8th HOTREC Regulatory Bulletin – March 2018

The 1st edition of the Bulletin in 2018 comes in the similar time with the revised 'Strategic Communication Plan' which is aimed at empowering HOTREC Members to further engage in regulating the 'collaborative' economy.

The time is right for Member Associations to take all necessary steps that will further foster the development of a level-playing field, and the series of Bulletins will continue for another year to provide them with the latest developments of short-term rental (STR) regulations especially across European destinations.

10-year old Airbnb eyes further growth through hotel-style properties

Since Airbnb announced in last February the diversification of online listings with boutique hotels and bed-and-breakfast properties along with the launch of Airbnb Plus – a new platform section that features verified houses favoring landlords who provide advanced hospitality services – a new chapter has opened regarding the evolution of the platform and the impact it has on destinations and communities.

For some, Airbnb has started to show a growing interest in hotels and luxury properties so as to tackle the slowdown of recent growth. Even if such a scenario is valid, it doesn't change the essence of the issue as recently summarized by American Hotel & Lodging Association: "*If Airbnb wants to enter the hoteling business, then it needs to be regulated, taxed and subject to the same safety compliances and oversight that law-abiding hotel companies adhere to each and every day*".

For others, that is a nothing but a reasonable response in the light of growing competition in the STR market by platforms such as Booking. The particular scenario has been reinforced since early March when Airbnb launched a campaign to convince hotel owners that its own features are more beneficial for them than those provided by OTAs. In this case, discussing STR regulations is a matter of critical importance above and beyond the scope of a single platform – in a market which involves numerous stakeholders with different interests.

The UK tourism industry has several adverse outcomes to consider with regard to the collaborative economy

An interim report published by the All Party Parliamentary Group for Tourism on March 21 has addressed important issues due to which new distribution models are not held so far to the same standards as traditional models. Besides mainstream issues such as ensuring tax compliance and affordable housing, the report states that "*the problems and discrepancies around regulatory compliance from sharing economy platforms stem from a failure of enforcement, rather than primarily from a lack of regulation*". Some of these issues are summarized in the graph alongside.

Areas of failure of law enforcement

1. Checking compliance with fire & safety regulations
2. Locating accommodation providers in the absence of data by platforms
3. Distinguishing between hosts running different properties
4. Securing adequate resources to implement an acceptable enforcement regime

(UK All Party Parliamentary Group for Tourism, 2018)

The balance between long-term and short-term rentals has improved in San Francisco

From September 2017 onward, the enforcement of stricter regulations in San Francisco has forced Airbnb, HomeAway and Flipkey to remove unregistered properties. With regard to these platforms STR properties have been reduced by 55% across the city, but there are still significant challenges the city authorities need to deal with. There is already evidence that the least active hosts were most likely to be removed so far. Also, the current registration system is expected to clarify in future if hosts with a couple of listings rent two or more bedrooms to rent, or a bedroom plus the entire unit when they are away.

A new study sheds more light on the negative impact of Airbnb in NYC

Unfair competition along with gentrification and racial discrimination are the most serious issues identified in a 2018 report by a professor of Urban Planning at McGill University about the activity of Airbnb in NYC. In the first case, it was found that found that 12% of Airbnb hosts in New York City are commercial operators who generate 28% of the platform's revenue in NYC. In the second case, it was found that Airbnb listings tend to be most concentrated in the city's most desirable quarters, while black New Yorkers are the most likely to face housing loss due to Airbnb.

Amsterdam authorities continue to extend the scope and application of STR regulations

The local authorities in Amsterdam are continuing to tighten the rules on STR: In March 2018 proposals were put forward to prevent local families of more than 4 people from renting out their own property to more than 4 guests. The limit of 4 is based on fire safety rules for private property in the Dutch capital. Meanwhile, from 1 January 2019, people in Amsterdam need to get a permit when they like to operate a B&B in their homes. Furthermore the total number of B&Bs in Amsterdam will be capped. In this way the city tries to slow down the rapid growth of B&B's in Amsterdam (and the predicted shift from Airbnb to B&B due to the restrictive STR rules).

Airbnb under constant pressure due to new planning guidelines

Airbnb has objected to recommendations made by the Irish government to local councils regarding STR, claiming that when implemented, the guidelines would risk making Ireland an "unaffordable destination". The guidelines, sent in a circular sent by the Department of Housing, Planning and Local Government in October 2017 remind local councils of existing rules requiring landlords to apply for change of use permission if they wish to let out their properties for STR. This includes ensuring short-term lettings in apartments do not exceed 60 nights in any one year, no more than 5 consecutive nights in any specific letting, no more than two rooms per apartment to be occupied per night and to no more than 4 guests.

