

The Short-term Rentals Handbook for Guests, Hosts, Neighbors, and Governments

by Robert Rosenstein and Peter L. Allen



At Home around the World explores the short-term rental industry from the point of view of every stakeholder—hosts, guests, neighbors, and even governments. Regardless of who you are, where you live, how you like to travel, or which platform you prefer to book with, you'll find that this resource provides all the information you need—and more!

—Olivier Grémillon,
Vice President of Booking Home
Booking.com

At Home around the World

by Robert Rosenstein and Peter L. Allen

By Robert Rosenstein and Peter L. Allen Agoda Outside Publishing ©2018

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The Short-term Rentals Handbook for Guests, Hosts, Neighbors, and Governments

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This handbook is a must-read for anyone interested in the vacation rental industry. Not only does it provide best practices for hosts and guests, it gives a full, 360-degree view into how the industry continues to evolve. The book is based on facts from industry leaders and references many of the top brands that any traveler or owner should familiarize themselves with.

—Jeff Manheimer, COO and Co-founder, Tripping.com

Rob and Peter have put together the definitive guide to vacation rentals. Comprehensive and engaging, this guide is a must for all interested in upping their game in the sharing economy. The vacation rental handbook presents all sides of the arguments and issues surrounding this fast growing industry and presents practical and detailed ideas to ensure travellers, hosts, communities, and local governments can all get the best possible outcomes.

—**Dan Lynn, Co-founder,** ZUZU Hospitality Solutions

As an international member-driven trade association focused exclusively on vacation rentals, VRMA is constantly pushing to raise the bar for our members and the entire industry. The only way to accomplish that is through increased collaboration, heightened professionalism, and a clear unified message. Robert and Peter have compiled some incredibly valuable information here that does just that. No matter what you call vacation rentals, they are no longer alternative accommodations. They're here to stay, and the more we can get this type of information out there to all relevant stakeholders, the better.

-Mike Copps,

Executive Director, Vacation Rental Management Association (VRMA)

The authors of this book have produced an in-depth analysis of the opportunities and challenges faced by today's vacation rental industry and offer a very realistic view of its future. It answers a myriad of questions not only from the bird's eye view of global market trends, but also with excellent practical advice for both guests and hosts. A must-read for those looking to enter this booming industry as well as those with a foot already in it!

—Vanessa de Souza Lage,

Co-founder and CMO, Rentals United

About the Authors



Robert Rosenstein, Co-founder and Chairman, Agoda Company Pte. Ltd.

Robert Rosenstein is the co-founder and chairman of online travel giant Agoda Company Pte. Ltd., one of Asia's first homegrown unicorns. He was behind the conception and launch of Agoda in 2005, and served as both president and CEO for more than a decade.

Rosenstein also serves as strategic advisor to the CEO of Booking Holdings Inc. (formerly known as Priceline Group), the world's largest travel company by market value, and sits on the company's global management board. Rosenstein focuses on Asia-Pacific investment and operating strategies for Booking Holdings, which acquired Agoda in 2007, and owns KAYAK, Priceline. com, Rentalcars.com, Booking.com, Rocketmiles, and OpenTable.

Rosenstein was elected to the Web in Travel (WIT) Hall of Fame in 2017, and has been honored as one of the industry's biggest influencers. He speaks and writes regularly on the topic of entrepreneurial leadership culture at large enterprises.

Rosenstein has spent nearly two decades living and traveling in the Asia-Pacific region. He holds a B.A. from Hamilton College.



Peter L. Allen, Managing Director, Agoda Outside

Peter L. Allen leads Agoda Outside, Agoda's outreach and public affairs department. Allen's career has spanned academia and business, focusing on building organizations, developing people, and increasing knowledge in both business and academic fields, including travel and tourism.

Allen holds degrees from Haverford College, the Université de Poitiers, the University of Chicago (Ph.D.), and the Wharton School (M.B.A.). He has taught at Princeton University, Pomona College, the University of Chicago, and Nanyang Business School (Singapore). He has worked at McKinsey & Company as a consultant and member of the strategy practice, and at Google, where he founded and led Google's first central learning and development program. He has received numerous fellowships and awards and has also served as advisor and board member to academic and nonprofit organizations.

As the managing director of Agoda Outside, Allen works extensively on travel and tourism issues across Asia. He is an advisor to the World Travel & Tourism Council (WTTC) and co-chair of the government and regional affairs committee of the American Chamber of Commerce of Singapore. His publications include books from the University of Pennsylvania Press and the University of Chicago Press; articles in numerous publications, including the *McKinsey Quarterly*; and position papers and white papers published by the Asian Trade Centre and other organizations.

Photo: Noel Yeo 7





About Agoda Outside

Agoda Outside is a new undertaking from Agoda, a company that provides online accommodations for travelers around the world. Agoda's business is built on ideas, innovation, experiments, and technology—combined with a love of travel.

Agoda's founders wanted to create ways to make travel easier, more efficient, and more accessible. Agoda has become one of the world's largest travel companies; from our roots in Southeast Asia, our accommodations network now reaches around the world. Agoda's success has come from exceptional people, great ideas, innovation, experimentation, hard work, strong partnerships—and no small amount of good fortune. Consumers believe that travel is very important to their happiness. Those of us who have had the opportunity to work at Agoda believe that technology and travel can work together to change the world for the better.

Agoda Outside focuses on ideas, research, exchanging information, philanthropy, and outreach. We want to engage other organizations that can help us find ways to make the world a better place. In particular, we focus on how technology and design are creating the future, how travel helps us rethink the world, how big ideas make a difference in business, and what science and experiments can teach us about human behavior.

More information can be found at the Agoda Outside website at https://outside.agoda.com. Please sign up for Agoda Outside's monthly travel and technology newsletter at www.surveymonkey.com/r/X7Q5RTR.



	Summary of Figures	12
	Preface	14
	Introduction	
	Local Host Rentals: The New Frontier	18
1	At Home Wherever You Are: A Guide for Guests	56
2	Running Your Rental Business: How to Be a Successful Host	104
3	When You Live Next Door to a Local Host Rental: What Neighbors and Communities Need to Know	180
4	Local Host Rentals: What Governments Need to Know	210
5	What the Future Holds	258
	Appendices	300
	Acknowledgments	330
	Bibliography	332
	Index	358

Summary of Figures

FIGURE 1.	By 2025, the sharing economy will grow to equal the size of traditional rental markets	22
FIGURE 2.	. Five key sectors drive growth in sharing economy	23
FIGURE 3.	Regional willingness to participate in sharing economy across the globe	25
FIGURE 4.	Sharing economy key players at a glance	26
FIGURE 5.	Growth of China's sharing economy	28
FIGURE 6.	China and the sharing economy	29
FIGURE 7.	Total local host rental market will be worth US\$194 billion by 2021	33
FIGURE 8.	Projected global local host rentals' growth in users	34
FIGURE 9.	Examples of investments in local host rental key players	36
FIGURE 10	. Total local host rental offerings by key service providers	38
FIGURE 11.	Spotlight on China: what global giants can learn from Tujia	42
FIGURE 12.	Percentage global travel spend by segment in 2016	43
FIGURE 13.	90% of local host rental guests travel with family members, 36 % with children	79
FIGURE 14	. Experience more, locally	98
FIGURE 15.	An overview of the regulatory landscape for hosts	110
FIGURE 16.	Benefits of hosting	111

FIGURE 17.	Rental earnings constitute 24% of the average U.S. host's annual income	112
FIGURE 18	Earnings from rentals help U.S. hosts stay in their homes	113
FIGURE 19	Top reasons U.S. guests choose local host rentals	118
FIGURE 20	Airbnb hosts earn 3 times more in monthly income than other sharing economy workers	121
FIGURE 21	Estimated host monthly earnings and profit in Asian cities	123
FIGURE 22	. Sample housekeeping providers and costs	146
FIGURE 23	Example of rating criteria for local host rental services by guests	166
FIGURE 24	Significant damage claims from guests are far below 1% of total bookings	186
FIGURE 25	5. Five community benefits of local host rentals	187
FIGURE 26	In Asia, Airbnb guests in 3 leading cities spent US\$595 million on restaurants alone	189
FIGURE 27	Tourism and local host rental metrics in four major Asian and Western markets	216
FIGURE 28	Key benefits of staying in a local host rental	220
FIGURE 29	Millennials move the market: 1.2 billion globally, half in Asia	261
FIGURE 30	Seven in 10 millennial business travelers want to stay in local host rentals	272
FIGURE 31	. Asian business travelers' demand for local host rentals	274

Preface

ABOUT THIS BOOK

ike the sharing economy, which connects people with the goal of meeting mutual needs, this book is written with four groups of readers in mind: **travelers** (whom we'll refer to as "guests") who are new to staying in local host rentals; **hosts**—property owners who are evaluating whether and how to rent their private rooms or homes; **neighbors**, who live in communities with local host rentals; and **governments** that are trying to make sense of the impact that this rapidly changing industry is having in their communities.

You can read the whole book to understand how all the stakeholders fit together in this new and important industry or just pick the chapter that you feel is most relevant. Given that the sharing economy is most successful when it operates in a network, however, we recommend that you read more than just the chapter that's written specifically for your role. After all, a good guest needs to take stock of his or her host's priorities and be conscientious about neighbors, and vice versa. Furthermore, given how fluid the sharing economy is, a reader who is a guest today may soon also be a neighbor, a host, or someone who is involved in developing policy for his neighborhood, city, or town. And all of these people are constituents for governments, which need to take every perspective into account.

Why is this book needed? We believe that local host rentals have positively transformed the global travel industry, and will continue to do so. Local host rentals are here to stay; in fact, it's possible that they will become the standard travel accommodations for many travelers—for example, millennials and families—and a frequent option for others. More broadly, they are part of a larger trend in which traditional lines between customers and businesses are becoming blurred.

The following is a summary of the book's chapters:

The Introduction lays out all you need to know about the market context of the sharing economy and local host rental industry.

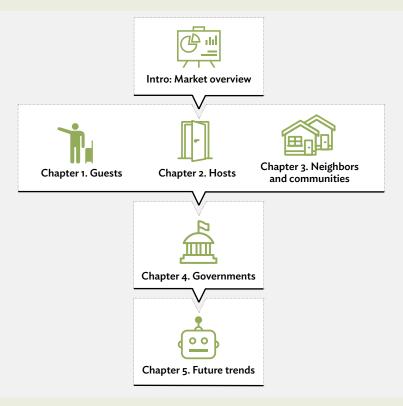
Chapter 1 starts with guests, the people who power the market, explaining how they can get the most out of the experience of staying with people they don't know.

