The economic impact of holiday rentals in the UK

A project for HomeAway

Final report
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Contents

Executive summary

Tourists in the UK choose increasingly to stay in holiday rentals rather than hotels or bed and breakfasts. Little is known, however, about the impact of holiday rentals on local economies or their contribution to national tourism. This report is an attempt to fill that gap. It reports results of LSE London's research into how holiday rentals affect national and local economies, both directly and indirectly, and provides an initial rough quantification of their contribution. The research was commissioned by HomeAway, the world's leading online holiday rental marketplace in terms of property coverage. Much of the research was UK-based but it also focused on the impact of holiday rentals in three specific areas: London, Cornwall and North Yorkshire.

Estimated total economic impact of the UK holiday rental sector at a glance	
Gross economic impact	Net economic impact
• Over £4.5 billion in total expenditure (including £450 million spent by holiday rental property owners, as well as the expenditure of holiday rental clients) • About 100,000 FTE jobs supported • £100 million in tax revenue	• *Net* contribution to the economy of between £1.4 billion and £2.3 billion (mostly from expenditure by holiday rental customers) • *Net* contribution of between 30,000 and 50,000 full-time equivalent jobs (1,800 generated by the industry itself and the rest in the wider economy)—and a much higher number of *individuals* employed

This economic impact study considers both the *direct* and *indirect* effects of the industry in each case looking first at the *gross* and then the *net* impact.[1] *Direct* effects include employment, turnover and tax revenues. In the case of holiday rental accommodation, employment covers staff such as cleaners, gardeners and maintenance contractors. One indication of the direct contribution to GDP can be obtained from the owners' annual income from holiday rentals. Once the owners' income is known it is also possible to make some estimate of the industry's contribution to tax revenues. In all cases it should be noted that the available secondary data are poor and inconsistent so estimates can be regarded as no more than broad-brush.

This study suggests that the holiday rental sector plays a growing role in the UK's wider tourism economy and that its direct and indirect economic impact is large in some areas. Tables S.1 and S.2 summarise the direct and total economic effects showed by this study. Owners of holiday rental properties in the UK received gross income of around £950 million in 2014 and spent about half that amount on expenses related to the property—including £120 million employing staff, creating about 6,000 jobs. They paid approximately £100 million in tax on their holiday-rental businesses. Property owners in London earn an estimated £225 million a year (around a quarter of the total), while the estimated gross annual income in Cornwall (£50 million) and in North Yorkshire (£30 million) is much smaller.

The net figures for direct impact are lower, reflecting the fact that most of these properties would be in other economically productive uses if they were not used as holiday rentals. For the UK overall, the net income received by holiday rental owners is estimated at about £285 million in 2014. They spent about £35 million on employment (generating an additional 1,800 jobs) and their net tax contribution was about £30 million.

[1] *Direct* effects include employment, turnover and tax revenues attributed to the income and expenditure of holiday rental owners. *Indirect* effects include the impact of expenditure by tourists or travellers accommodated in the sector. The *total* impact considers both the direct and indirect effects. *Gross* effects encompass the total impact attributed to the holiday rental sector, while *net* effects capture what economic impact is *added* by the holiday rental industry that would not otherwise exist in that area. The net impact is that which is attributable to visitors staying in holiday rentals who would otherwise choose not to visit that area, or who stay longer than they would have in other types of accommodation..

Table S.1: DIRECT impact – estimated annual expenditure, tax paid and jobs attributable to holiday rental operators in London, Cornwall, North Yorkshire and the UK (2014)

Figures rounded

	Gross					***Net***				
	Annual Income (millions)	***Annual Expenditure (millions)***	***of which on employment (millions)***	***Tax Paid (millions)***	***FTE jobs created (number)***	***Annual Income (millions)***	***Annual Expenditure (millions)***	***of which on employment (millions)***	***Tax Paid (millions)***	***FTE jobs created (number)***
London	£225	£80	£34	£29	1,700	£70	£25	£10	£9	500
Cornwall	£50	£27	£11	£5	550	£15	£8	£3	£1.5	165
North Yorkshire	£30	£15	£5	£3	250	£9	£5	£1.5	£1	75
UK	**£950**	**£450**	**£120**	**£100**	**6,000**	**£285**	**£135**	**£35**	**£30**	**1,800**

Sources: Tables 5.3 –5.6

The *indirect* contribution of the holiday rental industry includes the impact of expenditure by tourists or travellers accommodated in the sector. Because holidaymakers spend money on goods and services besides accommodation, this figure can be expected to be larger than the direct effect, and can be estimated using existing statistics about tourist behaviour and expenditure. The *net* additional tourist expenditure considers what economic impact is *added* by the holiday rental industry that would not otherwise exist in that area. It captures the effects of visitors who would *not* have otherwise stayed in an area or who would have stayed for a shorter period of time had they not stayed in a holiday rental. In London the net effect was likely to be relatively small as visitors were more likely to come anyway, while in other parts of the country a stay in a holiday rental is often an additional holiday.

- Expenditure by visitors staying in holiday rental properties in 2012 was estimated at around £4.3 billion. This expenditure produced an estimated *net* contribution to the economy of between £1.3 billion and £2.2 billion.
- Expenditure by visitors in the holiday rental sector supports approximately 95,000 FTE jobs in the UK. In London, about 15,000 FTE jobs are supported by expenditure in the sector, and in Cornwall, the sector supports about 10,000 jobs.
- The number of FTE jobs in the UK that expenditure in the sector generates that otherwise *would not* exist—the net additional contribution of the sector—may range from around 28,500 in a 'low additionality' scenario to nearly 50,000 in a 'high additionality' scenario.

Table S.2: INDIRECT contribution (gross and net) of the holiday rental sector to expenditure and employment in the UK and two regions (2014)

Figures rounded

	Gross Contribution		*Net Contribution*			
			Low Additionality Scenario		*High Additionality Scenario*	
	Total expenditure by holiday rental clients (millions)	*Employment generated (FTE jobs)*	*Total expenditure by holiday rental clients (millions)*	*Direct and indirect employment generated (jobs)*	*Total expenditure by holiday rental clients (millions)*	*Employment generated (FTE jobs)*
London	£655	15,000	£65	1,500	£260	5,800
Cornwall	£447	10,000	£180	4,000	£270	6,000
UK	**£4,325**	**95,000**	**£1,300**	**28,500**	**£2,200**	**48,000**

Source: Tables 5.8 and 5.9

Sector trends

- *The holiday rental sector is growing.* Over the last five years, the volume of domestic holidays taken in a rental property has increased by 20% and the value of the holiday rental market has increased by 38% (Mintel, 2014b). A further increase of 6.2% in the volume of domestic visits spent in holiday rentals is expected by 2018.

- *Consumers who stay in holiday rental accommodation stay for longer and spend more per trip than visitors who stay in traditional serviced accommodation.* The majority of holiday rental stays are between 4-7 nights, with a quarter of all visits lasting longer than a week.

- *Quality and standards across the sector have risen as a more affluent customer base demands increased comfort and luxury.* Self-catering rentals are still seen as a strong value for money option for many consumers, particularly families and groups. Our interviewees, however, said that those staying in self-catering accommodation did not necessarily self-cater, with many groups spending a large proportion of their trip budget eating out. More detailed research into the spending patterns of holiday-rental consumer is needed to better understand these trends.

- *Additionality arising from the sector is significant in rural and seaside areas and warrants further study*. Assessing the full economic impact of the holiday rental sector requires an understanding of the additionality it contributes to visitor flows in an area—in other words, how many visitors would not choose to visit an area if holiday rental accommodation were not available. Interviewees in Cornwall and North Yorkshire were concerned that if their holiday rental sectors were to decline, many visitors would simply choose other destinations. In contrast, experts in London believed the ability to easily substitute other accommodation for holiday rentals reduces this additionality effect.

- *Official data are poor and there are large gaps in understanding.* Information collection in the tourism sector has focused on formal establishments (hotels, B&Bs and restaurants). The recent explosive growth in holiday rental accommodation is not well reflected in official statistical sources, and therefore the estimates based on such sources can only be broad indications involving many assumptions. Improving data should be a priority for the industry and tourism officials.

1. Introduction

Tourists in the UK, both domestic and international, are choosing increasingly to stay in holiday rentals as an alternative to hotels. While the economic contributions of tourism and the hotel industry are well researched, less is known about the impact of holiday rentals on local economies or their contribution to the national tourism offer. There are several reasons for this. First, although holiday rentals are highly visible in the virtual world (a high proportion of bookings come through websites such as Holiday Lettings and HomeAway), they are almost invisible on the ground—there is usually nothing that distinguishes a holiday rental property from any other home. Second, like their cousins in the private rental sector, holiday rental properties tend to be owned and operated by small individual landlords rather than companies. They do not necessarily identify themselves as part of an 'industry', nor are they seen as such by collectors of statistics.

This report is our attempt to fill that void. It sets out the results of our research into how holiday rentals contribute to and affect national and local economies, both directly and indirectly, and provides a rough quantification of this contribution. The research was commissioned by HomeAway, the world's leading online holiday rental marketplace in terms of property coverage.

In looking at industries' impacts on local and national economies, we generally consider effects on GDP, jobs, wages, and tax revenues. The literature distinguishes among three types of effect. First, *direct* effects in terms of employment, turnover and tax revenues. In the case of holiday rentals, employment covers staff such as cleaners, gardeners and maintenance contractors—even though most of these would not be salaried but rather employed on a casual basis. The owners' annual income from holiday rentals gives a rough indication of the sector's direct contribution to GDP. Once this income is known it is also possible to estimate the industry's contribution to tax revenues.

The *indirect* contribution of the holiday rental industry includes the expenditure of tourists or travellers accommodated in the sector in the wider economy. This can be expected to be much larger than the direct effect, and can be estimated using existing statistics about tourist behaviour and expenditure. More difficult is the question of the *net* additional tourist expenditure generated by those staying in holiday rental properties. Presumably some proportion of tourists who rent holiday properties would otherwise have stayed in a hotel or elsewhere. What proportion of holiday rentals stays represent tourism that would *not* have otherwise occurred, or stays that would otherwise have been shorter? Finally, economic impact analysis also often considers *induced* effects, which are the increased household expenditure by an industry's employees or suppliers. This study will not consider induced impacts.

The report is structured as follows: Chapter 2 provides a working definition for 'holiday rentals' and discusses the major datasets used to derive statistics on the sector. It also profiles major trends in the sector's growth, distribution, and use by domestic and overseas visitors (an overview of existing research on economic impact analysis and precedents for economic impact studies on tourism sectors is provided in Annex A). Chapter 3 presents the report's research question and methodology. In Chapter 4, we present the findings of a survey of holiday rental property owners (Annex B includes results broken down by our three study regions). Chapter 5 offers analysis of the new research, estimates direct and indirect economic impacts and discusses major trends in the industry. Chapter 6 summarises conclusions.

The annexes provide supplementary information. The regional profiles of London, Cornwall and North Yorkshire (Annex C) provide more detail about the tourist sectors in those areas and the characteristics of the holiday rental sector in urban, seaside, and rural England locations as well as information from interviews with local experts. They should be read in conjunction with the survey findings.

2. Context

Key points

- *Defining the holiday rental sector can be difficult and existing datasets use inconsistent categories.*
- *Approximately 7.3% of all overnight trips taken by domestic tourists in 2013 were spent in a holiday rental, as were 2.3% of all visits by overseas tourists.*
- *The holiday rental sector has grown immensely in both volume and value over the last five years, largely due to the 'staycation' boom after the recession.*
- *Stays in holiday lets tend to be longer than stays in other accommodation types. Over half of all holiday rental visits are between 4-7 nights, with just over a quarter lasting more than a week.*

Definition of 'holiday rentals'

For the purposes of the project, we have defined 'holiday rental' as a house or flat that:

- Has its own cooking facilities
- Is not owned by a hotel or considered a serviced apartment
- Is rented out on a short-term basis (i.e., is available for periods of less than one month)
- Is let out in its entirety (i.e., is not just a room within a larger dwelling)

The definition covers a range of business models: some properties are effectively run as commercial businesses, and owners may use the property only rarely or not at all; at the other end of the spectrum there are second-home owners who occasionally allow friends and family to use the property without payment or for a nominal fee.

Existing data on tourism and visitor accommodation in the UK use varying definitions for accommodation sub-sectors. This report draws mainly from three main national data sets: the Great Britain Tourism Survey (GBTS), the International Passenger Survey (IPS), and the Accommodation Stock Audit. The GBTS is jointly sponsored by VisitEngland, VisitScotland, and Visit Wales and presents annual statistics of domestic tourism in Britain. The IPS collects information about international passengers who enter or leave the UK and is conducted by the Office for National Statistics, with VisitBritain sponsoring certain questions each year. The Accommodation Stock Audit was commissioned in 2012 by VisitEngland as a census of all serviced and non-serviced establishments in England. As there is no compulsory registration programme for accommodation providers in England, this audit offers the best available national-level figures for accommodation numbers, but the low number of such units recorded shows that the coverage is clearly inadequate (see further discussion in Chapter 5).

Table 2.1 presents the nomenclature used by each survey to describe the holiday rental sector. In 2013, the IPS reduced its accommodation categories from ten to six and combined holiday rental accommodation with hostels, university/school dormitories, holiday villages, and paying guests in friends or family homes. To determine values for inbound visits and nights, we have applied the average proportions accounted for by the pre-2013 category—'rented house'—to the new 'other short-term rented' figures. These were respectively 33% of visits and 53% of nights.

Table 2.1: Categories and definitions from various official sources

Survey	*Category*	*Definition*
Great Britain Tourism Survey	'Other Self-Catering Accommodation'	Self-catering accommodation including flats/apartments/houses/chalets/villas/bungalows/cottages; excludes camping/caravan sites
Pre-2013 International Passenger Survey	'Rented house'	Includes apartments/houses/villas and other similar dwellings rented as either tourist accommodation or company apartments, through individuals or agencies
2013 International Passenger Survey	'Other short term rented accommodation'	Includes rented house/flat; hostel; university/school accommodation; holiday village; paying guest in friends or family house
Accommodation Stock Audit, 2012	'Holiday dwelling'	Non-serviced accommodation that excludes tourist campsites and 'other collective accommodation' such as hostels or student accommodation

Sources: as above

Tourism and accommodation in the UK

Tourism is the UK's fifth-largest industry, contributing £127 billion to the country's economy every year (Deloitte, 2013). The behaviour and expenditure of domestic and overseas ('inbound') tourists are often analysed separately. In the following sections we look at the role of holiday rentals in accommodating tourists of both types, and at their overall expenditure.

Domestic visitors

British tourists made over 120 million overnight trips to domestic destinations in 2013, according to the GBTS. Of these visits, about 7.3% (9 million) were to self-catering rental accommodation. In terms of nights the proportion is higher, with almost 12.5% of domestic tourist overnights spent in self-catering rental accommodation in 2013.

Analysis of accommodation trends shows that the demand for self-catering among domestic tourists has been growing; from 2006 to 2010 the number of visits in holiday rental houses or cottages grew by an annual 6.2%, and 5.4% for visits to flats or apartments. The proportion of visits to hotels and motels also grew, but at a slower rate (4.1% per annum). The growth in the popularity of these types of accommodation came at the expense of stays in holiday camps and with friends and family, proportions of which fell over the period.

Trends in expenditure show an even more marked difference. Expenditure by tourists staying in self-catering houses grew by an average of 6.7% per year over 2006-2010, while those staying in self-catering flats spent a remarkable 10.1% per year more over the period. This growth in expenditure was the strongest in any accommodation category.

Self-catering accommodation was most popular for those visiting the seaside or the countryside, where it accounted for 33% and 35% respectively of trips by region. Those visiting large cities were least likely to stay in holiday rentals.

Overseas visitors

According to the IPS, there were over 31 million 'staying visits' from abroad to the UK in 2013. Of these, a bit over half (54%) were in hotels, while about 7% were in 'other short-term rented' accommodation. LSE London calculations suggest that about 1/3 of these—or 2.3% overall—were in holiday rentals[2]. The proportions varied by region: 10.3% of overseas visitors to the South West stayed in short-term rented accommodation, while in North West England only 3.8% did so.

The figures above are based on visits. If we look instead at the number of *overnights* in each type of accommodation, the proportion of nights in other short-term rented accommodation is twice as high, at 14%. More than half of these, or 8% overall, were in holiday rentals. This proportion, which is more than three times as high as the figure for visits, reflects the fact that the average length of stay in rental accommodation is longer than in hotels.

In terms of expenditure, overseas visitors spent £20.7 billion in the UK in 2013. Of this, almost £2.5 billion (12%) was spent by those staying in other short-term rented accommodation. We estimate that somewhat more than half of this—about £1.2 billion—was spent by those staying in what had previously been called 'rented houses' (the closest category to holiday rentals).

The best data on the age profile of overseas consumers staying in holiday rentals comes from the 2012 IPS as this survey included the discrete category 'rented house.' The largest proportion (44%). of overseas holiday rental clients are aged 35-54. Younger clients (16-34 years) make up 35% of overseas holiday let customers, and 15% are aged 55 or older.

Industry profile

The holiday market as a whole is fast growing and stable, according to research group Mintel (2014a). In 2013, UK consumers took 94.1 million holidays, and Mintel a rise to over 100 million by 2017. Tourism research surveys find that taking holidays is important to most individuals, even during times of economic uncertainty. For example, over half of surveyed UK travellers in 2012 said holidaymaking was 'essential to their way of life' (Holiday Lettings, ltd., 2013: 13).

The domestic holiday market in particular has enjoyed a boom since 2009. As a result of the global economic recession, the 'staycation'— or the substitution of a holiday abroad for a trip within the UK—grew increasingly popular (Mintel, 2014a; Beaufort Research, 2013; Holiday Lettings, Ltd, 2012). Additionally, many Britons who travelled abroad or vacationed in the UK in the past five years were more budget conscious in choosing accommodation. Holiday rentals are often seen as a cost-effective travel option. Self-catering facilities reduce meal costs and the ability for larger groups or families to stay together can reduce per-person rents (Volsky, 2009). Consequently, the recent economic recession saw an increase in the popularity of the self-catering sector.

Over the last five years, the domestic volume of holiday rentals grew by 20% and the domestic value of the vacation rental market grew by 38% (Mintel, 2014b). The sector is growing increasingly diverse thanks to the meteoric rise of new sub-sectors, such as 'peer-to-peer' rentals. The domestic holiday market's growth is expected to slow as the economy recovers and overseas travel experiences a 'revival.' But Mintel still expects the domestic market, however, to grow steadily, increasing by 6.2% by 2018. Despite the industry's rapid growth, little data exists that profiles the self-catering accommodation sector in Britain, and overall studies of the sector are difficult to undertake as defining and delimiting what a 'holiday rental' is grows more complex (Thomas & Hind, 2007; Johns & Lynch, 2007).

The rise in demand for self-catering holiday rentals is not simply the product of travellers being more budget conscious. Research has found that holidaymakers value the freedom and privacy of holiday rental properties and appreciate feeling more 'at home' while on vacation (Mintel, 2014b; Johns & Lynch, 2007). Furthermore, while the holiday rental market traditionally has been

[2] The rest accounted for in hostels, university accommodation, holiday villages, or as paying guests with friends or family

dominated by rural and seaside locations, there is growing demand for property rentals in urban locations, particularly with under-35s (Mintel, 2014b). City holiday properties in particular are often booked for longer stays, and 38% of urban property renters stay for eight or more nights. Tourists who rent vacation properties for longer durations tend to be of a particularly affluent socio-economic profile and may spend significant amounts of money on secondary services such as shops, restaurants, and local tourist attractions.

Table 2.2: Length of stay in holiday rental on last visit, 2013

	All	***Seaside***	***Countryside/Village***	***Large city/Large town***
1-3 Nights	17%	15%	18%	21%
4-7 Nights	57%	58%	62%	40%
8+ Nights	26%	26%	20%	38%

Mintel (2014b)

Table 2.2 summarises data on the length of stay of visits spent in holiday rentals. Overall, holidays spent in such properties tend to be longer than visits spent in serviced accommodation (hotels and B&Bs). Over half of all holiday rental visits are between 4-7 nights, with just over a quarter lasting over a week. This distribution reflects both traveller demand and the options available to them, as some holiday rental operators prefer not to accept bookings for less than three nights.

