

HSP Debate

The Sharing Economy and Housing Affordability



Why this event?

Short-term rental platforms (such as Airbnb, HomeAway and others) have developed over the past few years thanks to technological developments. Their impact on cities and communities is starting to be analysed but remains disputed. The new business model, that enables private property owners to rent part or all of their apartments to guests, faces increasing controversy particularly as to its impact on housing prices. This Housing Solutions Platform debate proposed to gather cross sectoral actors and experts to discuss the claim and potential ways forward. Representatives from the peer-to-peer industry, academics, city representatives and European policy makers debated the existing evidence and potential ways forward in dealing with the impact of the sharing economy on housing prices.

Summary

The event was organised by the Housing Solutions Platform and hosted by Members of the European Parliament (MEPs) Marian Harkin and Brando Benifei in the European Parliament, to respond to the controversy of the impact of the sharing economy on housing affordability.

Short-term rentals cannot be solely blamed for rises in house prices and rent, but they do appear to have a clear impact on these figures in some areas. Policy makers are facing a real challenge in dealing with this growing phenomenon, which requires tailor-made solutions for each local situation.

Despite the conceptual challenge, there exists the reality of the dramatic human impact of the financialisation of housing. The sharing economy platforms seem to be participating in this broader phenomenon. Therefore, the challenge is to accompany the development of what has become an unavoidable consequence of technological development, disrupting the housing market, without scapegoating what is only one element of a multifaceted and broader challenge.

First Panel: What evidence of what impact?

The goal of this panel was to discuss the empirical evidence of the impact of the sharing economy on housing and rent prices.

Key note speech by Davide Proserpio, University of Southern California

Davide Proserpio, from the University of Southern California, presented the results of one of the major existing studies¹ on the impact of Airbnb on housing prices, based on an analysis of Airbnb listings in the US over a six-year period (2011-2016).

He first explained that it was a difficult question to answer as the housing market is affected by many factors (the local economy, gentrification etc.) Furthermore, Airbnb could have developed without affecting prices, for example if the short-term rental market had remained very small in respect to the long-term market or if the market for short-term rentals had been dominated by housing units that would have remained vacant in the absence of home-sharing, which means that it would have had its own market and the long-term rental market would not have been affected.

The proposed hypothesis is that owners, attracted by Airbnb (which reduces friction costs linked to renting on the short-term rental market, making it easier and cheaper), switch to the short-term rental market and remove their property from the long-term rental market. This would decrease long-term rental stock and thereby would cause an increase in rents and house prices. According to this model, house prices would be affected to a greater

¹ Barron, Kyle, Edward Kung and Davide Proserpio, *The Sharing Economy and Housing Affordability: Evidence from Airbnb* (2018). Link:<https://ssrn.com/abstract=3006832>

proportion than rental rates. The model also predicted the share of short-term rentals would be higher where the share of owner-occupiers is lower.

These hypotheses were then tested on data from Airbnb and home value and rent indices over a six-year period (2011-2016). Data from Airbnb corresponded to over one million properties from 700,000 hosts. Auxiliary data was also used: Google trends for the term “Airbnb”, touristiness (the number of establishments in the food services and accommodation industry), local economy controls, median household income, population, share of 25-60-year-olds with bachelors’ degrees or higher, employment rate, owner-occupancy rate and housing vacancy rates.

The regression made by the economists took the Airbnb supply and the owner-occupant share into account. The economists used instrumental variables to isolate the part of housing costs that is driven only by Airbnb: they argued that “if a ZIP code is “touristy” (a lot of restaurants and bars) and if awareness for Airbnb increases, then any change in Airbnb supply in that ZIP code is likely driven by an increase in demand for short-term rentals through Airbnb, rather than local economic conditions.”

The results of the study show that Airbnb increases both rental rates and house prices. At the median owner occupancy rate, it would represent 0.59% of the annual increase in US rental rates and 0.82% of the annual increase in US house prices. To put this into context, the US average year-on-year rent and price growth are 3.18% and 5.70%, respectively. This means that Airbnb presence would respectively explain 1/5th and 1/7th of the rent growth and house price increase.

Discussion

Luis Falcón, co-founder of inAtlas, a big data and location analytics company based in Barcelona reacted to the presentation by insisting on the importance of producing empirical evidence for policy makers. He indicated the share of holiday rental demand was the same in 2017 as in 2010 and is to be considered together with a boom of tourism, despite the economic crisis. He also explained that owners using Airbnb professionally often change their identity regularly to avoid regulation or advertise the same flat several times, which makes the use of listings for research fragile. There is a need for regulation, but he also insisted this phenomenon was dynamic and should be dealt with as such. He also reminded that short-term rentals existed before Airbnb (the first regulations in Barcelona were from 2005) and that measuring the impact of Airbnb alone is not satisfactory.

