3.2 Million UK Homeowners Plan on Short Term Lets

Wednesday 25 June, 2014

- UK homeowners expect to receive approximately £54 per room per night in rental income
- Property damage costs homeowners £1.4 billion- only 29 per cent of homeowners who have rented out their property report never having incurred any damage
- Deregulation Bill ends 40 year old rules that prevent Londoners from letting out homes on a short term basis

As many as 3.2 million(1) homeowners are planning to rent out parts of their property or their whole property as a short term let, or take part in a house swap during the next 12 months, according to new analysis by Direct Line's SELECT Premier Insurance(2).

The research found that of those homeowners already taking part in short term lets* two thirds swap houses (63 per cent) or rent out their whole property (69 per cent). More than half (58 per cent) already rent out a room in their property on a short term basis, as they seek to earn extra cash and holidaymakers look for alternatives to traditional accommodation choices.

On average, homeowners expect to receive approximately £54 per room per night in rental income. During a week's holiday**, this could amount to around £758 for an owner of a two bedroom property.

Under plans to remove 40 year old rules preventing Londoners from renting out their homes on a short term basis, something which doesn't apply elsewhere in the country, the Deregulation Bill(3) will give home owners in the capital the freedom to rent out their homes on a temporary basis without having to pay for a council permit. Current laws state that private homeowners in the capital must apply for planning permission if they wish to rent out their home for less than three months.

The research found that London homeowners expect to receive the highest rental income, with an average of £116 per room per night, which could earn two bedroomed property owners some £1,629 over seven nights as savvy homeowners seek to capitalise on sporting events like Wimbledon in the capital.

At the other end of the spectrum, Scottish based homeowners expect to receive the lowest, at £31 per room per night. However, this could still earn owners of two bedroomed properties around £435 over the course of a week, which Glasgow based homeowners may wish to take advantage of during the Commonwealth Games.

Although renting out a property on a short term basis can create welcome additional income, Select warns that homeowners should be aware of the risks involved, as only 29 per cent of UK homeowners who have rented out their property for a short period report never having incurred any damage.

Property damage can be expensive, with the average bill to repair or replace items reported as £326, a collective £1.4 billion4. One in five (20 per cent) received a bill of over £500 following renting out their property short term and one in 10 (14 per cent) paid out over £1,000.

Homeowners who have rented out for a short period say they have experienced damage to furniture (29 per cent), soft furnishings (27 per cent), windows, doors and walls (26 per cent), electrical items (16 per cent) and white goods (14 per cent). One in four of these respondents reported theft of items from the house (24 per cent) and home emergency damage, such as plumbing, heating or drainage (23 per cent).

Louise Lumley, head of SELECT Premier Insurance, says: “Short-term lets can be a fantastic means of generating additional income, especially around holiday season. It is vital however, that homeowners take the time to protect their properties, as bills to repair or replace items as a result of damage can be expensive and may cost more than the amount earned from the rental. We recommend property owners inform their insurer, as their requirements may be different if letting out their home and this will protect against damage caused.”

Top tips for summer letting

- Be aware of the different insurance and legal requirements for letting out your property – e.g. third party liability and damage cover, loss of rent cover and the rules around taking back possession of your property
- Even if you're only renting your property short-term if the property is available to let for more than

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140 days a year the property will be rated as a self-catering property and valued for business rates
- If you're considering subletting your room/property, run the idea by your landlord. If not you could run into a number of legal complications
- If you have a mortgage, read the small print as contracts may forbid short-term letting of your property

Direct Line provides three levels of home insurance cover to suit different needs. Direct Line Home Insurance includes up to £50,000 contents, Direct Line Home Plus includes up to £100,000 and SELECT Premier Insurance from Direct Line includes from £50,000 up to £30m worldwide cover.

- Ends -

Notes to Editors:

* Homeowners who already rent out all or parts of their property or house swap (Base: 79)

** One week holiday refers to seven days and seven nights

[1] 1,244 (62%) were homeowners. Based on the ONS UK adult population projection for 2013 of 50,371,000*62% = 31,289,932 homeowners. 10% of homeowners say they already do / definitely / probably would rent out their home or parts of it or take part in a house swap for a short period in the next 12 months. This is 31,289,932*10% = 3,244,695 (3.2million)

[2] Opinium research conducted between 13th and 17th June 2014 interviewed a nationally representative sample of 2,001 UK adults

[3] Department for Communities and Local Government and the Rt Hon Eric Pickles MP: Improving the rented housing sector and Housing. Published 9 June 2014

[4] 31,289,932 homeowners * 13% who have let out for a short time and experienced damage = 4,200,497 * £326 (mean average cost of repair or replacement) = £1,368,821,318 (£1.4 billion)

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About SELECT Premier Insurance

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At SELECT Premier Insurance we help you stay in control by offering you a truly personal service. To begin with, one of our accredited insurance advisors will carry out a complimentary individual telephone review with you. Then they'll give you tailored advice, based on your unique needs, for example, specialist cover for valuables such as fine art and jewellery (without needing to list individual items worth less than £10,000) or for your property portfolio, to ensure you get exactly the right level of cover.

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