

Position Paper on Home Sharing in Singapore

1 Sharing Economy Association (Singapore)

The Sharing Economy Association (Singapore) is a new business association that aims to connect companies and organisations involved in the Sharing Economy in Singapore, develop a vibrant and viable industry, help our members address challenges and explore opportunities, and raise public awareness on the Sharing Economy.

The Sharing Economy Association's current members include Airbnb, BlockPooling, iCarsClub, Leendy, Rent Tycoons, PandaBed and Waste is not Waste.

2 About the Sharing Economy

In cities and countries across the world, emerging industries and economies are being created by new technologies. One such innovative industry carries great promise for cities and countries: The Sharing Economy enables citizens to access new economic opportunities, promotes greater entrepreneurship, strengthens communities and conserves resources - all aspects of urban life in which cities have invested significantly.

The Sharing Economy is redefining the ways that goods and services are exchanged and created amongst citizens, businesses and governments. By connecting peers to peers, owners can rent out their underused assets to others that are willing to pay to use them; individuals can co-create, collaborate and participate more easily, enabling affordable access to resources of all kinds - from cars, bicycles, homes, and tools, to services, knowledge, capital, and production technology.

Citizens have collaborated and shared their assets informally for centuries, but innovative network technologies and social media tools have made co-producing, lending, trading and renting assets cheaper and easier than ever before, and therefore possible on a much larger scale. In its many innovations, the Sharing Economy provides an opportunity for citizens to lead more connected, productive and sustainable lives while benefitting the cities they inhabit.

The Sharing Economy represents a significant economic opportunity. According to research by PwC: “Globally, revenues from these sectors could hit \$335 billion by 2025, up from just \$15 billion today.”¹ According to a 2014 report by Nielsen, the consumer peer-to-peer rental market is now worth an estimated \$26 billion. 68% of global consumers say they are willing to share their own assets, and 66% say they are willing to seek shares from others.²

Cities and countries around the world are starting to embrace the Sharing Economy. The United Kingdom has announced plans to make itself the global hub for the Sharing Economy.³ Since 2012, Seoul has been widely recognized as one of the world’s sharing capitals.⁴ Cities like San Francisco, Amsterdam and Hamburg have updated their laws to enable home sharing. The trend is clear: cities and countries believe there is value in the Sharing Economy and are swiftly moving to understand and facilitate its role in their economies.

3 Home Sharing

Home sharing platforms connect “Hosts”, individuals who rent out spare space in their homes, with “Guests”, individuals who rent accommodation from Hosts. Trusted home sharing platforms that are popular in Singapore include the Sharing Economy Association’s members Airbnb and PandaBed.

Hosts who participate in home sharing generally rent their own homes occasionally - when on vacation or traveling for work, or simply as a way to meet travelers from around the world. They are not running a business. Rather, the supplemental income they earn helps afford increasing costs of living, invest more in their homes, pursue new careers, pay off loans, and fund their retirements.

¹ http://pwc.blogs.com/press_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html

² <http://www.nielsen.com/apac/en/insights/reports/2014/is-sharing-the-new-buying.html>

³ <https://www.gov.uk/government/news/move-to-make-uk-global-centre-for-sharing-economy>

⁴ <http://www.forbes.com/sites/federicoguerrini/2014/05/25/how-seoul-became-one-of-the-worlds-sharing-capitals/>

On the other hand, Guests use home sharing platforms because they seek the authentic local experiences that local residents provide - they want to “live like locals.” Home sharing platform Hosts enable this, as the majority of their homes are located outside the traditional visitor hotspots.

Increasing numbers of travelers from around the world are looking to book accommodation through home sharing platforms. At the same time, we hear from many Singaporeans who have used home sharing platforms as travelers that they wish to become hosts here in Singapore.