Although data from the major surveys suggests that more domestic than overseas tourists stay in holiday rentals, bookings from two major firms suggest a more event distribution (with UK visitors generating 50% and 58% of online bookings respectively). It may be that a higher proportion of overseas visitors seeking a holiday rental find and book their holiday rental online than domestic visitors. Both industry data and national datasets suggest that American tourists represent the largest proportion of international visitors staying in UK holiday lets (Table 2.3). European and Australian tourists account for almost all of the remaining bookings. There were almost no bookings from tourists from South America, Asia, Africa and the Middle East (interestingly, given that London tourism experts in particular cited them as a particularly important market).

Table 2.3: Origins of clients for UK holiday rentals from one online holiday rental agency, 2013-2014

	% of bookings
UK	50
USA	30
Europe	19
Australia	1
Other	Less than 1

LSE London analysis of agency figures (2014)

Regulation of the sector

Some local authorities argue that the market is difficult to regulate and express concerns about standards of accommodation and the potential for fraud. Holiday lets in the UK are not required to gain a license to operate. Rental units may require planning permission, however, if they require any kind of structural conversion or if they are operated in a way that constitutes ‘change of use.’ Rules regarding holiday lets vary across local authorities. In London, for example, a regulation from 1970 technically classifies holiday lets as a use class that requires planning permission. Only six London boroughs, however, restrict holiday rental activity in some way in their local plans, and very few attempt to enforce these regulations. More on regulation and taxation rules that affect holiday rental properties in the UK can be found in Annex D.

3. Research questions and methodology

The aim of our research was to answer the following research question:

> ***What is the impact of the holiday rental industry on local and national economies in the UK?***

The following sub-questions were examined:

- In what ways do holiday rentals contribute to local and national economies?
- What are the most important *direct* effects of holiday rental in terms of
    - Expenditure on goods and services
    - Employment
    - Tax revenue
- What economic sectors benefited from these effects?
- What are the most important indirect and multiplier effects of holiday rentals—e.g.
    - Expenditure by tourists
    - Revitalisation and development of tourist areas
- How can these indirect effects be quantified and what is their scale?

Methodology

Overall calculations of economic impact were based on national figures from ONS and tourism authorities, including particularly the Great Britain Tourism Survey (GBTS), International Passenger Survey (IPS) and VisitEngland. These data sources have marked deficiencies in terms of their coverage of the holiday rental sector, so we have applied adjustments to many of their figures (discussed in Chapter 5). The survey research focused on the impact of holiday rentals in three areas of the UK—London, Cornwall and North Yorkshire. These were chosen in order to represent three important types of tourist destination--urban, seaside and countryside—which might be expected to have different characteristics in terms of the stock of holiday rentals, the types of visitors attracted and seasonality.

The research employed

- A **desk study** of existing research about the impacts (economic and otherwise) of holiday rentals. We also collected existing econometric models for quantifying elements of the economic contribution of tourist visits to national economies. A second element of the desk study was to collect international information about policies towards holiday rentals, and in particular to examine experiences in areas where the authorities limit or regulate[3] their use. In this context taxation is of particular relevance – both of tourists and of rental property owners. Finally, we compiled data about holiday rental agencies representing owners of properties in the UK, including web-based firms (both national and international) and national and local holiday-cottage specialists.
- A **data audit** to identify relevant sources of information about holiday rentals among public datasets and those compiled by other organisations such as trade bodies, advocacy groups and academic institutions. It should be stressed that *official data are inconsistent and there are large gaps in understanding.* Information collection in the tourism sector has focused on formal establishments (hotels, B&Bs and restaurants). The recent explosive growth in

[3]Some areas regulate holiday rentals in order to generate income; in others it responds to concern that holiday rentals reduce the amount of housing available for locals and contribute to changes in the nature of neighbourhoods, as local facilities such as schools and shops may not be supported by tourists.

holiday rental accommodation is not reflected in most statistical sources, and therefore the estimates based on them can only be broad indications.

- An **online survey** of holiday rental property owners in target regions to collect data about how they operate the property (e.g., whether they employ outside help), who their main clients are, and how they use the income generated. The survey was distributed via three major holiday rental intermediaries to holiday rental property owners in the UK. The list of survey questions and response data can be found in Annex B. Some 1635 holiday rental property owners responded across the UK. Concerning the three specific regions of detailed study, we received 95 responses from London, 181 responses from Cornwall, and 85 responses from North Yorkshire. Based on our estimates of the total numbers of properties in these areas (see Table 4.1), these represent approximately 4% of properties in Cornwall and North Yorkshire and 1% of those in London.
- A programme of **interviews** that focused on capturing the *indirect* economic effects of holiday rentals and explored respondents' views about the magnitude and importance of various sorts of economic impact in their particular area(s) of expertise; this qualitative data was triangulated with available statistical information. Interviews were conducted with officials in national organizations including VisitBritain and VisitEngland, as well as with stakeholders including local tourist information centres, estate agents and chambers of commerce in each of the three study areas. A list of organisations interviewed can be found in Annex E.

4. Survey of holiday rental property owners

Key points

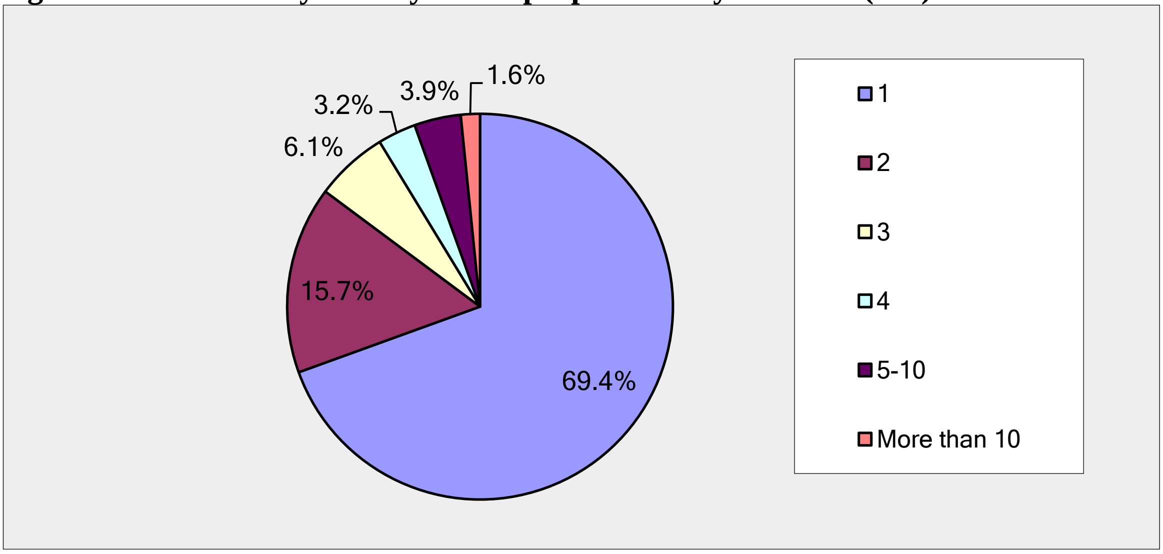
- *Most holiday rental property owners (70%) own only one rental.*
- *The most commonly given reasons for operating a holiday rental property are 'to provide supplementary income' (27%) or 'as an investment' (22%).*
- *Almost half of surveyed holiday rental property owners say their average client stays for a week. Long stays are particularly prevalent in seaside locations such as Cornwall.*
- *Almost 70% of holiday rental properties in the UK are rented for six months of the year or more*
- *The vast majority of holiday rental operators (91%) recommend local businesses to clients.*
- *Almost ¾ of surveyed holiday rental owners hire a cleaner for their rental property, while 43% hire an accountant and 38% hire a gardener.*
- *UK holiday rental owners earn on average* ***£12,750 in gross annual income per unit****. Average* ***total annual expenditure per unit is £6,000****, with £1,600 of that being spent on hiring outside workers.*

This section sets out the results of our online survey of holiday-rental property owners in the UK. The survey was distributed over a period of two weeks to owners who list their rental through HomeAway, FlipKey, or House Trip. The survey received 1,635 total responses. Summaries of survey data by region are provided in Annex B.

Profile of owners

Most holiday rental businesses are 'micro-enterprises' and our survey showed that almost 70% operators own only one rental (Figure 4.1). Motivations for purchasing rental properties were diverse—just over a quarter of surveyed owners stated that the primary reason they purchased a rental property was to provide a supplementary income (Table 4.1). The other most commonly listed reasons include 'as an investment' and 'for me and my family to use on weekends or holidays.' Nationally, almost 10% of surveyed owners consider their rental to also be their primary home. In London, interestingly, this was the most common response, with 26% stating their rental is also their primary residence.

Figure 4.1: 'How many holiday rental properties do you own?' (UK)



Source: LSE London Holiday Rental Property Owners Survey (2014)

Table 4.1: ‘ What was your primary reason for purchasing your rental property?’ (UK)

	%
To live in as a principal residence in the future	5
To provide a primary income.	9
My rental is also my primary home.	10
For me and my family to use on weekends or holidays	14
Other	14
As an investment	22
To provide a supplementary income.	27

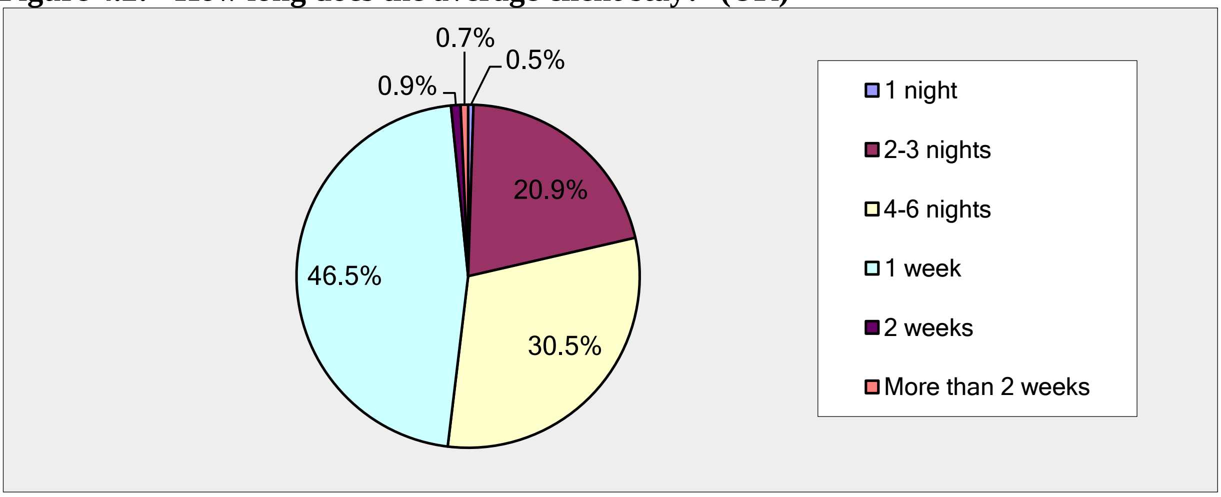
Source: LSE London Holiday Rental Property Owners Survey (2014)

Our survey showed that approximately 36% of holiday rental owners were somewhat or very likely to purchase another holiday rental property in the next five years, indicating that while the majority of owners operate small rental enterprises, almost a third are interested in expanding their rental portfolios.

Operations of holiday rental businesses

Our survey results were largely consistent with existing data regarding average length of stay in holiday rental properties. Figure 4.2 shows that nationally, 47% of holidays spent in rental properties are a week long, whole just under a third last between 4-6 nights. This supports the idea that many customers choose holiday rentals for longer stays because they offer good value for money. Regionally, the vast majority of stays in Cornwall were a week long (79.4%), while shorter stays—such as long weekends—were more popular in London (49.5% staying 4-6 nights and 21.5% staying 2-3 nights). In North Yorkshire, interestingly, the distribution was evenly split between 2-3 night, 4-6 night, and weeklong stays.

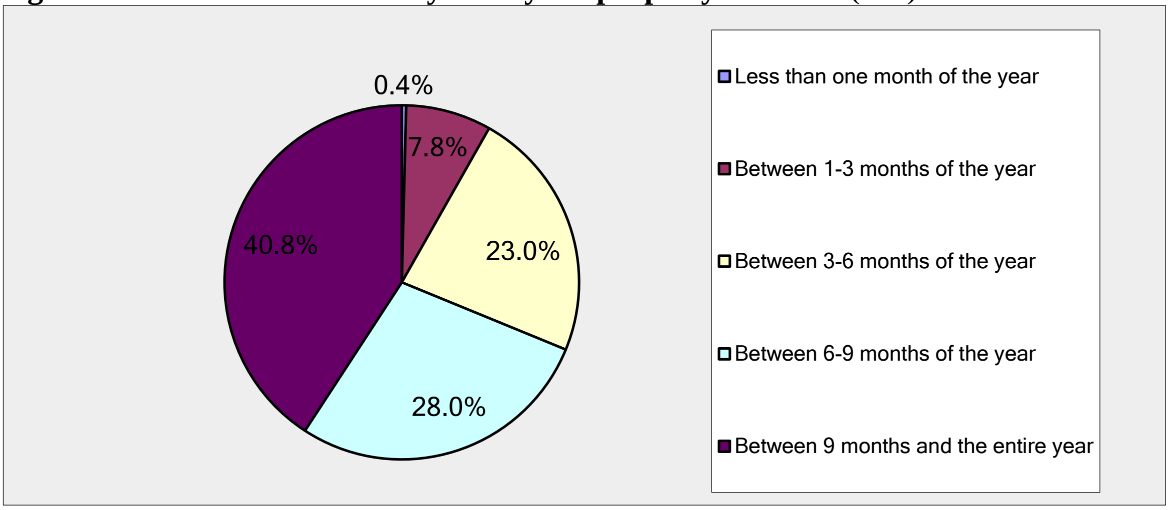
Figure 4.2: ‘ How long does the average client stay?’ (UK)



Source: LSE London Holiday Rental Property Owners Survey (2014)

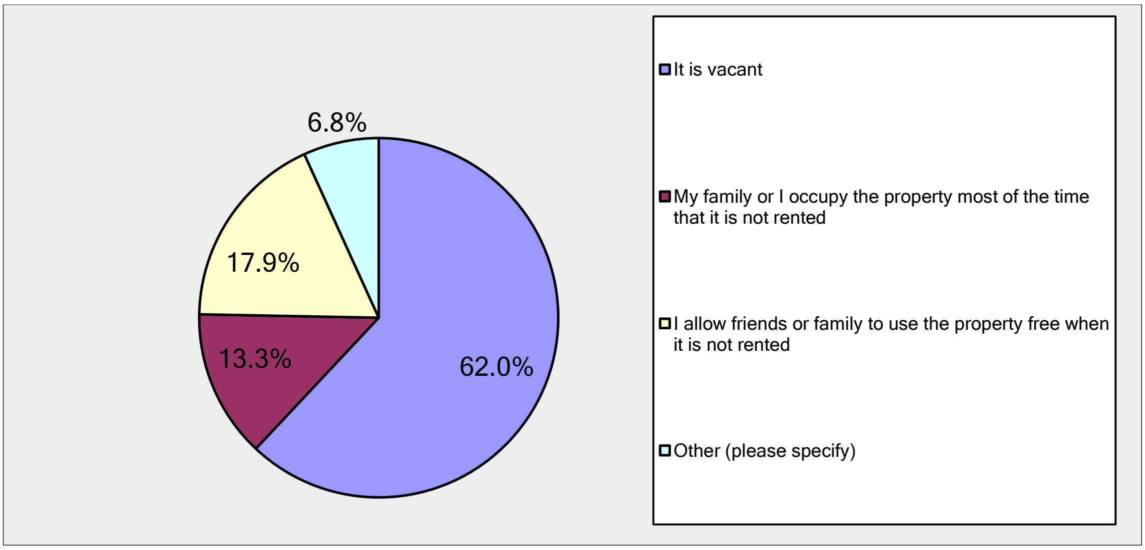
40% of surveyed rental property owners indicated that their property was rented between nine months and the entire year (Figure 4.3). Almost 70% of properties are rented for six months of the year or more. According to our survey, North Yorkshire had the largest proportion of properties rented for nine or more months, while in Cornwall, the seasonality of seaside locations was evident in the relatively high proportion of rentals only occupied between 3-6 months of the year (33.5%). When unoccupied, most properties (62%) are left vacant (Figure 4.4). Approximately 30% of rentals are used by the owners themselves or friends and family of the owner when not rented out.

Figures 4.3 ‘For how much the year is your property rented?’ (UK)



Source: LSE London Holiday Rental Property Owners Survey (2014)

Figure 4.4: ‘When your property is not rented, what best describes its status? (UK)



Source: LSE London Holiday Rental Property Owners Survey (2014)

Table 4.2 shows that 91.4% of holiday rental property owners suggest local businesses to guests upon their arrival.

Table 4.2: Do you suggest local businesses (e.g. shops, restaurants, activities) to your guests upon their arrival?’ (UK)

	%
Yes	91
No	2
If they request information	6

Source: LSE London Holiday Rental Property Owners Survey (2014)

Employment, expenditure and income

While some holiday rental enterprises are 'DIY' operations, most owners hire people to assist with things like cleaning, gardening or accountancy. Table 4.3 shows that 77.8% of surveyed owners hire a cleaner and 43% hire an accountant. This latter figure may indicate that some operators require advice on tax rules but also that they are committed to adhering to correct financial regulations and procedures. Within the 'other' category, those surveyed frequently listed maintenance and repairmen and building contractors.

Table 4.3: 'Do you regularly hire any of the following as part of operating your rental property?' (UK)

	%
Administrator	8
Other (please specify)	23
Gardener	38
Accountant	43
Cleaner	78

Source: LSE London Holiday Rental Property Owners Survey (2014)

Table 4.4 summarises the income and expenditure figures collected through our survey. The median expenditure on employment (£1,600) is much lower than the median reported in our 3 study regions. While these figures indicate a potential high median net income value, it is important to note that operators were not asked to report their net incomes and assuming that this accurately reflects the breakdown of income and expenditure may be inaccurate.

Table 4.4: Median expenditure and income per unit (UK)

	Total expenditure	*Of which on employment*	*Gross annual income*
London	£9,000	£3,750	£25,000
Cornwall	£6,000	£2,500	£11,250
North Yorkshire	£7,000	£3,000	£14,000
UK	**£6,000**	**£1,600**	**£12,750**

Source: LSE London Holiday Rental Property Owners Survey (2014)

5. Analysis

Key points

- *There is no official figure for the total number of holiday rentals in the UK. This study uses a conservative estimate of 75,000 units, derived from a combination of official regional statistics and Internet listings. It should be emphasised that the quality of available data is very poor, and thus these figures have large margins of error.*
- *The estimated **gross** income of all holiday rental owners in the UK is £950 million. Operators spend approximately £450 million each year on employment and purchases relating to their rental property. In all, holiday rental owners contribute approximately £100 million a year in income tax.*
- *The **net** direct expenditure of holiday rental businesses in the UK is in the region of £135 million, with £35 million extra spent on employment and £30 million extra paid in taxes. Some 1,800 extra full-time equivalent jobs were created—but because most of the employment was part-time, the number of individuals employed was far higher.*
- *In 2012, the **total spent by holiday-rental clients was nearly £4.5 billion**. This expenditure by visitors staying in holiday rentals accounted for about **95,000 UK jobs in 2012**.*
- *For the UK as a whole then, the **net additional expenditure** by holiday rental clients—or expenditure that otherwise would not have existed—**is in the region of £1.3 to £2.2 billion**, and this expenditure is responsible for generating in the region of 28,500 to 48,000 jobs.*

5.1 Economic impacts

The first section of analysis sets out our calculations of the economic impact of the holiday rental industry in the UK, including our three study regions of London, Cornwall and North Yorkshire. We were only able to calculate direct economic impact estimates for North Yorkshire as there were not the requisite tourist expenditure data at county level. These figures have large margins of error given that they are based on a relatively small number of responses, and therefore should be regarded as indicating orders of magnitude rather than precise values.