Chapter 2 turns to hosts, emphasizing that the business of local host rentals is indeed a business, and guiding them through the basics of what they need to know to be successful.

Chapter 3 Looks at neighbors and local communities, who often lead the charge against local host rentals, but who, in fact, frequently stand to benefit from this new development.

Chapter 4 speaks to governments and local policy makers who are trying to evaluate the industry's pros and cons. In a field evolving this quickly around the world, and with money, jobs, and the public interest at play, regulators can feel overwhelmed. One reaction is to try to prevent all change. We believe, however, that such an approach is not only futile but self-defeating. The key to success for cities and towns is to regulate local host rentals wisely and efficiently, in ways that benefit everyone.

And Chapter 5 Looks at the future. We believe that local host rentals are bringing about change not only for hosts and guests, but to the entire accommodations industry and, ultimately, to the real estate market as a whole. This chapter shares perspectives from companies and experts from different areas about how this change will affect both residential and commercial real estate markets—all the spaces in which we live and work.



To help you keep track of essential points, each chapter concludes with a summary of key takeaways, and at the end of the book is a resources section with helpful additional information, including a summary of service providers, suggestions for further reading, a list of websites and published sources, and an index.

A NOTE ON LOCAL HOST RENTALS

ften referred to as "vacation rentals," "short-term rentals," or "short-term accommodations," these properties offer guests an appealing and cost-effective avenue of travel that differs from hotel offerings in a number of compelling ways. Whether it's a bedroom rented in a host's apartment or an entire villa, this book refers to this kind of accommodation as "local host rentals."

The term local host rentals encapsulates two key traits: first, the fact that guests are staying in accommodations that are situated within a community (as opposed to tourists staying at hotels); and second, that they are staying in someone's home. Local host rentals are based on a relationship between the guest and the host. This relationship is the foundation of the sharing economy.

The foundation of local host rentals is the relationship between the guest and host.

o sum up, guests, hosts, and community members all need to understand the benefits, risks, and implicit rules of this dynamic marketplace. Every stakeholder needs to understand the fundamentals of how local host rentals work, so that guests can enjoy local travel experiences, hosts can earn income from renting their homes, neighbors can find effective ways to voice their needs, and regulators can protect and improve the public welfare. Each player also needs to understand how his or her actions affect others. Looking toward the future (a future that is arriving as we write), we seek to empower readers with the knowledge they need to make the most of the local host rental market's remarkable possibilities—no matter who they are, or where in the world they may be.

SOME LEGAL REMINDERS

his book is intended to provide general information only. The authors and publisher are not qualified to provide legal, financial, or tax advice, and that's not what we're intending to do. Before you make business decisions about topics covered by this book, you should seek independent professional advice.

The authors and publisher have made every reasonable effort to ensure that the information in this book is correct as of the publication date, but unfortunately, we can't guarantee that it's 100 percent accurate and complete; this is a fast-moving area that is subject to frequent change.

When we refer to money—potential revenues for hosts, currency conversions, and the like—the examples are based on information available at the time of publishing, for illustrative purposes. Business and revenue models of different players in the field may change over time.

We refer to several brands, trademarks, and other intellectual property in this book. We have a lot of respect for these brands, but we are not making or claiming an endorsement by mentioning them. Brands, trademarks, and other intellectual property mentioned remain the property of their owners.

The book does not necessarily represent the views of Agoda or any of the quoted companies. Neither the authors nor the publisher will be liable for any direct or indirect loss caused, even if caused negligently, by a person's reliance on information contained in this book. Thank you for understanding that we cannot be responsible for decisions you make.

Names and other details of certain individuals mentioned in this book have been changed to protect their privacy.

A CAVEAT ABOUT CHANGE

s you read, it is important to keep in mind that the local host rental landscape is evolving so fast that there will be changes and developments virtually every day—not all of which can be captured in the text. To the best of our knowledge, all statements are correct at the time of writing, but it is inevitable that changes will continue to occur after we publish. (It's also worth noting that we have compiled information and data from many different sources, each of which may categorize or count differently.) Please make sure that information you are relying on is up to date before you book a stay, begin operating a local host rental, or take action regarding local host rental community issues or regulatory policies.

Now, enjoy the book!

Introduction Local Host Rentals: The New Frontier



[W]hat ultimately keeps this economy spinning—and growing—is trust. It's the elixir that enables us to feel reassured about staying in a stranger's home or hitching a ride from someone we've never met.

- PwC, The Sharing Economy

THE BUSINESS OF SHARING

he sharing economy is changing everything. In the past—and the past wasn't that long ago!—people saw business as straightforward and stable. A business was a profit-oriented organization with a physical location, employees, managers, registered sellers, specialized knowledge, a customer base, fixed prices, rules, and laws, with a clear distinction between goods and services. Customers purchased goods and services from businesses according to these fixed rules.

But those days are gone: the sharing economy blurs all these lines. In the sharing economy, most providers don't sell from brick-and-mortar storefronts. Buyers and sellers aren't always different—the same person can be both a buyer and a seller, changing roles daily. Peers sell to peers. A seller may not be an expert—the same person may sell used furniture one day on Carousell, rent out a room on Airbnb the next, and catch a ride (or offer one!) on Uber or Lyft or Didi Chuxing (or get from place to place on Ofo or Mobike) in between. She is neither a merchant nor a customer—she is a person, doing things that are part of her daily life.

What, exactly, is the sharing economy? Often called by other names (e.g., the collaborative, peer-to-peer, or trust economy), the sharing economy is defined by the Brookings Institution as "the peer-to-peer based activities of obtaining, giving, or sharing access to goods and services coordinated through community-based online services." In other words, people buy, rent, swap, share, and donate goods and services to one another directly, rather than through merchants. Technology is both the enabler and the market maker.

THE SHARING ECONOMY IS...



peer-to-peer



sharing, renting, selling, or giving goods, turning them into services





a highly efficient way of creating value from underused assets. PricewaterhouseCoopers (PwC) further defines one of the sharing economy's most important and revolutionary aspects: "Individuals and groups... make money from underused assets. In this way, physical assets are shared as services." 3

Transactions like this are not new, but in the past, they took place informally and on a very small scale—within networks of friends and family, or perhaps through a notice pinned to a bulletin board in a supermarket, community center, or university student center. Advances in technology, however, have helped these marketplaces grow immensely bigger, more powerful, more visible, and more accessible.⁴ And as the marketplace has become bigger, it has also become more profitable. As e-commerce services have grown and increased their capabilities, the range of transactions has expanded exponentially. A consumer in Tokyo can rent his home to a tourist from New York, book a taxi in Bangkok, donate to a community project in Buenos Aires, and do work for a business in Europe through an online platform based in India. By aggregating all these transactions, services connect millions of users worldwide, drastically reduce operating costs, and generate significant profits and savings for the parties involved—and for themselves.5 As users share or sell underused resources (such as their home, their time, or space in their car), markets expand enormously, with limited investment of resources.





"Sharing has the potential to reshape product design."

-Boston Consulting Group

The sharing economy has often been described as "disruptive" because it provides a compelling set of alternatives to established businesses, ignoring or breaking standard rules by which companies have traditionally operated. If everyone can rent out bedrooms, what does this mean for hotels? If everyone can share a ride, what happens to taxis? As demand for services grows, what started as alternatives eventually pass a tipping point and *become* the mainstream. In doing so, they transform the market as a whole, redefining the norm.⁶

The change doesn't stop there. Just as a falling domino triggers a chain reaction, disruption triggers a reaction of motion, building in momentum and impact. In the sharing economy, disruption magnifies opportunities for innovation in technology and services. Thanks to network effects and economies of scale, what emerges as an innovation in one industry rapidly transfers to another. "Sharing has the potential to reshape product design," as the Boston Consulting Group (BCG) has observed.

One striking example is cars: ride sharing can reduce the number of cars on the road. According to the Brooking Institution, "the goal of companies like Uber and Lyft is to make ride sharing so inexpensive and convenient that they become more economical than owning a car." The Wall Street Journal has forecasted that the entire transportation sector is transforming in such a way that "the entire model of car ownership is being upended—and very soon may not look anything like it has for the past century." And the arrival of autonomous vehicles will only accelerate this trend. BCG has estimated that by 2030, shared, self-driving cars will account for one quarter of all miles driven in the United States. There are

others who believe that this change will happen even sooner and more broadly: Aarjav Trivedi, CEO of Ridecell, a software company focused on car sharing, has predicted that by 2022 or 2023, "the majority of transportation in urban cities with temperate weather will be on demand, shared, and likely autonomous." Economically, the shift makes sense; according to Deloitte Consulting, the cost of personal car ownership in the U.S. currently averages 97 cents per mile, but shared, self-driving cars could reduce the price of travel by two-thirds. Owning and driving a car—a distinguishing feature of middle-class life in the twentieth century—may well become an inconvenient and expensive rarity.

Overall, BCG has this advice: "Executives should not assume that sharing tomorrow will be the same as sharing today, any more than traditional rental businesses foreshadowed the modern sharing economy." In other words, the changes we have seen to date are just the beginning.

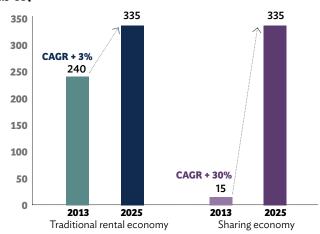
HOW BIG IS IT? OVERVIEW OF THE SHARING ECONOMY MARKET

iven that the majority of platform providers are privately owned, estimating the total size of the sharing economy is difficult. To get a sense of its scale, researchers look at metrics like investment and employment, in addition to estimates of revenues by sector. In 2017, a BCG report showed that approximately US\$23 billion in venture capital had been invested in the sharing economy since 2010.¹⁴ Meanwhile, McKinsey has reported that the sharing economy employed up

FIGURE 1

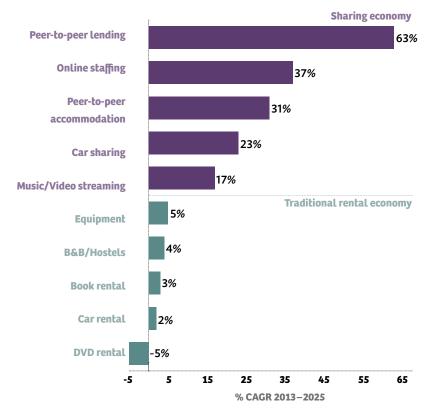
By 2025, the sharing economy will grow to equal the size of traditional rental markets

Billions US\$



22 SOURCE: Data from PwC.

Five key sectors drive growth in sharing economy



SOURCE: Data from PwC.

to 162 million people as "independent workers" in the U.S. and Europe—approximately 20 to 30 percent of the working age population (based on 2016 data). As we will discuss later, China's sharing economy had more than 700 million participants by 2017, an increase of 10 million over 2016. These numbers will only continue to grow.

