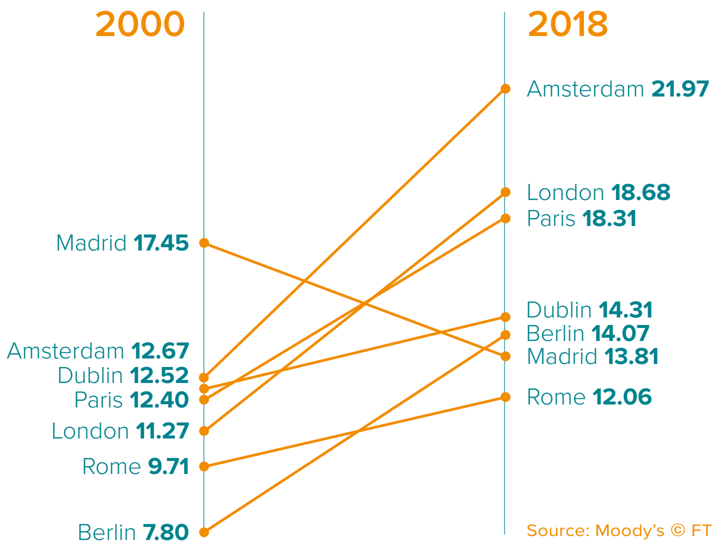
14th HOTREC Regulatory Bulletin – July 2019

It is already widely known that housing and the changing character of neighbourhoods are key issues faced by city councils all over Europe. According to Moody's rating agency and their recent assessment of housing affordability in major European cities, many of those are becoming less and less affordable to live in. Moody's data show that one needs on average 15 years of disposable income in order to be able to buy a property without mortgage (in 2018).

In Paris, London this accounts for 18 years. The destination with the least affordable housing proved to be Amsterdam, with almost 22 years' worth of disposable income needed to buy a property. Although these major European cities are struggling with housing affordability, the ones benefiting from this situation are owners of properties dedicated for Short-Term Rentals (STR).

Amsterdam, Barcelona, Berlin, Bordeaux, Brussels, Krakow, Munich, Paris, Valencia and Vienna recently joined forces requesting help from the EU against STR platforms. These cities argue that cities are primarily for living in, and not for catering for the 'visitor community' in the first place. As stated by Amsterdam City Council, "many suffer from a serious housing shortage. Where homes can be rented out more lucratively to tourists, they vanish from the traditional housing market". It is also important to note that the reason why most of the municipal governments are not benefiting from the STR boom is the fact that many still don't collect tourist taxes from STR hosts; reinforcing thus concerns on the effective introduction and actual implementation of relevant regulations.

Years of disposable income needed to buy a property
House prices outpace wage growth



Source: Moody's © FT

Hosts in Los Angeles must register and pay an 89-dollar fee under a new set of regulations

According to data by Host Compliance LLC, in Los Angeles, California, there are about 23,000 housing units available for rent on short-term rental platforms, with about 10,000 units primarily used for short-term rentals. As of July 1, there are new rules in effect on Airbnb-style platforms. Under these new regulations, hosts are obliged to register and pay registration fee of 89 dollars to the city council. Each property must be a primary residence and only one property at a time is allowed to be registered. Also, hosts cannot rent out a property for more than 120 days within a calendar year, unless registered as an "extended home-sharing" property.

Urbanistic planning rules prevail over competition decision says the Basque court

On 19 June 2019, the Basque court took a decision in a case regarding limits put to competition (freedom to provide the service of tourist apartments). The court decided that the rules and regulations concerning urbanistic planning, as decided by the city of Bilbao, prevails over the argument of the competition authority suggesting not to limit competition on the market of touristic accommodation rental. The Bilbao city council urban planning rules currently only allow 1 apartment in a building for touristic purposes, which cannot be located higher than the first floor of the building. This regulation is fully aligned with the general rules of the city regarding the exercise of any type of professional or business activity in residential buildings. This judgement will make it more difficult for touristic apartments to spread across the city and it marks an important decision regarding the importance to be given to local regulations versus e.g. competition aspects, in this case to the urban planning decisions of Bilbao.

Scepticism on the impact of STR in Greece is driven by new evidence; zoom in by the authorities on illegal short term rental operations

Although Airbnb recently argued that it generated 1,4 billion dollars for the Greek Economy in 2018, the policy agenda is regularly dominated by the implications of illegal short-term rental activity and the trend of owners with multiple listings. The tax authorities last week clinched some 20.000 properties for short term rentals that were not filed on the government on line registry and 130 operators that failed to declare taxes from Airbnb services. This evidence causes scepticism in new government circles and probably there will be a change of policy on the matter. A recent study by Athens-based Research Centre for the Humanities (KEAE) has revealed that increasing number of Athens properties are either being leased out through online platforms or managers, or are up for sale. Also, it was found that 50.8 percent of all listings are multi-listings. This is an indication that these are managed/owned by one entity/person and serving as a professional activity similar to the hotel business. It can be assumed that unless the situation changes, smaller players (single property owners) who will be unable to keep up with the competition are going to be gradually wiped out from the market.