Calculations of the economic impact of the industry could be based either on businesses (i.e. property owners) or on individual rental units. A 2010 Tourism Alliance report used the former approach, whereas our calculations are based on rental units. This requires an understanding of *how many* holiday rental units there are and where they are located. The available data on the number of such units is of very poor quality. Below we estimate the numbers of holiday rental units in England, Scotland, Wales and Northern Ireland.

Numbers of units

Table 5.1 compares the official counts for England and the three case-study regions from VisitEngland's Accommodation Stock Audit (VisitEngland, 2012a) with the number of listings on four major Internet agencies.

It should be emphasised that these figures are not compiled on the same basis. The holiday-rental agencies do not claim to be statistically representative, and each one has a slightly different profile in terms of both users and rental units. Because holiday-rental owners are free to list their properties with more than one agency there is some degree of overlap in the last four columns. Finally, the holiday rental websites list some properties that would not fall under the VisitEngland definition, such as owners' primary homes that they let out occasionally. Even so the comparison is illuminating.

Table 5.1: Estimated number of holiday rental units in England

Figures rounded

	VisitEngland Accommodation Stock Audit (2012): 'holiday dwellings'	*Internet agency listings*				*LSE London estimated total units*
		HomeAway	*Airbnb (self-contained only)*	*Flip Key (Trip Advisor)*	*House Trip*	
London	163	4,443	1,008	3,240	2,178	***9,000***
Cornwall	4,112	1,979	448	1,342	235	***4,500***
North Yorkshire	1,851	1,000	341	762	149	***2,000***
England	29,242	14,947	(cannot be determined)	11,497	3,779	***60,000***

Sources: VisitEngland (2012a); online searches, October 2014; LSE London calculations

The figures for London in particular diverge enormously. While the VisitEngland audit identified only 163 'holiday dwellings' in London, HomeAway alone lists more than 25 times as many.

We have based our estimates of the total number of holiday-rental units in each region on the highest of these figures. For London, where this figure represents HomeAway listings, we multiplied it by two to account for the fact that not all properties are listed on any single website. For Cornwall and North Yorkshire we based our estimate on the VisitEngland audit figure for rental properties (rounded up) as in both cases these were close to double the highest Internet listing figures.

The overall figure for England given by the VisitEngland stock audit was just over 29,000, which must be an undercount if only because many thousands of units in London were not included. We have therefore used the tourist-expenditure figures as the basis for estimating the total number of holiday rentals in England. Of all expenditure by holiday rental customers in England, about 19% is from travellers staying in London (Table 5.7). If we were therefore to assume that London had 19% of England's holiday rentals, this would suggest that there were some 47,000 units overall. However this implicitly assumes that travellers spend the same amount of money in each area, whereas in fact we know that travellers to London spend more per day than travellers to other parts of the country.[4] So if expenditure in London accounts for 19% of the total, the proportion of *units* must be somewhat lower—say 15%. If there are 9,000 holiday rentals in London and they make up 15% of those in England, this suggests a total figure for England of about 60,000. These numbers are used in the calculation of economic impacts below, but it should be noted that they represent educated guesses.

UK

We have calculated the number of holiday rental units in the other constituent countries of the UK using the same methodology. Each country produces its own figures for the number of self-catering properties. The figures for Wales and Northern Ireland are for 2013 and 2012 respectively, but the most recent figure available for Scotland was from 2005. It was not possible to determine the number of listings in these countries for Airbnb or House Trip, so only listings from HomeAway and Flip Key are included in Table 5.2. In all cases the official stock figures were far in excess of

[4] The GBTS and IPS indicate that while London accounts for 22% of all overnight visits to England, it is responsible for 37% of tourist expenditure.

the numbers of Internet listings, so we have used them (rounded). However the paucity of available data means that the resulting figures can only be regarded as indicative.

Table 5.2: Estimated number of holiday rental units in Scotland, Wales and Northern Ireland

Figures rounded

	Official stock figures (various years—see below)	***Internet agency listings***		***LSE London estimated total units***
		HomeAway	***Flip Key (Trip Advisor)***	
Scotland	9,727	2,124	1,727	10,000
Wales	7,067	1,961	1,712	7,000
Northern Ireland	1,424	61	180	1,500

Sources: Welsh government bedstock data (2013) Northern Ireland Statistics and Research Agency (2012); Bevan & Rhodes (2005).

Adding the figures for the four constituent parts of the UK (England: 60,000; Scotland: 10,000, Wales: 7,000 and Northern Ireland: 1,500) yields an overall estimate of 78,500 holiday rental units—which we have conservatively rounded to 75,000.

Direct economic impacts

Tables 5.3 - 5.6 present summaries of the annual *direct* economic impacts of the holiday rental industry in the UK, London, Cornwall and North Yorkshire. They are based largely on responses to an online survey of holiday rental owners carried out in the course of this research. The tables also provide rough estimates for the number of jobs created directly by the holiday rental industry.

The median annual per-unit income reported by survey responses across the UK was £12,750 per annum. Property owners spend on average £1,600 per annum hiring outside workers to undertake tasks ranging from maintenance and repair to cleaning and gardening, as well as administration, marketing and similar activities. In total, the median annual expenditure of holiday rental owners is £6,000 per annum, including employment expenses. The combined gross annual income of operators in the holiday rental sector is estimated at £950 million.

Operators spend approximately £450 million each year on employment and purchases relating to their rental property. This suggests there is a sizable direct economic impact. Applying a marginal tax rate of 20% (i.e., the basic rate) to net income (average owner income less average owner expenditure on employment and services) yields an estimate for income tax paid of around £100 million. This is only an indicative figure, as the calculation does not allow for the deduction of mortgage interest as a business expense, which would reduce the amount of tax paid. Equally many owners, especially in London, would be higher-rate taxpayers, and some units are owned by companies rather than individuals.

The bottom row of the table shows the numbers of jobs directly created. Because most of the employment generated by the holiday rental industry is relatively low paid, we have assumed that each £20,000 of owner expenditure on employment generates the equivalent of one job. (This is much lower than the figure calculated for the tourism industry overall—see below.) The holiday-rental industry is directly responsible for the creation of around 6,000 full-time equivalent jobs across the UK, but because most of the employment was part-time, the number of individuals employed was far higher.

The best way to represent economic impact, however, is to use *net* rather than gross amounts. Calculation of net figures takes into account the alternative uses of holiday rental properties—that is, the fact that if they were not being rented out to tourists, many of these units might be generating income as private rented dwellings or owner-occupied homes (which generate imputed rental income for the owners). To the extent that holiday rental use is an alternative to another economically productive use it is not producing added value but rather transferring it from one economic sector to another.

To calculate the *net* direct effect, we need to know what proportion of holiday rental properties would likely be used as homes if they were not rented as holiday lets . In our survey of owners we asked them for their reasons for buying their holiday rental properties (Table 4.1). About 70% gave investment-related reasons ('for a supplementary income' 'as an investment' etc), while about 30% used the property as their own primary or secondary home. This suggests that 70% of the properties could be expected to generate income from another use if they were not rented out to tourists, while 30% would not because the proprietor owns them for other reasons. We therefore applied an adjustment factor of 0.3 (30%) to the gross figures to produce net figures—these represent the *additional* contribution to the economy of bringing these properties into economic use during the period that the owners are not occupying them.

These figures are only broad estimates. They could be further refined to take into account void periods, the differences in weekly rents charged to holidaymakers and permanent tenants, and the composition of the housing stock in each area (with Cornwall and North Yorkshire having a higher proportion of traditional second homes than London). They also implicitly assume that other economic uses of the properties would create the same numbers and types of jobs, which is almost certainly not be the case—but they do represent a starting point.

The net figures show that the additional direct effect of holiday rentals on the UK is in the region of £135 million, with £35 million extra spent on employment and £30 million extra paid in taxes. Some 1,800 extra FTE jobs are created, with the number of individuals employed being far higher because most of the jobs are part-time.

Table 5.3 Estimated direct impacts of holiday rental businesses in the UK

Figures rounded

Estimated total number of units: 75,000	***Gross***		***Net (30%)***
	Median per unit	***Total (millions)***	***Total (millions)***
Gross annual income	£12,750	£950	£285
Total annual expenditure by holiday rental businesses	£6,000	£450	£135
Of which employment	£1,600	£120	£35
Income tax paid	£1,350	£100	£30
		Number	***Number***
Jobs created		6,000	1,800

Sources: LSE London Holiday Rental Property Owners Survey (2014); LSE London calculations based on survey

<u>London</u>

The median annual per-unit income reported by London owners surveyed was £25,000. The total number of holiday rental units in London is estimated at 9000, suggesting that owners of London holiday properties receive on the order of £225 million per annum in revenue.

The median per-unit expenditure was £9000, so total expenditure by owners of London units was about £80 million. About £34 million of this (or £3,750 per unit) was spent on employing cleaners, gardeners, accountants, etc.—directly creating a total of 1,700 jobs. Our rough calculations suggest that London holiday rental owners could be expected to contribute maybe £29 million per year in tax.

The net figures show that the additional direct effect of holiday rentals on London is in the region of £25 million, with £10 million extra spent on employment and £9 million extra paid in taxes. The additional number of jobs created was about 500.

Table 5.4 Estimated direct impacts of holiday rental businesses in London

Figures rounded

Estimated total number of units: 9,000	***Gross***		***Net (30%)***
	Median per unit	***Total (millions)***	***Total (millions)***
Gross annual income	£25,000	£225	£70
Total annual expenditure by holiday rental businesses	£9,000	£80	£25
Of which employment	£3,750	£34	£10
Income tax paid	£3,200	£29	£9
		Number	***Number***
Jobs created		1,700	500

Sources: LSE London Holiday Rental Property Owners Survey (2014); *LSE London calculations based on survey*

<u>*Cornwall*</u>

Median holiday rental owner income per unit in Cornwall (£11,250) was less than half the London figure—partly because of the seasonal nature of tourism to Cornwall but also simply lower rents (and property prices). Total income was estimated at £50 million.

Median expenditure per unit was £6000—2/3 the median expenditure value in London. On our conservative assumptions, owners of Cornish rented properties could have been expected to pay an estimated £5 million in tax last year. The net figures show that the additional direct effect of holiday rentals on Cornwall is in the region of £8 million, with £3 million extra spent on employment and £1.5 million extra paid in taxes. About 165 additional jobs were created in the county.

Table 5.5 Estimated direct impacts of holiday rental businesses in Cornwall

Figures rounded

Estimated total number of units: 4,500	***Gross***		***Net (30%)***
	Median per unit	***Total (millions)***	***Total (millions)***
Gross annual income	£11,250	£50	£15
Total annual expenditure by holiday rental businesses	£6,000	£27	£8
Of which employment	£2,500	£11	£3
Income tax paid	£1,050	£5	£1.5
		Number	***Number***
Jobs created		550	165

Sources: LSE London Holiday Rental Property Owners Survey (2014); *LSE London calculations based on survey*

<u>*North Yorkshire*</u>

Holiday rental businesses in North Yorkshire earn a median income of £14,000 per year. Total annual income based on an estimated 2,000 units is about £30 million per year. Table 5.6

summarises the direct impacts of holiday rentals in North Yorkshire. While the number of units is smaller for this region than in Cornwall and London, average expenditure per unit was higher. In total, holiday rental owners in North Yorkshire spend £15 million on the operation of their properties. They pay approximately £3 million in tax.

The net figures show that the additional direct effect of holiday rentals on North Yorkshire is in the region of £5 million, with £1.5 million extra spent on employment and £1 million extra paid in taxes. Holiday rentals were responsible for about 75 additional jobs in the county.

Table 5.6 Estimated direct impacts of holiday rental businesses in North Yorkshire

Figures rounded

Estimated total number of units: 2,000	***Gross***		***Net (30%)***
	Median per unit	***Total (millions)***	***Total (millions)***
Gross annual income	£14,000	£30	£9
Total annual expenditure by holiday rental businesses	£7,000	£15	£5
Of which employment	£3,000	£5	£1.5
Income tax paid	£1,400	£3	£1
		Number	***Number***
Jobs created		250	75

Sources: LSE London Holiday Rental Property Owners Survey (2014); *LSE London calculations based on survey*

Total and indirect economic impacts

The major indirect economic impact of the holiday rental industry is the expenditure generated by the tourists who stay in these units and the employment that this creates—both among those directly employed in the sector and via their consumption of goods and services in the wider economy. Here we rely on secondary sources rather than our own survey data. The calculation of indirect impacts is based on 2012 figures; this year was chosen because the response categories for the IPS were changed in 2013 and it became impossible to isolate those travellers staying in holiday rental units.

Deloitte's 2013 report on employment in the tourism industry calculated that £54,000 of tourist expenditure was associated with the creation of one extra job in the hotels and catering sector. Holiday rental tourism is also responsible for job creation, although the profile of the jobs created is somewhat different from the industry definition employed by Deloitte: they are in restaurants but not in hotels, and could be expected to have lower rates of pay than hotel and catering employees overall. We have therefore reduced the Deloitte figure of £54,000 to £45,000.

Table 5.7 shows that domestic tourists staying in holiday rentals spent a total of £3.14 billion in 2012, while overseas visitors spent slightly less than half that amount; the total spent by holiday-rental clients was nearly £4.5 billion. Assuming that one job is created for each £45,000 of expenditure, the calculations suggest that expenditure by visitors staying in holiday rentals accounted for about 95,000 UK jobs in 2012.

There is no published figure for expenditure by holiday rental clients in London. The London Visitor Survey 2008 estimated that 6% of overseas visitors stayed in holiday rentals (see London section in Annex D), and London & Partners estimated that in 2012 overseas visitors to London spent a total of £10.08 billion. We have therefore assumed that 6% of expenditure—or £605 million—can be attributed to overseas visitors staying in holiday rentals (this is probably a conservative estimate, since holiday rental clients tend to stay longer and, on average, spend more per visit). Data on expenditure by domestic and overseas visitors in holiday rental accommodation in Cornwall were available from Visit Cornwall (2012a). No data exist at the county level for North Yorkshire.

Table 5.7: Gross tourist expenditure and employment attributable to travellers staying in holiday rentals (2012)

Figures rounded

	Expenditure by tourists staying in holiday rentals			*Number of FTE jobs generated (@ £45,000/job)*
	Domestic (millions)	*Overseas (millions)*	*Total (millions)*	
London	£50	£605	£655	15,000
Cornwall	£419	£28	£447	10,000
UK	**£3,144**	**£1,181**	**£4,325**	**95,000**

Source: ONS (2012); VisitEngland (2012b); Visit Cornwall (2012a); LSE London calculations based on London & Partners figures

Holiday rentals are an alternative to staying in other types of accommodation (notably hotels, but also staying with friends and family, etc.). Their net effect on expenditure and jobs are the amounts attributable to trips that would otherwise have not occurred, or stays that would otherwise have been shorter. Our interviewees told us that many visitors would simply stay in hotels if holiday rentals were not available. The net effect of the industry is somewhat lower than the figures in Table 5.7 indicate.

Tables 5.8 and 5.9 are a first attempt to calculate these net figures, by applying 'adjustment actors' to attempt to isolate expenditure and employment that would not otherwise have occurred. We put forward two scenarios: high additionality and low additionality. The adjustment factors in each scenario are informed estimates not based on statistical analysis. These adjustment figures can be refined when more robust information about visitor preferences and behaviour becomes available.

Our interviewees told us that in London, most holiday-rental clients would have visited even if that accommodation had not been available, choosing instead to stay in hotels. On the other hand, the average length of stay in a holiday rental property is significantly longer than in a hotel—so even if many of the visitors would have come, they would probably have stayed for a shorter period. And holiday rental properties are not the only option for those wishing to self-cater: in summer, for example, university accommodation is available, and some hostels offer self-catering. While most holiday-rental clients probably would not view these as acceptable substitutes for holiday rentals, some younger visitors might.

In our judgement, in the range of 10 to 40% of the expenditure of holiday-rental clients in London can be regarded as additional – that is, it would not have occurred if the visitors had not stayed in such accommodation. We have therefore used an adjustment figure of 0.1 (10%) for the low additionality scenario for London, and 0.4 (40%) for high additionality. It should be emphasised that these figures represent a 'best guess' based on our qualitative research. We cannot be certain what proportion of holiday-rental tourist expenditure is genuinely additional without undertaking further research among clients themselves.

In Cornwall the situation is different: interviewees said most visitors to Cornish self-catering properties are attracted precisely by their attributes as self-contained properties, and would not visit the county if such accommodation were unavailable. *We have used an adjustment figure of 0.4 for the low additionality scenario for Cornwall, and 0.6 for high additionality. For the UK as a whole we employed intermediate adjustment factors of 0.3 and 0.5.*

Table 5.8: INDIRECT gross and net tourist expenditure and employment attributable to travellers staying in holiday rentals—Low Additionality Scenario (2012)

Figures rounded

		Gross		Net	
	Adjust-ment factor	*Total expenditure by holiday rental clients (millions)*	*Employment generated (number of FTE jobs)*	*Total expenditure by holiday rental clients (£ million)*	*Employment generated (number of FTE jobs)*
London	0.1	£655	15,000	£65	1,500
Cornwall	0.4	£447	10,000	£180	4,000
UK	**0.3**	**£4,325**	**95,000**	**£1,300**	**28,500**

Source: ONS (2012); VisitEngland (2012b); LSE London calculations

Table 5.9: INDIRECT gross and net tourist expenditure and employment attributable to travellers staying in holiday rentals—High Additionality Scenario (2012)

Figures rounded

		Gross		Net	
	Adjust-ment factor	*Total expenditure by holiday rental clients (£ millions)*	*Employment generated (number of FTE jobs)*	*Total expenditure by holiday rental clients (millions)*	*Employment generated (number of FTE jobs)*
London	0.4	£655	15,000	£260	5,800
Cornwall	0.6	£447	10,000	£270	6,000
UK	**0.5**	**£4,325**	**95,000**	**£2,200**	**48,000**

Source: ONS (2012); VisitEngland (2012b); LSE London calculations

The resulting calculations show that under a low-additionality scenario, holiday rentals may be responsible for an additional £65 million of expenditure in London, generating 1,500 FTE jobs. In Cornwall the figures are higher--£180 million of expenditure and around 4,000 jobs. Under the high-additionality scenario the additional expenditure in London attributable to holiday rentals is around £260 million per annum, resulting in employment generation of approximately FTE 5,800 jobs; in Cornwall the figures are £270 million in expenditure and about 6,000 jobs.

For the UK as a whole then, the net additional expenditure by holiday rental clients is in the region of £1.3 to £2.2 billion, and this expenditure is responsible for generating in the region of 28,500 to 48,000 FTE jobs.

It should be noted that domestic tourists who stay in a holiday rental in another region are not spending money in their local economies during their holidays, leading to lost income and employment in their areas of origin. Equally they may be taking holidays at home rather than spending money abroad which implicitly reduces imports (as overseas holidays are an 'invisible' import). We have no evidence of the proportions involved and have therefore excluded these impacts.

In total, the estimated *direct* impacts of the holiday rental sector in the UK include £450 million in business expenditure, the creation of 6,000 FTE jobs and £100 million annually in tax payments. UK holiday rental property owners pay net business expenditure of £135 million and directly generate an additional 1,800 FTE jobs that otherwise would not exist—and the number of individuals employed is higher, because the jobs are mostly part-time. Their *net* tax contribution is likely to be about £30 million. Estimated *indirect* impacts include over £4 billion in total expenditure by holiday rental clients and the generation of around 95,000 jobs. ***In all, the sector makes a net contribution of between £1.4 and £2.3 billion in additional expenditure and between 28,500 and 48,000 additional full-time equivalent jobs.*** Importantly, these figures are based on multiple assumptions and secondary data sets and should only be regarded as broad-brush estimates.