To date, the most comprehensive attempt to size the global sharing economy was compiled by PwC in 2014. Called the Consumer Intelligence Series: *The Sharing Economy*, it continues to be the most frequently cited estimation of market size and global growth. The report has estimated that by 2025, revenues from the global sharing economy will grow to US\$335 billion—up exponentially from US\$15 billion in 2013.¹⁷ Furthermore, Rob Vaughan, an economist at PwC, has forecasted that the sharing economy will grow 30 percent annually until at least 2025.¹⁸ This rate of growth is dramatically higher than that of the "traditional rental market" (defined as equipment rental, B&Bs and hostels, book rental, car rental, and DVD rental) for which PwC has predicted a compound annual growth rate (CAGR) of only 3 percent.¹⁹ (See Figure 1.)

PwC has identified five key sectors that drive the sharing economy's global growth: car sharing (ride sharing), peer-to-peer accommodation (local host rentals), finance (peer-to-peer lending/crowdfunding, online staffing, and media streaming (music/video streaming).²⁰ (See Figure 2 on page 23.) When the report was written, these five sectors had generated only 5 percent of total revenues of the 10 sharing economy sectors analyzed; but PwC has calculated that these five sectors will constitute up to 50 percent of all revenues by 2025.²¹

At a macro level, PwC believes that the sharing economy will follow the traditional "S-curve" shape of the traditional economy: low volumes at first, then rapid growth, ultimately leading to stabilization. During the period of rapid growth, as a "breakthrough company" accelerates in each segment, the new market grows rapidly, while the old markets decline.²²

KEY PLAYERS IN THE SHARING ECONOMY

y now, the names of these breakthrough companies are well-known brands across the globe. In a relatively short time, they have grown to become economic giants in their industries and influential market makers in business. Let's look at recent success metrics of some of these key players in Figure 4 (See pages 26–27).

The growth rates of these companies are astounding; Lyft alone reported in July 2017 that ride sharing growth had exceeded 100 percent year over year for the previous 48 consecutive months.²³

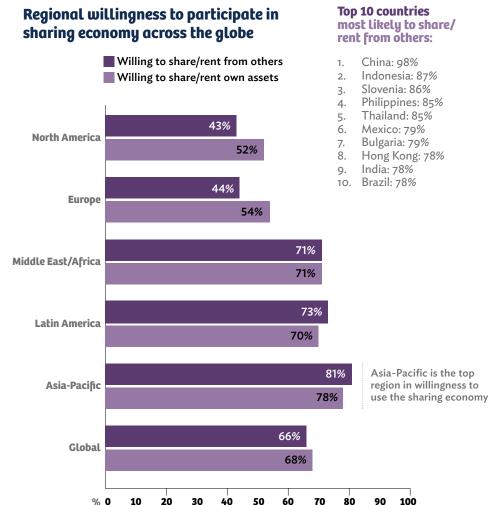
Beyond the top players, the sharing economy is also accelerating growth in a wide range of industries, making room for innovation in virtually every sector in which on-demand needs are met. In a survey of more than 4,700 Americans, Pew Research measured the highest penetration rate in second-hand goods. ²⁴ Craigslist, which was founded in 1995 to "connect the world for common good," operates 700 sites in 70 countries, with more than 60 million users per month in the U.S. alone. ²⁵ Its estimated 2016 revenues were U\$\$690 million; its estimated valuation is U\$\$3 billion. ²⁶ Meanwhile, in Southeast Asia, Carousell's marketplace for used and new consumer goods doubled in 2016 to 95 million listings, and reported that its 2017 gross merchandise volume—the total value of goods sold across the platform—was U\$\$5 billion. ²⁷

In short, the sharing economy is now mainstream.

CUSTOMER USAGE AND SEGMENTS

ielsen surveyed over 30,000 customers across 60 countries for a global study of customer usage and attitudes towards the sharing economy—the most extensive and recent study of its kind. Entitled *Is Sharing the New Buying? Reputation and Trust Are Emerging as New Currencies*, the 2014 report found that around the globe, 68 percent of all those surveyed were willing to share or rent their own assets or services, while 66 percent were likely to use products or services within the sharing economy.²⁸ (See Figure 3.)





SOURCE: Data from Nielsen.

FIGURE 4

Sharing economy key players at a glance^a

Segment	Company	Value (US\$)	Markets	Customers
	Lufax	18.5 billion as of January 2016	China-wide as of July 2017; opened a Singapore office in June 2018	33 million registered users as of January 2018
Peer-to-peer lending	Qudian	Market value of 7.9 billion as of October 2017	China-wide, as of January 2018	65 million registered users as of May 2018
	GoFundMe	5 billion raised since 2010, as of October 2018	Donors from 19 countries have donated to over 2 million campaigns since 2010, as of January 2017	50 million donors as of January 2018.
	WeLab	1 billion as of early 2016	Hong Kong and China as of November 2017	25 million registered users as of November 2017
	Booking.com	Acquired by Priceline (now Booking Holdings) in 2005 (value not public)	Over 5.6 million listings in 230 countries as of October 2018	Average of 1.5 million room nights booked daily, as of August 2018
•	Airbnb	31 billion as of May 2017	Over 5 million listings in 191 countries, as of October 2018	400 million guest arrivals since company was founded in 2008, as of September 2018
Peer-to-peer accommodation	HomeAway	Acquired by Expedia in 2015 for 3.9 billion	2+ million listings in 190 countries, as of September 2018	Data not public
	Tujia	Valued at more than 1.5 billion as of October 2017	Over 1 million listings in 300 Chinese cities and global locations, as of May 2018	90 million users served in 2017.
	Agoda	Acquired by Priceline (now Booking Holdings) in 2007 (value not public)	1.1 million properties ^b globally as of October 2018	Data not public

SOURCES: Data from Agoda; Airbnb; Booking Holdings; Carousell; Channel NewsAsia; China Daily; CNBC; Crunchbase; DMR; Financial Times; Forbes; Fortune; Gizmodo; GoFundMe; Go-Jek; Grab; HomeAway; Jakarta Globe; Lyft; Marketing; New York Times; Ofo; Qudian Inc.; Recode; Reuters; South China Morning Post; Statista; Straits Times; TechCrunch; The Verge; Tnooz; Today; Uber Estimator; VentureBeat; Vickers; WeLab.

a Data reflects values reported at the time of writing. All numbers are subject to change and should be viewed as indicative only.

^b Agoda reports number of properties, not listings. Note that terminology is not consistent across platforms. Typically, a "property" (for example, a hotel) may include multiple rooms, whereas a "listing" (for example, a short-term rental apartment) is more likely to be a single rental.

Segment	Company	Value (US\$)	Markets	Customers
	Uber	Valued at 62 billion as of May 2018	More than 760 cities in 84+ countries	Completed its 1 billionth ride in 2015; serves 75 million riders per month as of January 2018
	Didi Chuxing	56 billion as of March 2018	400 cities across China and Mexico, with plans to expand into Australia, as of June 2018	450 million registered users as of March 2018
	Lyft	11 billion as of October 2017	350 cities in more than 40 states in the U.S., with Canada expansion, as of November 2017	500 million rides, as of October 2017; providing 1+ million rides daily, in geographic areas where 95% of the U.S population lived as of July 2017
Ride sharing	Grab	Valued at 10 billion as of June 2018	217 cities across 8 Southeast Asian countries, as of June 2018	1 billionth ride as of October 2017; providing 2.5 million daily rides as of June 2018. App had been downloaded on 68+ million mobile devices
	Go-Jek	5 billion as of February 2018	50 cities across Indonesia. Go-Jek announced plans to expand into Singapore, Vietnam, Thailand and the Philippines, as of May 2018	15 million weekly active users as of December 2017
	Meituan- Dianping	30 billion as of October 2017	2,800 cities across China, as of October 2017	280 million active annual users as of October 2017
\ \\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	Carousell	Gross merchandise value of 5 billion, as of October 2017	Carousell had 144 million listings in 9 countries, as of June 2018	Data not public
Online marketplace	Craigslist	3 billion as of April 2018	700 sites in 70 countries, as of January 2017	60 million U.S. users per month as of January 2017
~ X	Mobike	3 billion as of October 2017	200 cities globally across 13 countries, as of November 2017	200 million registered users as of December 2017
Bike sharing	Ofo	2 billion as of March 2018	Operating in 250 cities across 22 countries, as of June 2018	200 million registered users as of June 2018

THE SHARING ECONOMY IN ASIA

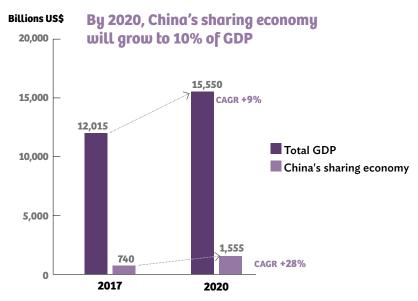
"The digital economy and the sharing economy are taking the world by storm.... We cannot afford to act like onlookers."

- Xi Jinping, President of the People's Republic of China²⁹

n Asia, where fast-paced economies and technologically savvy customers shape business trends, the sharing economy is a game changer. China dominates the news about the sharing economy's impact on both daily life and business. China's Sharing Economy Research Center of the State Information Center reported that the country's sharing economy reached a market turnover of US\$740 billion in 2017, and is forecasted to grow at an annual rate of approximately 30 percent for the next five years, according to *China Daily*, ³⁰ (See Figure 5.) *Forbes* magazine, citing data from the same information center, has stated that "at least half of China's 1.4 billion population used online sharing services at least once." Meanwhile, Singapore's *Straits Times* newspaper has forecasted that by 2020, China's sharing economy will grow to represent "one-tenth of China's gross domestic product and provide 100 million jobs, of which 20 million can be considered full-time employment." (See Figure 6.)

FIGURE 5

Growth of China's sharing economy



SOURCES: Data from China Daily; Forbes; IMF; Straits Times.