Home sharing in Singapore is not a new concept. For example, Amcis ran a homestay program in the early 2000s but was unable to generate sufficient interest to continue its program. Similarly, sites advertising short term residential accommodation predates Sharing Economy platforms, as sites like Gumtree, Property Guru and Craigslist continue to display advertisements for hundreds of short term accommodation options. Indeed, the Straits Times Classifieds section even has a listing code for short term rentals (473).

4 Benefits for Singapore

There are a number of clear benefits that home sharing provides to visitors to Singapore, hosts in Singapore and to the overall Singapore economy.

Authentic local travel experiences

Many travelers using home sharing platforms indicate that they are interested in exploring a city beyond its traditional tourist sites.⁵ For example, many visitors to Singapore are interested in visiting Singapore’s hawker centers and kopitiams.

Supplemental income

Hosts who rent out their homes on home sharing platforms are able to earn supplemental income that helps them make ends meet. Research indicates that nearly half of the hosts who participate in home sharing use the additional income they earn to help make ends meet. Singaporeans who struggle to make ends meet or need a little extra income would be able to earn supplemental income by renting out their spare space on a home sharing platform.⁶

⁵ <https://www.airbnb.com/economic-impact/>

⁶ <https://www.airbnb.com/economic-impact/>

Incremental tourism income

Research indicates that individuals using a home sharing platform tend to stay longer and spend more than typical visitors.⁷ Home sharing has the ability to increase the aggregate contribution from tourism to Singapore's economy.

Distribute tourism

The majority of home sharing occurs outside of traditional hotel districts. Research confirms that the majority of tourists' expenditure takes place in the area around where they stay.⁸ As such, the majority of spending by visitors staying in homes will occur in areas that might not ordinarily benefit from tourism, and hence benefits local and small businesses. Additionally, by distributing tourists throughout the city, home sharing has the added benefit of relieving stress on the city's infrastructure in the typically congested traditional tourist areas (e.g. Orchard Road).

Supporting entrepreneurship and flexible working schedules

Many individuals who participate in home sharing have non-traditional forms of employment such as freelancers, entrepreneurs or those who are self-employed. The additional income they earn helps support a more creative and entrepreneurial workforce, as well as those who need flexibility in their lives and are unable to commit to traditional fixed working hours, e.g. single parents or caregivers of elderly folks.

Major events

Home sharing can help absorb high demand for accommodation during major events hosted in Singapore such as the Singapore F1. Home sharing creates additional accommodation options for visitors. This is a flexible and elastic supply of accommodation that can become available during peak periods, when higher prices attract more people to host, and then shrink when prices come down after the peak. In contrast with hotels, this source of accommodation capacity does not require upfront infrastructure commitments or a fixed workforce, which in the Singapore hospitality industry inevitably means more foreign manpower being imported.

During the World Cup, Brazil promoted the use of home sharing to help visitors find accommodation in those cities where it did not have enough hotels, especially where hotels would not have been economically viable after the event.

⁷ <https://www.airbnb.com/economic-impact/>

⁸ <https://www.airbnb.com/economic-impact/>

Retirement

Home sharing helps retirees make use of empty space of their home. Retirees are able to earn extra income to fund their retirement while aging actively and in their own place. Home sharing also preserves the retirees' ability to bequeath their properties to their children. This would be particularly relevant to Singapore, given the high rates of home ownership coupled with the ongoing challenges in monetising people's homes, as seen from the low take-up rates of schemes like reverse home mortgages.

Environmental impact

Studies have shown that home sharing promotes the efficient use of existing resources as well as a more environmentally sustainable way of traveling. Home sharing results in significant reduction in energy and water use, greenhouse gas emissions, and waste generation, and also encourages environmental awareness among residents and visitors.⁹

5 Policy Considerations

Singapore's policy makers have stated that the primary reason to prohibit short term rentals in Singapore is that "short-term occupancy, with transient occupiers, creates disturbances and inconveniences to other bona fide residents in the development".¹⁰

Home sharing platforms act as responsible players and work to prevent disamenities by establishing two-way review systems. Like many platforms, guests are able to write reviews about where they stay after their visit. After a stay, a host is also able to leave a review about the guest. Guests know that if they behave poorly and are negatively reviewed, their bookings will be less likely to be accepted by other hosts in future. This system of hosts reviewing guests creates strong incentives for guests to treat their hosts' homes and neighbors respectfully. Home sharing platforms encourage their community members to leave reviews, to reward good conduct and deter bad behaviours.