5.2 How the market is developing

Sector trends

The UK holiday rental sector has experienced significant growth over the last five years. Mintel estimates that since 2008, the volume of domestic holidays taken in a rental property has increased by 20%, with the value of the holiday rental market increasing by 38% (2014). The biggest peak in this growth occurred in 2009. Between 2008-2009, the number of British tourists staying self-catering rental accommodation grew by 27.4%. In an interview, a representative of VisitEngland described the recession as the single biggest influence on UK tourism trends over the past decade, with the since-labelled 'staycation' year 2009 seeing an 8% uplift in the number of tourists taking domestic holidays and a parallel decline in the number of overseas visitors entering the UK. Evidently, the holiday rental industry benefitted from the lift in domestic tourism over the last five years, and Mintel forecasts continued growth, albeit at slower rates.

As the three regional profiles show (Annex C), the holiday rental sector is proportionally more significant in the countryside, in rural villages and by the coast. In 2013, approximately 1/3 of all domestic holidays spent in rental accommodation were in seaside areas, 1/3 in countryside/village locations, ¼ in small towns, and 14% in large cities or towns (VisitEngland, 2013b). Twelve per cent of all trips taken by Brits to the seaside and 13% of all countryside trips were booked in holiday rental accommodation, whereas only 2.5% of all urban trips were in self-catering rentals.

Trend data since 2008, however, shows immense growth in the self-catering rental sector in urban areas. Between 2008-2013, the number of trips taken by domestic visitors in self-catering rental property in urban destinations grew by 38%, compared to 18% growth in seaside areas and 30% growth in countryside areas (GBTS figures). Growth values and percentages for the wider regions in which the three profiled locations are situated are summarised in Table 4.10. Most striking in these data is the huge increase in self-catering rental trips taken by domestic visitors in London over the last five years. While the growth in domestic travel to the capital can be partially explained by the recession and the staycation boom, an increase of this size implies a significant shift in the popularity of urban holiday rentals. Mintel's industry report notes that this rise in urban holiday lets is particularly driven by under-35s, and national tourism experts argue that self-catering accommodation in cities is particularly attractive to return visitors and confident FITs--'fully independent travellers.'

Table 5.10: Regional trends in domestic visitor trips spent in self-catering rented accommodation (2008-2013)

	Visits to self-catering rentals			***% change in overall number of trips to region***
	2008	***2013***	***% change***	
South West England	2,121,000	2,751,000	30%	3%
Yorkshire	504,000	791,000	56%	5%
London	34,000	199,000	485%	11%

Sources: VisitEngland (2008; 2013)

Consumer trends

In interviews, tourism experts most frequently associated holiday rentals with ‘independence,’ ‘freedom,’ and ‘authenticity’ in travel experience. Self-catering rental properties appeal to those who do not want the time constraints often associated with serviced accommodation like hotels or B&Bs. In a holiday rental, the schedule of waking, eating, and socialising is determined solely by the renters. Interviewees described the sector as more ‘flexible’ in many ways compared to serviced accommodation offerings, particularly for groups with special dietary needs or for visitors who would like to travel with pets. According to Mintel, one in five of those who stay in a holiday rental state that being able to take a family pet with them is a high priority. Additionally, tourism experts note that the privacy of holiday lets appeals to many. Rental accommodation also offers an arguably more authentic experience for visitors, giving the opportunity to experience ‘living like a local.’

While the volume of holiday rental accommodation has grown over the last five years, so have consumer standards and the quality of holiday rental stock. Experts explain this as an increasing trend in holidaymakers expecting the comforts of home with added luxurious perks that contribute to the feeling of ‘living the dream.’ Increased standards and quality also speak to the more affluent customer base now seeking holiday rental accommodation. Experts and Mintel’s industry report both note above-average growth in the premium end of the holiday rental market.

> *‘Fifteen--twenty years ago when people used to stay in self-catering accommodation, they were “slumming it.” That’s completely changed. Today, customers expect comfort at the very least and increasingly are after a luxury experience.’*
>
> –Industry expert

Despite this growth in the luxury end of the market, self-catering rentals are still widely felt to be a strong value for money option in holiday accommodation, particularly for groups and families. Mintel’s 2014 industry report states that families dominate the consumer market for both domestic and international visitors, and 61% of surveyed holiday rental owners stated that families were their most frequent client group, followed by couples without children (25.4%). National tourism experts state that the number of multigenerational groups holidaying together has risen since 2008, and per-person costs are often substantially reduced if these larger, mixed-age groups stay together in a rental rather than traditional serviced accommodation. Self-catering also offers a value for money proposition for longer stays. Although one of the key trends in the holiday market over recent years has been a shortening in average holiday duration—including in the holiday rental market—stays in rental properties still tend to be longer than stays in serviced accommodation sectors.

Interviewed sector experts argue that value for money does not mean inexpensive, but rather that clients feel the space, flexibility, and opportunity for groups to stay together make the sector a better *value* than the serviced accommodation market—and the budget end of the serviced accommodation market in particular. Research on visitor perceptions of value for money commissioned by VisitBritain found that accommodation was the single biggest driver of holidays in Britain being rated as more expensive than other destinations (HPI, 2014). The study concluded that promoting accommodation types that rank as better value for money—like self-catering rentals—is a more realistic and promising strategy for improving overall perceptions of holiday value than trying to improve the performance of mid-range or budget hotels.

Intriguingly, data on visitor expenditure and interviewees suggest that although self-catering rentals allow for visitors to save money by preparing their own meals, a large section of the market still spend a high proportion of their budget eating out in local restaurants. Tourism experts note that self-catering visitors often only prepare breakfast in their accommodation, choosing to eat other meals out. In Cornwall, interviewees noted that communities like Padstow and St. Ives have both high numbers of holiday rentals and thriving restaurant scenes.

In all, the proportion of spend holiday rental visitors contribute to the overall tourism economy is greater than their proportional share of visits. While 7% of trips in 2012 taken by domestic travellers were spent in rental accommodation, these visitors contributed 12% of that year's tourism spend. Overseas visitors staying in rental accommodation accounted for 3.4% of all visits but contributed 6.4% of all overseas visitor spend. These figures support the anecdotal evidence offered by regional tourism experts who claim that local economies—particularly in seaside and rural locations—are dependent on the thriving holiday rental market. ***Trends in ownership***

The holiday rental sector is unique within the tourism industry in that it is dominated by 'micro-enterprises'—individuals operating very few numbers of properties largely independently. Many see their rental operation as a 'lifestyle business,' often living nearby or on-site. Regional industry experts say that such managers are slightly less profit-focused and more invested in the experience surrounding the management and letting of their properties, perhaps relocating to a popular tourist environment to start up their business. In North Yorkshire, many new holiday rental businesses are the result of farm diversification or the conversion of previously agricultural and now redundant space into lets. Regional experts argue that growth in Yorkshire tourism and the parallel decline in agricultural profitability has made these conversions a good investment for many property owners.

Interviewees in Cornwall and North Yorkshire argued that the number of holiday rental owners who live outside of the region is growing, while in London this was not felt to be the case. Estimates ranged from 10% of all operators in North Yorkshire to a fifty-fifty split between local and non-local owners in Cornwall. The emergence of management companies who take care of most operational concerns on behalf of non-local owners have made it more convenient to invest in holiday rental property away from home. While the employment of individuals and services will still generate indirect economic impacts in the visited areas, some critics of this increasing trend argue that direct income from accommodation expenditure is not re-invested in these holiday destinations, but rather spent wherever the owner permanently resides.

Challenges, risks and potential

Areas with high proportions of holiday rentals and second homes tend to exhibit higher property values. Critics argue that the reduction of permanent housing stock resulting from the use of homes as holiday lets drives up prices and can prevent first-time buyers from entering certain markets. In all three of our study regions, local experts did note higher house prices in popular holiday let areas, such as St. Ives in Cornwall or Scarborough in North Yorkshire. In the South West in particular, local business leaders expressed concern that young people are leaving the area in search of cheaper places to live. They worry that this could have a negative impact on the local labour force and harm regional economic development.

Tied to worries about property prices are concerns about holiday rental properties and second homes left vacant for much of the year. Excessive concentration of infrequently occupied holiday rental properties can make it difficult to sustain local businesses and public services in some communities. In Cornwall, experts expressed concerns about communities with disproportionately high numbers of holiday rentals and second homes becoming 'ghost towns' in the winter. Consequently, the distribution of holiday rentals and occupancy rates matter greatly in mitigating these potential negative effects. The majority of respondents to our survey (62%) stated that their property is vacant when not rented. Over a third of respondents (40%) stated that their rental is occupied by renters for nine months or more each year, but 23% stated that their property is only let between 3-6 months of the year.

Encouraging more year-round use of holiday rentals—either by visitors or the owners themselves—may help lower this perceived economic threat. Our research showed that the perceived negative impact of large numbers of second and holiday homes in an area decreases substantially if those properties are consistently occupied throughout the year. Furthermore, North Yorkshire tourism experts note that a fairly even distribution of holiday rentals throughout certain areas (mainly Harrogate district) helps prevent deep pockets of low occupation in off-peak months. But this distributional spread is more difficult to achieve in areas with major geographic draws like seacoasts.

Interviewees noted that alongside these potential concerns, there is strong evidence of the regeneration potential the holiday rental sector can have particularly in less populated rural and coastal areas. In Harrogate, North Yorkshire, for example, local business and tourism leaders argue that the growing rental industry is important in supporting increased business tourism to the area for large conventions and conferences. A local resident and estate agent in St. Ives, Cornwall, argued that the holiday rental industry ‘saved’ the town, noting that the expenditure of long-staying visitors sustains most local jobs. One interviewee stated that 10 years ago when he started his business, his rental was one of only a few in the area and very few restaurants or attractions existed locally to recommend. Today, the number of rental enterprises in his area has grown exponentially, and he counts over 50 restaurants within a 15-mile radius of his property. To him, this is strong evidence of the holiday rental sector driving local regeneration. Further research is warranted on this regeneration impact, particularly in comparison to other accommodation sectors like holiday resorts or campsites.

Importantly, our research has uncovered a significant interest within national tourism organisations and regional bodies to better understand the impact and characteristics of Britain’s holiday rental sector. Swift growth—particularly among domestic tourists—over the last five years has placed the sector in the spotlight, but its size and impact remain difficult to quantify as it is loosely organised and difficult to define. Future studies are needed to more fully profile the industry and its variations throughout regions in the UK, and much is still to be learned about consumer drivers and patterns within the industry.

6. Conclusions

This study suggests that the holiday rental sector plays a growing role in the UK's wider tourism economy and that it has large direct and indirect economic impacts in the areas studied. Tables 6.1 and 6.2 summarise the direct and indirect economic effects showed by this study. Owners of holiday rental properties in the UK spent about £450 million running their businesses—including £120 million employing staff, creating about 6,000 jobs. They paid approximately £100 million in tax on their holiday-rental businesses.

The net figures for direct impact are lower, reflecting the fact that most of these properties would be in other economically productive uses if their owners did not choose to use them as holiday rentals. For the UK overall, the net expenditure by holiday-rental owners is estimated at around £135 million in 2014. About £35 million went on employing outside workers (responsible for an additional 1,800 jobs) and the net tax contribution from owners was about £30 million.

Table 6.1: DIRECT impact – estimated annual expenditure, tax paid and jobs attributable to holiday rental businesses in London, Cornwall, North Yorkshire and the UK (2014)

Figures rounded

	Gross					***Net***				
	Annual Income (£ millions)	***Annual Expenditure (£ millions)***	***of which on employment (£ millions)***	***Tax Paid (£ millions)***	***FTE jobs created (number)***	***Annual Income (millions)***	***Annual Expenditure (millions)***	***of which on employment (£ millions)***	***Tax Paid (millions)***	***FTE jobs created (number)***
London	225	80	34	29	1,700	£70	£25	£10	£9	500
Cornwall	50	27	11	5	550	£15	£8	£3	£1.5	165
North Yorkshire	30	15	5	3	250	£9	£5	£1.5	£1	75
UK	**950**	**450**	**120**	**100**	**6,000**	**£285**	**£135**	**£35**	**£30**	**1,800**

Sources: Tables 5.3 –5.6

Domestic tourists staying in holiday rentals spent a total of £3.14 billion in 2012, while overseas visitors spent about half that amount; the total spent by holiday-rental clients was around £4.5 billion. Assuming that one job is created for each £45,000 of expenditure, the calculations suggest that expenditure by visitors staying in holiday rentals accounted for an estimated 95,000 jobs in the UK in 2012.

Table 6.2: TOTAL contribution (gross and net) of the holiday rental sector to expenditure and employment in the UK and two regions (2014)

Figures rounded

	Gross		***Net***			
	Total expenditure by holiday rental clients (millions)	***Direct and indirect employment generated (jobs)***	***Low Additionality Scenario***		***High Additionality Scenario***	
			Total expenditure by holiday rental clients (millions)	***Direct and indirect employment generated (jobs)***	***Total expenditure by holiday rental clients (millions)***	***Direct and indirect employment generated***
London	£655	15,000	£65	1,500	£260	5,800
Cornwall	£447	10,000	£180	4,000	£270	6,000
UK	**£4,325**	**95,000**	**£1,300**	**28,500**	**£2,200**	**48,000**

Source: Tables 5.8 and 5.9

The net effect of tourists staying in holiday rental properties is smaller, because many of them would have visited in any case if such accommodation were not available. Given the paucity of data on which to base such an estimate we calculated two scenarios: low additionality and high additionality. Under a low-additionality scenario, we estimate that holiday rentals are responsible for a net additional £65 million of expenditure per annum in London, generating 1,500 jobs net. In Cornwall the figures are higher--£180 million of expenditure and around 4,000 jobs. Under the high-additionality scenario the net expenditure in London attributable to holiday rentals is around £260 million annually, resulting in net employment generation of perhaps 5,800 jobs; in Cornwall the figures are £290 million in expenditure and around 6,000 jobs (see Table 5.2 above). For the UK as a whole then, the net additional expenditure by holiday rental clients is in the region of £1.3 to £2.2 billion, and this expenditure is responsible for generating in the region of 28,500 to 48,000 jobs.

The total economic impact is the sum of direct and indirect impacts. In gross terms, the holiday rental industry is responsible for about £5 billion in expenditure, 100,000 jobs and £100 million in tax revenue. The total *net* contribution of the sector is between £1.3 and £2.2 billion, mostly from expenditure by holiday-rental customers. The sector makes a net contribution of around 30,000 to 50,000 FTE jobs—1,800 generated by the industry itself and the rest in the wider economy.

Various trends in the sector suggest that these impacts can be expected to grow:

The holiday rental sector is growing. Over the last five years, the volume of domestic holidays taken in a rental property has increased by 20% and the value of the holiday rental market has increased by 38% (Mintel, 2014b). Mintel forecasts continued growth in the sector and expects a 6.2% increase in the volume of domestic visits spent in holiday rentals by 2018.

Consumers who stay in holiday rental accommodation stay for longer and spend more per trip than visitors who stay in traditional serviced accommodation. The majority of holiday rental stays are between 4-7 nights, with a quarter of all visits lasting longer than a week. In each region of study, the proportional nights and spend attributed to both domestic and international visitors who stay in holiday rentals was larger than their proportional share of visits. National tourism experts have argued that UK holiday patterns are changing, with shorter, more frequent trips replacing longer holidays. Nevertheless, self-catering rentals are still seen as a strong value for money option for many consumers, particularly families and groups. Quality and standards across the sector have risen as a more affluent customer base demands increased comfort and luxury. Our interviewees said that those staying in self-catering accommodation did not necessarily self-cater, with many groups spending a large proportion of their trip budget eating out. More detailed research into the spending patterns of holiday-rental consumer is needed to better understand these trends.

Additionality arising from the sector is significant in rural and seaside areas and warrants further study. Assessing the full economic impact of the holiday rental sector requires an understanding of the additionality it contributes to visitor flows in an area. In other words, it is important to understand how many visitors staying in holiday rentals would choose not to visit an area if holiday rental accommodation were not available. Quantifying this impact with precision is beyond the scope of this report. We produced rough estimates of net impact by applying adjustment figures based on information gained in regional interviews. Seaside and rural tourism experts agreed that the presence of holiday lets in their areas increased tourism numbers. Many stated that visitors select the *type* of accommodation experience they would like for their holiday and then select the destination. Interviewees in Cornwall and North Yorkshire were concerned that if their holiday rental sectors were to decline, many visitors would simply choose other destinations. In contrast, experts in London believed the ability to easily substitute other accommodation for holiday rentals reduces this additionality effect. Most agreed that a change in the number of holiday lets on offer in the capital would not have a large impact on visitor numbers.

This growing and diversifying sector contributes to the UK economy through owner expenditure, employment and visitor spending. In rural and seaside locations like Cornwall and North Yorkshire, the holiday rental sector is seen as a vital component of overall tourism infrastructure, and experts believe that the existence of rental options significantly boosts interest from both domestic and inbound passengers. Recent data show substantial growth in the sector in urban areas as well, particularly with younger consumers seeking good value for money. The holiday rental sector looks set to become increasingly important in the UK tourism offer. The poor quality of existing data as well as the growing importance of the sector argues for further research into drivers of both demand and supply.

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Annex A: Existing research

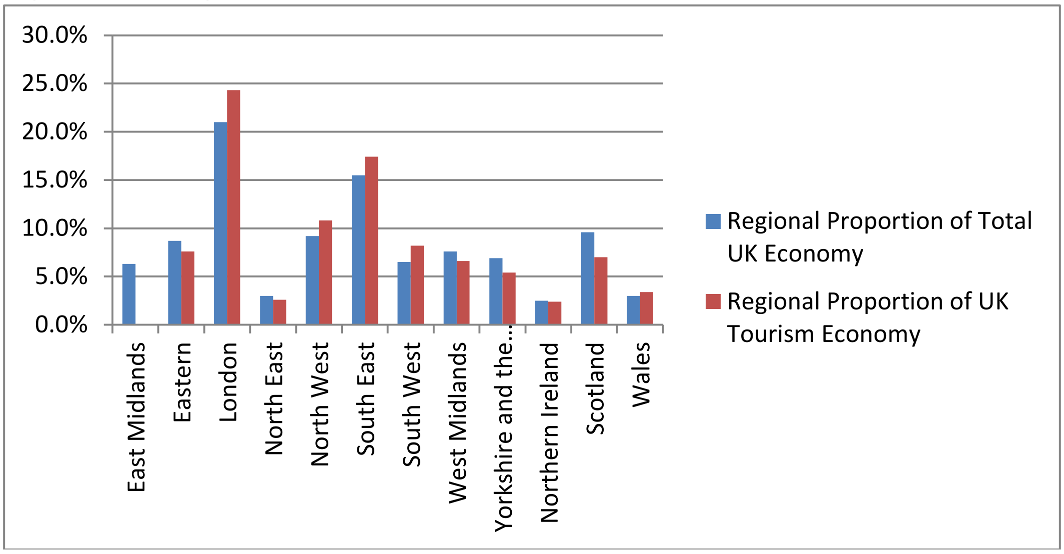
Measuring the economic impact of tourism

Tourism is a major contributor to the UK economy. Spending in the UK tourism economy totalled £113 billion in 2013, delivering £58 billion in GVA and accounting for 4.1% of UK GDP (Deloitte, 2013). The combined direct and indirect impact of the tourism economy was around £127 billion in 2013, or 9% of national GDP. Particularly in peripheral areas, where the industry may have a 'comparative advantage' (Andrew, 1997: 721), tourism is often a potential driver of economic development (ONS, 2010).

Tourism is not evenly distributed spatially. Figure A.1 below shows that in the South West, the North West and London, tourism makes up a higher share of the economy than it does in the UK as a whole. Figure A.2, showing Gross Value Added of Tourism Industries (GVA-TI) as a proportion of total regional GVA, shows a similar pattern, with the highest figures in the same three regions.