Airbnb open to remove listings which create neighborhood nuisance in Portugal

Following a proposal put forward in July 2017 by Portugal's governing party to give neighbours the power to decide over the use of property for STR, Airbnb in Portugal has put forward an alternative proposal which would see a property listing removed from the platform following three complaints from neighbours. According to Airbnb, if three or more complaints are received regarding a property listed on the site, "the government could talk with the platform and the listing would be removed immediately".

Heavy fines for unregistered STR properties and relevant platforms in France under new law

Since 1st December 2017 property owners wishing to host STR in Paris have been required to register with the local government and display their registration number with any listing. A new draft bill put forward by the French government in February 2018 has proposed raising fines for non-declaration to between €5,000 and €10,000 euros for hosts and introduce fines of between €12,500 and €50,000 per listing for sites that continue to list them. Heavy fines of up to €25,000 have been also proposed for tenants who sublet rented property without the express permission of the landlord. Sites that advertise such listings could face fines of up to €80,000.

Long delays of law enforcement close to an end in Greece

In mid-March it was announced that before Easter the Independent Authority for Public Revenue in Greece would be eventually ready to launch an online system for the registration of STR propeerties. Those owners who may attempt to circumvent the law from April onward will be subject to fines of up to €5,000. However, it is also a fact that the enforcement of STR regulations has been pending since 2016, and public authorities have much work to do (e.g. inspections, tax auditing) so as to face earlier oversights.

Similar fines for different platforms in relation to illegal STR in Spain's Balearic Islands

Within less than one month from late February to late March the Balearic Government imposed fines of €300,000 on both Airbnb and Trip Advisor. In both cases, the fines are related with advertisements of properties missing the required registration number. For the new Minister of Innovation, Research and Tourism that came to power in December 2017, the fact that only Airbnb and Trip Advisor have so far failed to comply with new legislation is a positive sign because other platforms are already removing illegal listings.

An 8-week cap of rental days is introduced in Frankfurt as part of new STR regulations

3 political parties recently influenced a vote with a large majority in the Chief and Finance Committee in Frankfurt and set an extended threshold on the number of days per year for which a property may be rented out. Although the municipal authorities were in favor of a 6-week cap of rental days, the 3 political jointly advocated 8 weeks in terms a less restrictive approach to STR. Given that Airbnb visitors stay on average 3.4 days in Frankfurt, landlords in the city under the new regime will be able to accept on average no more than 16-17 bookings per calendar year.

Housing concerns a key decision-making factor for a 2-month cap of rental days in Geneva

While Geneva is one of the most important cities for Airbnb in Switzerland and approximately 70% of these listings are entire properties, the vacancy rate for rental apartments is far lower than the Swiss average. A response to this situation came from authorities in the canton of Geneva early in March 2018. As of April 1, a property may be rented out to tourists through Airbnb-style platform for no more than 60 days per calendar year. For the city's housing chief, this measure is not about "*killing off these platforms*" but about protecting the supply of long-term rental apartments.

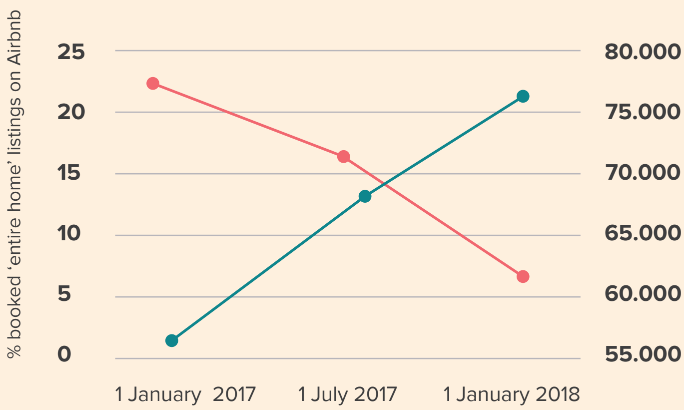
Airbnb wants to see all its competitors complying with STR rules in London

Since January 2017, when Airbnb introduced the 90-day annual limit for London hosts, the platform has raised concerns on the willingness of platforms such as Booking and Trip Advisor to follow a similar path. Despite its own practices in other destinations worldwide, Airbnb believes that competitors do not assist London hosts to 'share' their properties responsibly.

As shown in the graph alongside, the growth pattern of Airbnb in London had not yet reached a crunch point. In 2017 20 thousand new active listings were added on Airbnb, but the share of booked 'entire home' listings used for more than 90 days decreased from around 22% to slightly above 5%.

Automated limits

Airbnb's automated limits are working, and encourage new hosts to list



Source: Internal data c/o Airbnb

% of booked 'entire home' listings shared for more than 90 nights in the past year on Airbnb

Number of active listings on Airbnb

TOPOSOPHY
DESTINATION MARKETING AGENCY

The Regulatory Bulletin was prepared by TOPOSOPHY and was also based on information and comments received from the relevant HOTREC national associations.