Sergio Vinay, Head of Public Policy at Airbnb, explained Airbnb has more than 400 agreements with local authorities over the world to deal with externalities created by technological disruption. In Barcelona, Airbnb shares all of the data about new users with the local government. He said evidence was essential and that it was important not to let people believe that solving the short-term rental problem will solve the housing affordability problem. In Majorca, short-term rentals were banned last year and there is no Airbnb accommodation on the island. Nevertheless, prices are still increasing there. In Madrid, there are more empty homes in the centre of the city than Airbnb homes in the whole of Madrid. He underlined new types of demand for short-term accommodation, like from exchange students, and talked about the benefits of Airbnb for small owners who can rent a room.

Regarding regulation, he explained there are seventeen regulations in Spain and called for a harmonisation of regulations across borders in Europe.

Albert Eefting, from the City of Amsterdam, welcomed the comprehensive study from Davide Proserpio. He emphasised the dynamic of growing cities, with people moving from the countryside, which also affects house prices and causes affordability problems. He affirmed short-term rental platforms like Airbnb benefit those who are already privileged. He described the growing discontent of locals with short-term rentals, who are forced to move out of the city centre and who see their local shops being replaced by shops for tourists.

Amsterdam has been working on short-term rentals since 2013. He said it should not be sharing-economy platforms who decide about regulation but the elected city councils. He insisted on the fact that the rental market needed more and more regulation and that short-term rental companies must cooperate with authorities to enforce them. Harmonising rules at a European level is an impossible task, rather it is the competency of local authorities. City authorities can work together to address the issue, as demonstrated by the city coalition on illegal holiday rentals, of which the City of Amsterdam is a member.

Miquel-Àngel Garcia-López, Associate Professor at the Department of Applied Economics at the Universitat Autònoma de Barcelona, presented the preliminary results of one of the first studies on this theme in Europe². He started by comparing the short-term rental prices in Barcelona, New York, Los Angeles and Paris. Airbnb listings in Barcelona correspond to about 2% of total dwellings and 7% of rented dwellings. Regarding the percentage of total dwellings and prices, the situation is similar to the one of Paris. There has been a dramatic increase of Airbnb density in Barcelona between 2011 and 2017, and in particular in Barcelona's city centre. The study distinguishes between commercial and casual listings: a listing is considered commercial if either it is a multihosted property (entire apartments or private rooms belonging to a single host) or if it is a single-hosted entire apartment with an average of more than five reviews per quarter (during the active quarters). The share of commercial use represents 72% of Airbnb listings, although the researchers suppose this share is underestimated and that the quality of data should be improved. The study reports similar effects to those found by Barron et al. from America, namely that a one-point increase in Airbnb density would lead to an increase in rents of 0.5-1% and an increase in prices of 1-1.8%. Since Airbnb density grew, on average, roughly 1.5 percentage points between 2011 and 2017, Airbnb, on average, increased rents by 1.5%. Average rents increased approximately by 20% over the same period. Therefore, 10% of this can be attributed to Airbnb. Airbnb impacts prices by 2.7% but on average, prices increased approximately by 13% over the period. 20% of the increase can be attributed to Airbnb. As in the American study presented by Davide Proserpio, the impact on prices is bigger than the impact on rent. It is not clear at the aggregated level whether Airbnb is causing a housing affordability problem in Barcelona. Future research would address endogeneity issues and explore spatial heterogeneity between neighbourhoods.

² Garcia-Lopez, Miquel-Angel, Jordi Jofre-Monseny, Rodrigo Martinez-Mazza and Mariona Segu, *Do short-term rent platforms affect housing markets? Evidence from Airbnb in Barcelona* (2019). Link: https://www.dropbox.com/s/105v82t3g5w6j3g/Airbnb_20181217.pdf?dl=0

Second Panel: What way forward in managing short term rentals?

Sergi Mari, Manager of Tourism at Barcelona City Council, introduced Barcelona's tourism strategy. The Special Tourist Accommodation Plan of Barcelona aims to make tourist accommodation compatible with a sustainable urban model and to guarantee fundamental rights and quality of life for city residents and tourists. Like Albert Eefting, Sergio Mari insisted on the negative feelings of the citizens. Barcelona City Council is using local urban planning to deal with the issue of the growing market of short-term rentals. In Barcelona: the city has designed tourist accommodation regulation specific to different neighbourhoods. Three areas are distinguished. In Area 1, which corresponds to the city centre quarters which suffers from over-tourism, no new accommodation of any kind will be allowed, nor any increase in the number of places in existing establishments. The goal is a reduction of tourist accommodation. In Area 2, the current number of places and establishments will be maintained. In Area 3, new establishments may open, and existing ones may expand their capacity. He concluded by highlighting the right to the city that citizens have.