Many countries compile data on the proportion of tourism expenditure within their national economies in Tourism Satellite Accounts (TSAs), which are produced under standard guidelines issued by the OECD and World Tourism Association (Dwyer et al, 2004). TSAs serve as a 'snapshot' of the sector, but as they are purely based on national input-output tables[5] they do not adequately capture regional or local impacts or tell what effect tourism has on other variables within the economy (ONS, 2010).

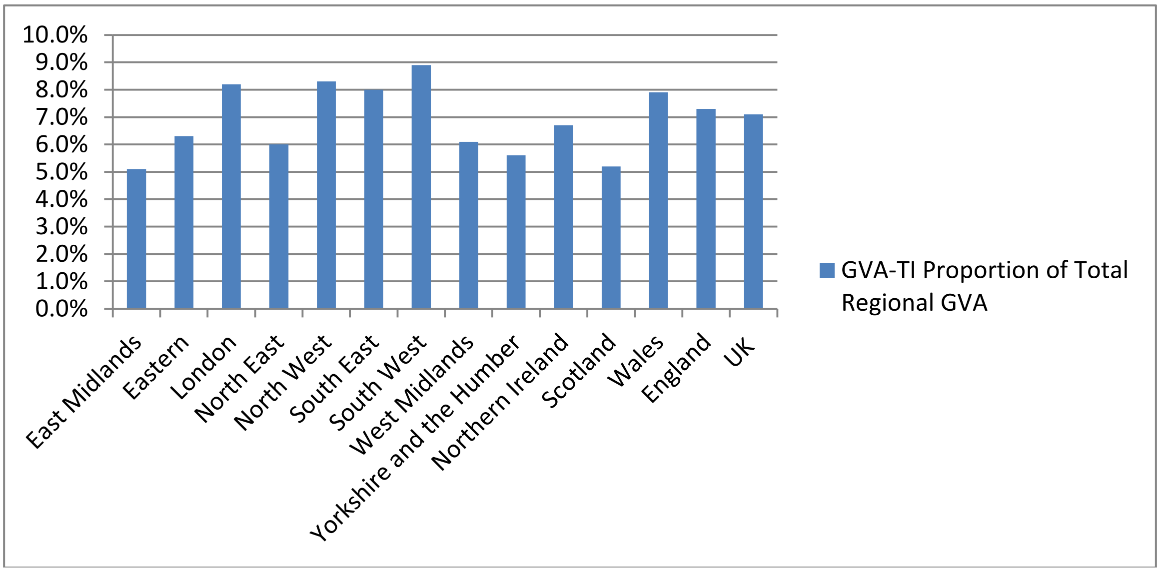
Figure A.1: Regional shares of overall UK economy and tourism economy, 2006



ONS (2010: 48)

[5] Input-output tables reflect the structure of the economy and the impact that changes in one sector normally have on other sectors in that region. These tables are used to derive multipliers that can represent sectoral interdependencies and estimate the secondary effects of (in this case) tourist expenditure. Input-output models are often used for economic impact studies as they operate in general equilibrium, are flexible and policy neutral, and efficiently offer a comprehensive picture of the economy; weaknesses of the model, however, include the sheer amount of data required to produce reliable multipliers, the assumption of uniform consumption patterns for all households, and the aggregation of both competitive and non-competitive imports.

Figure A.2: GVA-TI as proportion of total regional GVA, 2006



ONS (2010: 48)

According to the literature, economic activities—such as tourism—create three types of economic impact: direct, indirect, and induced (Stynes, 1999; Hovrath & Frechtling, 1999). Direct effects are the immediate effects of tourism expenditure, such as the payment for the holiday rental property or the money spent on a ticket to arrive at the destination. Indirect effects include production changes felt by other industries as a result of changing input needs from tourism. To cope with increased tourism, for example, accommodation providers will need to purchase additional cleaning supplies, have more frequent maintenance done on their property, and so on. Finally, induced effects refer to the changes in regional household spending patterns caused by a change in economic activity and income generated from the direct and indirect effects (Stynes, 1999). While these effects are well understood in principle, the data are relatively poor compared to other industries. The UK's official statistical body has noted the dearth of hard data about the direct and indirect economic impact of tourism and identified a need for more robust measurements of the Gross Value Added (GVA) by tourism-related industries (ONS 2010).

Many studies have attempted to quantify the economic impact of tourism on particular areas. Stynes recommends following three steps (1999):

1. Estimate the number and types of tourists to the region
2. Estimate average levels of spending (within specific market segments) of tourists in the local area
3. Apply a specific multiplier to approximate secondary effects

Acquiring and disaggregating the required spending data can be difficult and expensive, especially if the study focuses on effects at a local or regional level rather than nationally (Andrew, 1997; ONS, 2010; Bonn & Harrington, 2008). Spending data can be collected in several ways, including surveys of visitors and owners, extracting relevant secondary data, and canvassing expert opinion (Stynes, 1999; VisitEngland, 2008).

Measuring the benefits of holiday rentals

There have been several recent studies of the economic impact of holiday rentals, most commissioned by the industry itself. For example, one estimated the value of the holiday rental industry at $85 billion in the US and Europe, and €20 billion in Europe alone (Holiday Lettings Ltd, 2012). In the UK there has been little work in this area; most analyses have been carried out in the USA. Box A.1 contains four short examples.

Box A.1: Economic impact of holiday rentals in four US cities

Chicago, Illinois
A recent study concluded that holiday rentals in 2013 produced total economic output of $108 million and 920 jobs in Chicago and surrounding Cook County (TXP, 2014a). The weighted daily average rate for a short-term vacation rental in Cook County was found to be $10 less per unit than for hotels in the same area, with the rental properties frequently being much larger and containing more bedrooms. Holiday rental customers were found to stay longer than hotel visitors; the average duration of a stay in a holiday rental was 4.5 nights, compared to 2.4 nights for hotels (TXP, 2014a: 3).

Coachella Valley, California
Holiday rentals were responsible for total economic output of $227 million and 2,539 jobs in the economy of the Coachella Valley, where the resort city of Palm Springs is located, according to a 2013 study (TXP, 2014b). Holiday properties in the Coachella Valley rented for over $150 per night more than hotels (unlike in Chicago, where they were cheaper); even so, on a per-bedroom basis they were less expensive.

Maui County, Hawaii
Research carried out in 2008 concluded that Maui's 'TVR' (transient vacation rental) industry has created $318.9 million in total output, $100.6 million in labour income and 3,478 jobs, and that it paid $19.7 million in Hawaii state taxes and $191,100 in accommodation tax to the county. The research was conducted partly in response to proposals to impose restrictions on holiday rentals.

Florida
Using data from a survey of Florida vacation landlords combined with input-output analysis, a 2014 study estimated the total economic impact of Florida's holiday-rental market at $31.1 billion. The industry directly or indirectly supports a total of 322,032 jobs annually, generating a labour income of approximately $12.64 billion per year (FVRMA 2014).

Economic and social costs of holiday rentals

While industry-sponsored research has focused on the economic benefits of the holiday rental industry, some observers have also pointed to potential costs. In areas with housing affordability problems, critics say that the use of residential property as second homes or holiday lets drives local property values up and makes it more difficult for first-time buyers to enter the market. Some studies argue that holiday rentals can have detrimental social impacts on local communities (Loudat & Kasturi, 2008; City of Westminster, 2011; Mintel, 2014b), including increases in noise and the numbers of transient visitors, who often come and go at unsociable hours. Westminster, one of the local authorities that limits short-term rentals, cites three main reasons for doing so: the reduction in stock of permanent housing, harm to amenities enjoyed by permanent residents, and the displacement of potential longer lets by high-value short-term lets (City of Westminster 2011: 3-4).

Annex B: Survey results by region

1. Where is your holiday rental located?

	%
Cornwall	9.4%
North Yorkshire	4.9%
London	4.1%
Other (please specify county)	81.6%

2. How many holiday rentals do you own?

	UK	***London***	***Cornwall***	***North Yorkshire***
1	69.4%	63.4%	62.8%	69.4%
2	15.7%	16.1%	16.7%	16.5%
3	6.1%	8.6%	8.9%	5.9%
4	3.2%	3.2%	3.9%	3.5%
5-10	3.9%	0.0%	5.6%	3.5%
More than 10	1.6%	8.6%	2.2%	1.2%

3. What was your primary reason for purchasing your holiday rental property?

	UK	***London***	***Cornwall***	***North Yorkshire***
My rental is also my primary home.	9.8%	26.1%	9.0%	9.4%
To provide a primary income.	8.8%	21.6%	10.7%	8.2%
To provide a supplementary income.	26.6%	17.0%	25.4%	30.6%
As an investment	21.9%	12.5%	22.6%	21.2%
To live in as a principal residence in the future	5.3%	11.4%	7.3%	3.5%
For me and my family to use on weekends or holidays	13.7%	9.1%	14.7%	17.6%
Other (please specify)	13.9%	2.3%	10.2%	9.4%

4. Do you regularly hire any of the following as part of operating your rental property?

	UK	***London***	***Cornwall***	***North Yorkshire***
Gardener	37.6%	19.0%	35.3%	19.1%
Cleaner	77.8%	88.6%	83.3%	72.1%
Accountant	43.1%	41.8%	44.7%	48.5%
Administrator	8.0%	13.9%	7.3%	2.9%
Other (please specify)*	22.8%	25.3%	32.0%	29.4%

*Most commonly cited included maintenance and repairmen, contractors, and marketing services

5. On average, how much do you spend per annum employing individuals in regular work (such as gardeners, cleaners, accountants, and administrators)?

	Median total expenditure on employment
London	£3,750
Cornwall	£2,500
North Yorkshire	£3,000
UK	**£1,600**

6. What is your total annual expenditure on operating your holiday rental, including the employment expenses listed above?

	Median total annual expenditure
London	£9,000
Cornwall	£6,000
North Yorkshire	£7,000
UK	**£6,000**

7. What is your gross annual income from your holiday rental?

	Median gross annual income
London	£25,000
Cornwall	£11,250
North Yorkshire	£14,000
UK	**£12,750**

8. How many nights does the average client stay?

	London	***Cornwall***	***North Yorkshire***	***UK***
1 night	0.0%	0.6%	0.0%	0.5%
2-3 nights	21.5%	4.4%	33.3%	20.9%
4-6 nights	49.5%	15.0%	35.7%	30.5%
1 week	22.6%	79.4%	31.0%	46.5%
2 weeks	4.3%	0.0%	0.0%	0.9%
More than 2 weeks	2.2%	0.6%	0.0%	0.7%

9. For how much of the year is your property rented?

	UK	***London***	***Cornwall***	***North Yorkshire***
Less than one month of the year	0.4%	4.3%	0.0%	0.0%
Between 1-3 months of the year	7.8%	14.0%	11.2%	2.4%
Between 3-6 months of the year	23.0%	9.7%	33.5%	17.1%
Between 6-9 months of the year	27.9%	21.5%	30.7%	20.7%
Between 9 months and the entire year	40.8%	50.5%	24.6%	59.8%

10. When your property is not rented, which of the following best describes its status?

	London	*Cornwall*	*North Yorkshire*	*UK*
It is vacant	48.4%	62.6%	64.2%	62.0%
My family or I occupy the property most of the time that it is not rented	31.9%	11.2%	8.6%	13.3%
I allow friends or family to use the property free when it is not rented	12.1%	18.4%	22.2%	17.8%
Other (please specify)	7.7%	7.8%	4.9%	6.8%

11. Do you recommend local amenities (e.g. shops, restaurants, activities) to your guests upon their arrival?

	London	*Cornwall*	*North Yorkshire*	*UK*
Yes	89.0%	91.7%	85.5%	91.4%
No	4.4%	3.9%	2.4%	2.3%
If they request information	6.6%	4.4%	13.3%	6.3%

12. How likely are you to purchase another holiday rental property in the next 5 years?

	London	*Cornwall*	*North Yorkshire*	*UK*
Not at all likely	34.8%	59.5%	76.0%	63.5%
Somewhat likely	41.3%	26.2%	16.8%	25.5%
Very likely	23.9%	14.3%	7.2%	11.0%

Annex C: Tourism and the holiday rental sector: regional profiles

London

London is the most popular tourist destination in the UK and is the third most visited city in the world, behind Hong Kong and Singapore (London & Partners, 2013). The ONS estimates that 28.5 million overnight visits (by both domestic and international visitors) were made to the capital between June 2012 and June 2013, representing 123.9 million nights and £13.48 billion in total visitor spend. In 2013, 54% of all staying visits in the UK made by international passengers were in London (IPS, 2013); by comparison, 10.66% of all overnight visits by domestic travellers were in the capital. London is therefore a more popular destination for visitors from overseas than from within the UK.

Table C.1: Domestic and overseas visits, nights, and spend in London, 2008-2013

	2008	2009	2010	2011	2012	12 months to June 2013
Visits (million)						
Domestic	11.02	10.65	11.37	11.09	12.15	12.51
Overseas	14.75	14.21	14.71	15.29	15.46	16.03
TOTAL VISITS	**25.77**	**24.86**	**26.08**	**26.38**	**27.61**	**28.54**
Nights (million)						
Domestic	32.75	27.87	28.00	33.82	31.81	28.44
Overseas	90.82	85.69	90.32	91.50	94.30	95.53
TOTAL NIGHTS	**123.57**	**113.55**	**118.32**	**125.32**	**126.11**	**123.94**
Spend (£billion)						
Domestic	2.23	2.18	2.41	2.40	2.78	2.88
Overseas	8.13	8.24	8.74	9.41	10.08	10.62
TOTAL SPEND	**10.35**	**10.42**	**11.16**	**11.81**	**12.86**	**13.48**

London and Partners (2013)

The proportion of London visitors who stay in holiday rental accommodation is small when compared to the serviced accommodation sector.[6] Only 1.6% of all domestic overnight visitors to London stay in holiday rental accommodation, and only 3% of all domestic trips taken in a self-catering rental property occur in the capital. Table C.2 summarises the volume of trips, nights, and expenditure spent by domestic visitors to London in holiday rental and compares it with national figures for 2013. London is not a major destination for domestic travellers seeking self-catering, but domestic stays in self-catering in the capital account proportionally for more nights and more expenditure than share of overall trips. The average length of a domestic stay in a self-catering rental in London was 4.1 nights in 2013, and the average trip expenditure was £457.28.[7] By comparison, the average trip expenditure for all domestic overnight stays in London was £226.88 and in England as a whole was £183.87.

[6] According to the 2013 IPS, 64.5% of overseas visitors to London stayed in 'hotels or similar'; the 2013 GB Tourism Survey reports that 47.3% of domestic visitors stayed in 'serviced accommodation: hotels and guesthouses.'

[7] These figures are much higher than the 2012 figures used in the main report, indicating that the holiday rental sector in London grew substantially between the two years. The 2012 figures were used in order to ensure consistency with available regional data on overseas tourists. Because the amount of trips, nights, and spend attributed to this category increased so sizably for London between 2012-2013, it can be assumed that the estimated economic impacts of the main report for London are conservative.

Table C.2: Value and proportion trips, nights, and expenditure attributed to domestic visitors staying in holiday rentals, London and GB, 2013

Destination	***Trips***		***Nights***		***Expenditure***	
London	199,000	1.6%**	826,000	3%	£91 million	3.2%
Great Britain	9,078,000	6.6%***	46,681,000	11.2%	£3.147 billion	12.5%

GB Tourism Survey (2013)

**Percentages in this row reflect the proportion of trips/nights/expenditure made by *domestic* visitors staying in self-catering rentals out of all *domestic* visitors to London in 2013

*** Percentages in this row reflect the proportion of trips/nights/expenditure made by *domestic* visitors staying in self-catering rentals out of all *domestic* visitors to Great Britain in 2013

A larger proportion of overseas visitors to London use self-catering rental accommodation than domestic visitors. The London Visitor Survey from 2008 estimated that 6% of overseas visitors stayed in a holiday let. London & Partners, the main promotional organisation for London, estimates that in 2013, the proportion of total overnight visitors to London staying in self-catering accommodation was 8.6%[8].

Overseas visitors to London are more likely to stay longer than domestic visitors. The London Visitor Survey (2008) found that 28% of overseas visitors stay for 1-3 nights, 29% for 4-6 nights, and 19% for longer than 14 nights. In contrast, 80% of domestic visitors stay for 1-3 nights. Rental accommodation is perceived to offer good value for money, particularly over longer stays, which may help explain the higher proportion of overseas visitors who choose this accommodation option.

Table C.3: London visitors from leading overseas markets, 2012 and 4-year trend (2008-2012)

Region of origin	***Visits 2012 (million)***	***4-year trend (% change)***
Europe	10.05	8
North America	2.27	2
Asia	1.10	30
Australasia	0.70	3
Africa	0.50	-3
Central & South America	0.48	52
Middle East	0.37	6
TOTAL VISITS	**15.46**	**9**

London and Partners (2013)

Table C.3 shows that the majority of London overseas visitors come from Europe, followed by North America, Asia, and Australasia. Visits by Asian and Central & South American visitors have significantly increased over the last four years, with Brazilians specifically showing immense increase in demand (London & Partners, 2013). Little robust data exists linking country of origin and accommodation choice. Interviewed experts, however, suggest that Australian visitors tend to stay the longest and consequently are attracted to the freedom and value for money offered by holiday rentals. Furthermore, interviewees note that Middle Eastern and Asian visitors also may be increasingly attracted to the self-catering model, and this increasing market demand has pushed serviced accommodation providers to increase the number of kitchen-equipped, self-catering options in new ‘aparthotel’ hybrid models.

Trends over time

[8] This figure, however, includes people who use holiday rental sites like Airbnb to book rooms or sections of whole establishments, which is a broader than the definition used in this report.

London attracted 16.8 million overseas visitors in 2013, an increase of 1.2 million, or 7.7%, since 2006 (IPS, 2013). Domestic visitor numbers have also seen an increase since 2006 of 1.5 million or 14% (GBTS, 2013). London & Partners (2013) forecasts a continued increase in numbers, as reflected in Table C.4.

Table C.4: Change in domestic and overseas visitor numbers (millions), 2006-2015

	Domestic visitors	*International visitors*	*Total*
2006	10.8	15.6	26.4
2013	12.3	16.8	29.1
Forecast 2015	*13.7*	*18.4*	*32.1*

London & Partners (2013)

Alongside this growth in overall visitor numbers, London has experienced strong growth in the number of visitors seeking short-term rental accommodation. GBTS data shows an increase in visits spent by domestic visitors in 'other self-catering accommodation' in London of 165,000, or 485%, between 2008 and 2013.[9] By comparison, overall visits to London increased by 11% during the same window.

In contrast to findings in rural and seaside locations, interviewed tourism experts agreed that there is likely little 'additionality' in tourism attributable to the holiday rental market in London, meaning the presence of this type of accommodation does not on its own increase visitor numbers. They note that there is a high level of substitutability across accommodation sectors, particularly when considering short term stays. Short-term visitors in London, interviewees argued, may be less concerned with value for money or cost-savings from self-catering options, looking instead to 'splash out' on restaurants and food out during shorter, 1-3 night visits.

Research into perceptions of expense and value for money conducted by VisitBritain and HPI (2012) found that Great Britain is reported as being one of the most expensive and worst value for money countries to visit in Europe. High accommodation costs, behind food and drink, were the second biggest factor contributing to these perceptions. London specifically exhibited lower value for money ratings concerning accommodation than Rome or Paris. Nationwide, the research found that self-catering accommodation was rated 6.3 out of 10 for value for money, better than budget hotels and mid-range hotels, but behind private guesthouses/B&Bs and luxury hotels. Their research concluded that 'value for money of each individual holiday element (e.g. accommodation) could potentially be improved if usage increased of the specific experiences or products/services which elicit the best value ratings for each element' (2013: 79). Interviewees, therefore, were enthusiastic about promoting growth in the holiday rental sector as it could increase the value for money accommodation options in the capital.