Overall, Nielsen found that Asia-Pacific residents were the most willing "to share their own goods (78 percent) and likely to rent from others (81 percent)," compared with the global averages of 68 percent and 66 percent, respectively.³³ On average, only 22 percent of Asia-Pacific consumers were "unwilling to share or rent their personal assets, compared to 32 percent globally."³⁴

Within Asia, the Southeast Asian region stands out as the most receptive to sharing. Nielsen has reported that consumers in "four of the top five markets prepared to share or rent their personal assets for financial gain hail from Southeast Asia." ³⁵

FIGURE 6

China and the sharing economy

50% of China's population has used the sharing economy at least once.

(2016)

700 million sharing economy users (2017)

100 million jobs created by sharing economy (2020)

20 million full-time jobs in the sharing economy (2020)

SOURCES: Data from China Daily; Forbes; Straits Times.

Demand for the sharing economy in Southeast Asia will only grow. According to a recent report on e-commerce by Google and Singapore-based Temasek Holdings, Southeast Asia is the world's fourth largest internet market; as of May 2016, the region had 260 million users online, adding 3.8 million users every month in the next five years—approximately 124 thousand new users per day.³⁶

Asia-Pacific consumers are the most willing to use the sharing economy in the world.

DISRUPTING MARKETS AND TRANSFORMING TRAVEL

he sharing economy is transforming not only basic business actions like buying and selling, but also the ways in which humans interact; the strength of these new approaches may be tied to a more fundamental cultural shift. Supporting the facts we have just reviewed, the Organization for Economic Co-operation and Development (OECD) has affirmed in its *Tourism and the Sharing Economy* report that people are "more open to the idea of sharing resources, flexible work opportunities, [and] digital experiences and transactions."³⁷

This is especially true in travel. Airbnb and HomeAway are some of the best-known accommodation examples from the West, and there are many more worldwide. Why is this happening? From the demand side, travelers want more individualized trips; they want to feel that their experiences are customized, authentic, or even unique; they want to connect with locals. In terms of supply, many locations that are attractive to travelers lack traditional hotel accommodations but have excess or unused capacity of private residences. Whether because of regulation (for example, in some protected natural settings, homes are permitted but commercial properties are not) or because of cost (for example, in dense urban centers, where building hotels is economically infeasible), traditional accommodation supply is not keeping up with customer demand. All these factors together bolster the travel sharing economy.

Sharing platforms for accommodations and transportation address these needs, while also often offering lower cost and greater convenience. As a result, mainstream brands are innovating to meet these market developments—e.g., Starwood's Design Hotels, which advertise "a handpicked portfolio of one-of-a-kind hotels" that allow you to "immerse yourself in the local culture." 38

LOCAL HOST RENTALS

ccording to a 2016 survey by TripAdvisor, 67 percent of global travelers intend to rent homes or properties on their travels—up from 59 percent in 2015.³⁹

If you ask a typical consumer about local host rentals, he or she may say, "Oh, it's this new way to travel"—but the model has actually been around for ages.⁴⁰ The earliest forms of this type of hospitality took shape hundreds, even thousands, of years ago and have slowly but steadily evolved and expanded ever since.

Let's look back a little to understand the historical context of local host rentals. This will help us see that

67% of global travelers intend to use local host rentals while traveling.

-TripAdvisor



what looks like a new phenomenon is just a modern adaptation of a kind of travel that's been part of human experience for a very long time.

In ancient Greek and Roman culture, hospitality was viewed as an almost divine right for travelers and a corresponding obligation for hosts.41 In the European Middle Ages, members of various religious sects often invited European travelers into their monasteries as guests, especially along pilgrimage routes. In Japan, the ryokan, a type of traditional Japanese inn, has existed since the eighth century A.D. to offer respite to travelers along Japan's major roads.⁴² Many of the earliest ryokans were located along the Tokaido Highway, which connected the capital city of Edo (now Tokyo) and the Imperial Palace in Kyoto.⁴³ Indeed, the world's oldest continuously operating hotel, the Nishiyama Onsen Keiunkan, is located in Japan. It has existed for more than 1,300 years and is managed by the founder's 52nd generation descendants.44 Traditions of hospitality abound in many—if not in most—of the cultures of the world.

So-called coaching inns sprang up across Europe starting in the mid-1700s, giving root to today's hotel industry. In colonial-era America, where inns were rare, travelers stayed in the homes of people they met on the road.

During the 1800s, large and wealthy European families

began investing in and sharing vacation estates, with different parties using them at different times of the year.⁴⁵ (These might be called the earliest examples of what we now consider timeshares.) Unlike today's instant-booking platforms, however, travelers had to confirm availability, make reservations, agree to payment terms, and understand what to expect through the exchange of letters and telegrams—not an easy task, and certainly not a setup that allowed for instant booking.

Bed and breakfasts (B&Bs) became more and more prevalent across Europe during the nineteenth and early twentieth centuries, and by the 1950s print ads for "vacation rentals," billed as a new alternative to hotels, began popping up in newspapers across the United States.46 In 1985, the Vacation Rental Management Association (VRMA) was founded to connect the country's growing number of owners and professionalize the business overall. The internet's arrival paved the way for local host rental services like VRBO (Vacation Rentals by Owner), which débuted in 1995, and CouchSurfing, a home-sharing service that launched in 2004 to connect adventurous, budget-minded travelers with homeowners willing to host them for free. The internet soon helped local host rentals reach a global scale. For example, HomeAway arrived in 2006 and immediately began snapping up competitors like VRBO to expand its inventory by the hundreds of thousands. In 2007, two roommates in need of extra cash began renting out an air mattress in their living room in accommodation-poor San Francisco. One year later, as TripAdvisor bought a majority stake in FlipKey, those enterprising roommates and a friend formally launched AirBed & Breakfast, today simply known as Airbnb. A decade later, of course, Airbnb has become the industry's de facto poster child and one of its biggest success stories,47 with over 5 million listings in more than 191 countries as of October 2018. Airbnb announced in August 2017 that it had more listings than total rooms in the top five global hotel chains combined.48

From there, the industry took off. In 2011, more players entered the market with entries like 9flats and Wimdu in Europe and Zizaike and Tujia in China. At around this time, technological innovation began to fuel growth. 49 In

2015, Expedia made a big splash when it purchased HomeAway. Hotel-booking sites like Booking.com and Agoda have greatly increased their local host rental offerings, as well. Today, local host rentals are no longer considered "alternative accommodations." They are a mainstream way of travel—just like inns, *ryokan*, and B&Bs before them.

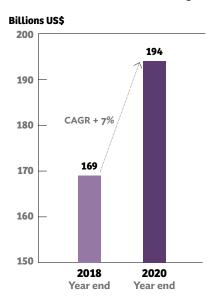
LOCAL HOST RENTALS TODAY: MARKET OVERVIEW

ccording to the 2017 market analysis report by travel industry experts Skift, total global revenues from the local host industry will reach US\$169 billion by the end of 2018. Skift has also estimated the total U.S. local host market to be valued at US\$30 billion and total supply of listings in Europe and North America to range between 2 to 3.5 million properties. (Sizing the global market is difficult because of such inherent challenges as fluctuating accommodation stock, diverse ownership structures, and geographic discrepancies.)⁵⁰

The technology market-research firm Technavio has forecasted that the industry will grow 7 percent per year between 2017 and 2021, by which time it is expected to reach approximately US\$194 billion.⁵¹ (See Figure 7) This growth rate is almost double the average growth rate of 3.6 percent cited by an IBISWorld study of the "holiday rental"

FIGURE 7

Total local host rental market will be worth US\$194 billion by 2021



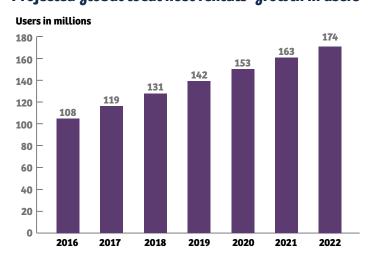
SOURCES: Data from Skift, Technavio.

industry" between 2011 and 2016.⁵² Executives at HomeAway's 2017 annual summit have estimated that the overall local host market was growing at two to four times as fast as the global economy.⁵³ Meanwhile, Skift has reported that in the first quarter of 2016 alone, startups in the local host rental industry had captured almost US\$100 million in investments, primarily in U.S. and European markets.⁵⁴

Some industry experts say that this growth is coming less from an increase in the supply of properties than from a shift caused by demand. In many markets, housing supply is stagnant or even shrinking, and large property-management companies are acquiring properties for use as local host rentals.⁵⁵ This is true in Europe, where one-third of total inventory is controlled by management companies, rather than by private owners.⁵⁶

Statista has estimated total users at 131 million in 2018, projecting growth to 174 million by 2022. Penetration (the percentage of paying customers out of total population) is 2.5 percent, and is expected to hit 3.3 percent by 2022. Figure 8.) Travel industry market-research company Phocuswright has identified the main demand growth as coming from customers between ages 18 to 44. Overall, local host rental guests appear to be satisfied customers; HomeAway reported in September 2017 that 82 percent of current users plan to stay in local host rentals again.

Projected global local host rentals' growth in users



SOURCE: Data from Statista.

Total global supply of hotels is 16.5 million rooms. In cities like Paris, New York, and London local host rentals had 10% of total hotel bookings

—WTTC, Travel & Tourism: Global Economic Issues 2017

Let's step back and compare these numbers with those of the hotel market. The World Travel & Tourism Council (WTTC) stated in its *Travel & Tourism: Global Economic Impact & Issues 2017* report that the total global supply of hotel rooms was approximately 16.5 million rooms, with the total local host rental supply estimated at "several million", for in key cities like New York and Paris, WTTC has estimated that local host rentals make up 10 percent of total hotel bookings. for

A key point to remember is that local host rentals are both competitors to hotels and traditional travel accommodations and complements to them, expanding the market. Indeed, local host rentals have been successful in many cases because they have tapped into unmet market needs (in key areas like choice, flexibility, and desired traveler experience) to expand the overall tourism pie. Hotels are responding to the growth of local host rentals (as we will see in Chapter 5) as part of the natural dynamics of the accommodations market. Local host rentals are spurring innovation, which benefits all players in the travel ecosystem.

Even though it is hard to provide precise figures for total market stock and revenue, the numbers show what we know to be true: the local host rental market is more diverse than the traditional hotel market, and growing at a faster pace. It may also be more profitable. As Skift has pointed out, "In comparison to the hotel industry, the number of rentable [local host rental] units is much lower. Yet local host rentals generate more revenue than a single hotel room, given their size and appeal to family and group travel." (As mentioned, however, we do not believe that LHRs will displace hotels; more on the future of the travel ecosystem in Chapter 5.)

