

Why the Short-Term Rental Industry Needs a Long-Term Solution

An exclusive report by I-PRAC

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This report addresses the absence of industry bodies, government guidelines and regulations in the short-term rental industry, as well as the risks associated with it. Research for this report began in 2016 and was returned to in mid-2019.

All sources have been accurately cited and/or referred to.

The Most **Innovative Sector** in the World

It was when I recently stumbled across a Skift report (dated, 2016) that I realised how phenomenally the travel landscape has evolved. In fact, according to Skift's predictions, Airbnb will be the biggest hospitality company by 2020.

This is excellent news for the travel disruptors; however, as a hospitality journalist (and ambassador of the industry), I felt inclined to delve deeper. After all, the short-term rental sector has ballooned so quickly, it has become near-impossible to keep up with all the latest trends, news, and associations.

On the surface, the concept of “short-term rentals”, whilst simple, is a stroke of commercial genius. In layman's terms, the industry is built on the transaction between a property owner and traveller/holidaymaker, where the property owner rents out their home (or a part of their home), over a short-term agreement; this is usually for up to 31 consecutive days.

What's fascinating, is that something that was initially understood as merely an “extra side income”, has now revolutionised into the most innovative sector in the world. Alternative accommodation has massively appealed to the industry's evolving consumer market, who for the most part, are looking for a lot more than the “traditional hotel” experience.

It is no wonder that **89%** of newly purchased homes in Europe are now expected to be rented out within the first year (according to a report by **HomeAway**); the market is exceptionally lucrative and still growing. For property owners, it presents the opportunity to maximise profits, and for their guests, more flexibility and choice.

The figures speak for themselves:

B **Booking.com** has over **5.6 million** property listings in over **227 countries**

B **Booking.com** has an average of **1.5 million** rooms booked daily

 **Airbnb's** figures are predicted to increase by **200%** across 10 cities in the UK, by 2017

The novelty of a furnished apartment with fully-stocked kitchen cupboards and that warm, lived-in feeling is certainly enticing, especially when it is being offered at the cost of a “standard” hotel room. However, what many people have failed to explore through their rose-tinted glasses (and full pockets) are the **dangers** that this sector potentially presents.

The fact that the short-term rental sector is completely unregulated.

Ultimately, what this means is that not a single host, guest, nor their assets are protected. Consider the rapid growth of this sector, or simply return to the eye-watering statistics above. What you'll realise is that the point-blank absence of government guidelines within this sector of hospitality is quite frankly, terrifying.



Could the Sector be Heading Towards an Oblivion?

Regardless of the size of profits, the fact is that when a transaction occurs, the payee is technically “in business”. This seems to be a bit of an enigma in the short-term rental space, where property owners are increasingly advertising spare rooms across various platforms; and often, being negligent towards their social and legal responsibilities.

The likes of **Airbnb**, **HomeAway** and other short-term rental agencies obviously benefit from the high number of hosts putting their properties on the rental market; and with this in mind, they are clearly misleading property owners into believing that earning money from your home, is as easy as setting up a lemonade stand.

To shed even more light on this, in a recent article, **HomeAway** stated, **“Renting out your vacation home for as little as 18 weeks per year, can cover more than 75% of the annual mortgage expense”**.

Whilst promoting legal business within this sector *isn't* an issue, the problems arise when industry-leaders paint a very biased and somewhat sugar-coated picture. For example, it is more than likely that hosts can benefit from a healthy profit after renting out their home for 18 weeks (as the above quote suggests); but what **HomeAway** has completely disregarded here are the costs of utilities, maintenance, upgrades, and taxes. Needless to say, with the complete lack of set laws and regulations, there is nowhere a host can refer to for guidance here; and even worse, there are zero legal implications if they choose to operate unethically.

A quick internet search will immediately tell you that **“short-term rental websites currently provide little**

Who can host on Airbnb?

Almost anyone can be a host. It's free to sign up and list your space. The listings available on the site are as diverse as the hosts who list them, so you can post airbeds in apartments, entire houses, rooms in bed and breakfasts or inns, tree houses in the woods, boats on the water, or enchanted castles. Find out more about **home types** to see how to describe your space.

You can list your space in almost any location worldwide. While we would like to keep the Airbnb marketplace open to the entire world, we are required to comply with international regulations that restrict the use of our site by residents of certain countries.

Credit: airbnb.co.uk

help to prospective hosts to understand and comply with laws” (Google); and what's even more concerning is that because the industry is operating on a global scale, government regulators are left not knowing even where to begin.

In some parts of the world, short-term rentals are rarely even monitored; but reports continue to highlight that action needs to be taken fast.

A recent **New York's State Attorney General Office Report** stated that 72% of short-term rental reservations made in 2014 were illegal, with very similar cases being reported in parts of Paris and Barcelona. The reality is, these shoddy practises are tainting the hospitality industry as we know it.

