

## **The Peer to Peer Accommodation Market (P2P): Airbnb, HomeAway, Hometogo etc : Is it an issue for the Looe NDP?**

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### **1. What is the Peer to Peer Accommodation Market (P2P)?**

1.1 In recent years, with the spread of personal IT and near universal ability to be online constantly, a phenomenon referred to as 'the sharing economy' has occurred. Essentially this comprises a series of online platforms, popularly known as 'apps', which allow direct customer to customer transactions. In other words, they create an online marketplace connecting people with a service to offer to people with a demand for that service. Such 'peer to peer' apps are available for many sectors, having been pioneered by Ebay in retailing, Uber in transport, TaskRabbit in labour sourcing, and Kickstarter project financing. In the accommodation sector there is Airbnb, HomeAway, Hometogo and Vrbo UK, etc. Note that P2P accommodation sites are not traditional letting agents that manage lets on an owners behalf: they simply introduce the property owner ('hosts') to the property renter ('guests').

1.2 Airbnb is the most widely known accommodation sector app, and appears to be the biggest in the UK. According to Airbnb's own data it recorded 22,000 accommodation listing in SW England in 2016/17, with 700,000 visitors. In November 2019, a 'snapshot' search on Airbnb revealed 103 premises in Looe were advertising availability for April 2020, comprising 87 'entire places', and 16 'private rooms', with the potential to host 222 guests per night. An undated search revealed 151 premises (of which 128 were 'entire' and 18 'private rooms'). Some of these are obviously formally established holiday let premises whose proprietors are simply using Airbnb as another business opportunity, but the majority appear to be private homeowners seeking to earn an income from their property. Thus the number available at any one time will vary according to the owners own occupation of the property.

### **2. What are the implications of P2P Accommodation for Looe?**

#### **2.1 The positive impacts are:**

**For consumers,** the provision of a perceived "living like the locals" experience, (eg in a cottage/lifestyle apartment) which cannot be replicated in traditional forms of holiday accommodation such as a hotel. It can also increase capacity for tourists during the seasonal peaks and for the Looe Music Festival and can be cheaper than traditional accommodation options (due to there being less 'overhead' costs for the provider). It may also be argued to provide "collaborative consumption", which ensures that rooms are used more efficiently, that food and toiletries are not wasted, and a positive environmental outcome is created.

**For providers,** P2P accommodation gives the chance for property owners to make money from their house or spare room when not in use. Airbnb alone records that the typical SW 'hosts' earn an average of £3,400 per year. Providers can also offer their accommodation flexibly, for example during the seasonal peaks when they themselves may be away, or during the Music Festival.

**For the economy in general,** the tourism spend on accommodation is more likely to be retained locally, assuming that the accommodation owners are mostly local people. The choice of accommodation and perceived savings may also encourage longer stays, and a higher proportion of foreign visitors because of the relatively boundary free access to the P2P platforms. As the use of P2P platforms is greatest amongst the 35-44 year old age group, among those in part or full-time employment, among families with children,

and among managerial, professional or administrative workers, P2P accommodation could be argued to bring in higher spending visitors, better able to support a higher value form of tourism locally. Growing familiarity with peer to peer marketplaces amongst local people may also enhance their ability to take advantage of the 'gig economy' which otherwise can have a some very significant disadvantages.

## 2.2 The negative impacts are:

**For housing supply**, it is possible that properties that could be let as traditional private-rented properties are instead being advertised on P2P platforms such as Airbnb and being used more extensively for short term leisure lettings which, **because lettings on a nightly basis command significantly higher income than longer-term lettings, are more lucrative**. An increase in the number of properties used for short-term lettings may reduce the amount of accommodation available for longer-term lettings, thereby worsening the shortage of housing supply in the private rented sector and pushing up rents.

**For neighbours and local communities**, negative impacts of P2P accommodation that have been reported in the media and professional press include:

- noise disturbance at unsocial hours
- reduced community safety and some serious anti-social behaviour
- inappropriate disposal of food waste and general refuse
- transient communities less likely to care about the area they're staying in, undermining residential neighbourhoods and community spirit
- overcrowding of properties
- invalidity of home and block insurance during periods of nightly letting
- breaches of lease agreements
- breaches of mortgage contracts

In some larger resort locations, for example Brighton, an increasing use of P2P lettings as 'Party Houses' for weekend trips by stag and hen parties has been noted. This has already been a development at Newquay. Whilst this is unlikely to occur in Looe during the summer, as the town is associated with family holidays, there may be interest in such lettings around New Years celebrations as the reputation of the town for that event develops.