Some interviewees argued that significant events in London, most notably the 2012 Olympics, have increased the number of visitors seeking out rental accommodation for their visits as a flexible, value for money alternative to hotels. While serviced accommodation providers raised their prices to benefit from increased demand, London property owners seized the opportunity to let their homes out at competitive rates to visitors seeking a cheaper alternative. While there was noticeable increase in flat-sharing, peer-to-peer, and short-term rental activity during the Olympics (Mintel, 2014: 58), other interviewees feel that sustained growth in the sector should be attributed more to the increasing 'trendiness' of the practice than to any legacy of the games.

Mintel's 2014 Holiday Rental Sector report supports this concept of the market's increasingly 'trendy' reputation, particularly among young professionals. While they do not have data regarding

[9] There were 34,000 total visits in self catering rented accommodation (excluding camping and caravan) in 2008; this jumped to 199,000 total visits in 2013

visitors to London specifically, their research shows that among young urban professionals hailing *from* London, 30% spent their last holiday in a rental property in an urban location. Interviewed London tourism experts concur that ‘it really seems to be a generational story,’ with younger travellers finding the independence and potential for an ‘authentic experience’ offered by an urban holiday rental property particularly attractive. Other national tourist experts stated in interviews that the holiday rental sector in urban settings is particularly popular with the FIT—‘fully independent traveller’—visitor subsector. These tourists are often repeat visitors, comfortable booking accommodation themselves (often via the Internet) and secure in their ability to travel around the city with little assistance. The London Visitor Survey (2008) found that 47% of all overseas visitors had made a previous visit in the past 5 years and 48% of domestic visitors had visited the capital more than 10 times in the same period. Knowledge from a previous trip was the most frequently cited source of information used by visitors when planning their stay.

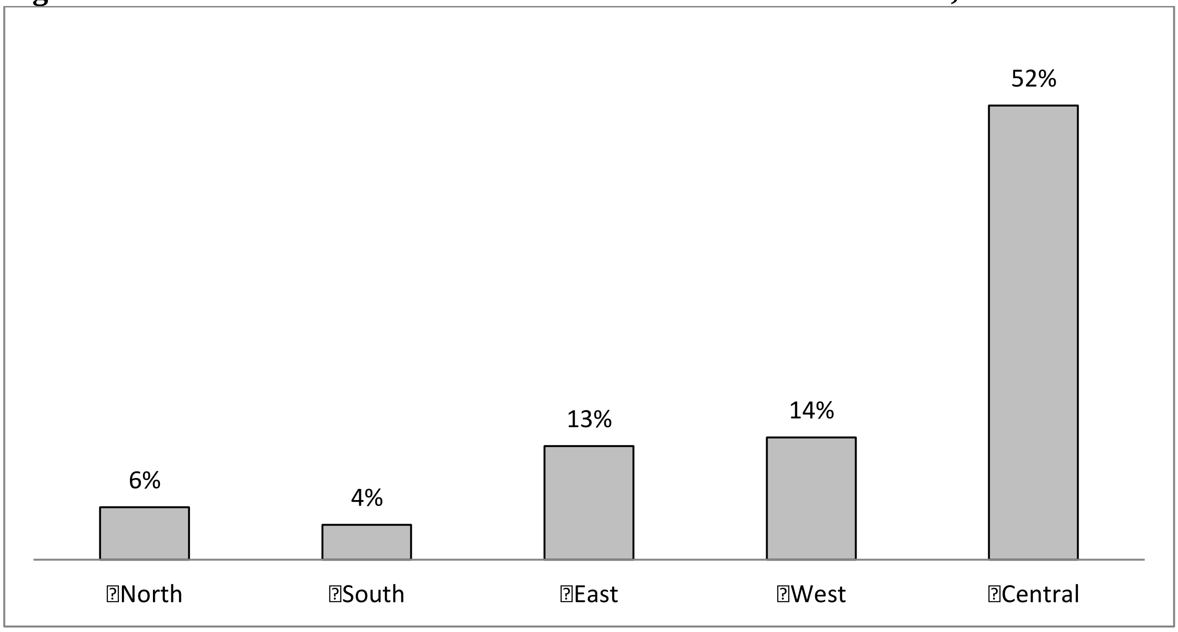
‘If you’re a repeat visitor or a confident traveller, you might decide to rent a place in, say, Clapham rather than paying the premium of a hotel in Central London. But it requires that self-assuredness to feel confident travelling around and exploring from a non-central base’

--London tourism expert

Trends across region

According to the 2012 Accommodation Stock Audit, 75% of all non-serviced accommodation excluding campsites and caravan sites are located in Inner London. This concentration around London’s core mimics the hotel market, with Inner London home to 72.2% of all hotels (London & Partners, 2013). Figure C.1 presents London Visitor Survey data from 2008 and shows that 52% of overseas visitors stay in Central London.

Figure C.1: Accommodation locations for overseas visitors to London, 2008

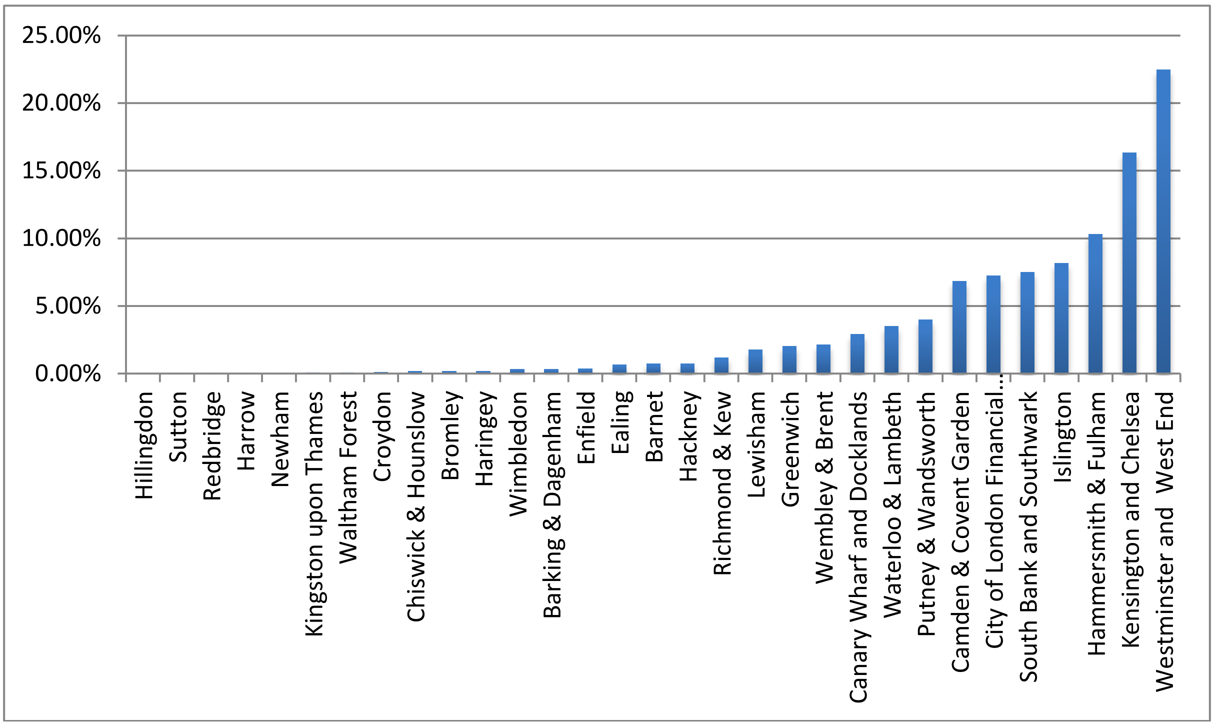


Source: TNS (2008)

Analysis of industry data provided for the purposes of this study showed that bookings of holiday rental properties were concentrated in central London: Kensington and Chelsea, Westminster and the West End, and the City of London. Boroughs seeing the least number of holiday rental bookings include Harrow, Croydon, Haringey and Newham. Bookings in the City of London tend to be longer, reflecting perhaps the disproportionate number of business visitors who would be interested in staying near London’s financial centre. Kensington and Chelsea and Westminster and the West

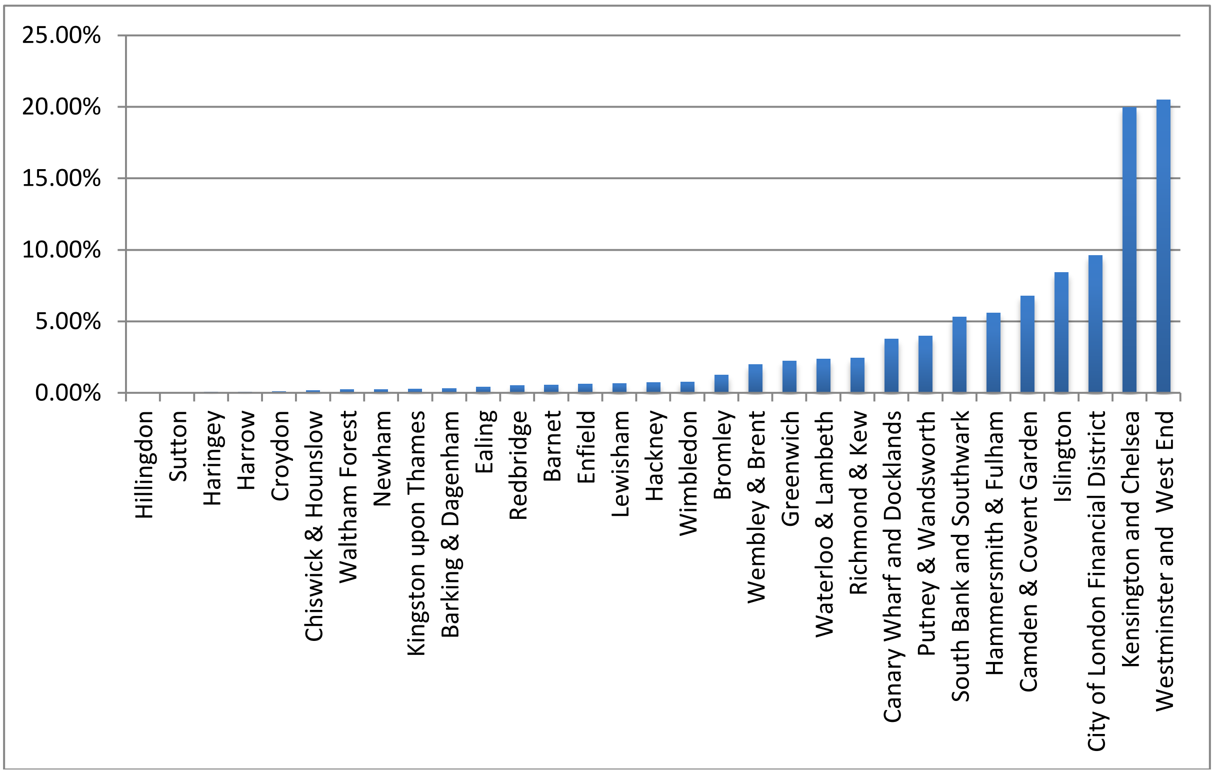
End dominate both short (1-3 night) and long (7+ night) bookings (Figures C.2 and C.3). Boroughs farther from the centre and key attractions, including Sutton, Bromley, Newham, Kingston upon Thames and Wimbledon exhibit higher percentages of long-stay (7+ night) bookings as a proportion of all bookings in the borough (Figure C.4). This suggests that visitors choosing to rent holiday lets in outer boroughs tend to stay in London for longer, perhaps reducing the need for quick access to central attractions. Interviewed experts suggest that FIT travellers may also be more willing to stay in a rental farther from London's centre as they may feel more confident navigating public transportation. The most frequent duration of stay in London was 7 nights, followed by 3-5 night stays (short breaks or long weekends) (Figure C.5).

Figure C.2: Share by borough (percent) of total short stay (1-3 night) bookings in London (2014)



Source: 2014 Industry data, sources anonymised.

Figure C.3: Share by borough (percent) of total long stay (7+ night) bookings in London (2014)



Source: 2014 Industry Data, sources anonymised.

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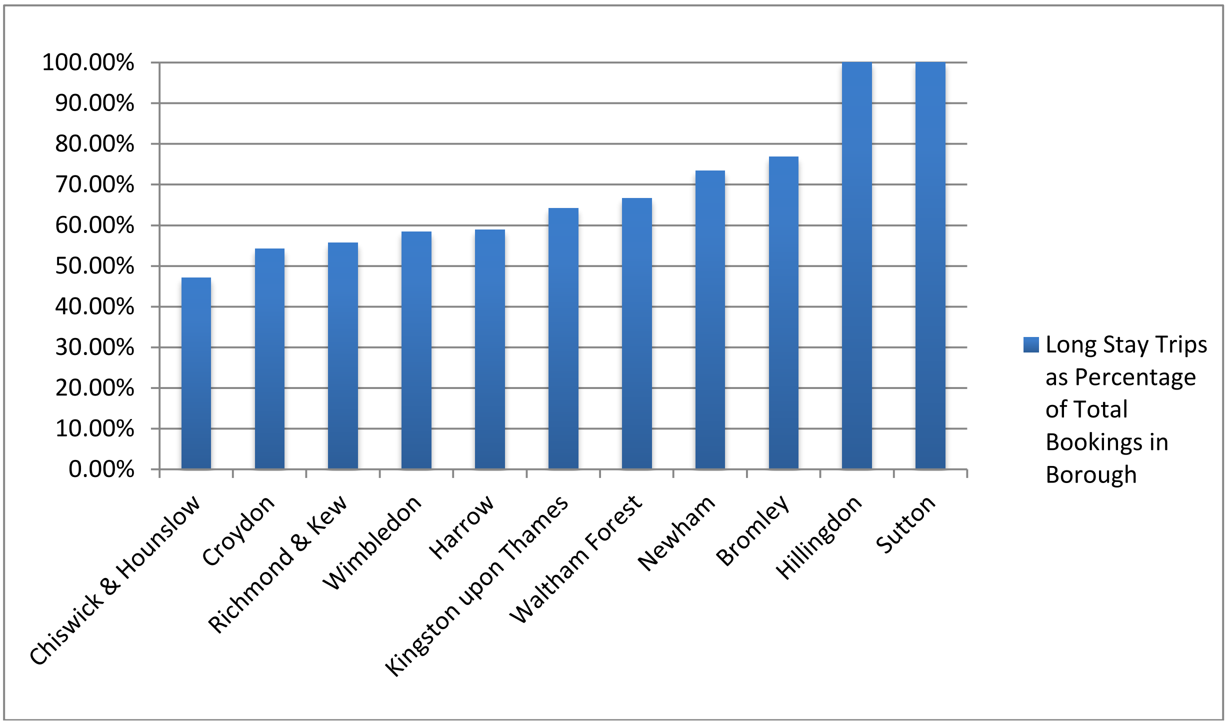
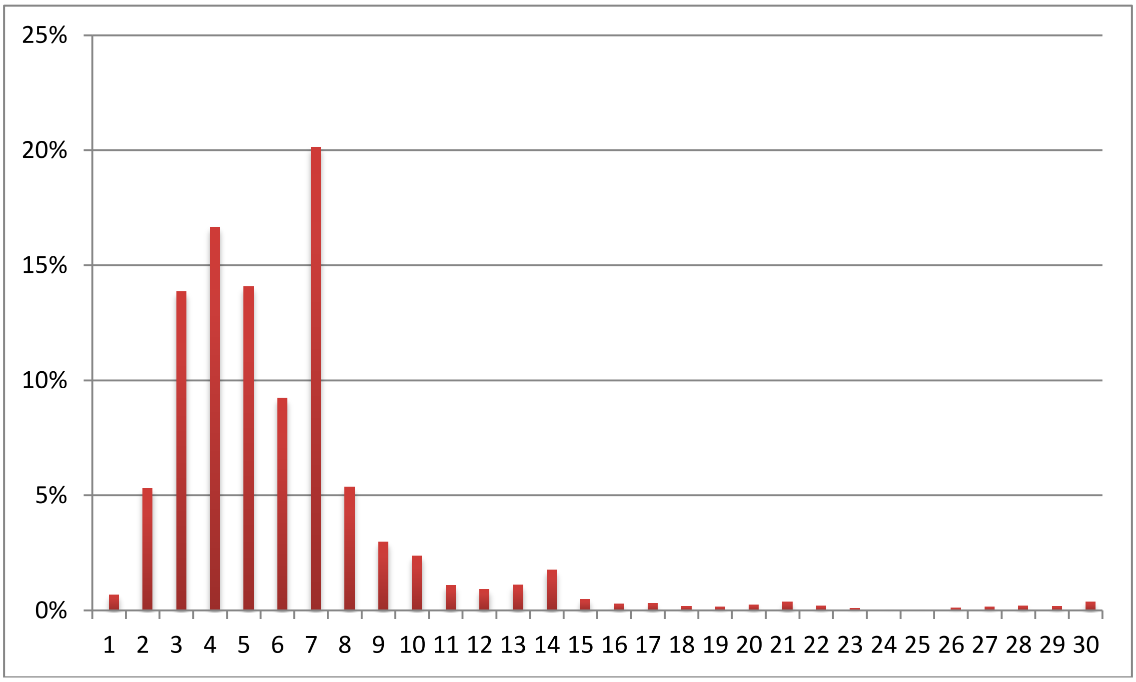
Figure C.4: Ten boroughs with the highest proportion of long stay (7+ Night) bookings



Source: 2014 Industry Data, sources anonymised.

Figure C.5: Bookings by number of nights of (%), London (2013-2014)



Source: 2014 Industry Data, sources anonymised.

Economic impact of tourism and holiday rental industry

Recent data from Deloitte and Oxford Economics reveal that the total contribution from London tourism (including direct industry impact, indirect inputs, and induced inputs) is estimated at £45.5 billion for 2013. Their research forecasts that this contribution will grow to £97.4 billion by 2025. In 2013, London's tourism economy supported 852,000 jobs and represented 11.6% of its GDP. Table C.5 summarises their calculations for the contributions of the direct tourism industry (contribution made by visitor spending and tourism related government spending), the tourism economy (the direct industry plus the supply chain industries that provide goods and services to the direct industry, like food/drink suppliers and professional services), and the economy including induced inputs (which includes purchases made by people employed in the industry and its supply chains).

Table C.5: Contribution to economy and jobs supported by tourism industry, tourism economy and induced inputs (2014)

	Estimated value-added contribution to economy (billion)	*Jobs supported*
Direct tourism industry	£15.9	304,000
Tourism economy	£36	700,000
Total contribution including induced inputs	£45.5	852,000

Source: Deloitte (2013)

Potential negative economic impacts

As in rural and coastal locations, the most commonly perceived negative impact of the holiday rental sector in London is the upward pressure the industry is seen to have on local property values. Some central London Borough councils, namely Westminster, prohibit short-term letting without the acquisition of an expensive planning permit for this reason. Westminster argues that 'short-term letting reduces the stock of permanent housing, in a climate of housing shortages and stress within the City' (2011: 3-4).

Nevertheless, a representative of the National Landlord Association stated in an interview that the short-term rental sector is 'a very specific labour intensive market' and that most landlords represented by their organisation see little financial incentive to let short term. Indeed, our survey data showed over a quarter of holiday lets in London are people's primary homes that they let out when they are not there. Although critics still argue that this kind of letting may have negative social impacts, such as increased noise at unsociable hours and reduced security (both cited by Westminster), encouraging the use of otherwise empty properties as short term rentals may increase local spending activity and produce positive economic impact.

Cornwall

Cornwall is a top tourism destination in the UK. An average of 4,350,666 overnight trips were made to the county each year between 2009 and 2012 (Visit Cornwall, 2012a). Trips taken to the South West represent 19% of all trips taken by domestic travellers and 7.8% of all trips taken by international tourists in England (GBTS, 2013; ONS, 2013). A large proportion of holidaymakers who travel to Cornwall and the South West stay in holiday rentals. Table C.6 demonstrates the proportion of annual visits, nights, and tourist spend that is attributed to the self-catering rental market, broken down into domestic visitors from the UK and visitors from overseas. Table C.7 shows the percentage of total visits by accommodation type for 2012.

