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OF ECONOMICS AND
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Homesharing for renters: Barriers and opportunities

An LSE London report
commissioned by Airbnb

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Foreword

The cost-of-living crisis across the UK has been felt by everyone. In some areas, rents are at some of the highest rates on record, and inflation continues to drive up prices. These challenges have left many looking for additional ways to make ends meet, including through participating in the sharing economy.

Airbnb was born in 2007 during an economic crisis when our founders couldn't afford to cover an increase in their rent. Since then, hosting on Airbnb has become an economic lifeline to many people and, according to our own research, more than a third of Hosts across the UK now say they offer their place as a short-term let in order to afford the rising cost of living. Yet many renters cannot access the same opportunity. This new research from the London School of Economics, supported by Airbnb, looks for the first time at the possible benefits of, and obstacles to, homesharing within the private rented sector, as well as highlighting the potential for reforms.

We investigated this area in order to look at the financial and social advantages of homesharing, which are typically closed off from the large renter population in our society. This report sheds light on the barriers that many renters face in participating in homesharing, such as legal and contractual restrictions. It also identifies practical ways to give greater freedoms and economic opportunities to renters in the places they call home. The study acknowledges the relationship between renters and landlords, highlights positive cases where agreed homesharing can deliver a mutual benefit, and describes legislative and contractual changes to make this possible.

This research is not only about gathering data; it's about understanding people's lives, how people in the UK choose to live, and where spare space could be used to generate greater financial security. It's also about starting a conversation that could lead to change, and ultimately helping more people unlock additional income to afford the places they call home.

Evaluating the challenges to renters is one part of the broader housing debate in the UK, where the role of short-term lets is also under discussion. We firmly believe that short-term lets in the UK should be regulated and we have long called for the introduction of nationwide rules that work for everyone. Rules for short-term lets need to strike a balance that protects tourism, ensures everyday British people can still earn additional income from sharing their homes, and gives local authorities the tools they need to understand and address demonstrated housing concerns in their communities.

We hope this research can spark a new conversation about the ideal design of a modern housing sector and the ways in which Airbnb can support renters and landlords in benefitting from homesharing.

Amanda Cupples

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This is an independent report, commissioned by Airbnb. The analysis and conclusions are those of the main authors and may not reflect the views of Airbnb or our international contributors.

Definitions

Terms have the following meanings in this report:

Whole homes: short-term lets of entire dwellings, where the host is not present. Whole home listings may be

- Hosts' own primary residences which are let out when the host is away
- Other dwellings used regularly by the host (eg second homes)
- Dedicated short-term rentals.

The majority of hosts on Airbnb have a single listing¹.

Spare rooms: short-term lets of individual rooms in homes that are otherwise occupied; the host is usually but not always present. On the Airbnb platform these are known as 'Private Rooms'.

Hosts: the people or firms responsible for Airbnb listings. Most of the hosts discussed in this report are individuals letting out spare rooms or other spaces in their main homes. Airbnb refers to them as Hosts (upper-case).

Tenants: Hosts who rent their homes from landlords—as opposed to home owners.

Because the subject of this report is short term lets by hosts who are themselves tenants, it is important to distinguish between long- and short-term rentals. We have used the term '**rent**' for long-term rentals and '**lets**' for short-term rentals of whole homes or of spare rooms, such as through hosting on Airbnb or other booking platforms.

The definitions are those of the authors and may differ from Airbnb's own terminology.

Acronyms

The following acronyms are used:

PRS: private rented sector

STLs: short-term lets

¹ 4 in 5 UK hosts have one listing on Airbnb: <https://www.airbnb.co.uk/e/simpletruths>

Executive summary

Peer-to-peer accommodation has grown in popularity in the past few decades and Airbnb, a popular short-term let (STL) booking platform, has become a household name in the UK and many other countries. It was originally founded to facilitate the letting of spare rooms rather than whole homes and this has always been part of its offer: according to Airbnb, as of January 2023, 26.5% of active listings were private rooms². In recent years, the company has continued to launch specific initiatives focused on private rooms, which Airbnb's CEO Brian Chesky has described as "getting back to the idea that started it all – back to [Airbnb's] founding ethos of sharing."

In the UK there are few restrictions on homeowners letting out their spare rooms, but tenants' leases often prohibit the activity without the explicit consent of the landlord or even forbid it completely. The cost of living crisis and the Renters (Reform) Bill provide the context for this research, which looked at the contribution of earnings from spare room lets to household incomes and the barriers to such lettings, especially for hosts who are themselves tenants.

The research involved a literature review, analysis of Airbnb data, a survey of 1500 UK spare room hosts and a programme of focus groups and interviews. Most academic literature on STLs relates to tourism and hospitality or to housing and focuses on STLs of whole homes, not spare rooms. We also looked at policies around spare room lets in four European cities. Again, most policies relate to STLs of whole homes although some jurisdictions do require licences for STLs of spare rooms.

In the UK, London has the most spare room listings both in absolute terms and relative to its population; the South West and parts of Scotland also have high numbers. According to Airbnb data, the average annual earnings of UK spare-room hosts was about £5000 in 2022³. The median was lower, as the average was pulled up by earnings from listings in higher-cost areas. Up to £7500 can be earned tax-free from STLs of spare rooms under the UK's Rent a Room Scheme.

Earnings from letting out a spare room can boost incomes: on average, spare room lets made up 16% of our survey respondents' household incomes⁴. In principle, tenants might benefit more than homeowners from letting out spare rooms, as they tend to have lower incomes and spend a higher proportion on housing--although rented homes are on average smaller and less likely to have unoccupied rooms. But although 37% of English households rent their homes from private or social landlords, only 9% of the hosts we surveyed were themselves tenants. The main barrier is contractual: while very few leases mention STLs of spare rooms specifically, most private leases require tenants who want to let their spare rooms to a lodger to secure the consent of the landlord, while many social sector leases prohibit the practice entirely.

Amongst both tenant hosts and all hosts surveyed, the most cited motivation for letting out a spare room was to earn money (87% of all/81% of tenants). The second major motivation, and the primary one for some hosts, was social. Particularly for the many hosts who live alone, spare room lets are an important source of social contact.

Respondents to the LSE survey were asked how important earnings from STLs of spare rooms were to their households. Almost half said they were very important or essential. Renters viewed the

² The nights available and booked are for full year 2022. As of Jan 1 2023, 26.5% of active ever booked listings are private rooms.

³ Airbnb data for calendar year 2022.

⁴ Survey asked for 'current income' and was conducted in September 2023.

earnings as more important than those in other tenures, with 35% of tenant hosts saying the earnings from spare room lets were essential.

Spare room STLs provide affordable accommodation for a range of guests including healthcare workers, patients, students and contractors, not just tourists. For some such guests these rooms may be more suitable or comfortable than traditional hotels.

The use of whole homes as dedicated STLs is often criticised for reducing the availability of rental housing, especially in cities with tight housing markets. Spare room lets have much less impact on housing markets than lets of whole homes. Spare room lets arguably reduce options for prospective long-term lodgers, but with few exceptions the hosts we spoke to said they wouldn't consider having a full-time lodger. In practice, that means many of these rooms would probably be unoccupied if offering STLs were not an option.

In the UK and elsewhere, whole-home STLs are more often regulated than STLs of spare rooms. For example, London limits STLs of whole homes to 90 nights/year, Scotland has recently introduced a licensing scheme, and Northern Ireland has a certification scheme. Further regulation is being considered by both national and devolved governments.

For tenants, there are upcoming changes in the regulation of the private rented sector. In May 2023 the government introduced the long-promised Renters (Reform) Bill, which has one major aim: to ensure that private tenants can treat their rented properties as their homes. For example, the bill will give tenants the right to request a pet in the property and landlords must not unreasonably refuse such requests. This might serve as a model for STLs of spare rooms.

Recommendations

1. Government should consider the case for giving tenants the statutory right to request permission to let out spare rooms in their homes on a short-term basis. The current discussion of the provisions of the Renters (Reform) Bill, and the forthcoming government framework for regulation of STLs, may present an opportunity here. The draft provision allowing tenants to ask to keep a pet could serve as a model.
2. Some households that could benefit from such earnings—particularly tenants, who tend to have lower incomes than owner occupiers—cannot currently let out their spare rooms. This is because of barriers including the wording of leases, landlord insurance, mortgage conditions and HMO licensing. In exploring ways of regulating STLs under the Levelling-Up and Regeneration Act, the UK Government should invite interested parties to work together to investigate these barriers in detail and explore the desirability and feasibility of making it easier for tenant households to let out spare rooms on a short-term basis. Relevant stakeholders include landlords (both private and social), mortgage lenders, insurance companies, and national and local government.
3. Earnings from STLs of spare rooms can make a significant contribution to hosts' incomes, in some cases enabling them to remain in homes that they otherwise could not afford. The government should consider the case for increasing the level of rent a room relief, which has been unchanged at £7,500 per year since April 2016. If it had risen in line with inflation it would now stand at more than £9,800. This might encourage more to consider spare room hosting (although relatively few spare room hosts earn even as much as the current ceiling).