Tackling these issues is of course a call on scarce local authority and Police resources, and involves local people having to complain, which does nothing for a community's self-perception.

**For traditional short-term accommodation businesses** (hotels, guest houses, bed & breakfast) the concern is that those providers advertising exclusively through P2P platforms have an unfair competitive advantage, as they are not subject to, or even deliberately avoid, the same taxation and regulatory costs. These include business rates, VAT, formal Health and Safety standards, insurance costs, fire regulations, and consumer protection regimes. There is also concern that poor P2P properties, which may have less robust equipment and soundproofing, could provide a poor holiday experience that could taint the reputation of the whole accommodation sector in the area. There have also been reports nationally that P2P accommodation has reduced the level of normal hotel bookings, thereby impacting on new hotel investment and delaying refurbishment.

## 2.3 Other issues of concern are:

**Commercialisation**, where P2P platforms are used by professional operators as a low-cost route to advertising and renting out properties. Some of these may involve properties where the short-term letting activity has planning permission but the premises are owned and managed by firms which are located 'offshore' thus avoiding local taxes. There is also a concern that some professional landlords are using the platforms to turn residential properties into letting businesses 'under the radar' without the required planning permission or conformity with regulations.

**Sub-Letting**, where tenants renting in the private sector sub-let rooms or entire properties without their landlord's permission. Such lettings could breach or invalidate mortgage and/or lease conditions and house insurance, and, depending on the frequency of lettings, could cause additional wear and tear to the property.

**Taxation Compliance**, where landlords use rent-a-room tax relief (intended to incentivise the private rented sector) to avoid taxation on income from short term leisure lettings. Although this has been closed down in the Finance Act 2018-19, it has prompted an HMRC review of tax compliance throughout the tourism industry.

**Business Rates avoidance**, where P2P platforms could be used to drop bed & breakfast or 'entire place' lettings below the radar for Valuation Office assessments.

**Health and Safety Compliance**, where the P2P platform providers have inadequate requirements for their 'hosts' to comply with health and safety rules, guidance such as Visit England's 'Pink Book' are largely ignored, and there is no effective inspection regime (other than customer feedback, which is likely to be focused on other aspects). Fire safety is a similar concern, and although Airbnb has produced fire safety guidance for hosts, the onus is put onto the local Fire and Rescue Service to ensure compliance. The result is that a property which is let a few times a year could be seriously inadequate, which if the worst were to happen could result in the death of a holiday maker.

### 3. What planning controls are available to control P2P accommodation?

3.1 Planning Permission will be required for short-term holiday letting where it constitutes a change of use from C3 (use as a dwelling house) to C1 (use as a hotel, boarding house or guest house), or possibly a sui-generis use (such as an 'aparthotel'). This is determined through a judgement made by the Local Planning Authority as to whether a 'material' change of use is involved. Whether a change of use is 'material' is a *matter of fact and degree* and is determined on the individual merits of each case. For example, if Airbnb is used to facilitate a room being let out on an irregular basis in a dwelling-house occupied by a family, it is unlikely that the one room let will be *material* (ie substantial enough) to require a planning application for a change of use. On the other hand, if an entire dwelling is used for short term holiday letting through the summer and at other times, such that the principal resident (owner-occupier or leaseholder) was absent for a protracted period, or if the character of the residential occupation were to significantly change, creating noise, disturbance, and parking and waste handling issues, that adversely impacted on residential character and amenity for adjacent residential properties, then it might be judged that a 'material' change of use from C3 to C1 has occurred, and that Planning permission is required.

3.2 It is currently quite difficult to pin this down, as there is a limited range of appeal decision case law to call on, and different Local Planning Authorities have tended to adopt varying assessment approaches. Issues considered relevant have included: the number of nights involved<sup>1</sup>, the number of people occupying the property, the number of separate lets over a given period, the degree of disturbance to the residential character and amenity, whether the holiday occupants have to pass through or by accesses to other dwellings, the presence of the owners personal items, the degree to which the dwelling was adapted to maximise the number of occupants, the effect on the character of the street, the potential for unacceptable street parking demand, noise and disturbance in an otherwise quiet residential street, whether the letting is run as part of a business, how often the premises are serviced, the number of Tripadvisor testimonials for a property etc.