INVESTMENTS IN LOCAL HOST RENTALS

quick scan of recent investments in local host rentals and related services across the globe reinforces the growth trends described above. Skift's 2017 global report—a review of the investment landscape since 2014—has that the local host rental sector had attracted

more than US\$2 billion in investments by 2015. It has continued to draw investments in the following years, with the majority of these investments going to large players. And this investment trend shows no sign of abating. Andrew Dowell, CEO of Rented.com, a market place for homeowners and property managers, has described the market as a "gold rush." According to Dowell, "There are a ton of new people pouring in and a ton of investment pouring in" as well.⁶³

In December 2017, Brookfield Property Partners LP agreed to invest up to US\$200 million in a joint venture between Airbnb and Niido, a real estate developer, to fund a new brand of residential complexes called "Niido Powered by Airbnb." This venture is structured to facilitate home sharing. Tenants may rent their units out for up to 180 days per year, and each property will have a "master host" monitoring the maintenance of the apartments and checking in of guests. The projects will also contain shared common spaces and keyless entry.

Asia—and particularly China—are areas of investment growth. Tujia, a leading Chinese player, announced US\$300 million in investments as of October 2017, from Ctrip, All-Stars Investment, China Renaissance's

FIGURE 9

Examples of investments in local host rental key players

Company	Investment (US\$)	Select Investors	Location	Date	Purpose
Airbnb (JV with Niido)	200 million	Brookfield Property Partners	U.S.	December 2017	Launch of co- branded residential apartments "Niido Powered by Airbnb"
Tujia	300 million	Ctrip.com International Ltd	China	October 2017	Global expansion for outbound Chinese travelers
		All-Stars Investment			
		New Economy Fund			
		Glade Brook Capital			
		G Street Capital			
Xiaozhu	270 million	Yunfeng Capital	China	November 2017	Compete for Chinese market share
		Joy Capital			
		Morningside Ventures			
		Capital Today			

New Economy Fund, Glade Brook Capital, and G Street Capital. At the time of writing, Tujia had more than 1 million listings in 300 Chinese cities and global locations. With a valuation of more than US\$1.5 billion as of October 2017, Tujia targets outbound Chinese travel markets, especially Korea and Japan. 66 In November 2017, Jack Ma's Yunfeng Capital invested US\$120 million in Xiaozhu, another local host rental platform in China, alongside other investors such as Capital Today and Morningside Venture Capital. By the end of 2017, Xiaozhu had raised US\$270 million in a total of five rounds of financing and was valued at more than US\$1 billion, attaining "unicorn" status. 88 Xiaozhu has 500,000 listings, as of October 2018, 69 and 20,000,000 registered users, as of March 2018.

Likewise, investments in ancillary services and related industries are accelerating. As Skift reported in December 2017, "Venture capital has awoken in a big way to the potential of vacation rental property managers."71 For example, vacation rental management platforms saw a surge in funding in 2017, with Pillow, Turnkey Vacation Rentals, and Sweet Inn raising US\$13 million, US\$21 million, and US\$22 million, respectively.72 In particular, Pillow funded the launch of Pillow Residential, a management platform tailored especially for local host rentals in multi-family residences, where hosts must not only manage bookings, but also pay close attention to neighbors and regulation.73 In October 2017, Hong Kong-based Klook—a startup that connects tour providers with travelers, primarily in Asia—announced a US\$60 million Series C investment from Goldman Sachs, Sequoia Capital, and Matrix Partners, almost double the amount of its US\$37 million raised since 2014.74 At the time of writing, Klook was offering more than 30,000 travel activities across 120 destinations, and had 1 million bookings monthly; the latest investment will fund global expansion focused on inbound and outbound travel to Asia.75

Another trend in investment is consolidation. The largest example was in 2015, when Expedia acquired HomeAway for US\$3.6 billion. The following year, hotel group Accor entered the market in 2016 by purchasing Onefinestay, a luxury property management company, for US\$168 million. Moving into new market segments is always risky: Accor has recently taken a US\$288 million loss on Onefinestay and another investment.

For a snapshot of the ever-changing local host rental industry and some of its key segments, see Appendix 9.

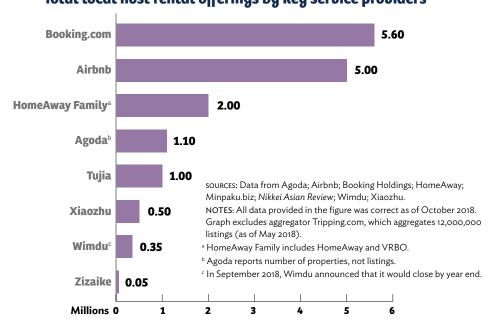
KEY PLAYERS IN SHARED ACCOMMODATIONS

s we've previously mentioned, Airbnb alone had more than 5 million listings in almost 200 countries as of October 2018. Agoda and Booking.com, both members of Booking Holdings Inc., are offering increasing numbers of homes among their listings; Agoda had 1.1 million properties⁷⁸ and Booking.com was the industry leader, with 5.6 million listings as of October 2018.⁷⁹ As of September 2018, HomeAway and VRBO offered more than 2 million listings;⁸⁰ Skift's *State of the Global Vacation Rental Market 2017* reported that the two companies have merged their inventories.⁸¹ Tripping.com, which serves as the world's largest aggregator for local host rentals, had over 12 million listings as of May 2018,⁸² including properties from Booking.com, HomeAway, and others, excluding Airbnb.⁸³

Online businesses have their ups and downs, and these often occur in faster cycles than those of traditional businesses. Despite substantial funding, Wimdu announced in September 2018 that it would close by year's end, 84 and Tripping.com, at time of writing, has laid off a number of staff.85 These changes are part of the industry's life cycle, and the fortunes of any individual organization do not necessarily reflect those of the industry as a whole. (See Figure 10)

For a summary of facts and offerings from the major players mentioned in this book, see Appendix 1.

Total local host rental offerings by key service providers





GLOBAL IN SCOPE; GROWING IN ASIA

eographically, local host rentals are thriving on every continent—including some listed for Antarctica! Yet despite global appeal, Skift has asserted that "the European and U.S. markets are still the key regions for the industry." A quick glance at the top 25 global destinations for local host rentals on Tripping.com in 2017 reflects this distribution; 68 percent were in North America and Europe (eight in each), 6 percent in Latin America (of which Mexico had four), 8 percent in Asia (Singapore and Mumbai), and 8 percent in the Middle East/Africa (Cape Town and Dubai). According to the BBC, as of August 2017, only about 15 percent of Airbnb's total listings are in Asia.

Yet Asia is growing fast, and local host rental service providers want to figure out how to win there. Six of 2017's top 10 Asian destinations for Tripping.com customers were in India, and three in the Philippines. According to a 2017 Travel Wire Asia article on HomeAway's strategy, "tapping into the Asian market means in large part tapping into China and India's colossal demand."

Japan is entering a new and promising phase for local host rentals. A new *minpaku* law that legalizes local host rentals went into effect in June 2018 (although not everyone is happy with the 180-day-per-year cap it imposes: we'll discuss further in Chapter 4). The market, which was valued at US\$120 million in 2015, is expected to be 15 times that size by 2020, topping US\$180 billion.⁹¹

Japan has three elements that strongly favor its local host rental market growth. The first is supply. It is estimated that the country has 8 million empty houses. The second is demand. Existing hotel rooms are heavily booked: In Tokyo, Kyoto, and Osaka, hotel occupancy rates can reach up to 80 percent. 92 McKinsey & Company has estimated that these three cities may face a 50 percent shortage in accommodations by 202093—the year in which Japan will host both the Olympics and the Paralympics. And third, travelers to Japan are open to staying in local host rentals. Indeed, a survey conducted by the Japan Tourism Agency in 2017 revealed that some 12.4 percent of foreign travelers had already used local host rentals during their stays. Even though local host rentals were not yet fully legal in Kyoto, 1.1 million people stayed in them in 2016 alone. 94 For Airbnb, Japan was the most popular Asian destination between 2016 and 2017, with 5 million guest arrivals. 95 The new minpaku law affected every company's presence in this market, and, as everywhere, the situation continues to evolve. We will discuss these changes further in Chapter 4.

At the same time, local host rental service providers have their eyes on China as an inbound and outbound market for Southeast Asia and North Asia. The BBC, citing 2016 data from the United Nations World Tourism Organization (UNWTO), estimated that the number of China's outbound travelers had risen 6 percent to 135 million. ⁹⁶ According to an article by Asia-based management service Breezybnb in August 2017, Airbnb's Asia-Pacific regional director reported 700 percent growth in outbound bookings from the area. ⁹⁷

The level of demand is very high. According to Airbnb, Asia was home to nine out of the top 16 travel destinations that were trending during 2017's peak summer months (June–August). Of the 45 million global guest arrivals, 7.5 million originated from the Asia–Pacific region. In previous years, the highest growth of guest arrivals was also in Asia, particularly in China—home to the top three cities with the greatest growth in demand (Hangzhou, 495 percent; Chongqing, 388 percent; and Wuhan, 371 percent). According to the WTTC, 60 percent of the top 10 cities for tourism growth in the Asia–Pacific region in 2017 were in China; in fact, the top five were all Chinese.

As is the case in many industries, China is the market that the global leaders want to win—but in which local players are definitely leading.

Bloomberg reported that Airbnb had approximately 200,000 listings in China as of May 2018.100 Tujia, according to the South China Morning Post, had around 700,000 (out of approximately 1 million global listings),101 and Xiaozhu around 500,000 listings, as of October 2018.102 In March 2017, Airbnb released a new, easier-to-pronounce Mandarin name for the Chinese market—Aibiying (爱彼迎).103 As Tech in Asia has noted, "Tujia serves that need and dominates the Chinese market; it has developed its own model, adapted for China, in a way that Airbnb has found hard to do."104 (See Figure 11 on page 42.)

Two success factors critical to local host rentals in Asia are meeting unique customer preferences and navigating a complex and patchy regulatory environment that is as varied as the countries and cultures in the region. Prashant Kirtane, vice president (Asia) for HomeAway, told Travel Wire Asia that "consumers in China and India are very different to those from the West and vacation rental players are still figuring out how best to cater to their needs." Meanwhile, policy frameworks towards local host rentals are evolving continuously. (We will talk more about the driving issues and provide a summary of different policy approaches in Chapter 4.)