4. More research should be done into the direct and indirect effects of STLs of spare rooms, as opposed to whole homes.

1 Introduction

Peer-to-peer accommodation has grown in popularity in the past few decades and Airbnb, a popular online platform enabling people to offer homes or individual rooms for short-term let, has become a household name in the UK and in many other countries. The ongoing cost of living crisis and the Renters (Reform) Bill, which is currently being considered in Parliament, provide the context for this research project. The aim was to assemble evidence on the actual and potential contribution of earnings from spare room lets to household incomes and examine the barriers to letting out spare rooms, especially for hosts who are themselves tenants.

The original concept of Airbnb⁵ was to facilitate the letting of rooms in peoples' homes, but the profile of listings has evolved markedly since the company was founded in 2007. There are currently over seven million active listings on Airbnb around the world. Four in five UK hosts list one property on the site, and the vast majority - over 90% - list one or two properties.

According to LSE analysis around a quarter of UK active listings currently on Airbnb are 'spare room' listings (known as 'Private Rooms' on the platform), most of which are in hosts' own homes, but most listings in the UK and in the European geographies we reviewed are for whole homes. Some of these are the hosts' main or vacation homes and some are dedicated full-time STLs. In many cities with tight housing markets the conversion of permanent homes to dedicated short-term lets is seen by governments to contribute to reduced housing supply and higher prices and rents. This has contributed to regulation of STL activity in many places. In recent years, the company has continued to launch specific initiatives focused on private rooms, which Airbnb's CEO Brian Chesky has described as "getting back to the idea that started it all – back to [Airbnb's] founding ethos of sharing."

In the UK, homeowners can usually let out all or part of their properties as STLs, subject to local regulations or registration requirements. For tenants the situation can be different: rental tenancy agreements often contain clauses that prohibit sublets or lodgers without the explicit consent of the landlord. These restrictions can preclude renters from offering spare rooms through sharing platforms; renters doing so in contravention of lease terms may risk eviction. At the same time, the government's rent a room scheme allows anyone to earn up to £7,500 a year tax-free from renting furnished accommodation to a lodger in their main home, which includes guests in STLs. The policy aims to increase the supply and variety of low cost accommodation and to support labour mobility. Hosts who are themselves tenants are also eligible for the scheme.

Most of the debate about STLs, and most of the academic literature, focuses on whole-home lets. There is a clear gap in our knowledge about spare room lets, which this report aims to address.

Research questions and methods

The research questions for this project were:

1. How much do UK hosts earn from letting out spare rooms in their homes, and what contribution does this make to their household incomes?
2. Apart from financial considerations, what motivates hosts to let out their spare rooms?

⁵ While Airbnb is not the only STL platform, its name is often used generically to refer to STLs.

3. In the UK, what regulatory and legal provisions make it difficult for tenants in the private rented sector (PRS) or social housing to let out their spare rooms? What were the original rationales for these provisions and are they still needed?
4. What would have to change to make such activity easier?
5. What is the situation with spare room lets in four major continental European cities?

Our empirical research was carried out over the period July-November 2023. We used a mix of methods including

- Reviewing the academic and 'grey' literature on short-term lets
- Analysing a dataset provided by Airbnb for this project on spare room listings and hosts on its platform. We did not have access to granular (individual) host-level data and did not receive data from other STL platforms.
- Conducting an online survey of 1537 spare room hosts in the UK. Invitations to the LSE survey were distributed by Airbnb to hosts offering spare rooms on the platform.
- Organising two in-person focus groups of spare room hosts letting on the Airbnb platform— one in London, one in Liverpool. There were 12 participants in all, recruited from respondents to the online survey, and their travel costs were covered.
- Interviewing six spare room hosts and five stakeholders with an interest in STLs. The spare room hosts were chosen from those who volunteered to be interviewed on the LSE survey. Stakeholder interviewees included representatives of landlord associations, local governments and industry interest groups. To enable interviewees to speak freely we have not named them or their organisations.
- Recruiting academic experts to complete a structured questionnaire about spare room hosting in four comparator cities: Barcelona, Lisbon, Berlin and Paris

The research was carried out in collaboration with Airbnb, which provided anonymised data and engagement with hosts who list on the platform. Given the popularity of the Airbnb platform in the UK, we have interpreted the results of our research as being indicative of the wider picture for short-term lets of spare rooms in the UK.

2 Existing studies of short-term lets

The body of academic literature about short-term lets is very large, and we can only give a flavour of it in this report. Publications focus mainly on rentals of whole homes, which may be dedicated STLs or hosts' primary or holiday residences. Unsurprisingly, given that STL platforms are major innovators and disruptors in travel and accommodation, most articles appear in journals of tourism and hospitality. There is also an extensive list of publications about economic, planning and housing issues, which are more relevant to this project.

Although spare room lets make up a significant proportion of the properties offered by hosts on Airbnb⁶, there is little research about them specifically, which is a clear gap in the evidence base. Two papers argue that the neighbourhood impacts of spare room lets differ from those of whole home lets in that guests in spare rooms are less likely to be a nuisance to neighbours and letting a spare room has less effect on local housing markets than letting a whole home. The authors argue that they should therefore be regulated separately (Aversa and Rice 2023; Wachsmuth and Weisler 2018).

Turning to studies of STLs of whole homes, many focus on impacts on tourism and the economy. These can be positive, especially in locations with limited hotel capacity. A recent report by Airbnb presented data showing that listings on its platform are spatially dispersed compared to the locations of hotels, both within cities and across wider geographical areas (Airbnb 2023a). Spare room lets can be a useful way to increase the visitor accommodation capacity of cities hosting major events such as music festivals (Zervas et al 2017). Spare-room STLs can reduce financial risk for the promoters as they do not require major investment to increase guest capacity and allow local people to benefit financially, as well as encouraging people to stay in non-touristic areas and bringing business to different parts of the city.

A report commissioned by Airbnb calculated that stays organised through the platform contributed £2.9 billion to the UK economy in 2022 (Airbnb 2023b). There is however a debate about how much of this is genuinely new activity (see Guttenberg et al 2018).

Hosts benefit from letting properties on the platform. Airbnb itself reports that the typical UK host earns on average £6,000 a year (Airbnb 2022). In a study of STLs in London, hosts reported that a major motivation for hosting a room in their home, especially in high-cost areas, was to support their mortgage payments (Shabrina et al 2022).

Consumers can also benefit through a greater choice of accommodation at lower prices, and some writers argue that short-term lets can cater particularly well to travellers who are not tourists—for example people needing residential accommodation for medical stays, or those who are temporarily relocating for work (Suess et al 2020).

Publications in housing studies and geography tend to emphasise the negative effects of STLs. Those with a spatial focus look mainly at high-cost cities; there are widely cited studies relating to the housing market effects of whole home STLs in cities such as New York, London and Barcelona. The potential issues identified are:

⁶ Though not on all STL platforms—VRBO's advertising emphasises that guests always get the 'entire place'

- Removal of homes from the local permanent housing stock, especially the private rented sector. In high-demand areas this may contribute to housing supply shortages and higher rents for local residents
- Negative local externalities (noise in particular, but also anti-social behaviour and effects on local services), especially in neighbourhoods with concentrations of STLs
- Contribution to the financialisation of housing (Whitehead et al 2023)

In some high-demand areas, there is evidence that STLs reduce the number of homes available for long-term letting, potentially exacerbating housing shortages and increasing rents in areas where Airbnb properties are heavily concentrated (Shabrina et al 2022). Landlords may decide to stop letting to permanent residents and instead offer their properties as STLs: research by Capital Economics found that one quarter of 232 landlords surveyed let properties out on a short-term basis, and of these 12% had previously been long-term lets (Capital Economics 2020). Similarly, a Scottish study found that 36% of 535 landlords surveyed were hosting STLs in properties that were previously long-term lets or owner-occupied homes (Collaborative Centre for Housing Evidence 2019).

Several authors have looked at the effects of STLs on local house prices. Research in New York found that a doubling of the number of Airbnb listings in an area led property values to increase by 6–11% (Sheppard and Udell 2016), although the authors noted that neighbourhoods might benefit from STLs in other ways. Looking at London, Todd et al (2022) found that higher numbers of STL listings were associated with a modest increase in the price of housing per m²; the effect was largest in central London boroughs.

