



Money

How to profit from perfect strangers

Investment You can be part of the revolution and boost your portfolio by joining the sharing economy. **Robin Ash** explains how to get involved

Until recently if there was a stranger sleeping in your bed, another driving your car and someone else loitering outside your front door you would have called the police. Now, it probably means that you've joined the "sharing economy" — you rent out your home on Airbnb, make some extra money through EasyCar Club and have paid someone to wait for a delivery using TaskRabbit.

These companies are all part of a new industry based on using technology to share assets, resources and skills, and it is challenging traditional business models across the board. So who are the big players, what are the investment implications — and how can you get involved? *Times Money* investigates.

Good to share

This new model, also called the "on-demand economy", is one of the most significant legacies of the technology revolution spawned by the internet, and the pace of its growth is staggering. PwC, the accountancy firm, estimates that revenues for the five most prominent sharing economy sectors — peer-to-peer (P2P) finance, staffing, P2P accommodation, car sharing and music and video streaming — could rise to £9 billion in the UK by 2025, up from £0.5 billion today. Global revenues, which have now reached \$15 billion (£9.6 billion), could hit \$335 billion in ten years.

John Hawksworth, chief economist at PwC, says: "Digital communications allow sharing to happen across a global village of consumers and providers, with trust established through electronic peer reviews. Looking beyond the sectors where sharing is well established, there are some very exciting growth opportunities that are yet to be fully realised. We think this model could spread."

Finance

The lending drought that followed the global crisis opened the door for a nascent breed of businesses that have stepped in to fill the void. These lenders and borrowers to bypass the banks and borrow or lend directly at superior rates. Now, websites such as Zopa, Funding Circle and Ratesetter are moving into the mainstream, with the latter having lent more than half a billion pounds since its launch in 2010. In January this year alone it lent more than £43 million. Recent developments, such as FCA regulation and the inclusion of P2P in the tax-free Isa savings envelope from April next year, will expand the reach of such companies. More disruption across the sector is expected, from share dealing to currency

Accommodation

The market leader is Airbnb, which was founded in 2008 and is used by an average of 425,000 people every night worldwide and is valued at £12.8 billion, despite not owning the physical properties in which its users stay. Other start-ups in the sector are introducing different innovations. Sites for home exchange, where instead of paying to use someone's property you let them use yours, are a particular area of growth. One of the world's largest is Love Home Swap, which enables holidaymakers to exchange homes in more than 160 countries ("You stay at mine, I stay at yours"). A British success story, it was founded by Debbie Wosskow, who is set to join the Lords under the Tories after carrying out a review into the sharing industry for the government.

Transport

Most people have cars that sit idle for the majority of the time and are very expensive to keep. Now motorists can put this downtime to use and make a profit from their vehicle by renting it to other drivers. EasyCar Club, which is part of the easyGroup franchise, says that people using the site make an average of £1,800 a year. There are no membership charges, and the site takes a 10 per cent cut of income. Manufacturers are also entering the car-sharing market, which is a serious threat to their business — some estimates suggest that 5 per cent growth in sharing could halve sales of cars in the United States in the next decade. In London, Ford's GoDrive is competing with BMW's DriveNow. Users of GoDrive pick up and return cars at hubs and pay 17p per minute at all times, while with DriveNow, which charges a joining fee of £29, then 39p a minute when driving and 19p a minute when parked, you can drop the car off wherever you want. Access to the vehicles is via a phone app or

People on Taskrabit will do almost anything — as long as it's legal

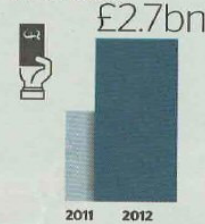
exchanges, with companies such as WeSwap offering the ability for people to swap their travel money with those travelling in the opposite direction.

Staffing

What to do if the agenda for your day includes walking the dogs, waiting at home for a new washing machine to be delivered and queuing up for the latest iPhone? The sharing economy is here to help, and you can book people to do all of these things on Taskrabit, an odd-jobs marketplace where people looking for extra income list themselves and will do almost anything, as long as it's legal.

People power

CROWDFUNDING



In 2012 crowdfunding platforms raised more than £2.7bn - 80% more than 2011

MUSIC STREAMING



AIRBNB

The amount that a typical host earns in London by renting out their home for 33 nights



CARS

Average amount people renting out their cars through easyCar Club earn in a year

£1,800

Amount Zipcar members save per month compared with owning a car

£300

The average amount that a car is used per day

1 hour

Source: UK Department for Innovation and Skills; PwC



card, and insurance, tax and parking are all included. Other car share companies, such as Zipcar, owned by Avis Budget, the car rental group, charge an annual fee and vehicles are picked up and dropped off in the same location. Alternative options include Liftshare and BlaBlaCar, which match drivers with passengers going in the same direction, allowing them to split fuel costs. If you prefer two wheels, spinlister.com allows you to rent a bicycle from a local.

How to invest

Businesses at the forefront of this movement are start-ups that use crowdsourcing sites for funding, where you can invest in return for equity and get tax breaks. Sites include Seedrs, Crowdfunder and Crowdcube, which has raised £78 million for 229 businesses in the past four years. One is Compare and Share, a sharing economy comparison site that raised £275,000. Earlier this year JustPark, a P2P parking business, raised £37 million.

There are also investment trusts that fund P2P lenders. P2P Global Investments, launched last year, has raised £400 million from its latest share issue. Backed by Neil Woodford, it is now among the 30 biggest London-listed investment trusts. The yield is 2.5 per cent and the trust is trading at an 8.6 per cent premium.

Simon Moore, of Tilney BestInvest, says: "Its substantial diversification — 180,000 individual loans spread across 15 platforms — means that risk should be lower when compared to investors attempting to select individual peer-to-peer loans themselves."

Other options include Ranger Direct Lending and VPC Specialty Lending. These trusts yield 9.5 per cent and 7.3 per cent respectively.



Mark and Gaelle Deschamps

'It's easy to see why home exchange has become so popular'

Gaelle and Marc Deschamps live in London with their three children, aged 2, 6 and 18, and have a second home in the Loire Valley (Robin Ash writes). For the past three years they have been using 3rd Home, a site on which you can make your property available to visitors. In return they can access thousands of homes around the world, and have stayed in properties in Argentina, Trinidad and To-

bago, Greece and Vietnam. Mrs Deschamps says: "The sharing economy wasn't as big when we decided to join but it's easy to see why it has become so popular. Home exchange enables us to travel to new countries while making the most of unused weeks at ours — a true win-win situation. Besides the financial pros, it is beneficial for our children as they are exposed to so many different cultures and experiences."