Dáithí Downey, Head of Housing Policy, Research & Development at Dublin City Council and Principal Investigator at Dublin Housing Observatory, presented Dublin City Council's strategy. He explained households are under stress in Dublin due to expensive housing and the authorities are being solicited by local actors to regulate the housing market. The monetisation of residential space in Dublin specifically has to do with the presence of many headquarters of large tech firms in the city. Ireland did not have, until now, any regulations regarding short-term rentals. Recommendations have been addressed by the parliament to the government³. One of the key recommendations is the introduction of a licensing system of users of platforms such as Airbnb. What is at stake is a conflict between different rights, consumers rights and social rights. The problem includes aspects of governance, risk management and accountability. Registrations and licences should therefore also help to fight criminality. This recommendation of the report is about to be implemented: from June 2019, a legal authorisation system will be introduced. According to Dáithí Downey, the main challenge is to ensure compliance with regulation. This is more important than deciding how many days of short-term rental per year should be authorised. Dublin is working on local and integrated strategies to target specific areas of the city.

Carlos Villaro Lassen, Secretary General of the European Holiday Home Association, presented the point of view of the businesses and private tenants making holiday homes available for rent. There are around 4 million units for holiday renting in Europe, corresponding to 20 million beds to be compared to the 11 million beds available in hotels, a capacity which cannot be replaced by another type of accommodation in the tourist sector. He said the sector of short-term rental is estimated to generate a turnover of 80 billion euros in local economies through tourism. He explained that, from an economist's point of view, prices going up are a positive sign of economic dynamism. He also mentioned a recent study by the London School of Economics of the ban on the construction of new secondary residencies in tourist areas in Switzerland, which found that the measure has led to negative effects on local economies and may reinforce wealth inequality. Therefore, the regulation of short-term rentals should be handled cautiously because of its complex effects. He also

³ Joint Committee on Housing, Planning & Local Government *The Impact of Short Term Lettings on Ireland's Housing and Rental Market* (2017). Link: http://data.oireachtas.ie/ie/oireachtas/committee/dail/32/joint_committee_on_housing_planning_and_local_government/reports/2017/2017-10-05_the-impact-of-short-term-lettings-on-ireland-s-housing-and-rental-market_en.pdf

said regulation and taxes on tourists should be carefully handled so as not to limit access to tourism only to richer people.

Sito Veracruz, Founder of FairBnB, offered another perspective. FairBnB is a cooperative vacation rental platform, which aims to take social sustainability into account. It operates on principles of “one host, one home”, transparency and 50% of profits being invested into community projects. How to involve neighbourhoods in the activity of rental platforms and to divert profits into new local projects? He suggested our collective goal should be to decrease the negative impacts and increase the positive impacts of the sharing economy. The projects the money is reinvested in are suggested by locals and tourists can choose, visit and learn more about these projects. The governance of the platform is open to interested citizens. Finally, the platform is being proactive in respect to complying with local regulations and sharing data is the main lever to do so and address these policy issue, which is a major urban planning stake. FairBnB is now planning to be present in five major cities in Europe.

Henning Ehrenstein, Deputy Head of the Unit for Business to Consumer Services (DG GROW) at the European Commission, recalled that the Commission’s overall policy is to promote sustainable development of the collaborative economy. He also insisted on the need for the harmonisation of principles, not rules, to be adapted to the diversity of local realities. Recalling the E-commerce directive and Service directive, the principle is that any restriction to an economic activity must be justified, must have a direct link between the measure and the desired impact of the policy and must be proportional (choose the less intrusive way to attain the objective). He made clear it was very important to distinguish between professional and occasional short-term rental in designing the regulations, as the latter does not take estate away from the long-term renting market, which is what may have an impact on housing prices. He explained a common way to ensure this distinction is to make the difference between primary and secondary residences and mentioned the practice to limit the maximum number of days a home can be rented within a year. Several cities are moving into the direction of introducing registration schemes, which is being considered as a good practice by the Commission, as far as it is easy to cope with for customers. He also talked about the need to have local infrastructure available for short-term and permanent residents, which are financed through local taxes and in some places by tourist taxes. The challenge here is again enforcement, through collaboration between local authorities and rental platforms who collect the tax. He welcomed the studies presented and insisted policy makers needed them to justify their regulations as well as the existing data exchanges. He concluded by saying the phenomenon is new but there is indication it is going to stay a hot topic. In order to contribute to the definition of local policies, recommendations for national and local governments in dealing with short-term rentals are available on the Commission’s website⁴.