3 UK spare room hosts on Airbnb: tenure and earnings

Airbnb, like other STL platforms, is now well known for the letting of whole homes. However the business started as a way of facilitating the letting of spare rooms in occupied homes, and this still makes up a significant proportion of properties offered on the platform. According to Airbnb data, as of January 2023, 26.5% of active ever booked listings were private rooms. The proportion varies across the country, from under 8% in some local authority areas to over 80% in others. Spare room lets are more common in cities than in the countryside.

A minority of listings for private rooms are not spare rooms in otherwise occupied homes; rather, whole homes are being let out on a room-by-room basis, with guests possibly sharing kitchen facilities or common areas. An increasing number of professional operators use the platform.

In the UK, London has the highest number of Airbnb private room listings⁷ in both absolute and relative terms. London private-room listings account for about one third of such listings in the UK; the South West and Scotland also stood out as areas with many spare room listings. By contrast the numbers are relatively small in several northern regions and Northern Ireland.

Most spare rooms are not available for letting every night. Across the UK geography over a five-year period, Airbnb data show that the average private room was available for let for 17 nights/month (204 nights/year) and was actually occupied for 6 nights/month (74 nights/year)⁸.

The LSE survey of Airbnb spare room hosts⁹ provides information about the demographic characteristics of these households. Of the survey respondents, 44% lived alone—significantly more than the 30% share of single-person households in the UK population as a whole—and only 10% had minor children, compared to 29% of households nationally.

About 41% of respondents had been hosting spare room lets for two years or less, and a quarter for a year or less. A small percentage had been hosting spare rooms for more than ten years.

Tenure of hosts

Our information about the tenure of hosts comes from the LSE survey, as Airbnb's own data do not distinguish between homeowners and renters. Of our survey respondents, more than 90% owned the properties where the spare rooms are located, either outright (49%) or with a mortgage (43%). Just 9% of respondents to the LSE survey (92 in all) were tenants. This tenure profile is very different from the profile across England as a whole, where a far higher proportion of homes are rented. According to the 2021 Census, 37% of English homes are rented: 20% from private landlords and 17% from social landlords.

Tenants might be expected to be more motivated than owner occupiers to earn money from letting out spare rooms, as they tend to have lower incomes than homeowners and typically a significantly higher proportion of tenants' income goes to the cost of housing. Outright homeowners have no mortgage costs, and according to the English Housing Survey 2021/22, homeowners with mortgages

⁷A minority of what Airbnb calls 'private room listings' are not spare rooms but are in whole homes that are rented on a room-by-room basis. Such listings were included in the Airbnb data we received.

⁸ Airbnb data for calendar years 2018 – 2022.

⁹ The invitation to take part in the LSE online survey was distributed in September 2023 by Airbnb to UK hosts with active spare room listings. About 1500 valid responses were received. The survey also captured a small number of respondents who had previously hosted rooms on the platform but stopped.

spent 22% of their household income on mortgage payments. Private tenants by contrast spent on average 33% of their income on rent (or 38% if housing support¹⁰ was excluded).

The average rent paid by the private tenants who responded to our survey was £1,525/month, and the median was £1,282. These figures are significantly higher than the average and median rents for England as a whole (£960 and £825 respectively, according to the ONS). Overall, some 33% of Airbnb private-room listings were in London, but of private room listings whose hosts were living in rented homes, 59% were in London. Tenants’ search for additional income via STLs is doubtless partly motivated by the high cost of rented housing, especially in London.

Although renters may need the money more than homeowners, they may in practice be less able to offer spare room STLs. Tenants tend to live in smaller homes: the average owner occupied home is 111m², vs 75m² for rented homes. Rented homes are also less likely to have spare bedrooms. Nearly half of owner-occupied homes in England are ‘under-occupied’ (have two or more spare bedrooms); the corresponding figure for private rented households is 15%.

Airbnb recently commissioned Opinium polling of 2,000 renters who have a spare room. Most said their landlord did not allow them to let out their spare room to guests, but over half of those with a spare room said that if their lease allowed them to open their spare room to guests they would do so (Opinium 2023).

Earnings from spare room lets

According to data supplied by Airbnb for this research, if listings are split by local authority area the average nightly room rate across local authority districts in 2022 was about £52. Median annual earnings for UK spare room hosts for the period 2018-2022 were about £1200. Information from the LSE London survey was consistent with the Airbnb data. Of respondents letting a single spare room, roughly 50% earned £2500 or less from spare room lets in the preceding 12 months, and the vast majority earned under £7500 (the threshold for the Rent a Room allowance). A small group (about 7%) earned £10,000 or more.

Of the 1537 respondents to the LSE survey, 734 let out a single spare room and provided information about their income. Their average income from all sources including STLs, rounded to the nearest £1000, was £39,000, with a median of £30,000. On average, earnings from letting out a single spare room accounted for 16% of household income for our survey respondents. The median was 9%.

Looking at tenants only, there were 62 respondents who were letting a single room and provided income information. On average, earnings from this activity accounted for 9% of household income; the median was the same.

Table 1: Contribution of spare room income for UK households letting single spare room

	ALL TENURES (n=734)		TENANTS ONLY (n=62)	
	<i>Total household income (rounded)</i>	<i>Spare-room earnings as % of household income</i>	<i>Total household income (rounded)</i>	<i>Spare-room earnings as % of household income</i>
average	£39,000	16%	£36,000	9%
median	£30,000	9%	£36,000	9%

Source: LSE London survey of Airbnb spare room hosts

¹⁰ Legacy Housing Benefit or the housing element of Universal Credit. 25% of private renter households received housing support to help pay their rent in 2021/22.

Those letting two spare rooms and for whom we have income figures (78 respondents) had somewhat higher overall incomes and spare room letting made a slightly higher contribution to those incomes (19% on average).

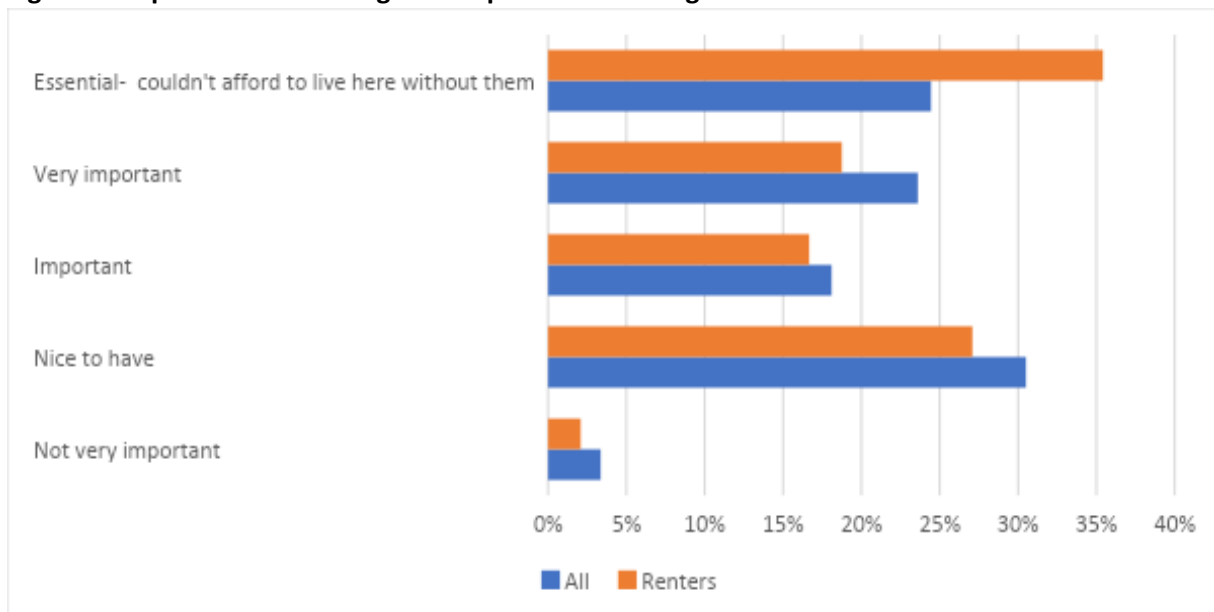
Table 2: Contribution of spare room income for UK households letting out two spare rooms (all tenures, n=78)

	<i>Total household income (rounded)</i>	<i>Spare-room earnings as % of household income</i>
average	£43,000	19%
median	£30,000	10%

Source: LSE London survey of Airbnb spare room hosts

Respondents to the LSE survey were asked how important earnings from STLs of spare rooms were to their households. Almost half said they were very important or essential. Renters viewed the earnings as more important than homeowners, with 35% of tenant hosts saying the earnings from spare room lets were essential.

