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Airbnb: short-term rentals, short-term thinking

DAVID WACHSMUTH AND DANIELLE KERRIGAN **GLOBALIZATION**
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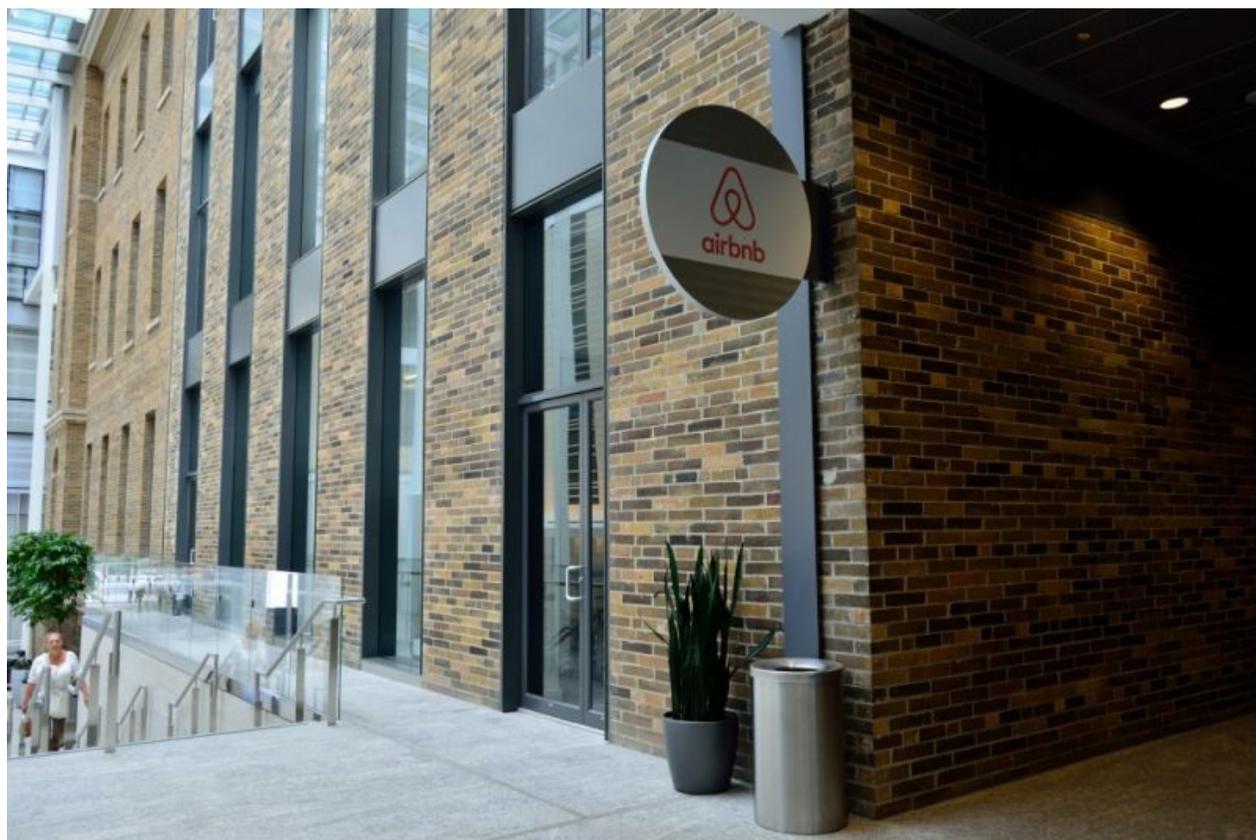


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The idea of home sharing is a great one. Cities thrive on density, on different people doing different things but in close proximity to each other. If one family leaves town for a week, there would be nothing better from the city's perspective than to have another family temporarily take

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their place. And this doesn't even account for the individual financial benefit to the family renting out their home, or to local shops that gain new, temporary, patrons. Home sharing can be a true win-win for cities and communities. In the last decade, short-term rental services led by Airbnb have exploded across Canada and the rest of the world, offering just such a promise.

This promise has not been realized, however. Our research on the short-term rental market in the Montréal, Toronto and Vancouver metropolitan areas reveals an increasingly concentrated, commodified landscape in which a few large players are making large amounts of money. Small-scale home sharing is a modest and shrinking piece of the market, and long-term housing for residents is being converted into *de facto* hotels. Canadian cities should respond to these facts by severely restricting the ability of commercial operators to make money converting long-term housing into short-term rentals. This could create the space for more equitable forms of home sharing to thrive.

Airbnb: why the concern?