Cyprus strives is making gradual progress for introducing regulations on short-term rentals

One-third of tourists arriving in Cyprus are estimated to choose for accommodation in non-registered units. There are around 20,000 illegal villas and dwellings, however, with most owners interested in acquiring a license. As Zacharias Ioannides of the Cyprus Hotel Association states, “hoteliers who have significantly invested in upgrading their product and pay a significant amount of taxes to the state are currently subjected to strict regulations, while Airbnb has been excluded so far from these obligations”.
Legislators have now completed discussions on a bill that regulates short-term lets and plan to be send it to the plenum in mid-July. The aim is to create a dedicated registry for short-term rentals and then taxing that income, bringing cash into state coffers. Each legally registered property is to be assigned a number, which will be used in online advertising platforms so that it is clear whether the property is registered or not. The bill covers furnished villas, residences and apartments used for tourism purposes. Also, MPs agreed to extend the period of adaptation of existing self-catering accommodation from two to three years.

Ireland: Ireland imposes new regulations on STRs

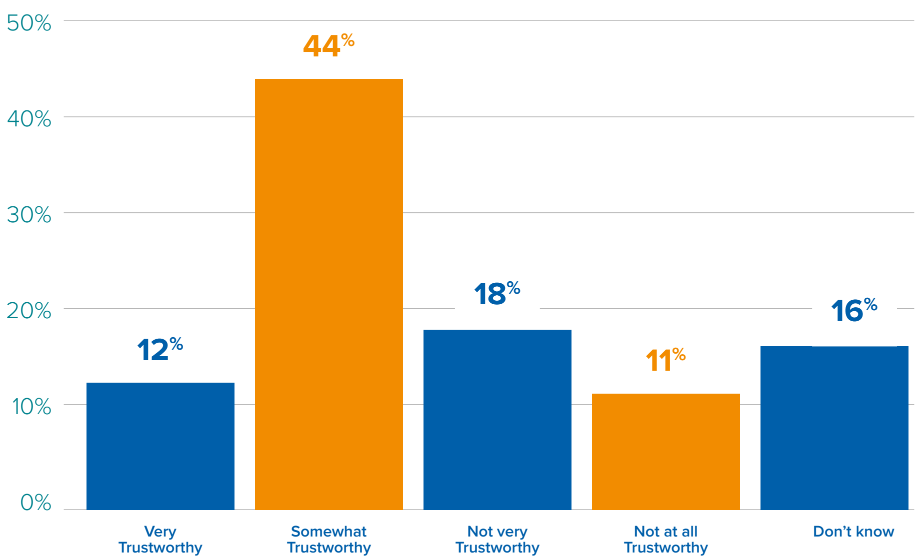
1st July: New regulations aimed at stopping people from converting residential homes to short-term let businesses have taken effect. Under these new laws, home-sharing on platforms such as Airbnb will only be allowed where a house is a person’s primary residence inside designated ‘rent pressure zones’. Under these regulations, the hosts are obliged to register with their council. In case of renting out the whole property, it is said that this is when the new rules implemented are going to be perceived the most. According to data analysed by TheJournal.ie around 4,978 ‘entire homes’ on the platform appear to have been rented out for more than 90 days. Under the new rules, an annual cap of 90 days applies for the renting out of a home and homeowners can only rent out their homes for 14 days or less at a time.

Brand streamlining and platform changes have shaped a tough business environment for Vrbo, previously HomeAway, during a period of decreasing trust for the so called ‘collaborative’ economy.

Since acquired by Expedia in 2015, HomeAway never really managed to top its owner’s expectations about its shares of gross bookings, revenue and adjusted earnings. As a result, Expedia has decided to change the name of its alternative accommodations division to Vrbo, which it pronounces “ver-boh.”. Expedia said it intends to launch Vrbo-branded sites in several new markets where it doesn’t have a presence and will rebrand country-specific sites to Vrbo in phases over the next year “and beyond”. For now, the HomeAway brand and its regional short-term rental brands, will remain, and travellers can still book on these sites for the time being.

What remains to be seen is if Vrbo will manage to overcome deceleration, how long it will take it to do so or even if we have entered into a period of systemic transformation, with the ‘collaborative’ economy being subject to increased scepticism among travelers. According to IPSOS, significantly fewer Americans are likely to use ‘collaborative’ economy services during summer vacation (41% in 2019 vs 47% in 2018, 50% in 2017), with the decline in usage being related to the decline in trust (56% in 2019 vs 62% in 2018, 65% in 2017).

The extent to which people in the United States consider sharing economy services to be trustworthy in 2019.



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