Table C.6: Proportion of visits, nights, and spend in self-catering accommodation in Cornwall (2012)

	UK	***Overseas***	***Total***
Visits	24%	16%	23%
Nights	32%	22%	31%
Spend	37%	22%	36%

Visit Cornwall (2012a)

Table C.7: Cornwall Visits by Accommodation Type, 2012

Accommodation type	***Total visits***	***% of total***
Serviced	1,303,000	30
Self catering	1,012,000	23
Touring caravans /tents	455,000	10
Static vans/holiday centres	562,000	13
Group/campus	40,000	1
Paying guest in private homes	1,000	0
Second homes	67,000	2
Boat moorings	26,000	1
Other	45,000	1
Staying with friends and relatives	863,000	20
Total	4,374,000	

Visit Cornwall (2012a)

Stays in self-catering properties in Cornwall tend to be longer than stays in other types of accommodation including hotels, B&Bs, and campsites at an average of 6.7 nights per stay (Visit Cornwall, 2012). This explains why the proportion of nights spent in self-catering accommodation in Cornwall is higher than the proportion of visits. Partially due to these longer visits, the proportion of tourism spend attributed to holidaymakers in self-catering rental properties is the highest of any other accommodation subsector at 36%.

Trends over time

There was an overall growth in number of trips to the region of approximately 4.7% between 2010-2012, but this rise came after a -16% drop in number of trips between 2009-2010 due to the recession (Visit Cornwall, 2012). The increase since the height of the recession has largely come from domestic tourists (who demonstrated a 9% increase in trips to the region between 2010-2011), providing some evidence for the resulting increased popularity of the 'staycation.' The most recent Visit Cornwall Visitor Survey found that 12% of all surveyed travellers—and 18% of visiting families—said their Cornish holiday replaced a trip that normally would be taken abroad (Visit Cornwall, 2012c).

Local tourism experts have noted a rise in the number and diversity of holiday rentals in Cornwall over the last five years. They explain this growth as two-fold: first, there is an increase in budget-conscious families interested in slightly longer vacations that offer greater flexibility and value for money; second, older, more affluent visitors who value privacy and flexibility are increasingly turning towards self-catering units. The Head of Visit Cornwall argues that the growth in the sector is driven more by the latter, a subsection of tourists who choose rentals as a way to 'live the dream' while on holiday. He notes that the highest end rentals book out the fastest each season, and while rentals are increasingly seen as good *value* for money, they are viewed less as a 'budget accommodation' today than they were ten years ago.

Experts also note that quality across all levels of holiday lets has increased due to market demand. One interviewee argues that visitors increasingly expect a 'standard in these properties that is equal or better than what they have at home.' Increasingly self-catering businesses are seeking support from the Cornwall Chamber of Commerce to establish contacts with other local businesses, and an interviewed representative of the Chamber claims that the move towards higher standards in the sector may encourage holiday rental business owners to look locally for 'special touches' in their accommodations. The Head of Visit Cornwall explains the improvement in accommodation quality as a result of holiday rentals being increasingly viewed as an 'aspirational product that offers a lifestyle that is a step above the day-to-day.' He notes that owners often invest in high-end kitchen and bathroom fittings for their units as these luxury touches improve the feeling of quality and an 'escape from the norm.'

An estate agent from St. Ives, whose business is 80% to customers seeking to procure second homes and holiday lets, also notes this increase in quality, but states that the amenities increasingly valued in holiday lets are not necessarily the same as those valued in full-time residential dwellings. For example, he notes that potential buyers consider parking, character, sea views, and easy access to nearby restaurant and shops over features like garden space, which require maintenance. He also states that almost all purchasers of holiday properties in relatively up-market St. Ives are prepared to do work on their properties to make them a 'premium product' for the affluent, generally older travellers attracted to the area.

Beyond market pressures for increased diversity and quality in holiday let offerings, interviewed experts note that the sector is placing some pressure on other accommodation providers to shift towards a more flexible, self-catering model. Multiple small hotels and B&Bs in the Newquay area have decided to remodel and introduce self-catering units as it is 'less work and relatively the same levels of income.' Interviewees offered examples across the county where hoteliers have turned to 'fusion' models that 'cross-serve guests looking for traditional serviced and self-catering accommodation.' The rental sector, one expert argued, is 'most definitely a catalyst for innovation and quality in other accommodation sectors in the region.' Beyond just impacting the business models of accommodation providers in the region, experts argue that a high proportion of holiday lets in an area may generate a 'multiplying effect,' leading to higher trade across accommodation sectors. Padstow was cited as an example of where a burgeoning holiday rental sector helped develop its identity as a desirable 'base' for exploring the wider region, in turn increasing traffic at holiday parks, B&Bs, hotels, and campsites.

Interviewees from various organisations in the region agreed that the holiday rental sector in Cornwall caters to a segment of the market that specifically seeks this type of accommodation and may otherwise not be interested in staying in the area. Pet owners specifically were mentioned as a group that may be dissuaded from staying in an area if they cannot locate a pet-friendly rental property. One expert described the rental sector as a 'completely different product' and believes that if rental offerings were not available, a large section of the market would be far less likely to visit Cornwall.

> *'People increasingly want to stay in places where they feel more at home, in a relaxed and non-judgemental environment…with freedom to get up when they want or to come and go as they please.'*
>
> –Cornwall tourism expert

Trends across the region

Interviewed stakeholders all agreed that within Cornwall, different areas demonstrate varying types and numbers of holiday rental properties. Visit Cornwall's data (2012b) reveal that more isolated, small villages—like Padstow, Looe, and St. Ives—tend to have a higher proportion of self-catering accommodation as part of total accommodation stock, whereas larger population centres of Redruth, Newquay, and Truro have a higher proportion of hotels, B&Bs, and visitors who stay with friends and relatives. According to local experts, certain destinations within the county have developed travel reputations, such as Newquay being known for short, inexpensive trips such as 'hen and stag weekends' that are more likely to be booked in a budget hotel than rental properties. In turn, some areas such as Mousehole have become key spots for second homes but little additional tourist traffic, leaving them in the words of one interviewee like 'ghost towns' in the winter.

According to local experts, holiday rentals in Cornwall are more frequently located near the coast or in very rural areas, picturesque locales that one interviewee described as 'aspirational brand areas.' He argued that these areas often have 'bragging value,' noting Padstow in particular as a destination that appeals for both its beauty but also its growing reputation as a desirable holiday locale.

Table C.8 compares six Cornwall towns, two with relatively high percentages of self-catering accommodation stock (Padstow and St. Ives) and three with low proportions (Redruth and Camborne, Penzance, and St. Austell). While there seems to be little consistent correlation in this data between total visits and percentage of self-catering stock, this comparison does reveal that average stays are slightly longer in areas with more self-catering stock and, most significantly, that amount spent per trip in areas with a high proportion of self-catering accommodation is much higher than in other areas.

Table C.8: Tourism in major Cornish towns, 2012

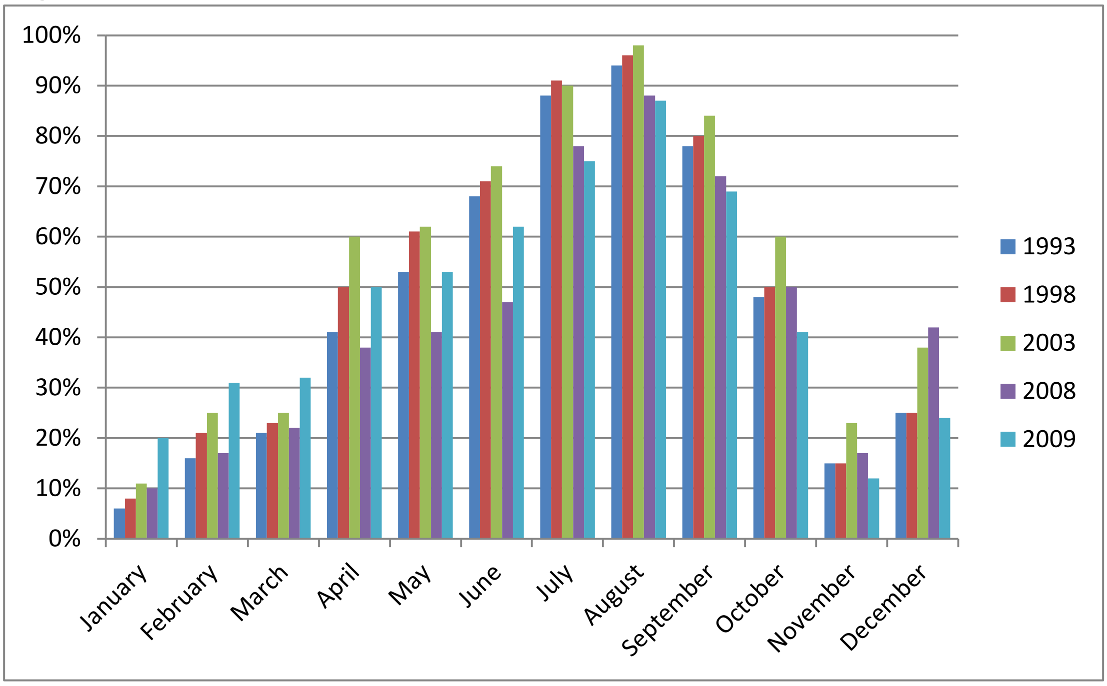
	% of accommodation stock self-catering	*total visits to area*	*Total nights spent in area*	*Average nights per visit*	*Total tourism spend (£ million)*
Padstow	40%	146,000	839,600	6	£49
St. Ives	23%	187,500	864,700	5	£61
Newquay	8%	448,700	2,104,900	5	£134
Penzance	5%	54,300	241,000	4	£14
St. Austell	3%	47,400	226,900	5	£11
Redruth and Camborne	2%	63,600	296,500	5	£12

Visit Cornwall (2012b)

Challenges

As is the case with all areas of tourism, some challenges exist that create difficulties for growth in the holiday rental sector in Cornwall. One interviewed expert argued that 'the most significant influencer on market demand' at present is recent rules prohibiting students from going on holiday during term-times. Before these rules came into effect in September 2013, data suggest that holiday rentals were seen as a more year-round accommodation prospect, and the Chief Executive of Cornwall's Chamber of Commerce notes that many rentals—including his personal rental property—are consistently booked over the winter holidays. Figure C.6 shows a trend towards an evening out of seasonal occupancy in non-serviced accommodation between 1993-2009.

Figure C.6: Cornwall non-serviced accommodation occupancy rates (1993-2009)



Source: The South West Research Company (2010).

Weather patterns also impact tourism flows to regions like Cornwall, and when the weather impacts travel infrastructure as it did in 2014 with flooding and destruction of train lines, tourism experts note a negative impact on incoming tourism numbers. Interviewees attribute this to disproportionate media attention on the weather rather than actual levels of transport inconvenience or disruption. They note that the rail links were actually repaired in very good time, and one suggested that because the vast majority of visitors to the area arrive by car (86% in the most recent Visit Cornwall Visitor Survey), barriers of access to the region for most travellers were in reality minimal.

Economic impact

Tourism is vitally important to Cornwall's regional economy. The Cornwall Chamber of Commerce estimates that tourism accounts for 26-30% of the region's GDP, and Visit Cornwall has estimated that the GVA from tourism in 2012 was approximately £1.5billion. Business turnover arising as a result of all tourist spending was estimated by Visit Cornwall in 2012 to be £2.67 billion and £1.97 billion when considering just the expenditure of 'staying tourists'.[10]

Direct expenditure and business turnover

Table C.9 shows the total spend on self-catering accommodation in 2012 and the percentage of total spend on accommodation this represents for UK, international and all visitors. This demonstrates that 36% of all spend by accommodation in Cornwall is attributed to the self-catering sector, which is the largest sector by spend, followed by serviced accommodation at 31%.

Table C.9: Expenditure on self-catering accommodation (2012)

Origins of visitors	***Expenditure***	***% of total visitor accommodation expenditure***
UK	£419,047,000	37%
Overseas	£28,108,000	22%
All	£447,155,000	36%

Visit Cornwall (2012a)

There is no data currently available about the specific spending patterns of visitors who stay in rental accommodation, although interviewees hypothesise that the 'living the dream' concept that drives many towards renting holiday accommodation extends to consumption at nice restaurants, in boutique shops and galleries, and in local retail shops. Table C.10 shows the breakdown of total visitor spend within five categories: accommodation, shopping, food and drink, attractions and entertainment, and travel. Food and drink represents the biggest category of spend at 28%, followed by accommodation.

Table C.10: Spend by category, all visitors (£ millions) (2012)

	Accommodation	***Shopping***	***Food and drink***	***Attractions and entertainment***	***Travel***	***Total***
Amount	471.0	336.6	491.3	194.4	272.4	1,765.7
%	27%	19%	28%	11%	15%	

Visit Cornwall (2012a)

Employment

In 2012, Visit Cornwall estimated that tourism is responsible for 24% of all employment in Cornwall, 18% of which is the result of expenditure by staying tourists (2012a). Table C.11 lists the number of Full Time Equivalent and Total jobs attributed to direct, indirect, and induced staying tourist spending.

[10] Staying tourists refers to visitors who stay the night. Total tourist values include day visitors.

Table C.11: Total employment related to tourism spending by staying visitors, 2012

	Full time equivalent employment
Direct	20,387
Indirect	6,481
Induced	5,374
Total	32,241
	Estimated actual employment
Direct	29,794
Indirect	7,388
Induced	6,126
Total	43,308

Source: Visit Cornwall (2012a)

Undeniably, tourism is vital to Cornwall's regional economy, and with visits spent in self-catering accommodation representing 24% of all overnight trips and 36% of overnight tourist spend on accommodation, the holiday rental sector plays a major economic role in the area. The data are supported by strong qualitative assessments by local tourism experts. The Head of Visit Cornwall states that the holiday rental sector was 'arguably a major plank in the renaissance of cultural tourism in Cornwall.' Its impact, according to him, is truly 'massive,' and the growth in the sector he posits will generate additional local employment, wages, turnover and GVA. Specifically, he notes that those working within the food and drink sectors in Cornwall are very dependent on tourism. Concerning the holiday rental sector specifically, he believes that its growth has led to job creation and wage increases for local builders, plumbers, and repairmen. Other interviewees substantiate this and stated that the maintenance and upkeep required on rental properties is a less seasonally variant stream of indirect tourism expenditure within Cornwall.

An interviewed local property expert attributes the sector with regenerating areas that otherwise would struggle. He claims that the holiday rental sector is 'what St. Ives was built on… it is truly the lifeblood of the town.' The interviewee estimates that 80% of sales transactions his estate agency in St. Ives conducts are to clients who intend to use the property as a rental for some part of the year. In his opinion, there is practically 'no friction' between locals and visitors in the area and no animosity towards the rental sector due to general agreement that tourism sustains the community.

Potential negative impacts

The major negative impact noted by all interviewed experts is the upward pressure the growing rental market has on house prices. According to a Cornwall Council Briefing Note that discusses the impact of second homes on local property values, in five parishes where second homes account for more than 35% of all housing, average house prices are 87% above the county average (2013). An interviewed property expert states that it is nearly impossible for first time buyers to purchase in areas like St. Ives and Padstow that exhibit a large proportion of second and holiday homes and, consequently, high property prices.

The Chief Executive of the Chamber of Commerce additionally sees the problem of property affordability as a potential risk for Cornwall's economic development as young members of the workforce are moving out of the county in pursuit of cheaper areas to live. The Council as well is concerned about this phenomenon and support changes in planning regulations that would require homeowners who want to use their property as a second home or as a holiday let to get planning permission (2013).

The Head of Visit Cornwall argues that on the whole in Cornwall, there is more public frustration with empty properties and pure second homes than there is with occupied holiday lets. In his opinion, he believes that most permanent residents of the county see an occupied holiday let as contributing to the economy despite placing upward pressure on property values, whereas they view empty properties as contributing nothing to overall regional development. From 1 April 2013, Cornwall Council reduced the council tax discount property owners could claim for furnished empty properties from 10% to 0% in an attempt to partially tackle the problem of empty homes.

Finally, both interviewed tourism and property experts note that increasingly, owners of holiday rentals in Cornwall live outside of the county, although actual figures on this question are difficult to calculate. The Head of Visit Cornwall hypothesises that there is an even split within the county of holiday rental owners hailing from within and outside of Cornwall. But particularly over the last five years, he argues that there has been an increase in property investment in Cornwall occurring from outside of the county due to three main drivers: first, an increasing 'cultural predisposition' in Britain of people feeling that property is a sound financial investment; second, repeat holidaymakers determining that purchasing a second home is a wiser financial choice than year-on-year renting; and third, a growth in professionals choosing to acquire a buy-to-let property that will one day serve as a home to retire to.

North Yorkshire

In 2013, there were 10 million domestic overnight trips taken in Yorkshire and the Humber (10% of all domestic trips in England), generating £1.8 billion in visitor expenditure (VisitEngland, 2013). In addition, overseas visitors made 1.2 million overnight trips to the region in 2013, contributing £584 million in expenditure (ONS, 2013). Combined, these overnight trips made by domestic and overseas visitors represent approximately 1/3 of all visits to Yorkshire, with the remaining 2/3 made by day visitors (Qa, 2011).

GBTS data from 2013 reveal that 7.9% of overnight trips by domestic visitors were spent in holiday rental properties. Table C.12 summarises the number of trips, nights, and expenditure attributed to domestic staying in holiday rentals in 2013. Mintel's 2014 Holiday Rental Property sector report states that after South West England, Yorkshire and North West England are the two regions with the highest number of domestic holidays taken in a rental property. The same study found that Yorkshire sees a comparable number of holidays trips spent in rental properties to Wales and around a quarter fewer rental property holidays than Scotland.

Table C.12: Value and proportion of Yorkshire trips, nights, and expenditure attributed to domestic visitors staying in holiday rentals (2013)

	Trips		***Nights***		***Expenditure***	
Domestic visitors	791,000	7.9%*	3,788,000	13%	£258 million	14%

Source: VisitEngland (2013)

*Percentages in this row reflect the proportion of trips/nights/expenditure made by *domestic* visitors staying in self-catering rentals out of all *domestic* visitors to Yorkshire in 2013

Sector size and scope: North Yorkshire

A greater proportion of visitors to the county of North Yorkshire stay overnight than visitors to the broader Yorkshire region. This is likely because the major cities of Bradford, Leeds and Sheffield that attract day visitors, often for business purposes, are located outside of the county of North Yorkshire. Table C.13 shows the percentage of visitors who stay overnight (but not with friends/relatives) in Yorkshire, North Yorkshire, and the North Yorkshire sub-regions of York & Selby, Dales & Harrogate, and Moors & Coast. Among the sub-regions, there is variation as well, with 44% of visitors to the Moors and Coastal region staying overnight compared to only 30% of visitors to the Yorkshire Dales and Harrogate.