In the United States, community groups, housing advocates and academics are now sounding the alarm about the impact of short-term rentals on housing affordability. The Los Angeles Alliance for a New Economy, for example, estimated that shortterm rental platforms were taking 11 units off the local housing rental market each day, accounting for a significant portion of new housing built since 2010 that was intended to slow rent increases. One recent study examined 100 cities across the United States and found that, particularly in renter-heavy neighbourhoods, more Airbnb activity translated into higher rents for local residents.

In Canada, we know much less about how shortterm rentals are changing our cities. Last spring the Toronto advocacy group Fairbnb.ca released an analysis of Airbnb's impact on Toronto, showing a troubling concentration of activity

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among a narrow segment of hosts and laying out sensible principles for short-term rental regulation. But there has not been comparable research carried out elsewhere in the country, nor comparative analysis which can contextualize developments in individual cities with respect to their peers.

In order to improve public debate around shortterm rentals, and to aid future regulatory efforts, we conducted (along with David Chaney and Andrea Shillolo) a study of Airbnb's impact on Canada's three largest city-regions. It relied on the most comprehensive third-party dataset of Airbnb activity available, and new methodological techniques for spatial analysis of big data. In all three metropolitan areas, we found a rapidly expanding short-term rental market. Across the Montréal, Toronto and Vancouver regions, 81,000 Airbnb listings have been active at some point in the last year, and 51,000 in May 2017. Montréal had the largest number for most of the year, but Toronto is now taking first place. These listings are heavily concentrated in the central cities of the three CMAs, and they are growing rapidly; the three cities have experienced a 50 per cent yearover-year increase. A majority of listings in all three cities are entire homes rather than private rooms.

The rich are getting richer

Listing one's home on a short-term rental service relies on material privilege: while tenants can sometimes put their apartments on Airbnb without their landlord noticing, in many jurisdictions they risk eviction if they are discovered. Only property owners can reliably take advantage of the money-making opportunities of home sharing, and of course landlords with more (and higher-end) properties have more money-making opportunities. But even within this privileged segment of the Canadian population, we have found an eyebrow-raising concentration of revenue among a narrow set of commercial players.

Airbnb hosts in Canada's largest three metropolitan regions earned a collective \$430 million in revenue last year, an



By London street artist,
SubDude. @SubDudeLondon

average of \$5,300 per listing and a 55 per cent increase over the year before. This growth is driven by Toronto, where total revenue nearly doubled year-over-year, and where average revenue per listing is also growing strongly. Revenue is highly concentrated among the most successful listers; 10% of hosts earn a substantial majority of overall revenue. A third of all active Airbnb properties are “multi-listings” whose hosts administer two or more entire homes or three or more private rooms. The most successful of these hosts earn millions of dollars

per year running commercial shortterm rental services across dozens or even hundreds of homes, most of which are no longer able to support a long-term resident. The “triple threat” is short-term rental listings which are full-time, entire homes, and multi-listings. Even though there are only 6,500 of these listings across Montréal, Toronto and Vancouver — 8 per cent of the total active listings — they account for 34 per cent of total revenue. These listings are growing more rapidly than any other category of listing, and in Toronto their share of total revenue increased by 125 per cent in a single year.

More short-term rentals means fewer long-term tenants

There are now 13,700 entire homes rented 60 days or more per year (and available 120 days or more) on Airbnb in Montréal, Toronto and Vancouver, each of which is unlikely to be rented to long-term tenants. They account for one sixth

of all Airbnb listings, and a majority of nights booked on the service. Even more worryingly, these listings are growing around 25 per cent more rapidly than other categories of listings.

In some areas, particularly downtown Montréal, full-time Airbnb listings are more than two or three per cent of the total housing stock — a number comparable to the rental vacancy rate in all three cities.

These are mainly areas with above-average rents, but there are significant economic pressures threatening further conversions of long-term rentals to de facto Airbnb hotels in a number of more affordable areas — particularly those lying on mass transit lines. The loss of these homes to the long-term rental market makes housing more difficult to come by for residents, puts upward pressure on rents, and prevents incomers from moving into these neighbourhoods. In the last year, conversions to short-term rentals have outpaced new home construction in a number of areas in all three cities, meaning that available housing is declining in absolute terms.

De facto hotels in residential areas change these neighbourhoods, and not for the better. Neighbours are replaced with tourists — one condo owner in Montréal recently revealed to the CBC that he is now the only permanent inhabitant left in his entire building. The borough mayor of Montréal's Plateau- Mont Royal, an area with a particularly high number of full-time Airbnb listings, said complaints about short-term rentals are now the most frequent type he receives. Without political action to constrain Airbnb and its competitors, long-term residents are gradually being pushed out of tourism-heavy neighbourhoods for the sake of short-term rental profits.