Concerning the official position of the European Commission, Henning Ehrenstein explained the Commission has not itself undertaken studies on the link between short-term rentals and increasing prices and rent and therefore does not have an official statement on this issue, despite being aware of the results of different studies. He explained the Commission would not normally study the impact of one particular company, but a sector.

⁴ Accommodation Panel, *Collaborative Short-Term Accommodation Services: Policy Principles & Good Practices*. Link: <https://collaborativeeconomy-singlemarket-brussels.teamwork.fr/docs/accommodation-panel-background-note.pdf>

Other contributions during Questions & Answers

Emmanuelle Causse, representing the International Union of Property Owners (IUPI), intervened to explain that private landlords and home owners do not have an official position on collaborative economy. Many aspects explain the impossibility to reach a common position among the members of the IUPI: some are in favour of it and are against strong regulations of the activity while others are against it because of the effect it might have on housing prices. She explained a minority of traditional owners move from the long-term rental market to the short-term rental market because most of them wish to have long term tenants. She thinks this might more be the case for newcomers in the housing market. She said there is a growing number of litigations linked to short-term rental activity. She gave the example of Lisbon, where renting is very regulated and where a number of owners move out of their properties to rent them on the short-term rental market. She explained we see changes in legislation in Europe, also in condominium contracts to include clauses related to short-term rentals.

A representative of the Greek Ministry of Labour, Social Security and Social Solidarity, explained the phenomenon in Greece was not only affecting cities but the whole country, where prices have raised dramatically. In 2018, Greece had 32 million tourists, which corresponds to three times the local population. The whole country is a tourist destination and faces problems which are more complex than only a problem of housing affordability. In some islands, people cannot find a place to live. At the same time, some small owners who have been affected by the economic crisis do need the complementary revenue they can make with short-term rentals. She explained this problem must be addressed seriously and is also a very emotional problem.

Conclusion

Sarah Coupechoux, from the Fondation Abbé Pierre, concluded by referring to a personal experience in Berlin to show that platforms like Airbnb contribute to buildings being emptied of their original occupants in order to dedicate them to short-term rentals, while men and women are living on the street or in unsafe buildings because they cannot afford proper housing. The sharing economy is one of the keys to solving the problem. She called on common responsibility and asked the European Institutions to assume their responsibility to ensure the right to housing. She called for vigilance in ensuring that the sharing economy remains fair for all, in a context where the number of homeless people and the cost of housing is dramatically increasing.

The idea that how people feel cannot not be taken into account by statistics was reaffirmed by several participants and Marian Harkin, Member of the European Parliament. She insisted on the context in which the issue of short-term rentals is discussed: homelessness escalating in Dublin, the capital city of her country, and in Europe. The empirical evidence certainly shows a link between short-term rentals and increases in housing prices and rent, although the extent of the impact is still disputed.

This work needs to be continued, focusing on the general interest of the population rather than of the interest of some individuals. Democracy is to be for the people and for the

common good and the democratisation of tourism should not be seen as a justification of the sharing economy. She also said the argument about the sharing economy creating jobs should be considered carefully as an increase in jobs in one place usually means a decrease of jobs somewhere else, as people only have so much money to spend.

Another question one should face is what ownership means: should a house, which is a home at the end of the day, be treated as an asset? Member States cannot be left off the hook as many governments have stopped providing social and affordable housing.

Brando Benefei, Member of the European Parliament, said that collaboration of all actors and legal clarity are needed. He acclaimed the event as a good way of working together. The gentrification of certain neighbourhoods is a problem and the contribution of the sharing economy to this phenomenon remains an open question requiring more evidence, work and decision-making. How to measure the extent of this effect? How to deal with the negative consequences of a business model which is aimed at creating new opportunities and allowing tourists to save money but creates tensions with the local populations? There is a growing awareness of the need to coordinate policy responses at national and European level. He highlighted the necessity to assess in the future the compliance of the Member States with the European Pillar of Social Rights, which calls for housing and assistance for the homeless and for social housing of good quality, and with the new Urban Agenda which calls for the reaffirmation of housing as a social good. He proposed the building of a permanent study group on the topic of the sharing economy to exchange data and best practice.

Both MEPs thanked the Housing Solutions Platform for organising this event.

<https://www.housing-solutions-platform.org>

The Housing Solutions Platform is a partnership between FEANTSA, Fondation Abbé Pierre and Housing Europe, aiming at stimulating creativity and courage in overcoming housing exclusion.

All research papers cited during the event are available on the website.

