

# **Evidence to the Scottish Expert Advisory Panel on the Collaborative Economy**

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## **Introduction**

I welcome the Scottish Government's initiative in this topic and in my response I will focus on the accommodation aspects of the collaborative economy.

From the outset, I do not have a problem with people opening up their own homes and letting a spare room to visitors or to arranging house-swaps for holiday or leisure. Such activity is at the heart of the sharing or collaborative economy.

However, I am acutely aware that there is a growing issue with residential properties being let in their entirety on a short term basis. Many of these properties are advertised on online platforms which have been developed to support the collaborative economy. Landlords are using these websites to advertise short term lets that are being run as a straightforward commercial business.

Short term (or holiday lets) are not a new phenomenon. As far back as the 1970s, local councils and housing charities have been concerned about the impact of holiday homes in parts of rural Scotland. With the development of internet platforms, however, the market for short term residential letting has grown rapidly in recent years with landlords harnessing new ways to maximise rental incomes on their properties.

## **Short term lets in the collaborative economy**

Since my election in May 2016, an increasing number of constituents have contacted me voicing their concerns about the role of accommodation in the collaborative economy. Although an important contributor to providing accommodation in cities

such as Edinburgh, short term lets are increasingly creating challenges for local government and local residents who are directly affected by their impacts.

In April 2017 I published an initial briefing paper on the topic<sup>1</sup>. Following the publication of this paper, a number of constituents have contacted me to highlight their concerns and experiences of living in a city that is becoming dominated by the short term lets market.

My researcher and I have explored the extent of short term lets in Edinburgh and using the city as a case study, analysed the growth in this phenomenon. Forecasting at the current rate of growth, we found that **half of the residential properties in the EH1 postcode area could be short term lets by 2051**.

That is a worrying precedent, which illustrates how quickly the short term lets business model could overshadow our cities if effective regulation and licencing is not introduced. Current trends on short term lets indicate that existing residential property in Edinburgh is being increasingly taken out of the conventional residential market and into a completely different market – that of tourism accommodation. Recent analysis of online listings by independent researchers found that for Edinburgh<sup>2</sup>:

- There are over **6200** properties available for short term letting in Edinburgh – **55%** of these are entire homes where the owner isn't present.
- Across Edinburgh, around **1500** entire flats or homes (where the owner isn't present) are rented out for an average 179 nights per year.
- More than **a third** of entire flats or homes advertised are owned by professional landlords who own and manage multiple properties across the city.
- **76%** of all properties advertised online in the Old Town area (396 listings) are entire flats or homes, which are let out for more than 60 days per year.

At the heart of this matter is the impact that short term lets have on long term residents. As indicated earlier in this response, constituents have been forthcoming

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<sup>1</sup> This briefing paper can be accessed at <http://bit.ly/2qWCLfW>

<sup>2</sup> Information adapted from data collected in July 2016 from <http://bit.ly/2jKjgQ4>

in sharing their experiences with me. Overall there are a number of complex issues associated with the rise of short term lets as follows:

- Residents living next to short term lets report **anti-social behaviour** taking place within residences and shared stairwells. Instances reported include littering, fighting, and late night noise.
- Overall, people report a '**loss of community**' as properties are bought by speculative buyers, who in turn, replace permanent tenants with a high turnover of temporary residents.
- Linked to that, there is the wider problem of **displacing available housing** for people wishing to live in neighbourhoods that are experiencing growth in short term lets. In turn, this has a knock on effect on local services and facilities as the resident population is replaced by temporary visitors. In many cases, **short term let landlords do not pay non-domestic business rates** resulting in a growing tax gap with local government is missing out on essential funding whilst rent-seeking absentee landlords are generating profits.
- There are concerns over **the security of premises**, particularly with keys to properties being exchanged to unknown persons for irregular periods of time.

## Looking ahead

The scale of the problem of short term lets suggests that this issue will not be resolved without legislative intervention to allow local authorities to conduct effective regulation. In the coming months I will be exploring potential avenues for regulation and sharing these thoughts publicly.

Currently, I envisage regulation being introduced through Planning Use Class Orders that will allow for the conversion of residential property to short term lets. Ideally landlords will be able to apply to run short term lets for specific periods of time - for example requesting that residential property be a short term let for 30, 60 or 90 days per year. This would ensure that local authorities can monitor and regulate landlords engaging in this market whilst at the same time ensuring the appropriate provision of settled residential accommodation.

**Further information**

Please do not hesitate to contact my office if you require further information.

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