available properties to rent. If this trend continues, we could see hundreds of thousands of homes made unavailable for long term rent. Given the current levels of available properties, any further reduction in available property will have catastrophic implications for the availability of homes. Due to this, we believe that there are six issues that the UK Government must consider improving with awareness, compliance and enforcement. Firstly, any legislative changes should ensure that local authorities have appropriate regulatory powers to balance the needs and concerns of their communities with wider economic and tourism interests. This will require localised solutions rather than a 'one-size-fits-all approach. Secondly, the UK Government must carefully consider the impact of any new regulation on the private rented sector if it would incentivise landlords to start using their properties for short-term lets, thereby reducing housing supply for local people. Thirdly, the UK Government should consider extending current health and safety requirements as well as tenant protections to short-term lettings. Fourthly, ensure that there are adequate enforcement procedures in place and local authorities have the capacity to do this if day limits are imposed on short-term lets. Fifthly, any legislation will need to distinguish between one person's property being used for short-term lets when it is under-utilised and larger private landlords renting out entire properties on a full-time basis. Sixthly, consider introducing limits on short-term letting activities in areas in which there is a demonstrable impact on private rented housing supply.

19. Due to the size of the private rented sector, the UK Government needs to do more to help landlords respond to the on-going demand for homes in the private rented sector. Landlords' inability to offset finance costs against tax liabilities combined with increased mortgage regulation in the buy-to-let sector means there are less incentives for small investors reliant on buy-to-let finance to enter the market. Additionally, the current taxation system does not encourage landlords to proactively improve their properties. Lettings relief is no longer available and there are no tax reliefs on improvements landlords make against rental income. Moreover, for individual landlords who can afford a buy-to-let property, tenants will likely see more of these additional costs passed on to them, meaning higher rents and less money spent on maintaining the property

¹² <https://www.propertymark.co.uk/resource/a-shrinking-private-renter-sector.html>

and tenants struggling to maintain increasing rent levels.¹³ To boost the supply of rented housing the UK Government should remove the 3% surcharge on additional homes reverse the changes to mortgage interest relief and carry out a review of all taxes relating to private landlords.

¹³ <https://www.propertymark.co.uk/resource/future-of-renting.html>