In addition, home sharing platforms can implement measures to strengthen their communities. For example, appropriate insurance or guarantee programmes can be offered, to provide additional assurance and peace of mind for both guests and hosts.

⁹ <http://blog.airbnb.com/environmental-impacts-of-home-sharing/>

¹⁰ <http://www.ura.gov.sg/uol/guidelines/development-control/change-use-premises/sections/yv-Permissible-Uses/Landed-Housing/subletting.aspx>

Safety and security can be further promoted by requesting for third-party verification. As a current feature, both Airbnb and PandaBed allow Hosts and Guests to upload verification documents such as utility bills or government issued IDs.

The tax obligations of individuals involved in home sharing are another area of consideration. How should this income be taxed? There are property income tax laws in place that governs how long-term lease income should be taxed, however there are no established laws for short-term leases.

6 Existing Policies

Housing and Development Board Act

The Housing and Development Board's rules prohibit anyone from renting out space in an HDB flat for less than a 6 month period. The rules also prohibit HDB flats from being leased out to tourists, and HDB owners must also register their tenants with the HDB.

Planning Act

The Planning Act does not address short term rentals. However, the Urban Redevelopment Authority has issued guidelines advising that "private residential properties are meant for longer-term stays of six months or more".¹¹

It is unclear whether or not these guidelines based on the duration of a stay are supported by the Planning Act. The Planning Act may in fact permit a person to occasionally rent out his/her primary residence (i.e. the home that he/she lives in) on a short term basis, as that would not alter the residential nature of the use of the property.

¹¹ <http://www.ura.gov.sg/uol/buy-property/about/leasing/residential.aspx>

7 Policy Recommendations

Increasingly, Singaporeans are arguing that it is time to reassess policies that limit short term rentals while others have argued that Singapore “could bolster its smart nation status” by developing rules and frameworks for the sharing economy.¹²¹³ Some Singaporeans have urged the Government to move quickly to determine an appropriate policy approach.¹⁴

As a city which is well-recognised for its innovative policies, home to the World Cities Summit, and with our national vision of becoming a Smart Nation, it is necessary for the Singapore Government to create a policy framework that establishes fair and progressive rules for home sharing.

In 2014, a raft of new laws have either been passed or announced by some of the world’s leading cities and countries: Amsterdam, Hamburg, Portland, San Francisco, France and the United Kingdom. While each of the laws are different, they share a few common characteristics: they allow people to rent out their residences to short term visitors on an occasional basis.

The Sharing Economy Association supports amendments to Singapore’s rules that allow for individuals in Singapore to occasionally rent out their residences to short term visitors - either in the form of a spare room or an entire residence. Singapore’s new policy on home sharing should include smart and targeted provisions to prevent issues of disamenities in residential areas rather than blanket bans against short term rentals.

Regarding taxation issues, we have seen that once governments create fair and progressive rules for home sharing, governments are then able to clearly define tax obligations for hosts. There are current frameworks in place and used by the world’s leading cities like Paris and the UK, which Singapore could learn from.

More importantly, the Government should discuss new proposed policies on home sharing with the home sharing platforms and the Sharing Economy Association before introducing those policies. The Sharing Economy Association is prepared to work together with the Government to address home sharing in a constructive manner.

¹² <http://business.asiaone.com/news/lets-open-door-short-term-rentals>

¹³ <http://paragkhanna.com/smart-nation-sharing-city/>

¹⁴ <http://www.themalaymailonline.com/what-you-think/article/time-to-act-on-short-term-room-rentals-richard-hartung>