Figure 2: Importance of earnings from spare room letting



Source: LSE London survey of Airbnb spare room hosts

Many working-age hosts said the income from spare room lets enabled them to pay their rent or mortgage. One said it allowed them to stay in their home after breaking up with their partner; another said the income supported them when they could not work following a long-term illness. Amongst those nearing or in retirement, a number said earnings from spare room lets meant they could stay in their family homes after their children had left and/or their partners had died.

My wife died five years ago and the kids moved out. I was kind of seriously considering having to reinvent myself, especially when the cost-of-living crisis was starting to bite. And I was feeling like, do I have to go back to work full time? Or do I try and do something else to try and actually get some

income from the house... And I mean, it's made a huge difference. To be honest, it's been the difference between having to sell the house and downsize, and being able to stay in the house.¹¹

Income from spare room lets could substitute for employment income. Several hosts said that by letting spare rooms they could afford to retire early or take time off work. Some used earnings from spare room lets to pay for holidays or other exceptional expenditure; one said they personally did not need the income but saved it to give to their grandchildren.

I'm taking a break from my work so it's really giving (my partner) some reassurance of some income coming in this period.

I use it for maintenance of the house, if I need a new car, you know, and I'm quite upfront--if I am chatting (to a guest), I will say, 'You're my new sofa!'

Most hosts said spare room earnings had become more important over time, partly due to increases in the cost of living and particularly energy prices. Three quarters said their costs had risen over the previous year, citing utility bills, food and mortgages. Of tenants, 50% had seen their rents increase.

Table 3: Reasons for increased household costs (of those whose costs had increased, n=804)

Utility bills	96%
Food	83%
Mortgage payments	29%
New contracts (phone, streaming services)	15%
Additional family to support	15%
Rent increases	9% overall (50% of renters)
Other	11%

Source: LSE London survey of Airbnb spare room hosts

Case study 1: Richard

Richard lives alone in a modern two-bedroom flat in central London, which he rents. He is currently unable to work due to long term health problems. He first started listing a double bedroom with ensuite on Airbnb a year and half ago to generate funds to stay in his flat.

Room letting on Airbnb is Richard's main source of earnings; without it, he says, he would probably have to claim benefits. The money has become more important as bills have gone up. Richard considered finding a full-time housemate as there would be less work involved, but felt this would bring in less money and wouldn't fit as well with his lifestyle.

Aside from the money, Richard's main reasons for letting out the room are to meet people from all over the world and to have company at home. Richard encourages longer stays to make the cleaning and work involved worthwhile, and on average people stay for seven nights. His guests are mainly people travelling to London for holiday.

Richard provides guests with snacks on arrival and is happy to advise them about where to go in London. He takes pride in making sure people have a good experience in the capital.

¹¹ Quotes are verbatim from interview and focus group participants, or from free-text responses to host survey.

A minority of respondents had seen household expenditure decrease. Most (71%) said this was due to deliberate cost savings. Other contributors included children moving out of the family home, paying off the mortgage, and retirement.

In qualitative fieldwork carried out by LSE in the course of this research, hosts described varying approaches to setting prices. Those who relied on spare room income for essential expenditure paid keen attention to occupancy rates and pricing. Hosts for whom the money was just 'nice to have' tended to take a less strategic approach. Some hosts were very tactical, moving prices up and down at different times of year; others charged a low rate at all times to try to maintain maximum capacity (although some participants said very low prices attracted more difficult guests).

We asked hosts about the extra work and cost involved with letting out the room. None apart from one commercial host had formally calculated the time/cost it took to clean the room, although several had minimum stays of two or more nights as they felt it was too much work to turn the room around after a single night.

In the focus groups, hosts discussed utility bills. Some liked having a reason to keep the heat on, while others said rising utility prices in combination with changing guest behaviour had affected energy bills; indeed some had stopped letting out their rooms in winter for that reason.

Case study 2: Sarah

Sarah lives alone in a two-bedroom flat in an outer London borough. She works part time for the local council and has two adult sons. She lets out a cosy double bedroom on Airbnb; guests have access to a shared bathroom, living room and kitchen.

When her sons first moved out, Sarah rented the room to a full time lodger, but when one son wanted to move back home temporarily the lodger had to go. She then began letting the room on Airbnb because it was more flexible--she can easily turn down a booking request or make the room unavailable on the platform if necessary.

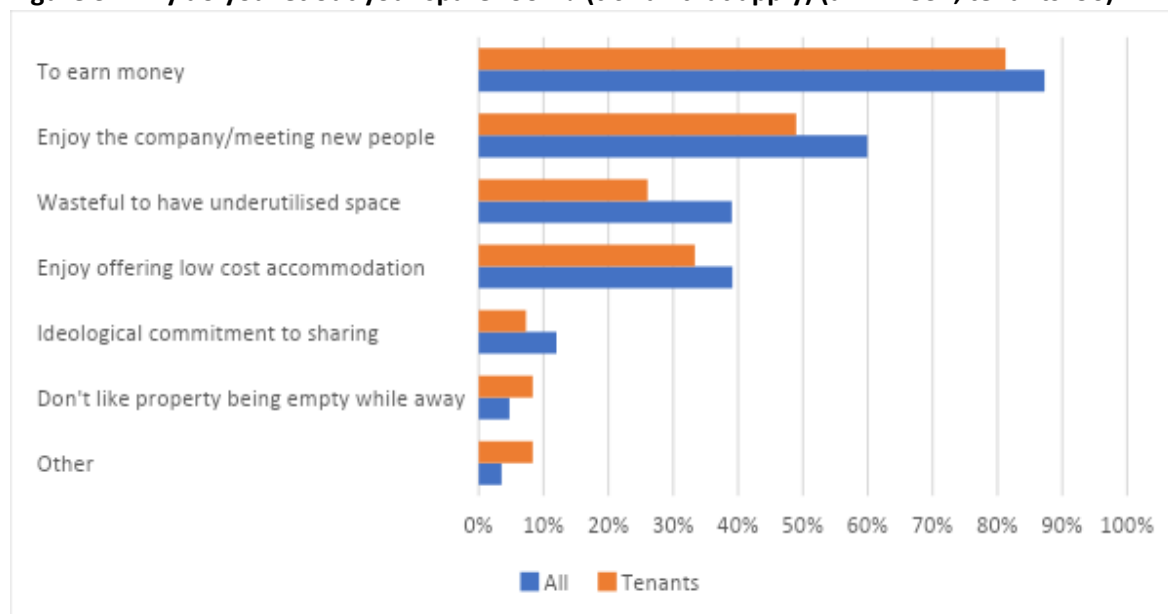
Sarah began letting on Airbnb to supplement her income. She has a minimum stay of two nights to ensure that the time and effort of changing the sheets and cleaning the room is worth it for the money she earns. She now relies more on earnings from hosting on Airbnb because of rising energy costs; indeed Sarah puts these earnings on the electricity meter, so she knows the money has gone towards something important. Without this source of money Sarah says she could find ways to cope, but would have to cut down on daily expenditure and might have to rely on her son for support.

Sarah's landlord is aware she lets the room out on Airbnb and has no problem with it as long as she pays her rent on time. Sarah likes to make sure her guests feel welcome and comfortable in her home, and says she always receives very good ratings.

4 Hosts' motivations for renting out spare rooms

The LSE London survey asked hosts about their motivations for renting out their spare rooms. Multiple responses were permitted.

Figure 3: Why do you let out your spare room? (tick all that apply) (all n=1537; tenants=96)



Source: LSE London survey of Airbnb spare room hosts

Figure 3 indicates that amongst both tenant hosts and all hosts, the most cited motivation for letting out a spare room was to earn money (87% of all/81% of tenants). For most hosts this was not the only reason they let out rooms; many said they enjoyed meeting new people, thought it was a waste to have underused space, and/or enjoyed offering low-cost accommodation.

Amongst those who cited more than one motivation, most said the main one was financial. The second most common motivation was for company and meeting new people. Some hosts saw letting rooms as a way of helping others—one said,

I remember being an impoverished backpacker many years ago and always found accommodation was a limiting factor when travelling. Offering my spare room has helped many youngsters.

Several focus group participants had initially started letting rooms to supplement income, but also found they enjoyed interacting with guests. Several commented that they didn't expect to enjoy this aspect so much, and that it was one of the main reasons they continued to let their spare rooms. Interestingly, all but two of our interviewees and focus group participants lived on their own, so companionship was important to them. Several said they had formed close friendships with certain guests, some of whom had returned to stay several times.

The main motivation was money but also meeting new people. I love the people that stay. I have met so many good friends through doing it.