72% of short-term rental reservations made in 2014 were illegal

**according to New-York's State Attorney General Report.*

Unsurprisingly, the short-term rental sector is now in a position where it can comfortably compete with traditional hotels. In the worst case, this could mean that an inexperienced and uninsured property owner with a spare room in a residential area of London, is taking business from the fully-compliant, Hotel du Vin near the West End. Of course, there is nothing wrong with healthy competition, and if the property owner is managing their business ethically (and their guests are happy) then there is little to be concerned about.

However, we cannot guarantee “ethical practises” within the short-term rental sector, all the time. Does this mean that the sector is growing with an unfair advantage? Compared to hotels and other hospitality businesses who have to jump through several hoops? These companies, unlike short-term rental agencies, are legally obliged to adhere to a number of specific laws and regulations before opening for trade.

Hotels vs. Short Term Rental Agencies

HOTELS	SHORT-TERM RENTALS
The Business Names Act 1985 confirms the true name of the business and the identity of its owner(s)	Some operate illegally (case in point, the report about illegal reservations in New York); some may be unregistered and therefore don't pay taxes
The Trade Descriptions Act 1968 forbids the act of misleading potential guests on marketing and advertising literature	Holiday rental fraud is on the rise, as well as the trend of "bait and switch"
The Data Protection Act 1998 ensures that hotels comply with privacy laws and protect guests' personal data and credit card information	Various cases of fraudulent activity (regarding payment) continue to be reported
Fire Safety Regulations 1988, Gas Safety Regulations 1994, The Health and Safety at Work Act 1974 —protect guests in the event of a mishap/ emergency	No such protection
Food Safety, and Licensing Act 1964 policies around safe food and drink (including alcohol)	No such protection or regulations

The above table is just a tip of the iceberg. There are countless other policies and guidelines that hotel companies are required to comply with, to prevent their businesses from shutting down. Things like noise awareness, professional security and privacy, and insurance are all covered at hotels, thanks to responsible industry bodies. The short-term rental sector on the other hand, remains completely unprotected.

When Short-Term Rental Stays Go Horribly Wrong

The rise of health and safety concerns and fraudulent activity in the short-term rental sector are a direct result of the lack of regulations and policies. To bring the true extent of the damage this is causing to light, I decided to research a few real-life “horror stories” regarding short-term rentals, all of which could have been avoided (or at least, rectified), if certain laws were in place.

#1 “The last and only short-term apartment I stayed in pretty much put me off the service for good. It was a nice place in a great location, **from the look of the pictures...** Once we settled in, we realised it was very obvious the house hadn’t been cleaned since the last guest. There were small bits of garbage everywhere, dirty dishes in the sink, old food in the fridge. The advertised “second bed” was an air mattress with no sheets... Then I made it to the master bathroom. There were dark, thick, curly hairs all over the bathroom floor...”

(Credit: BoredPanda.com)

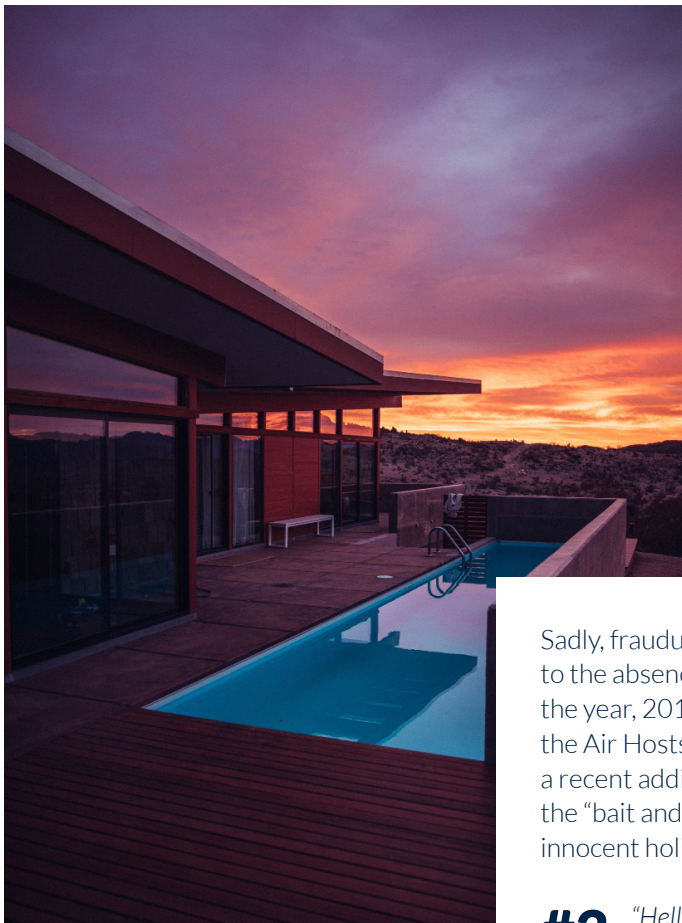
Guests are not protected by The Trade Description Act, as they would be at a hotel