HOW LOCAL HOST RENTALS ARE REVOLUTIONIZING TRAVEL

t may be true that, as the saying goes, "if you build it, they will come," but a much stronger bet in business and entrepreneurship is to build something your customers already want.

The common thread running through the centurieslong rise of local host rentals is that the industry has grown in response to travelers' needs. Local host rentals are particularly appealing to those visiting expensive, crowded urban cities or searching for accommodations during major events.

Local host rentals solve a variety of travel challenges:

Expensive urban markets. Airbnb's founders offered an air mattress in their living room as an alternative, affordable place to sleep in pricey San Francisco. Local host rentals have also helped address hotel-room

9 out of the top 16 trending global travel destinations in summer 2017 were in Asia. China led the top 3 cities to visit.

—Airbnb

FIGURE 11



Spotlight on China: What global giants can learn from Tujia

	China Market ← →	Tujia Business Strategy
	Total tourism market: US\$275 billion (2016); 2nd largest globally	Valuation: US\$1.5 billion (2017)
Demand	Outbound travelers: 135 million tourists spent \$US261 billion (2016)	More than 1 million listings in 300 Chinese cities and global locations (May 2018)
	30% population are millennials	Regional expansion: SE Asia, Korea/ Japan/Taiwan (40,000 + listings)
	No surplus stock of "spare rooms" in private residences	Partner with real estate agents, property managers/developers to manage and rent empty properties on demand
Supply	Stock of 50 million vacant furnished apartments (investment properties that owners don't live in)	430,000 China properties (2017)
	No B&B or room-sharing culture	All-in-one service (Chinese-speaking staff, check-in, laundry, cleaning)
Customer	Expect hotel-like services	Modern design, furnishings, and tech
Preferences	Travel in groups for extended stays	$^2/_3$ of all bookings are made within 10 minutes (2017)
	Value new properties: modern & clean matters more than peer reviews	Add-on services: property management /inspection for property owners
	Amenities; the affluent prefer luxury	Launched upmarket Tujia Mansions (2017)
	Won't pay for "extras"; value discounts	All-inclusive prices
Price	Pay using mobile apps: total mobile payment market US\$9 trillion (2016)	Direct payment through platforms like WeChat Pay/Unionpay/Alipay

SOURCES: Data from Goldman Sachs; Skift; South China Morning Post; Tech in Asia; Tech Wire Asia; Travel Daily Media; Wall Street Journal; WTTC; WTO. shortages in places like Philadelphia,¹⁰⁶ which legalized local host rentals in 2015. Japan legalized local host rentals in 2017.¹⁰⁷ Regulations continue to evolve around the world on a very frequent basis.

Special events. In 2013 and 2017, demand for local host rentals skyrocketed in Washington, DC, for the presidential inauguration ceremonies, in part because hotel rooms were in short supply.¹⁰⁸ Likewise, local host rentals have plugged the supply gap during significant tourism events such as the winter and summer Olympics in Japan, Brazil, and Korea.¹⁰⁹ And in 2017, as hotel prices spiked for Canada's 150th birthday celebration in the country's capital city (and availability dried up), rental offerings doubled in Ottawa in advance of Canada Day.¹¹⁰

Underdeveloped infrastructure. In Cuba, local host rentals have helped provide supply in a destination where a recent influx of foreign visitors has heavily taxed an underdeveloped tourism infrastructure that includes an insufficient number of hotels ¹¹¹

Family travel. Groups of friends and parents traveling with children, weary of cramming into single hotel rooms or paying for multiple rooms, are increasingly turning to local host rentals that may better fit their needs. Families who rent an entire home or apartment can benefit from more space, adjoining rooms, greater privacy, laundry facilities, and fully equipped kitchens, which allow for cost-effective and child-friendly at-home meal preparation.

BUSINESS TRAVELERS WANT TO WORK FROM THE COMFORT OF HOME, TOO

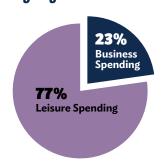
eisure travelers aren't the only ones driving the growth of local host rentals; business travelers are adopting these alternative accommodations as well.

According to the WTTC, 23 percent of all global travel spend in 2016 was for business purposes. (See Figure 12.) At the same time, the UNWTO estimated that 161 million people traveled for business in 2016—13 percent of all international tourist arrivals.

Like serviced apartments, local host rentals offer

FIGURE 12

Percentage total global travel spend by segment in 2016



SOURCE: Data from WTTC.

2 in 5
international
travelers use
the sharing
economy on
business travel

—International SOS

business travelers a range of amenities and benefits—especially where supply of traditional accommodations is scarce. Many properties now offer high-speed Wi-Fi, a workspace, and other business-friendly amenities for far less than the price of a hotel room. For example, in 2017 Paul Rennie, the managing director of New Zealand-based corporate travel provider Orbit World Travel, stated that his company booked around 10 percent of its clients into Airbnb homes because of high hotel prices and low availability during peak seasons in places like Auckland and Wellington.¹¹⁴

In its 2016 white paper "Business Travel in the Age of Sharing Economy," International SOS—the world's largest medical and travel services company—reported that two in five international travelers used the sharing economy (e.g., services such as Uber, Airbnb) when traveling for business. On average across the globe, International SOS forecasted that 20 percent of business travelers expected that this usage would increase in the future. Meanwhile, Forbes—citing a 2016 Hipmunk survey—reported that 74 percent of US millennial travelers had used a local host rental service while traveling for work—an indication that this trend is one to watch.

Companies like Airbnb and Booking.com are well aware of the business travel potential. In 2015, Airbnb launched filters to help guests find "Business Travel Ready" accommodations and currently offers account credit for users if they add their work email address and make a booking under that address. 118 Alvan Aiau Yong, head of Airbnb's business travel for the Asia Pacific region, has told Travel Wire Asia that "Business Travel Ready" listings were growing globally at a rate of 1.65 times per year. 119 On Booking. com, business travelers can check a box on the local host rentals search page that prioritizes and displays listings with business-friendly amenities like Wi-Fi and free parking in the property results.

In short, whether it's for a family vacation, a national event, or a business trip, local host rentals are changing the way many types of travelers stay.



MILLIONS OF ACCOMMODATIONS, COUNTLESS COOL PLACES

eyond choice and practicalities, local host rentals offer a "wow factor" in quantity and uniqueness that many traditional hotels haven't been able to match (though that's beginning to change—see Chapter 5 for more information on this important trend).

From luxury beach villas to private mountainside cabins, the extraordinary range and flexibility of local host rentals give travelers a wealth of opportunities for unique experiences. "If we're with friends, we'll book a local host rental," said BJ Yasuda, a senior product owner at Agoda. "We can hang out together, have a kitchen and a living room, and then instead of going to separate rooms at night we're just in the same place. It's just so much nicer for families and groups, and a refreshing way to travel."

Local host rentals offer travelers the chance not only to "live like a local" in the heart of an exciting city, and to be under one roof with groups of friends or family—but also to experience the reality of staying somewhere that's just really cool. Travelers can book a castle in Galway, Ireland, for example, or a 150-year-old fort transformed into a luxury getaway in Jaipur, India. One can sleep in a windmill in Amsterdam, a repurposed shipping container in the prairies of Montana, a deluxe tree house in the Thai jungle, or an igloo in Finland. Needless to say, in



"If we're with friends, we'll book a local host rental. We can hang out together, have a kitchen and a living room, and then instead of going to separate rooms at night we're just in the same place. It's just so much nicer for families and groups, and a refreshing way to travel."

-BJ Yasuda, Senior Product Owner, Agoda

the era of Instagram, Facebook, Pinterest, and image-rich social media, these properties offer endless opportunities for travelers to share, marvel, and show off.

You can find a place to stay in one of Tokyo's iconic capsule hotels; in a retired and refurbished resting in small-town France; or in a posh Hollywood mansion, where the magician Houdini once purportedly lived (no word, however, on secret rooms and trap doors). In Cottonwood, Idaho—population 918—you can even book a stay in a one-room local host rental shaped like a giant beagle.¹²⁰

As the local host rental sector has grown, professionalized, and diversified, travelers can find companies that focus on different styles and segments of travel. Companies like Airbnb, 9flats, and Roomorama allow residents to rent or share their primary residences from time to



time. FlipKey, HomeAway, Tujia, and HouseTrip let owners rent out their vacation homes or investment properties. Onefinestay is situated at the luxury end of the market; CouchSurfing, at the other extreme, offers free stays. In between, properties offer an array of diversity, value, space, and facilities rarely found in hotels.

And, of course, technology has turbo-charged the local host rental market. Platforms open vacation rentals to millions of potential customers, and their payment mechanisms provide critical security for both hosts and guests. Reputation systems, like identity verification and public reviews, help parties who have never met establish enough trust to share space with strangers.

The result of these advances: immense growth, and far more choice for travelers.

THE GOOD NEWS

he expanding local host rentals market offers good news for many parties. For destinations, local rental hosts offer more choices, which can attract more visitors and help provide accommodations in areas that don't have enough hotel rooms to meet demand. This can reduce price pressure, as it has in Paris.¹²¹ The expanded market can make destinations more attractive to travelers, a fact not lost on tourism officials, who have argued that local host rentals "help keep customers

in the city when traditional rooms are fully booked, leaving a good impression of the city and making [them] more likely to return."¹²² Value-oriented local host rentals expand the traveler base, allow visitors to stay longer, and let them spend more on items other than accommodations, including food and drink, local transportation, shopping, entertainment, and more.¹²³ A survey in Los Angeles found that over one-third of visitors said that they would not have been able to travel for an extended period of time without local host rentals.¹²⁴

Local host rentals also help destinations spread the wealth that tourism brings. Because most are residential properties, they are typically located outside of traditional tourist zones. This means that travelers spend more widely, bringing more revenue to local businesses.¹²⁵ This revenue helps hosts and local companies earn more and get more out of existing resources, such as spare bedrooms.¹²⁶ This brings real economic benefits for people and small businesses that may need the help.

NOT WITHOUT DIFFICULTIES

ny new business model brings complications and risks as it tries to fit into—or alter—the existing landscape. This is, of course, true of local host rentals as well. While these issues will be explored in detail in Chapter 4, let's just look at a few to set the context.

Here is one of the fundamental questions that hosts need to address: *Is it legal to rent out a home where I live?* In many places, there is no simple answer to this question. The local host rental market has changed much faster than the rules that apply to real estate and accommodations sectors. In the sector's early years, some companies adopted a policy of seeking forgiveness rather than asking permission. While this approach created progress in some areas, it has also caused a significant backlash, as cities such as San Francisco and New York sought to limit local host rentals or even ban them outright.