It's nice to actually have someone to talk to someone to get to know and know where you're from (and) what you're doing. (Otherwise) I would have just been there on my own and talking to the cat.

Yeah, I did it because I've got two spare bedrooms and the house was too big for me on my own. But the main thing I found is meeting people. I just really, really enjoy it.

Some hosts went above and beyond for their guests, providing lifts to the airport, home-cooked evening meals, and even life advice.

We give people lifts, this guy that's working at the science place, it would take (him) an hour and a half on the bus and it takes us 15 minutes. And we take people to our local rock festival.

Case study 3: Hannah

Hannah lives alone in a two-bedroom house in a small suburb outside Birmingham. She started letting out her spare room six years ago, when her daughter went travelling.

Hannah tries to make her guests feel welcome: when they arrive she always gives them a home cooked meal and talks them through the house rules. Some guests have become close friends: she has cooked for people who were ill, and one guest offered her a free holiday in their second home.

Hannah started letting the room out to make money. The income was particularly welcome when it enabled her to take some time off work when she was unwell. Her minimum stay is one week; she feels it isn't worth the effort to clean the sheets and the room for shorter stays. The room is almost fully occupied. When Hannah first started, she set her prices at the same level as other similar rooms in the area, but when she reached 100% occupancy she decided to put them up.

Lodgers vs Airbnb guests

We asked hosts why they had chosen to let rooms via Airbnb rather than have long-term lodgers. Most said they preferred not to have someone in their home all the time and/or that they wanted to keep the room available for family and friends occasionally. Other reasons for preferring STLs included meeting a steady stream of new people; difficulties finding 'good lodgers' that hosts could get along with; and higher income from STLs than from lodgers. Two of our focus group participants had previously tried having long-term lodgers but preferred the flexibility of letting through Airbnb.

I prefer the flexibility that is more rewarding financially, and is less invasive in terms of presence in the house.

One local government interviewee said it would be preferable if spare rooms accommodated long term lodgers, to help provide a stable home for someone. We note that a guest can book a stay on Airbnb for up to two years, but this remains at the hosts' discretion.

Former hosts

Our survey captured a few former hosts who had taken a break from accepting guests or stopped entirely. Some felt the earnings no longer justified the work involved; others reported bad experiences with guests that made them decide not to continue.

5 UK regulatory, legal and contractual context

The two main characteristics of spare room lets are that they

- Involve guests who do not live permanently at the property (stays are generally though not always less than 30 days at a time)
- Involve only a part of a dwelling

The wording of most existing legislation and regulation focuses on one aspect or the other—so most of the rules around short-term lettings apply to entire dwellings, while the rules around renting out part of a dwelling (to lodgers or subtenants) assume that this is for a longer period.

Existing STL regulation in England and Wales

In those parts of England and Wales that regulate STLs (most notably London), such regulation focuses almost exclusively on lets of whole homes. In Scotland, however, a licence is required for both home sharing (which is defined in legislation as offering a spare room when the host is present) or home letting (letting out a spare room while the host is away). At the time of writing, there is no specific use class for short term holiday lettings in England¹², although the Government is currently consulting on how one might be introduced. While there is currently no national-level limit on the days a property can be let out, new rules being proposed by the Department for Levelling-up, Communities and Local Government may cap the number of nights that someone can host in their own home without requiring planning permission.

Some individual local authorities have imposed their own limits: in London, regulations limit the short-term letting of whole homes to 90 nights/year without planning permission, but there are no corresponding limits for spare rooms.

For UK income tax purposes, hosts can exclude up to £7,500 of earnings from STLs of spare rooms under the Rent a Room allowance. About 60% of the hosts we surveyed made use of this scheme, with just under half saying it covered all of their spare room earnings. However almost a quarter said they were unaware of the scheme.

Future regulation in England & Wales: Renters (Reform) Bill and new STL rules

The Levelling-Up and Regeneration Act, which received Royal Assent in October 2023, includes provision for a registration scheme for STLs in England. The consultation on the mechanics of this scheme have closed, and the government has not yet announced its plans, including whether spare rooms will be in the scope of activity that needs to be registered. Wales is also consulting on a statutory licensing scheme for visitor accommodation.

For tenants, there are upcoming changes in the regulation of the private rented sector. In May 2023 the government introduced the long-promised Renters (Reform) Bill¹³. One of the aims of the bill is to ensure that private tenants can treat their rented properties as their homes.

¹² Some councils put holiday lets into the *sui generis* planning class.

¹³ The government promised to bring this bill into law before the next election (latest January 2025). As of late November 2023 the Bill is in committee stage and 276 amendments had been tabled, so the final version may differ significantly from the original text. Guidance about the pet provisions, including some comments about insurance appear in DLUHC guidance here: <https://www.gov.uk/guidance/renting-with-pets-renters-reform-bill>

Among its provisions is a change in the position regarding pets: tenants will be given the right to request a pet in the property, which the landlord must consider and cannot unreasonably refuse. To support this, landlords will be able to require pet insurance to cover any damage to their property (DLUHC 2023). Tenants must confirm in writing that they have pet insurance or will cover the landlord's insurance in case of pet damage. It might be possible to adopt a similar approach for short-term lets of spare rooms.

STL regulation in Scotland

Housing policy is a devolved responsibility in Scotland, and regulation of STLs is significantly tighter than in England. There is a new nationwide licensing scheme for short-term lets of both whole homes and spare rooms; hosts were required to apply for a licence by October 2023. There are four categories, three of which could apply to spare room STLs. These are 'home sharing' (letting all or part of the host's home while the host is there); 'home letting' (the same, but when the host is absent); and 'home letting and home sharing' (covering lets when the host is present and when they are not)¹⁴.

Scottish Government guidance makes clear that hosts must have the permission of property owners to apply for a licence:

If you do not own the premises, then you must have the permission of the owner(s) to make an application for a licence. For example, you may be a tenant and want to use your property for home sharing or home letting. You should first make sure that your tenancy agreement would allow you to do this in general terms and then seek the specific permission of your landlord (Scottish Government 2023, para 2.9).

All STLs including spare room lets must comply with mandatory safety conditions, which include regular gas and electrical safety inspections. Licences set a maximum occupancy. Individual Scottish local authorities can also impose additional licence conditions, as well as restrictions to require planning permission for dedicated whole-home STLs in 'control areas'. Edinburgh became Scotland's first designated short-term let control area in September 2022. Since doing so, Edinburgh City Council has lost judicial reviews of both planning policies it tried to introduce to implement its control area; elements of both policies were found to be unlawful. Other local authority areas in Scotland will have to consider these judgements when implementing their respective control areas.

Subletting, lodgers and tenancy agreements

Guests in spare rooms STLs generally occupy the space with a licence rather than a lease, as do lodgers. In both the social and private rented sectors, it is common for leases to contain clauses that require that tenants to secure the landlord's permission before subletting and/or taking lodgers, or simply prohibit these activities entirely. The Prevention of Social Housing Fraud Act 2013 made the unlawful subletting of social housing properties a criminal offence. Research by the Residential Landlords Association found 7% of landlords surveyed reported they had found their tenant subletting via short-term let platforms. Owner occupiers who are leaseholders in blocks of flats may be prohibited from using their property for short-term lets under the terms of their lease agreements; such restrictions would also apply to the tenants of landlords who are leaseholders. Some homeowners may need to seek permission from their mortgage providers.

¹⁴ The final category is 'secondary letting' (letting a property where the host does not normally live, e.g. a second home or holiday let).

Stakeholders interviewed for this report said that in their experience, landlords often want to have some control over who is in their property. Some are happy to allow tenants to take lodgers if it will help them sustain their tenancy and if a reference check is carried out, although they felt that most would prefer a formal tenant rather than a lodger.

Government's model lease: private rented sector

In the private rented sector in England¹⁵, the provisions of the government's model agreement¹⁶ for a shorthold assured tenancy say that tenants who wish to sublet the entire property or a part of it, for a longer or shorter period, must request permission from the landlord and that such permission should not be unreasonably withheld. Note that there is no requirement for landlords to use this model lease.

Regarding potential sub-lets, the accompanying guidance states that

'the tenant will want to confirm the prospective sub-tenant's identity, credit history and possibly employment'

The government's model lease is silent on the topic of lodgers, who occupy under a licence rather than a lease. The Airbnb platform provides hosts with some information about guests based on their user profiles, but this does not include credit history or employment.

There are other constraints that can impact the viability of spare room lets in rented homes. For example, offering the property as a short-term let may invalidate the insurance or mortgage conditions of the landlord (that is, the owner of the property). Rental properties that are licenced as Houses in Multiple Occupation (HMOs) have rules about maximum number of occupants, which having a spare room guest may breach. Similarly, if the guest is accommodated in a room that is deemed too small to be used as a bedroom (any room of less than 4.64 m²), the landlord could be subject to enforcement action.