Lack of structured and efficient complaints procedure

#2 “Here’s my Airbnb customer service experience: I woke up to an email saying that I had booked a \$500/ night room in NYC. I immediately tried to log into my account, only to discover I was locked out. I called their CS number and told them what had happened. They told me to log into my account and cancel it. I politely reminded them I couldn’t. **They said there was nothing they could do.** I asked if they could at least lock my account, so no further bookings could occur. Nope. I asked if they could verify me in some other way. Nope. I asked if they could contact the person whose suite had been booked to warn them. Nope. They said all they could do was send it to the investigation team by email, so would respond within the next few days. No amount of my pleading or logic would get me any further...”

(Credit: BoredPanda.com)

When Short-Term Rental Stays Go Horribly Wrong



Sadly, fraudulent activity in the short-term rental sector due to the absence of laws and policies has continued to rise till the year, 2019. The comment below has been taken from the Air Hosts Forum (part of the Airbnb community) and is a recent addition to this report. It unfortunately shows that the “bait and switch” scam is still a popular way of conning innocent holidaymakers out of their money.

#3 “Hello - I was wondering if someone could give me some feedback on a “new” property listed on Airbnb. I already made the reservation, but have time to cancel. The host only has 1 method of verification (a phone number), and the house was just sold. Like literally in the last few days, this home was sold. The photos in the MLS listings are the same as what’s in the Airbnb listing. I did look up the users name on Facebook, and her name and credentials look legit, but something about it doesn’t feel right. Anyway, this is for a large family gathering for Thanksgiving, and the last thing I want is for things to fall apart. Any help/feedback is appreciated. She said she has other properties I can check out on Airbnb, but they are setup under a separate account because San Francisco (where her other properties are) have different **rules and regulations**”.

Different laws in different countries
cause confusion



Save the Short-Term Rental Sector: **Introduce Regulations**

Clearly, there have been concerns about the unregulated state of the short-term rental sector. Since beginning my research for this report in 2016, some action has been taken to closely monitor the sector, with associations like The STAA raising awareness and educating industry professionals.

The problem; however, still remains. Whilst associations like **The STAA** are made up of credible industry leaders, ultimately, these leaders have no power in enforcing implications when an agency or property owner fails to go about their business, ethically. If for example, in a worst-case scenario, there is a fatality at a short-term rental property due to a faulty plug socket or untested electrical appliance, there would still be no insurance in place to cover the damage. The fact that we are now close to nearing the year 2020 and basic human rights within this sector is still an issue, is nothing less than appalling.

In many ways, the current state of the short-term rental space is the biggest juxtaposition. What we're studying is the fastest-growing sector in the world, that contributes to the hospitality industry more than anything else. Yet, the one thing that appears to be lacking from it, *is in fact*, hospitality. The key realisation that property and rental agency owners have a responsibility towards the safety, security, and satisfaction of their guests has not quite materialised yet.

Rather than introducing basic industry standards or another trade association, the short-term rental sector desperately needs a specific set of guidelines (laws) that are required to be **legally adhered** to.

CEO of **I-PRAC**, (a global verification platform for property owners and rental agencies) **Chris Maughan** is a huge advocate of this and applauds the current trend of leaders, who are working towards "catching up" with regulations. Maughan agrees that the only way to make a "real change" is through government laws; which is why since early 2019*, **I-PRAC** has started working with advocacy consultants to design a structured bill to present to parliament, and in turn, introduce regulations for the sector and prevent fraud. This commendable initiative is expected to be presented in early 2020.

"The short-term rental sector is like the Wild West; unregulated and without any laws. Essentially, it's a lottery game. So many unwary people book short-term rental properties these days, completely oblivious to what could go wrong, or where to turn if it does. If regulations are not put in place and policies and guidelines are not followed, this sector can fall apart just as quickly as it was built".

Chris Maughan, CEO of I-PRAC

Since transforming the travel landscape in the early 2000's, we cannot deny that the short-term rental sector has made some progress in improving its systems and processes. Although, before we run into even more turmoil, and before more guests become victim to fraudulent crimes and injuries, it has now become more important than ever to take responsibility of the welfare of the growing consumer market, and reinstate the positive reputation of the hospitality industry.

The year 2020 promises big change for the short-term rental sector, we look forward to investigating the positive impacts of this, over the months to come.

*Quote sourced in 2019 when this report was returned to.



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