Encouraging home sharing

Short-term rentals often operate in legal grey zones, able to

avoid existing accommodation regulations and taxes, and are now increasingly being targeted with specific regulations. The province of Québec legalized and imposed constraints on short-term rentals in April 2016 (although these constraints have so far proved ineffective) and, over summer 2017, both Toronto and Vancouver proposed significant new oversight and restrictions on short-term rentals. The city of Ottawa has a staff report on short-term rental regulations due this fall, and the province of Nova Scotia launched a review of Uber and Airbnb in Spring 2016.

How should cities respond to regulatory challenges of the growing short-term rental market, so as to protect the availability of affordable housing? We believe short-term rentals should be regulated in accord with three simple principles, which together imply reorienting short-term rental markets to the original notion of “home sharing”:

1) One host, one rental: Cities should require home sharing hosts to actually be sharing their homes — allowing residents to rent out their own homes while they are out of town, or to rent out a spare bedroom — while blocking large-scale commercial operators from converting multiple homes into de facto hotels. If each host is permitted to list only a single unit — their own home — short-term rentals will cease to be at the expense of long-term housing needs.

2) No full-time, entire-home rentals: Hosts should not be permitted to rent their homes for a large amount of the year, regardless of whether that home is a primary residence. Different cities have set different thresholds for full-time cut-offs, usually between 60 and 90 days per year, but some threshold is necessary for limiting short-term rentals to actual home sharing.

3) Platforms responsible for enforcement: Even the best-conceived regulatory principles will flounder if they cannot be properly enforced. And international evidence

demonstrates that short-term-regulations will fail to achieve their intended effect unless Airbnb and the other platforms are required to proactively enforce them. For example, in the absence of cooperation from the platforms, a city seeking to enforce an annual limit on 60 days of rentals would need to conduct 61 separate inspections to identify a violator.

Airbnb, on the other hand, can modify the online platform to disallow further rentals from a listing that has reached its 60-day limit.

A wide variety of specific regulatory approaches are compatible with these principles; here we highlight an existing regulatory framework in Amsterdam, and a proposed framework in Toronto, as two plausible examples. In Amsterdam, in January of 2017 Airbnb began to automatically block the booking of entire-home listings once 60 days of bookings had been reached. This was the result of an agreement between Airbnb and the city to enforce a new regulatory regime. This limit, in concert with only permitting the short-term rental of one's primary home, significantly reduces the potential for commercialization, bans multi-host listings, and returns housing to the long-term rental market. A study released in August 2017 found that the regulations might already be having a positive impact (albeit not total compliance). In May 2016, 13 per cent of hosts had exceeded the 60-day limit, while a year later that number was down to 5 per cent.

The Toronto civil society organization Fairbnb.ca — a coalition of community groups, labour unions, and accommodation providers — has proposed a similar set of regulations as a model of best practice. Like Amsterdam, they emphasize working with short-term rental platforms to ensure regulatory compliance. Without working with these platforms, cities face high costs and difficulties in regulating thousands of hosts. In their 2017 report, Fairbnb.ca suggests a permit system, with platforms requiring a valid permit number to display the host's listing; banning more than one listing for one host; placing a 30-day limit on

entire-home rentals; and data sharing with the relevant jurisdiction.

The status quo of corporate short-term rentals enriching few at the expense of many is not set in stone. Cities and communities should say no to the increasing commercialization of housing, and yes to protecting the supply of long-term rental housing.

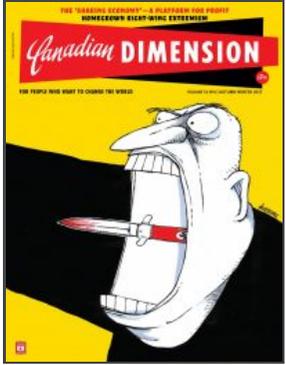
For more detailed information on the state of Airbnb in Canada's three largest metropolitan areas, see "Short-term Cities: Airbnb's Impact on Canadian Housing Markets" at upgo.lab.mcgill.ca/airbnb.

*David Wachsmuth is Canada Research Chair in Urban Governance and an Assistant Professor of Urban Planning at McGill University. His recent publications examine large-scale local economic development partnerships in the United States, new forms of sustainability thinking in global urban policy and the impact of global capital flows on local housing markets. He is co-editor of *Whose Streets? The Toronto G20 and the Challenge of Summit Protest (Between the Lines, 2011)*.*

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