Expert interviewees said one way forward could be to have lease provisions requiring tenants to seek permission for spare room lets from the landlord, and require landlords not to withhold permission unreasonably.

NHF model lease: Housing associations

Social landlords include local authorities (councils) and housing associations. Social tenants with 'secure' tenancies (most council tenants and some longtime housing association tenants) have a legal right to take a lodger. Those with other types of tenancies may not have this right. Subletting by local authority tenants is often prohibited completely.

For housing associations, model lease agreements are published by the National Housing Federation, though social landlords are not obligated to use them. The NHF publishes three model tenancy agreements: for non-shorthold tenancies (which covers most housing association tenancies), assured non-shorthold tenancies and assured shorthold tenancies.

All three model agreements have the same provisions regarding overcrowding, lodgers and subletting. These appear in Table 4 below.

¹⁵ Lease arrangements are different in Scotland.

¹⁶ <https://www.gov.uk/government/publications/model-agreement-for-a-shorthold-assured-tenancy>

Table 4: Relevant provisions of NHF model tenancies for housing associations

Overcrowding	(15) Not to allow more than ... persons to reside at the Premises.
Lodgers	(16) Before taking in any lodger to inform the Association of the name, age and sex of the intended lodger and of the accommodation he or she will occupy.
Sub-letting	(17) Not to grant a sub-tenancy of the Premises or any part of the Premises.

Under the NHF model tenancies, the landlord may specify a maximum number of occupants who can reside at the home. Hosting spare room guests could potentially contravene this provision, if they were considered to 'reside' at the property. The NHF model leases do permit tenants to take in lodgers, requiring only that they inform the landlord. Sub-letting is not permitted. This is different from the model tenancy for private rented housing, which does not mention lodgers and permits sub-letting with the permission of the landlord.

Airbnb's own insurance

Airbnb's 'AirCover for Hosts' programme is automatically available to all Airbnb hosts at no additional cost, with no opt-in required. The programme includes host damage protection and host liability insurance, amongst other protections, though Airbnb emphasises that it is not a substitute for personal insurance. In particular, 'AirCover for Hosts' only applies to accommodations booked via the Airbnb platform. If guests do not pay for the damage caused to an Airbnb host's home or belongings, host damage protection is in place to help reimburse costs up to US \$3 million for certain damage and any consequential lost Airbnb booking income. Host liability insurance provides up to US \$1 million in coverage if a host is found legally responsible for injury to a guest, or damage to or theft of their belongings, while staying at the host's property (certain exclusions apply).

Evidence about tenants and their leases

Of tenants who responded to the LSE survey, 42% said their lease explicitly permitted subletting, while 16% said it did not. Those renting from friends or family members were more likely to say that their lease allowed them to sublet.

Table 5: Whether lease allows spare room letting (tenants responding to LSE survey, n=93)

	<i>Lease allows subletting</i>	<i>Landlord aware of spare room letting</i>
Yes	42%	48%
No	16%	24%
Not sure	20%	9%
Prefer not to say	22%	19%

Source: LSE London survey of Airbnb spare room hosts

Significant proportions of respondents were not sure whether their lease permitted subletting (20%) or preferred not to say (22%). Some 48% of respondents said their landlord was aware that they were letting their spare room out on Airbnb. Just two respondents said their landlord received a share of income from the Airbnb lets, with one getting a flat amount and the other a percentage.

Because the focus of this work was spare room lets in rented homes, we oversampled tenants in our qualitative research: of the six hosts we interviewed, three were tenants. One said their landlord was aware they were letting the room on Airbnb, one thought they might know, and one said their landlord was unaware. All three tenant hosts said the income from spare room lets helped them meet household costs.

6 Spare room letting in Barcelona, Berlin, Lisbon and Paris

To put the UK in context, this section briefly summarises the regulatory approaches to STLs in other countries, focusing particularly on four European cities: Barcelona, Berlin, Lisbon and Paris.

Across the world, national and local governments have increasingly been regulating and limiting short-term lets, especially in major tourist destinations and cities with tight rental markets.

According to Leshinsky (2018),

The justifications for government regulation appear to be one or more of the following: protecting health and safety of guests using (short-term rentals), protecting broader social welfare – primarily the access to affordable housing – of the existing community and protecting the future amenity of neighbourhoods for local residents. (p. 419)

Requiring hosts to register is often a first step. Limits on the number of nights per year that the property can be let out through STL platforms are also common; typically the ceiling is about 90. Some jurisdictions require the host to be physically present if spare rooms are let. A few places have imposed blanket prohibitions, at least for new STLs. STL platforms liaise with governments on measures like procedures to take down listings that exceed annual limits, although hosts and guests may both try to evade restrictions and enforcement can be challenging.

An analysis of different regulatory approaches to short-term lettings across 12 European cities found that there were very few regulations in place for short-term room lets, as opposed to whole house lets, as they are generally viewed by housing experts as less damaging to the wider housing market (Colomb and Moreira de Souza 2021).

The four cities

As part of this study we worked with European housing experts to understand the current situation in four European cities: Barcelona, Berlin, Lisbon and Paris.

Table 6 gives summary information from Airbnb data about the listings in each city as of the beginning of 2023. Note that the data relate to the formal administrative boundaries of each city, not to the wider metropolitan areas which are much larger. The proportion of all listings that are for individual rooms¹⁷ (categorised by Airbnb as ‘private rooms’) varies from 13% in Paris to 41% in Berlin. Lisbon has the highest proportion of spare room listings booked for more than half the nights of the year, at 21%.

Table 6: Summary of Airbnb listings in four European cities

	Barcelona	Berlin	Lisbon	Paris
Private rooms as % of active listings	38%	41%	20%	13%
Average nights p.a. hosted in spare rooms	68	40	61	32
% of private room listings booked for <30 nights/year	27%	41%	33%	47%
% of private room listings booked for >181 nights/year	18%	15%	21%	13%

¹⁷ Not all private room listings are for spare rooms; some relate to entire properties that are rented on a room-by-room basis, often by commercial operators. It was not possible to distinguish these listings from spare room listings in the Airbnb dataset we analysed.

Source: LSE London analysis of data from Airbnb and Eurostat

Policy debates

In all four countries there is an active debate about STLs and how and whether they should be regulated. Politicians and housing activists draw a link between housing affordability issues and the growth of whole-home STLs, which are seen to remove dwellings from the permanent housing stock. This is particularly an issue in larger cities, which tend to have a relatively inelastic housing supply. In Portugal, the debate about STLs is highly polarised: some emphasise the importance of STLs for local economies and host incomes, and point to their positive impacts in terms of job creation and rehabilitation of derelict housing. Others emphasise the negative impact of STLs on the availability of rental housing and the cost of housing in places with inelastic housing supply. In France and Germany, conversion of permanent housing to dedicated STLs is seen as a way to circumvent rent control.

Generally, however, the political and media debates in these countries relate mostly to STLs of entire homes; there is little discussion of spare room lets.

Regulatory situation in each city

Our academic experts provided information about the current regulatory and policy situation around STLs, and in particular spare rooms, in each city; this information was checked by Airbnb offices in each country. This information is summarised in Table 7, and a fuller description for each city appears in Annex 2. It is important to emphasise that these are only summaries of what are very complex systems, and reflect the situation prevailing in autumn 2023.