This backlash is evident in a quick review of recent news headlines about local host rentals. For example, in the time between the initial research, writing, and publishing of this book, it was hard to ignore the barrage of "disaster," "nightmare," and "horror stories" that appeared in conjunction with the rise of regulatory reviews and public

discourse about local host rentals.¹²⁷ For example, *The Guardian's* August 2018 piece "What Happens When Airbnb Goes Wrong?" chronicled how guests had to seek legal help to recoup refunds for cancelled bookings or had incurred large fines for damage they did not cause.¹²⁸ In July 2017, *Outside* magazine investigated the local host rentals' impact on communities in an article with the provocative title "Did Airbnb Kill the Mountain Town?" The article concluded that the local host market had reached a "tipping point that causes idyllic outposts like Crested Butte, Colorado, to lose their middle class altogether—and with it, their soul."¹²⁹

Sometimes, the news about local host rentals unveils deep and troubling issues that are already plaguing communities, such as racial profiling. Unfortunately, in April 2018 this occurred in the U.S., when a Caucasian woman in Rialto, California called the police, telling them that she suspected three African-American Airbnb guests leaving a home with luggage were burglars. 130 Within minutes, seven police cars surrounded the women, the neighborhood was put on lock-down, and a police helicopter hovered overhead.¹³¹ One guest was quoted in *The* Independent: "At first we joked about the misunderstanding,' she said, but added that 'it escalated almost instantly. Their sergeant arrived... he explained they didn't know what Airbnb was. He insisted that we were lying about it and said we had to prove it." 132 According to a press release issued by the Rialto Police Department, the local host rental had been an "unlicensed Airbnb." Such incidents reinforce the need for hosts, guests, communities, and regulators to work together to ensure that the local host experience is not damaged by prejudice.

Bit by bit, however, the tone of the discussion is changing. Some of this has happened because companies, particularly Airbnb, have worked hard and spent significant amounts of time, money, and resources in lobbying for favorable regulation. But more importantly, cities, tourism officials, and local host rentals are sitting together at the negotiating table, trying to work out solutions that make sense for all parties.¹³⁴

One of the thorniest issues is the impact of local host rentals on the long-term rental market. An apartment that moves from the local rental market to the local host rental market can contribute to housing shortages, price increases, and gentrification. For example, in Los Angeles, data collected in 2014 revealed that 64 percent of Airbnb properties were never occupied by their primary leaseholders, but were run as full-time rentals; in some cities, rents in areas with high proportions of Airbnb units increased as much as one-third faster than in other areas. The good news is that some tourism and city authorities have begun to introduce regulations that successfully balance the growth of the local host rental sector with the needs of those who depend on the local, long-term housing market.

Among other significant problems that have arisen are trust, safety, and diversity. Local host rental services rely on a series of reputation systems to create trust among potential customers, including social networks, photos, and reviews. These tools provide information and build a property's brand. Increasingly, however, it has become apparent that this approach favors members of some groups much more than others, reinforcing existing biases. Local host rental services and owners need to make sure their activities benefit all travelers. And destinations can support this goal by legislating in ways that help to fight discrimination and spread the new wealth to all residents—not just some.

A BALANCED PERSPECTIVE

ramatic headlines do not accurately reflect the complexity of the issues at hand. As we remind readers throughout this book, change is hard. One of the core tenets underlying this book is the conviction that local host rentals are neither inherently good nor bad, but can—and should be—viewed through a pragmatic, objective lens. Guests, hosts, community members, and regulators should be cautiously skeptical of worst-case-scenario headlines that paint a black-and-white picture of local host rentals. Good news tends not to make the front pages as frequently, but it is important to know there are many positives—from the many hosts who are able to stay in their homes because of the income they get from renting out a spare bedroom, to the communities that benefit when they collect additional tax from local host rentals. Local host rentals have also spurred entrepreneurial innovations for the public good: CareRooms, for example, is a UK health-care startup that provides recuperating hospital patients with an alternative to rooms in an overcrowded national health system; trained hosts provide three daily meals and support.136

LOCAL HOST RENTALS AND SUSTAINABLE TOURISM

nother potential benefit of local host rentals is sustainability. UHERO—the Economic Research Organization at the University of Hawaii—explained that focusing on sustainability means "that we need to look after the well-being of the current generation and at the same time not jeopardize opportunities for future generations." As a guiding principle for businesses, this means taking into consideration how operations affect social, environmental, and economic outcomes.

Peer-to-peer businesses that create value from underused assets can offer sustainable solutions to economic, social, and environmental problems at a larger scale and lower cost than many traditional businesses can. As we have noted, ride sharing means that vehicles are used more efficiently. If individual ownership decreases and there are

Local host rentals increase sustainability in 2 key areas



1. Efficient use of resources

Create value for guests, hosts, and communities from underutilized assets



2. Smaller environmental footprint

Consume less energy, water, and produce less waste than hotels

fewer cars, traffic and pollution can be reduced, while car manufacturers have an incentive to design cars that more efficiently meet the needs of ride sharing. Communities benefit too. Ride sharing helps create full-time or part-time jobs for people who might otherwise be underemployed or between jobs. And with fewer cars, less land is required for parking; emissions, congestion, and noise pollution decline, as well.

Broadly speaking, sharing existing resources creates less financial and environmental waste than owning, purchasing, or producing new goods. In a talk on the sharing economy, Steve Cohen, director of Columbia University's Earth Institute, explained that "the sharing economy shows that we can embrace sustainable consumption without curtailing economic growth." As Lucía Hernández from OuiShare, a French nonprofit that writes and conducts research on trends related to sharing and collaboration, has said: "The sharing economy is based on the values of sustainability, ethics, and the distribution of wealth among its members."

Local host rentals support sustainable tourism by expanding the supply of accommodations from existing housing stock as they generate value for guest, hosts, and communities from unused or underused assets. The UNWTO defines sustainable tourism as "tourism that takes full account of its current and future economic, social, and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities." With this definition in mind, local host

"The sharing economy shows that we can embrace sustainable consumption without curtailing economic growth."

—Steve Cohen, Earth Institute rentals support sustainability in two key ways: compared to hotels, they use existing resources more efficiently and have a smaller environmental footprint.

According to Catherine Tilley, a doctoral researcher at Cambridge University who specializes in sustainable development, local host rentals incentivize an efficient use of resources—especially if guests share a space with a host.

In your own home, you are responsible for your own use of resources. You run your home more efficiently than a hotel. In a hotel you might use a ton of towels; the property might use different cleaning products. In a hotel you're less concerned about the water efficiency; you might leave the lighting on. You wouldn't do that at home.... The principle is that the homeowner—especially one living in that home and is not directly passing along costs to the guests—has incentives to run it efficiently.¹⁴¹

The benefits are less clear for units that are fully rented out, but even these rentals are more likely to follow the consumption patterns of homes rather than those of hotels. The UNWTO's and United Nations Development Programme's (UNDP) 2017 report, Tourism and the Sustainable Development Goals—Journey to 2030, states that the accommodation industry accounts for approximately 20 percent of the global tourism sector's carbon emissions and an estimated total of 1 percent of all global carbon-dioxide emissions, primarily through heating, air conditioning, and other energy-using services. 142 According to global data published in January 2018 by Statista, hotel rooms sit empty on average 34 percent of the time, 143 yet still consume energy resources when unoccupied.144 Local host rentals have lower environmental impact. According to a 2017 report on sustainability by Airbnb and Ellevate, a global professional women's network, "preliminary research suggests that Airbnb properties consume less energy, use less water, and generate less waste than hotels. In a recent survey, 72 percent of Airbnb guests said that the 18 environmental benefits of home sharing were of some importance in their choice of Airbnb."145 According to Airbnb, local host rentals consume 12 percent less water

Sustainable tourism:

"Tourism that takes full account of its current and future economic, social, and environmental impacts, addressing the needs of its visitors, the industry, the environment, and host communities"

-UNWTO

than traditional hotel accommodations per guest night in North America and 48 percent less in Europe; at the same time, because most guests shop for and cook their own meals, and most local host rentals are not stocked with individualized toiletries or minibars, Airbnb reported that for 2014 in North America, waste (food and trash) was reduced per guest night by 32 percent.¹⁴⁶

Further aspects of sustainability, such as the social and economic benefits to communities, will be addressed in Chapters 3 and 4.

A DYNAMIC FUTURE

n the first few years of this sector's development, local host rentals did not seem to pose a major threat to existing tourism infrastructures. But this is no longer true. Local host rentals have expanded faster than anyone could have imagined, and they are here to stay. Airbnb has announced that as of August 2017 "on any given night, 2 million people are staying in other people's homes around the world" through their services alone. "47 New, large platforms are affecting the ways in which travelers, providers, and destinations think about and plan for travel. They are making traditional providers pull up their socks and innovate.

This will not be easy for every stakeholder, but it is an immensely powerful wave of change that nobody can disregard. All players need to cooperate in ensuring that these developments work to everyone's benefit. Destinations need to work with tourism authorities, platforms, and other players to ensure that regulations and other systemic changes are positive, supportive, sustainable, and sensible. If they do so, they will be able to reduce the problems faced as this new sector evolves, and share in the benefits of this new and exciting way to travel.

Local host rentals have expanded faster than anyone could have imagined, and they're here to stay.

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argaret Johnson first visited London as a young traveler. Like most tourists, she spent most of her time in neighborhoods that were popular with visitors, such as SoHo, Westminster, and Kensington. Given the prices of London accommodations, Johnson stayed in bland and mediocre hotels in a London neighborhood she didn't particularly care for, where prices were high and amenities few.

Ten years later, she returned to London for a week looking for a different experience. Unfortunately, hotel prices had only increased over time. As Johnson wanted to explore parts of the city where Londoners lived, she decided to try a local host rental—an apartment offered for a short-term stay by the owner—rather than book a room at a commercial hotel. She signed up for an account on Airbnb, spent a lot of time browsing options online, and settled on a well-priced apartment in Islington, an area she'd never visited.

While the flat wasn't extraordinary, Johnson was hooked on the experience of living where the locals lived. "The positives far outweighed the negatives for me. I fell in love with Islington. I felt like I'd been missing out! By the time I left, I was already thinking about where in the neighborhood I'd stay next."

Since then, Johnson, a Bangkok-based educator, has returned to London on five or six more occasions; each time, she would stay in a local host rental in or around Islington. She has also booked local host rentals in Tokyo, Shanghai, New York, Amsterdam, Perth, and other cities around the world while traveling for both business and leisure.