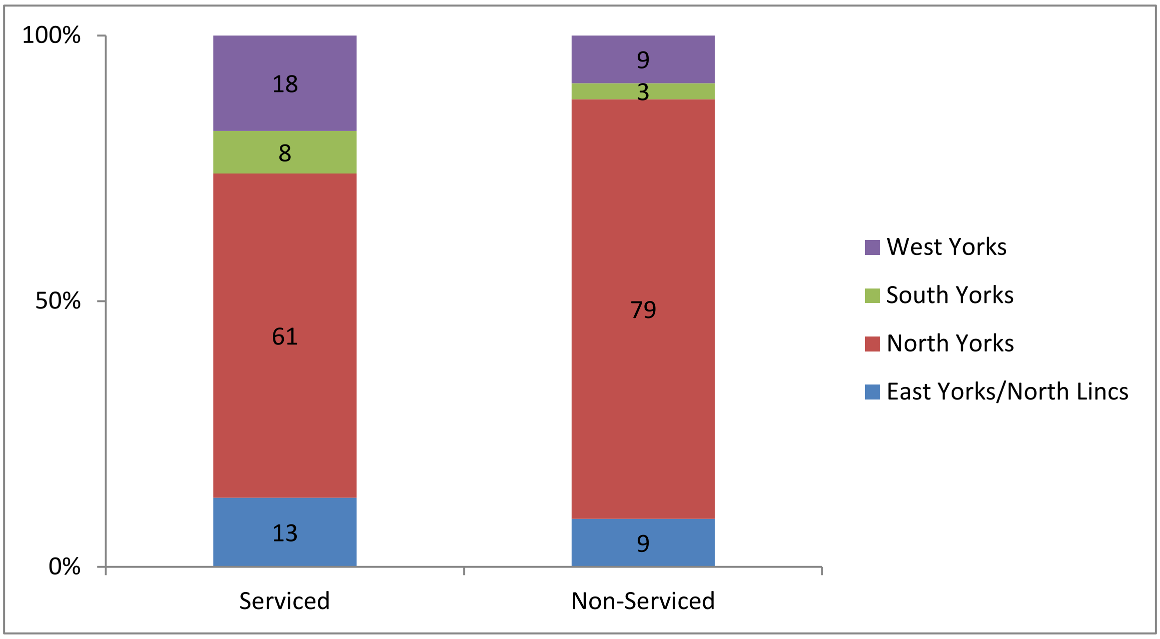
Table C.13: Percentage of visitors who stay overnight by sub-region (2010/11*)

	Yorkshire, Total	*York and Selby*	*Dales and Harrogate*	*Moors and Coast*	*North Yorkshire*
%	23%	40%	30%	44%	38%

Source: Qa (2011)

In 2010, there were 2,489 non-serviced accommodation establishments in North Yorkshire, representing 79% of all the non-serviced stock in Yorkshire and Humberside (VisitEngland, 2010a). Figure C.7 shows the distribution of serviced and non-serviced accommodation across the four counties of the region.

Figure C.7: Distribution of serviced and non-serviced accommodation by county in Yorkshire and Humberside, 2010



Source: VisitEngland (2010a)

Table C.14 shows the distribution of accommodation in greater detail for the three sub-regions within North Yorkshire as well as the Yorkshire region in general. York and Selby exhibit a comparatively low percentage of self-catering (farm and non-farm) accommodation (7%), but the Dales and Harrogate as well as the Moors and Coastal regions exhibit far higher proportions, 17% and 20% respectively.

Table C.14: Distribution of accommodation types (2009-2011)

Type of accommodation	*Yorkshire total*			*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
	2009	*2010*	*2011*			
Paid for accommodation	69%	66%	69%	86%	82%	77%
Hotel/motel with 50+ rooms	17%	18%	18%	22%	14%	8%
Hotel/motel with 10-49 rooms	9%	9%	10%	22%	8%	9%
Guest-house/B&B - non-farm	10%	9%	10%	19%	11%	11%
Self-catering - non-farm	10%	8%	10%	6%	15%	19%

Static caravan	5%	6%	5%	0%	2%	15%
Touring caravan	6%	4%	4%	5%	13%	3%
Hotel/motel with <10 rooms	2%	2%	1%	2%	2%	2%
Inn/Pub	2%	2%	2%	1%	5%	2%
Farm-house - B&B	2%	2%	2%	2%	3%	3%
Farm-house - Self-catering	2%	2%	1%	1%	2%	1%
Camping	3%	2%	3%	2%	6%	3%
Youth Hostels	1%	1%	1%	3%	2%	1%
Other paid for	1%	1%	0%	1%	0%	0%
Free accommodation	31%	34%	32%	14%	19%	24%
Friends' and relatives' home	23%	24%	23%	11%	12%	10%
Free caravan	4%	6%	6%	2%	4%	8%
Friends' and relatives' second home	1%	2%	1%	1%	0%	3%
Free camping	1%	1%	1%	0%	0%	1%
Own second home	1%	1%	1%	0%	1%	1%
Other free accommodation	1%	1%	1%	0%	1%	1%

Source: Qa (2011)

With the Dales & Harrogate and Moors & Coast regions experiencing more self-catering visits, it is logical that these areas attract more family visitors and groups with children in the party than York & Selby, as interviewees argue that self-catering accommodation in the area is often seen as a flexible, value for money choice for larger groups (Table C.15). Nevertheless, the Dales & Harrogate region does attract a smaller mean party size than the region as a whole, despite having a far greater proportion of rentals. This sub-region also is more popular with older visitors (Table C.16), suggesting that the self-catering market in the Dales & Harrogate may cater to smaller parties of older individuals or couples rather than large, multi-generational groups.

Table C.15: Party type in Yorkshire and North Yorkshire sub-regions, 2011

Party type	*Yorkshire Total*	*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
Family	46%	28%	30%	47%
Partner/Spouse	44%	53%	58%	47%
Friends	15%	15%	15%	10%
Alone	9%	11%	9%	7%
Children in party	38%	18%	21%	38%

Source: Qa (2011)

Table C.16: Age distribution among Yorkshire and North Yorkshire sub-region visitors (2011)

Age	*Yorkshire Total*	*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
0-15 yrs	24%	12%	17%	25%
16-24 yrs	7%	9%	3%	5%
25-34 yrs	11%	11%	9%	9%
35-44 yrs	16%	15%	14%	16%
45-54 yrs	14%	21%	18%	14%
55-64 yrs	16%	18%	21%	17%
65-74 yrs	10%	10%	15%	11%
75 yrs +	3%	2%	4%	3%

Source: Qa (2011)

Table C.17 shows that Yorkshire as a whole sees more short break visits (54%) than longer break visits (46%). The prevalence of short trips is even greater in the York & Selby sub-region. For the rest of North Yorkshire, however, the trend is reversed, with a slight majority (52%) of Dales & Harrogate visits lasting longer than four nights and 60% of Moors & Coasts visits being long breaks.

Table C.17: Length of stay in Yorkshire and North Yorkshire sub-regions, 2011

Length of overnight stay	*Yorkshire Total*	*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
Short break (1-3 nights)	54%	67%	48%	40%
Longer break (Over 4 nights)	46%	33%	52%	60%

Trends Over Time

North Yorkshire benefitted from the 'staycation' boom during the recession years, seeing a growth in average annual domestic overnight trips from 2007 to 2010 while the country as a whole saw a slight decline (Table C.18). According to GBTS data, the number of domestic trips taken in 'other self-catering accommodation' (i.e. excluding camping and caravan sites) in Yorkshire increased from 415,000 in 2006 to 791,000 in 2013, a growth in the sector of 90%. Interviewed experts say that this increase is noticeable but has slowed over the last five years. According to local business and tourism leaders, a significant portion of the growth in the sector is driven by 'farm diversification' in rural areas, or the conversion of previously agricultural properties into holiday lets. In a 2005 VisitBritain report on rural tourism, the organisation argued that turning redundant barns and out buildings into bunkhouses and self-catering units can 'have low conversion and operating costs' and can 'improve quality of accommodation and attractions, whilst maintaining and enhancing the unique character of buildings and environment' (England Research, 2005).

Table C.18: Average annual domestic overnight trips, North Yorkshire and England, 2006-2010

	2006-08	*2007-09*	*2008-10*
North Yorkshire	4,248	4,444	4,531
England	98,265	98,724	97,516

Source: VisitEngland (2010b)

Mimicking trends in number of trips over time, average annual domestic visitor expenditure increased between 2006 and 2010 (Table C.19). Expenditure made by domestic visitors in self-catering accommodation rose from £104 million in 2006 to £258 million in 2013, an increase of 148%. This growth in expenditure was largely driven by significant increases in Harrogate and York (VisitEngland, 2010). Interviewees noted that these two areas have become increasingly popular destinations for conventions and conferences, and argue that much of this visitor growth comes from the business sector. Interestingly, local tourism experts argue that the growth in business visitors has had a bigger impact on the seasonality of the local tourism economy than leisure visitors as late summer—traditionally the 'high season' for accommodation to be booked out—can see hotels and more urban rental properties struggling to attain high occupancy levels.

Table C.19: Average annual domestic overnight visitor expenditure, North Yorkshire and England (£ millions) (2006-2010)

	2006-08	*2007-09*	*2008-10*
North Yorkshire	669	724	767
England	16,044	16,414	16,314

Source: VisitEngland (2010b)

Interviewed experts also note that, as is seen nationally, quality and standards of holiday rental accommodation have increased over time in North Yorkshire. One expert attributes part of this trend to the increasing role the Internet plays as a forum for sharing reviews and attaining information (including pictures) about potential accommodation choices. Alongside changes in quality, the area has seen an increase in variety of holiday rental offerings. One interviewed expert noted that within the Yorkshire Dales National Park, the last five years have seen an increasing diversity of self-catering establishments including small 'pods' or 'yurts' that offer a different experience to the traditional cottage.

Trends across the region

The Accommodation Stock Audit from 2012 lists a total of 1851 holiday dwellings in the county of North Yorkshire (Table C.20). The greatest concentration of these (34.3%) is in Scarborough. The fairly even distribution of dwellings in comparison to places like Cornwall was mentioned by interviewed experts as one of the strengths of the holiday rental sector in North Yorkshire. One interviewee argued that the equal pull of coastal and countryside attractions as well as the relatively convenient connections to Leeds, Sheffield and Bradford throughout the county have prevented second homes and holiday rentals from over-dominating any particular area or town.

> *'Interestingly, unlike places like Cornwall or Devon, we have a fairly even pattern of distribution of holiday lets. Ours aren't concentrated—we really don't get those 'ghost villages' that you hear about, where it is all boarded up in the winter. A few places are ¼ or 1/3 holiday lets or second homes, but to be honest, most of those buildings weren't occupied as residential stock before.'*
>
> --Interviewed Tourism Expert

Table C.20: Accommodation stock audit, holiday dwellings by district in North Yorkshire (2012)

County & districts	***Number of holiday dwellings***	***% of county total***
North Yorkshire	1,851	100%
Scarborough	636	34.3%
Richmondshire	302	16.3%
Ryedale	254	13.7%
Harrogate	229	12.3%
Craven	184	9.9%
City of York (U)	140	7.5%
Hambleton	92	4.9%
Selby	14	.7%

Source: ONS (2012)

In the Yorkshire Dales National Park authority, fewer visitors stayed in non-serviced accommodation (379,000) in 2013 than in serviced accommodation (596,000), but non-serviced visits accounted for more than 2/3 of total visitor days in the park and 52% of the economic impact attributed to staying visitors (£130.24 million) (STEAM, 2013). This data suggests that visits spent in non-serviced accommodation in the Dales are far longer than stays in serviced accommodation.

Economic Impact

The Tourism Intelligence Unit estimates that the direct GVA of tourism in North Yorkshire was approximately £1 billion in 2008 (Table C.21). Tourism accounts for 4.82% of the total economy in North Yorkshire and 6.8% of the economy in York. The tourism economy in North Yorkshire sustains over 57,000 jobs (TIU, 2009).

Table C.21: GVA and ratio of tourism economy to total economy, North Yorkshire and York (2008)

	TDGVA (£bn)	*Tourism Ratio*
North Yorkshire	0.7	4.82%
York	0.28	6.80%

Source: Tourism Intelligence Unit Economic Impact, VisitEngland 2008

The Yorkshire Dales National Park Authority (NPA) has produced data on the economic impact of the non-serviced accommodation sector specifically within its district and influence area. In 2013, the NPA estimates that the economic impact of expenditure by tourists in the non-serviced accommodation sector was £130.24 million (STEAM, 2013). The industry is directly responsible for the FTE employment of 2,418 people. Since 2009, visitor numbers and days in the non-serviced accommodation sector have declined consistently, but over the same time period, economic impact has increased by 8.8%. This speaks to the trend seen nationally of visitors staying in rental or self-catering properties spending more per trip on both accommodation and other goods and services, despite taking shorter holidays.

Visitor Expenditure

Table C.22: Spend per party and per person, Yorkshire and North Yorkshire regions (2011)

Total expenditure	*Total 2011*	*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
Per party per trip	£190.62	£321.55	£214.77	£292.31
Per person per trip	£72.29	£125.63	£89.05	£97.96
Per party per night	£67.19	£112.15	£65.71	£72.78
Per person per night	£26.75	£47.23	£27.43	£26.72

Qa (2011)

Expenditure is higher in North Yorkshire areas than in Yorkshire as a whole. Spend is higher in York & Selby than in the Dales & Harrogate or Moors & Coast, which is likely attributed to the greater variety of more urban amenities offered in these areas. York & Selby also attracted fewer families and parties with children than the other two listed North Yorkshire areas, and the most recent Yorkshire and Humberside Visitor Survey (2010/2011) found that ‘those visitors who live overseas and those travelling without children appear to spend the most’ (41). The higher proportional food & drink, shopping, and admissions charges seen in York & Selby in Table C.23 further indicate this. Food and drink expenditure per person is lower in the Dales & Harrogate and Moors & Coast regions, which exhibit higher proportions of self-catering units.

Table C.23: Breakdown of expenditure per person per day, Yorkshire and North Yorkshire Regions (2011)

Expenditure per person per day	*Total*	*York & Selby*	*Dales & Harrogate*	*Moors & Coast*
Travel & transport	£6.37	£6.73	£5.06	£4.11
Food & drink before 5pm	£4.57	£7.19	£4.91	£4.99
Food & drink after 5pm	£2.02	£4.79	£2.16	£3.17
Admission charges	£2.93	£5.97	£2.18	£2.15
Other leisure	£0.60	£0.81	£0.12	£0.57

Shopping	£4.72	£6.81	£4.30	£2.76
Evening entertainment	£0.29	£0.20	£0.11	£0.15
Other leisure	£0.24	£1.07	£0.06	£0.19
Total	£21.74	£33.57	£18.90	£18.09

Source: Qa (2011)

Food and drink expenditure in the high self-catering areas, however, is still higher than the overall regional average. In interviews, regional tourism experts noted that visitors in self-catering properties still frequent local restaurants and contribute a great deal of expenditure to the food and drink sector.

'One thing I've really noticed is that staying in a self-catering establishment doesn't mean that the visitor will cook much, or even at all. There is a lot of interest in our local food scene, and people do spend on food and drink when they visit North Yorkshire, even if they stay in self-catering'

-- Tourism expert, North Yorkshire

Interviewed tourism experts from the region unanimously agreed that the self-catering sector was a vital component of the tourism economy in North Yorkshire. There was wide consensus that those seeking self-catering accommodation may be inclined to holiday elsewhere if they could not find quality rental options in the county, and because of this, those committed to tourism promotion indicated a desire to further promote and market the sector. One interviewed expert from Harrogate district argued that promoting holiday rentals may be a savvy strategy for tourism marketing, as they allow you to paint a picture of a unique kind of holiday that is less achievable in traditional serviced accommodation: 'you can really sell the image of a cosy cottage, cuddling up by the romantic fireplace surrounded by beautiful scenery. People really respond to that.'

Annex D: Regulations affecting holiday rental properties

Holiday rental operators are faced with different regulations and requirements throughout the UK and around the world. The variation in regulation—and enforcement—from authority to authority can leave holiday rental owners confused about the laws that apply to their rental business.

Planning Regulations:

Holiday lets in the UK are not required to gain a license to operate. If the property being rented requires a conversion or any major external construction work—such as an extension—it may require planning permission. Most local authorities do not require ‘change of use’ planning permission to operate a residential property as a self-catering rental unit, but local authority requirements vary. Recent legal precedent (Moore v. SSCLG [2012]) suggests that establishing whether change of use has occurred is a ‘matter of fact and degree’—a small number of units rented out to families or small groups likely will not constitute change of use, but where use of the accommodation is ‘materially different to the use of premises by a household as a long term home,’ it may. HomeAway and other holiday letting intermediaries always recommend owners consult local planning frameworks to understand the requirements in their area.

In London, different boroughs have different policies concerning holiday lets and enforce regulation to different degrees, making it complicated for holiday rental owners to understand their obligations. Section 25 of the Greater London Council (General Powers) Act 1973 effectively categorises holiday lets as a ‘capital a use class,’ which requires planning permission. Despite this, only 35 appeals have been brought forward under the legislation over the last 30 years. Most of these have occurred in Westminster, where the council employs graduates on the planning enforcement team solely to investigate breaches of short-term letting laws. Westminster requires everyone who lets property for less than 90 days to seek planning permission, and violators may face a £20,000 fine. Still, Westminster is one of the boroughs with the most short-term holiday lets on offer in London, evidence of how difficult these regulations are to enforce. Southwark, Tower Hamlets, Islington, Kensington and Chelsea, and Camden also require owners to request permission from the local authority before renting property on a short-term basis, but enforcement of this requirement is incredibly rare.

In 2014, the Coalition government announced plans to include a repeal of the 1973 London law in its Deregulation Bill. The announcement of this repeal stated that the regulation is ‘irregularly enforced…leading to confusion’ and is out of sync with the rest of the country. For councils who have prohibitions on short term letting in their Local Area Frameworks—like Westminster—this repeal would make enforcement much more difficult.

Tax Requirements:

For a holiday rental property to qualify as a Furnished Holiday Letting (FHL) in the UK, it must:

- Be available for commercial letting for at least 210 days
- Be occupied as holiday accommodation for at least 105 days
- Not be let for periods of longer than 155 days during the year.

Rental properties with FHL status are subject to business rates, levied by the local authority and calculated based on the rateable value of the property. If a property is not let out for more than 210 days, it is subject to payment of council tax as usual. This 210-day threshold represents a change in FHL tax law in 2012. Before 2012, the availability condition required properties to be available for let for 140 days. Many in the industry argue that this change harms individuals who are considering starting a holiday rental operation (and will have large up-front costs) or holiday rental businesses in areas with short commercial letting seasons.

Profit made from FHLs is taxed following the rental business (property income) rules, but FHLs also have some tax advantages over other kinds of rental property. FHL operators are entitled to capital allowances on furniture and plant or machinery used outside the property. They are also entitled to Capital Gains Tax relief for traders. Finally, profits count as earnings for pension purposes.

Other regulations:

Fire safety laws apply to all holiday rental operators if anyone pays to stay in their property other than to live there permanently. Regulatory Reform (Fire Safety) Order 2005 requires all self-catering rental operators to carry out a fire risk assessment, improve fire safety measures if necessary, and keep these measures and risk assessment under review.

Selected rules and regulations in other countries

USA: In New York, owners or tenants cannot let their apartments for periods of less than 30 days unless they are also occupying the property. In San Francisco, a law passed in October 2014 requires residents who want to rent their homes to apply for a city permit and pay hotel taxes on any income earned. The law limits rentals to 90 days a year. Before this, rentals of less than 30 days were technically illegal in San Francisco, although breaches of this law were rarely enforced.

Germany: In 2013, Berlin passed a new housing law that requires people interested in renting rooms short-term to seek permission from local authorities, banning all rentals that do not acquire permission.

The Netherlands: In Amsterdam, recent laws are friendlier to potential rental operators. Residents are now allowed to rent their homes for up to two months of the year to up to four people at a time. Homeowners are still required to pay relevant taxes, however, including a tourist tax.

France: France recently legalised short-term rentals of primary residents. In large cities, however, individuals wanting to rent out a property that is not their primary residence will need to apply for permission for change of use from residential to commercial. Mayors in each applicable town or city can decide whether or not to enforce the new law, and it is predicted that few will.

Spain: The regional government of Catalonia recently fined Airbnb €30,000 for breaching regional laws that require rental flats and homes to be registered with the Tourism Registry of Catalonia. New laws are being planned at the national level to be introduced in 2015 that would require licenses—at a fee—to let holiday or second homes. Rental owners would also have to meet strict conditions and obtain safety and other certificates before lawfully letting to visitors.

Annex E: External interviewees (in person, by phone and by e-mail)

Cornwall Chamber of Commerce

English Association of Self-Catering Operators

Harrogate Chamber of Trade and Commerce

Harrogate Holidays

Let’s Go Cornwall

London & Partners

Miller Countrywide Estate Agents, St. Ives

National Landlord Association

Premier Cottages Ltd.

Visit Cornwall

VisitBritain

VisitEngland

Visit Harrogate

Yorkshire Dales National Park Authority