Table 7: Summary of policy around STLs for spare rooms Barcelona, Berlin, Lisbon and Paris

	Barcelona	Berlin	Lisbon	Paris
Level at which rented homes & STLs regulated	STLs: Regional & local Rented housing: National	STLs: Individual federal states and city Rented housing: National	National and city	STLs: local Rented housing: National
Registration of STLs required?	Yes but no longer issued in Barcelona for spare rooms or whole homes	Yes for entire dwellings and spare rooms	Yes for entire dwellings and spare rooms. New registrations of entire dwellings is suspended (spare rooms exempted)	Yes for entire dwellings only (rooms do not have to register)
Limits and incentives on STLs of <u>entire dwellings</u>	Time limit of 5 years (+5 in some cases) for holders of existing licences; new licences no longer issued in Barcelona	Berlin law limits STLs of dwellings that are not primary homes to 90 days/year	(1) Reassessment of all existing licences every five years, starting in 2030; (2) expiration of licences when transmitted to other owners (except for succession); (3) expiration of licences when not used (rooms exempted when rented out less than 120 nights/year); and incentives to return STLs to permanent housing stock	Primary homes can be rented as furnished tourist accommodation for max 120 days/year. Secondary homes (incl. investment properties) require an authorisation / licence which is hard to obtain
Limits on STLs of <u>spare rooms in occupied dwellings</u>	In <u>Catalonia</u> , spare room lets only allowed if host lives in the dwelling. In <u>Barcelona</u> , licences required and the city has not granted new ones since 2021	No limit on number of nights if <50% of a main home	Maximum of 3 rooms in permanent home of host, rooms limited to 120 nights/year	For <i>chambres chez l'habitant</i> , no limit on number of nights in host's own home
Tenants as hosts	Permission from owner of the dwelling required; rental contracts can include blanket ban	Permission in writing from the landlord required	Permission in writing from the landlord required	In private rental, permission in writing from landlord required. Social tenants cannot host STLs. Nightly price must not exceed that of the main lease

	Barcelona	Berlin	Lisbon	Paris
Other restrictions	Homeowners' associations can prohibit STLs in their buildings		Homeowners' associations can prohibit STLs in their buildings	Secondary home STLs are forbidden in many buildings held in co-ownership where the rules prevent "commercial activity"
Taxation of spare-room STL income	Taxed as other rental earnings	Income net of costs is subject to income tax. Hosts must collect city tax	Taxed on same basis as guesthouses or small family hotels, with equivalent bureaucratic requirements	Taxed as rental of furnished accommodation

Source: LSE London summary of material from European experts (see Annex 2)

All four case study cities require registration of spare room lets. Barcelona requires licences for spare room lets but stopped issuing new ones in 2021, so only those hosts who had licences already can legally let out a spare room.

The rules governing rental tenancies are usually national rather than local. In all the case study countries, private tenants require formal permission from their landlords in order to undertake spare room lets¹⁸. Rules for social tenants may differ—for example in France social tenants may not sublet or undertake short-term spare room lets.

Summarising the international picture

Evidence from these case studies suggests a pattern of increasing regulation of STLs, responding in part to concern about their effects on tight housing markets. Common control mechanisms include registration, licensing and limits on the number of nights that a dwelling can be let. The focus tends to be on whole-home lettings, especially of dwellings used exclusively as STLs; few jurisdictions limit spare room lets in primary homes.

¹⁸ The situation is changing constantly; as this report was being written a federal court in Germany ruled that landlords are obliged to allow tenants to sublet their spare rooms <https://www.spiegel.de/wirtschaft/bgh-mieter-hat-anspruch-auf-untervermietung-von-teilen-seiner-wohnung-a-ee9b64f0-9b21-4e82-a772-1c3d18d2abce> The ruling applied to long-term lets, not STLs.

7 Discussion and conclusions

Most of the focus in both academic and public policy debates is on STLs of entire properties. Even though spare room lets make up a significant proportion of listings on the Airbnb platform, there is little research into the experience of hosts and guests and their wider effects on housing markets and neighbourhoods. This report is an attempt to address this gap.

For most hosts, the main motivation for letting spare rooms was financial. Nearly half of hosts surveyed said the income from spare room lets was essential or very important to meeting household costs, and many said this had become more important as housing costs (rents, mortgages and utilities) had gone up. In the current economic climate, spare room lets can be a way for people to increase their earnings without having to take on extra hours at work.

The second major motivation, and the primary one for some hosts, was social. The individuals we met in our interviews and focus groups were notably gregarious and outgoing—unsurprisingly, given that they are happy to welcome strangers into their homes. Particularly for the many hosts who live alone, spare room lets are an important source of social contact.

Spare room STLs provide affordable accommodation for a range of guests including healthcare workers, medical patients, students and contractors, not just tourists. For some such guests these rooms may be more suitable or comfortable than traditional hotels.

In terms of potential impact on housing markets, spare room lets arguably reduce options for prospective long-term lodgers, but with few exceptions the hosts we spoke to said they wouldn't consider having a full-time lodger. In practice, that means many of these rooms would probably be unoccupied if offering STLs were not an option. In some cases, spare room lets enable hosts to remain in larger homes (often family homes) that they might otherwise have had to sell.

Tenants made up less than 10% of hosts surveyed, even though they might benefit more than owner occupiers from the extra income. This partly reflects the fact that standard lease provisions either prohibit spare room lets (often in the social sector, and sometimes in the private sector) or require the landlord's permission; it is also much less common for tenants to have spare rooms in their homes. Even though up to £7500 in earnings from spare room lets is tax free under the rent a room allowance, various barriers mean that few tenants are able to benefit.

8 Recommendations

1. Government should consider the case for giving tenants the statutory right to request permission to let out spare rooms in their homes on a short-term basis. The current discussion of the provisions of the Renters (Reform) Bill, and the forthcoming government framework for regulation of STLs, may present an opportunity here. The draft provision allowing tenants to ask to keep a pet could serve as a model.
2. Some households that could benefit from such earnings—particularly tenants, who tend to have lower incomes than owner occupiers—cannot currently let out their spare rooms. This is because of barriers including the wording of leases, landlord insurance, mortgage conditions and HMO licensing. In exploring ways of regulating STLs under the Levelling-Up and Regeneration Act, government should invite interested parties to work together to investigate these barriers in detail and explore the desirability and feasibility of making it easier for tenant households to let out spare rooms on a short-term basis. Relevant stakeholders include landlords (both private and social), mortgage lenders, insurance companies, and national and local government.

One approach to investigate would be to give spare room hosts the right to request permission from their landlords to let their spare room on a short-term basis (similar to the right conferred by the Renters [Reform] Act for tenants to ask to have a pet). Tenants would have to confirm in writing that they had insurance or would cover the landlords' costs in case of damage; landlords could not refuse such requests unreasonably.

3. Earnings from STLs of spare rooms can make a significant contribution to hosts' incomes, in some cases enabling them to remain in homes that they otherwise could not afford. The government should consider the case for increasing the level of rent a room relief, which has been unchanged at £7,500 per year since April 2016. If it had risen in line with inflation it would now stand at more than £9,800. This might encourage more to consider spare room hosting (although relatively few spare room hosts earn even as much as the current ceiling).
4. More research should be done into the direct and indirect effects of STLs of spare rooms, as opposed to whole homes.

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Annex: The situation in four European cities

Barcelona (Spain)

Prof Montserrat Pareja-Eastaway

Legal and regulatory framework around STLs

Spain has increased regulation of the rented market generally and STLs specifically: the country's new housing law, adopted in May 2023, sets the stage for future national regulation of STLs.

At the regional level, in November 2023 the Catalan government passed a new law giving municipalities with tight housing markets the right to require licenses for STLs. These licenses would last five years. The law also sets a population-based limit on the number of licenses available (10 licenses per 100 local inhabitants).

Temporary lets fall into two categories, depending on their duration, and different Spanish regions have different rules. In Catalonia for example, contracts for temporary lets of less than 31 days are classified as 'tourist rentals', while those for more than 31 days are considered private rentals. Spain's autonomous communities (Catalonia, in the case of Barcelona) regulate tourist rentals and registration obligations, and individual city councils can require additional licensing or establish specific conditions. Private rentals—that is, contracts for more than 31 days in Catalonia—are governed at national level by the *Ley de Arrendamientos Urbanos* 1994 (Urban Rent Law 1994).

STLs of spare rooms

The same distinction applies to spare room lets: rooms are usually not regulated at the national level and Catalonia is one of the only two regions where tourism regulation applies to spare rooms. In Catalonia, 'tourist rentals' for less than 31 days are governed by the regional government, while lets for longer than 31 days fall under national rules. Among the 17 different regions in Spain, the situation is complex—there is no harmonized jurisprudence and/or doctrine about the legal regime governing the lease of spare rooms. There are three possibilities:

- The *Ley de Arrendamientos Urbanos* could apply to spare rooms as for entire dwellings
- The temporary letting regulation of the LAU could apply
- The Code of Civil Law (Catalan or national) could apply, which gives the tenant fewer rights.

In the many cases where the Code of Civil Law is silent, the provisions of the LAU apply.

In Catalonia, dwellings in which spare rooms are let for less than 31 consecutive days are called *llars compartides* or 'shared households'. A shared household can have four rooms maximum to let, and Catalonia's tourist regulation permits STLs of spare rooms only if the host lives in the home. However, in Barcelona the city council has not issued any permits for shared households with tourist purposes since 2020, so hosts cannot legally offer STLs of spare rooms less than 31 days.

Tenants as spare room hosts

Under the *Ley de Arrendamientos Urbanos*, tenants require the permission of the owner of the home to sublet spare rooms. If the landlord does not allow subletting spare rooms, wording to this effect should be included in the lease. In addition, the associations of owners (*comunidades de*

propietarios) in blocks of flats may prohibit STLs of entire flats and/or or spare rooms for tourist purposes. This can give rise to problems if some owners already had licenses for STLs.