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<sup>1</sup> E.g. in London PP is required if letting is for more than 90 nights, in Oxford its 140

3.3 Trends in holiday accommodation can make this more complex, for example the development of the 'aparthotels' concept, comprising short let, high end apartments that come with significant concierge, cleaning and other services, blurring the boundaries between hotels, serviced apartments and class C3.

3.4 If planning permission is required, then a planning policy that protects the interests of the local planning strategy, and the surrounding community and their environment, can be taken into account. If permission is refused, and the change of use has occurred, enforcement action to bring about its cessation or curtailment is necessary.

3.5 If permission is granted, the re-classification from residential use C3 to commercial use C1 can make a huge difference in other ways. As noted above, commercial properties are governed by different regulations for health and safety, fire regulation, building regulations and tax, amongst many other areas. The required compliance with these aspects for commercial property owners are unintended consequences for most casual P2P platform members, who won't anticipate having to comply with a range of commercial property requirements when letting out part of their home, and which could ultimately result in very unhappy outcomes.

#### **4. What should the Looe NDP say about P2P Accommodation?**

4.1 The NDP could point to the evidence that short term letting can disturb neighbours, with visitors creating noise, sometimes at unsociable hours, and that high turnover of visitors/renters can also impact upon permanent occupiers reducing the sense of community and raising the fear of crime. It can also refer to the fact that short term letting of residential properties also reduces the permanent housing stock and makes it more difficult for local people to find rented accommodation.

4.2 Current planning policy in the Looe NDP is to encourage new holiday accommodation that is linked to 'green tourism' i.e. is purpose built (Policy E4), resist occupancy of new dwellings as second homes (Policy H2A), allow the removal of restrictions which restrict homes to holiday use only (Policy H2B) and encourage the provision of affordable housing to meet the needs of local people. It also supports development which minimises adverse impacts on neighbouring residences and reflects the character of the area.

4.3 The NDP should logically therefore be very clear that where a residential property reaches a level of use that constitutes a material change away from C3 use as a dwelling house to a C1 or sui generis residential use, applications for whole residential properties, including single-dwelling houses and flats, to be converted to short term/ holiday lettings will not be supported.

4.4 In supporting this policy, the NDP could specify the tests that might be referred to in assessing whether a material change of use has occurred. Examples used elsewhere have been referred to above in Para 3.

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#### **5. COVID-19 UPDATE**

5.1 On 16 March 2020 the UK Government recommended that the population start to practice social distancing to help prevent the spread of coronavirus; this was followed by the start of a lockdown period on 23 March 2020. The Government instructed commercial tourist accommodation to close as quickly as possible and indicated that essential travel does not include holidays, leisure travel and visits to second homes - and people must remain in their primary residence. At the end of June 2020 many restrictions were lifted as the pandemic eased, with the tourism industry reopening in the UK and Europe – but in late July increasing infections in Spain and other foreign holiday destinations led to renewed quarantine

restrictions on foreign travel. It seems likely that COVID-19 will circulate globally for some years to come.

5.2 A brief skim of opinion via the internet suggests that international tourism will be severely curtailed for several years, with alternating relaxations and tightening of travel restrictions, leading to more holiday time being taken in the form of 'staycations' ie a holiday spent in one's home country rather than abroad, or one spent at home and involving day trips to local attractions. By the end of July 2020 the tourism industry in Cornwall was reviving strongly as a result. Sources also suggest that the vast (and for many enjoyable) experience of home working and meeting by Zoom, Skype and Teams etc, and the spin-off savings to office-based industry, will lead the practice of home working become permanently embedded. There are also many newspaper reports, including by The Guardian, of 'a surge in the numbers of would-be homebuyers plotting a move out of the city to a rural area or smaller town as people conclude that home working is here to stay'.

5.3 What are the implications for the Looe NDP? An initial assessment is that this trend may lead to many 2<sup>nd</sup> home owners transferring to their 2<sup>nd</sup> home on a permanent basis. On the other hand the experience of successful home working, the forecast growth in staycations and the perceived need to have a 'bolt hole' in case of future emergencies may encourage people to continue buying properties as their 2<sup>nd</sup> homes, and possibly increasing the rate of take up. This may lead to an increase in 2<sup>nd</sup> homes, the owners of which may seek to let their properties as P2P lets when they are not using them. Also the increased demand from growth in 'staycationers' may encourage existing local residents to consider P2P letting of their properties.