Taxation

In principle, all rental earnings – whether long or short term, and for whole homes or spare rooms – should be declared to the tax authority. Profits are taxed at rates of 19% and up, depending on the host's residence status and income.

Berlin (Germany)

Prof. Dr. Michael Voigtländer

Legal framework around STLs

There is no uniform federal regulation of STLs; each federal state enacts its own statutory authorisation, which the cities then implement in local laws.

Berlin has particularly strict regulation under the *Zweckentfremdungsverbot* ('prohibition of misuses of housing') law. STLs require registration numbers from the city, and hosts who let out without this number could face severe penalties. Letting out one's own main home entirely moreover requires a permit. Letting out a secondary home is permitted only for up to 90 days per year.

STLs of spare rooms

A 2019 amendment to the *Zweckentfremdungsverbot* specified that 'misuse' only exists if half or more of a main home is sublet, and since then there has been no restriction on the number of days that a spare room can be let out. Hosts still have to apply for a registration number.

There is hardly any discussion about STLs of individual rooms, and often no distinction is made between commercial landlords and households that let out their own flats on a short-term basis or sublet parts of them.

Tenants as spare room hosts

Tenants are allowed to sublet their flats but under German tenancy law they must inform the landlord. The landlord can prohibit this, but must be able to justify the prohibition. He can also limit the number of rooms that can be let out. Berlin authorities require the written approval of the landlord to grant the registration number and a permit.

Like owners, tenants who are STL hosts—whether of whole homes or of spare rooms—must register. The same rules then apply as for owners (see above). Students use subletting particularly often, and permits are usually granted if they sublet their main home during their absence.

Taxation

Rental income is generally subject to income tax, including earnings from subletting. Hosts also have to collect a city tax of 5% on the net booking price per STL per night from guests who do not show that they are travelling for business purposes and remit this to the Berlin authorities. Hosts can deduct costs from their STL earnings for tax purposes¹⁹. In addition, there is an allowance of 410 euros per year for permanent rentals and 520 euros for subletting via platforms such as Airbnb.

¹⁹ <https://www.finanztip.de/untermiete/vermietung-airbnb/>

Lisbon (Portugal)

Alda Botelho Azevedo and Sónia Alves

with thanks to Eduardo Miranda, President of the Association of Short-Term Lets in Portugal

Legal and regulatory framework around STLs

Until October 2023, there was no national limit on the number of days a property could be let out on a short-term basis (known as 'local accommodation'), and in most areas hosts were required only to register on a national website for tax purposes.

In October 2023 the new *Mais Habitação* ('more housing') law took effect at national level. This controversial law limited STLs to 120 nights/year for spare rooms. It also banned new STL registrations for whole homes across the country, except in rural areas inland classified as low density and Azores/Madeira, where they are thought to contribute to local economies. Existing STL registers will be re-evaluated in 2030, with no guarantee of renewal afterwards, and every five years thereafter.

The law also contains several measures designed to encourage the owners of homes being used as STLs to return them to the permanent housing market. These measures include exemption until 2030 from personal and corporate income tax for rents from permanent housing if all of the following apply:

- The unit rented as permanent housing was previously used as a short-term let;
- The unit was registered as a short-term let before the end of 2022; and
- The new permanent lease is signed by the end of 2024.

The new law also allows condominium owners' associations to vote to prohibit existing STLs in their buildings and to ban new STLs, except if allowed in the condominium legal document that specifies the various houses, common areas, and their respective uses.

The city of Lisbon had local rules (*Regulamento do Alojamento Local*) about STLs from 2018/2019, which prohibited or limited new short-term lets in certain neighbourhoods (mainly in the historic centre). The level of restrictions in each neighbourhood depended on the percentages of homes that were STLs and the percentage that were family-type housing; restrictions were imposed when these figures exceeded 10 per cent and 20 per cent respectively (see map below).

The head of the association that represents STL operators argues that the debate is biased:

We have STLs in 224 parishes in the country, mostly in coastal areas, but debate and perception is always focused on 5 or 6 parishes in the historic centre of big urban cities.

STLs of spare rooms

The debate on STLs has ignored the issue of room lets, of which there are few in Portugal²⁰ and particularly in Lisbon. Those rooms that are available are often advertised on platforms aimed at specific audiences, such as students or digital nomads.

²⁰ *Quartos* (rooms) made up only 1.6% of registrations on the national register as of September 2023.

In 2018, a fourth category of *quartos* (rooms) was added to the existing three categories on the STL register. This category refers to rooms in the host's permanent home; hosts can let a maximum of three rooms.

Under a 2022 court ruling, existing and new STLs (whether whole homes or spare rooms) must obtain a different licence from the residential one in order to operate in multifamily residential buildings, and this change must be unanimously approved by the other owners in the building. They can object on the basis of repeated and proven activity that affects the normal use of the building, causes a nuisance or disturbs other owners. In practice achieving unanimous approval is almost never feasible, making it close to impossible to register a new STL even in the fourth 'spare rooms' category.

Tenants as spare room hosts

In order to host STLs of their spare rooms, tenants must have explicit authorization from the landlord, either in the tenancy agreement or via a separate letter.

Taxation

Hosts of STLs, whether whole homes or spare rooms, are taxed differently from residential landlords. Hosts must be registered as sole proprietors or independent workers, requiring them to issue official invoices and complete special tax declarations; some must even charge VAT.

Spare rooms are classified for tax purposes in the same category as guesthouses and small family hotels operating under a sole proprietor.

The new national law introduced an additional STL tax of 15% of revenue, on top of existing income tax and tourist tax.

Paris (France)

Bernard Vorms

Legal and regulatory framework around STLs

In France, hosts can let out their principal residence as furnished tourist accommodation for up to 120 days a year. A principal residence is defined as the dwelling occupied for at least 8 months of the year.

Tenancy law is set at national level but local authorities can adopt various additional provisions. Some, such as rent caps, apply to long-term rentals; others such as, time limits or registration requirements apply to STLs. Since 2017, a regulation has given municipalities with more than 200,000 inhabitants the option to require STL hosts to register. In December 2017, the City of Paris introduced a digital registration procedure for any property (whole dwelling) let out as STL. Platforms must not publish listings without a registration number.

For STLs of whole principal residences, the platforms must block the listing once the 120-night limit has been reached—however this limit does not apply to spare room lets in the host's main home. It also does not apply to secondary residences; for these, however, hosts must obtain a licence to rent them as STLs. Obtaining such a licence can be almost impossible (Paris, Bordeaux) or limited to a certain number of dwellings (most large cities).

STLs of spare rooms

Two categories in French law relate to lettings of individual rooms: *chambre d'hôtes* and *chambre chez l'habitant*. These are often confused. Most spare rooms rented out on Airbnb are *chambres chez l'habitant*, meaning they are unregulated (except for taxes) and do not need to be registered or declared. The site also hosts a smaller number of STLs room listings that fall into the category of *chambres d'hôtes*. These are defined as 'furnished rooms located in the home of the owner with a view to welcoming tourists, for a fee, for one or more nights, accompanied by services'. These regulations limit capacity to five rooms for a maximum of 15 people and require the host to provide services such as cleaning the room, providing breakfast and household linen, and personally welcoming guests. The *chambre d'hôtes* must be declared to the town hall.

Tenants as spare room hosts

It is not illegal for a tenant to sublet²¹, but private residential leases normally contain clauses prohibiting subletting without the landlord's permission, which in practice is usually hard to obtain. Private tenants must obtain written authorisation from their landlord and cannot charge their subtenants a rent higher than their own. Social tenants are not permitted to sublet any part of their home, as they run the risk of having their lease terminated and of being fined. From a social point of view, low-income households who are tenants and could derive the greatest benefit from temporarily letting out part of their home cannot, in most cases, do so.

Some subsidised loans for home ownership include clauses prohibiting the conversion of the property into rental accommodation, but these clauses do not apply to temporary lettings.

Taxation

²¹ <https://www.service-public.fr/particuliers/vosdroits/F2449?lang=en>

Those who let out furnished accommodation in their principal residence pay tax on the rental income as business profit. There are two exceptions, both of which are being phased out:

- Income from lodgers does not currently need to be declared (until 15 July 2024). This includes income from the furnished letting or subletting of one or more rooms in a principal residence if the room(s) let is/are the tenant's principal residence and if the rent is under a certain ceiling.
- Up to €760 in income from regular STLs of spare rooms/bed & breakfast in the main home is exempt from tax until at least 2026.

About 23,000 French cities impose a tourism tax, which STL platforms collect on behalf of hosts and remit to municipalities.



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