"I love the sense of adventure and getting away from crowded hotels," Johnson said. "I mean, it's kind of a cliché at this point, but if you take the time to look you really can stay in amazing places and see what it's like to live in these cities and in these neighborhoods. It's completely changed the way I travel."



SETTING YOU UP FOR SUCCESS AS A GUEST

ur goal in this chapter is to prepare you, the traveler, to make the most of your local host rental experience. We will stress throughout the book that being a guest in a local host rental is fundamentally different from staying in traditional hotel accommodations because you are staying in a stranger's home.

Although you are renting a place to stay, just as you would at a hotel, the process of using local host rentals feels different. With a hotel, the interaction is essentially a commercial one. When a traveler is booking, renting, and paying for a space from another individual, however, factors of trust and reputation matter a great deal. The relationship is less transactional and more personal, which can be the best part of the experience. On the other hand, the rental process isn't standardized, so at times it can be a little unclear what to expect. The relationship between you—the guest—and the host is one of the most important parts of this transaction. (Price will always be a decisive factor, and local host rentals can be significantly less expensive per stay than hotels. This chapter, however, will focus primarily on the less obvious aspects of local host rentals, with which guests will need to become familiar.)

With local host rentals, your search, your stay, and your

communications are person-to-person, not person-toorganization. How you present yourself online, interact with hosts, behave as a guest, and deliver feedback after you leave—these are all factors that will affect your future rental experiences, for better or worse.

This chapter walks you through the critical stages of the setup, search, selection, and booking process, and also provides tips on being (and being reviewed as) a good guest both during and after your stay.

We open by reminding you about the key benefits of booking a local host rental: the "hospitality difference," the opportunity to feel "like a local" in a foreign place, and a more sustainable way to travel.

Then, as we take into consideration that many communities around the world are still figuring out ways to regulate the local host rental market, we offer some advice on how to anticipate and assess any legal questions that may arise. The heart of this chapter then follows: a practical, how-to guide to setting up your profile, evaluating service platforms searching for and booking properties, and protecting yourself against scams. Although, statistically, claims are few and far between, we guide you on what to do in case of emergencies and how to address claims if your local host rental experience falls short of expectations.

Throughout the chapter, we will impress upon you that communication with your host is paramount and critical to building trust.

Finally, we close the chapter with tips on how to write honest reviews: Reviews are the single most important factor that influences your host's reputation, and speaks to yours.

THE LOCAL HOST RENTAL DIFFERENCE: HOSPITALITY AND SUSTAINABILITY

eyond price and location, the thing that really matters to us is hospitality. We find, more and more, that we're happy to stay in small places—a local host rental or a B&B if we get the attention and help we need, particularly when we arrive and right at the beginning," said traveler Ming Yeo. "A host who's welcoming, well-informed, well-organized, and friendly makes all the difference. Big hotels can't easily compete here, even when they're top-notch. In fact, even in five-star hotels you often end up waiting in line to check in something that just can't happen in a local host rental."



in someone's home can be far more personalized and memorable. When you think of hotel hospitality, you may picture a doorman greeting you curbside, providing luggage assistance, and escorting you to the check-in desk, where a smiling receptionist extends a warm welcome. All these things and more can contribute to a great hotel experience.

A local host rental can also offer some of these amenities and services: the host may be available to welcome you, help with your bags, and provide tips on where to go and what to do. But good hospitality in someone's home can be far more personalized and memorable. It can include a handpicked basket of locally produced goodies, a home-cooked meal replete with regional ingredients, a fully stocked fridge based on your preferences, or an invitation to join the hosts and their friends for a night out on the town.

"I remember a host in Paris ended up buying us groceries. It was just a loaf of bread and just a few small things, but for me it was a meaningful experience," said traveler Sara Hutchins. "If you end up with a good host you'll get the things they recommend in the area and other local tips, so the experience can be more personal than staying in a hotel."

Many hosts provide a packet of menus from their preferred local restaurants, a list of the best bars, advice on getting around, and more. Because suggestions come from the host's unique perspective—and tips and recommendations about what's good and what's not will vary among people living in the same city, or even on the same street—you are essentially experiencing the host's hometown by following in his or her footsteps.

"My wife and I rented a flat on Airbnb for our first visit to Shanghai, and appreciated that our host took the time to show us around the neighborhood after getting us settled into her gorgeous flat," said traveler Robert Martinez. "She explained how the building was designed and how many families lived there, tipped us off to a few great local restaurants, and generally made us feel a little more comfortable in a city and neighborhood that were new to us."

At the same time, local host rentals appeal to guests who value sustainability—a trend that's of increasing importance, especially to millennials and consumers who want to purchase products and services that benefit communities and protect the environment. In a 2016 survey of global users, Booking.com found that more than two-thirds of guests were more likely to stay in an accommodation if they knew it was "eco-friendly."²

If reducing your environmental footprint matters, then local host rentals are a great option for you because they tend to generate less waste and utilize fewer resources than traditional hotels. Many



More than ²/_{3rds}
of guests say
they are more
likely to choose
"eco-friendly"
accommodations.

- Booking.com

hosts are actively taking steps to make their properties more energy efficient, and as a guest living in someone's home, you have more control over the amount and type of resources you use—you can cook your own food, wash your own clothes and linens, and shop locally.

A REMINDER ABOUT LEGAL MATTERS

s you read, it is important to keep in mind that the local host rental landscape is rapidly evolving and changes and new developments can be expected virtually every day—not all of which can be captured in this book. While all statements are accurate at time of writing, it is inevitable that changes will continue to occur after publication. Please make sure that relevant information is up to date before you book a stay, begin operating a local host rental, or take action on any local host rental community issues or regulatory policies.



As a sector overall, local host rentals have enjoyed exponential growth, but they have also encountered some growing pains. Markets for local host rentals have expanded so quickly that in some instances standard regulations, safety measures, and other legal matters have not yet been fully hammered out and resolved. Every country and city grapples with its own specific issues related to local host rentals, from zoning concerns to questions as to who should be allowed to host travelers—and for how long and in which types of properties. Some policies are very flexible; others are strict.

Should I rent?

3 Steps to Mitigate Legal Risks



1. Research.

Before you book, research online for news on general attitude and legal status of local host rentals at your destination. Some platforms may permit you to check with the host if you want to confirm.



2. Rent wisely.

If you aren't comfortable with a host's actions, choose another property.



3. Know your rights.

Review customer service and claims process, in case of problems.

The Singapore government, for example, passed a law in 2017 forbidding homeowners to rent out entire homes or apartments for less than six months without prior approval, and illegal hosts are subject to heavy fines.3 The law was updated in June 2017 to lower the minimum rental period for private homes to three months, while keeping the minimum at six months for public housing units.4 Airbnb now complies with rental regulations in cities like Amsterdam and London, which limit hosts to a maximum number of rental days per year by delisting properties once they hit that milestone (reduced from 60 days to 30 days starting in 2019 for Amsterdam, with an occupancy limit of four people; 5 90 days for London).⁶ In June 2017 the Japanese national legislature passed a law allowing homeowners to rent rooms or entire homes for up to 180 days a year, though local governments have the discretion to shorten the maximum operational period. Given how fast the market changes, it is possible that between the time of writing and publication, some of these regulations will have been updated while new ones elsewhere will have emerged.

As these matters are of more relevance to hosts and local authorities, we will delve further into the legal issues and complexities facing the local host rental industry in later chapters. As a guest, however, you should understand that some gray areas still exist, and more so in certain destinations. Just as passengers on an airplane are taught how to act in the unlikely case of an emergency, we recommend that you educate yourself on local regulations that may affect your stay, just in case.

Traveler Franz Busch, for instance, described a recent experience in Bangkok: "The building clearly did not want to have owners renting their places out. When we arrived, the people at the reception desk were out-and-out hostile and didn't want to give us the keys at all," he said.

They told us to call the host, who was 9,000 miles away and didn't answer the phone, so we were left sitting there in the lobby with all of our luggage, unsure what would happen next. We finally talked our way in, and eventually were able to speak to the host, who apologized profusely. But the experience left us feeling a little uneasy about staying in properties that are not fully legal and aboveboard.

The vast majority of guests have positive experiences in local host rentals, and only a fraction of them ever need to consider the legality of their stay; again, these issues should be handled by hosts. As with any new travel experience, however, part of having a successful trip is preparing for any possible, if not probable, complications. Above all, we recommend working with a local host rental service you trust, since it will be that service's job to ensure that the rental is compliant with the law. You should also read any and all available reviews about the property you are interested in to see if this issue or other related matters have come up in the past. If they haven't, then it's likely you're on safe ground—and your service will be your backup in the unlikely event that a problem arises. As we will discuss later in the chapter, some sites feature verified reviews, which ensure that the information you read is accurate.

HOW TO GET STARTED: FIND YOUR SERVICE AND SIGN UP

etween the many dedicated local host rental services like Airbnb, HomeAway, and VRBO, and large online booking services like Booking.com and Agoda that now also offer local host rentals, there is no shortage of places to start your search for the perfect property. Each service has its pros and cons, its own policies, and different inventories on offer, and the right service for you may simply be the one that satisfies your specific needs at a

specific time, for a specific destination.

"Travelers care about getting a good deal, a good price, and often use multiple sites to find and compare options," said Monica Lees, a senior user experience (UX) researcher at Agoda. "With that in mind, on Agoda we want to give travelers the option to find both hotel rooms and local host rentals so they don't have to go back-and-forth among all these sites to find the place that's right for them."

There are a number of niche local host rental services specializing in certain types of properties (e.g., couch-surfing or luxury rentals), but it's best to start with the biggest and most popular services for your search. For a summary of the industry's key players, refer to Appendix 1.

DIP YOUR TOES IN THE WATER

efore venturing too far into any particular local host rental service, it's a good idea to spend a little time looking around and getting a general feel for how things work.

Most people are familiar with booking hotel rooms online. It's fairly straightforward—you might look at room types and costs, check the facilities and location, read the reviews, compare them with other potential options... and that's it. There are more variables in the local host rental equation. Properties differ widely, from a basic apartment share to a luxury villa. Amenities, policies, and house rules can also vary substantially from one property to another. You'll need to find out the answers to questions like "How will I check in or get my key?" "Are directions clear?" or "Where do I park?" since each listing is unique. Of course, with local host rentals you'll be renting from a homeowner, so you'll want to familiarize yourself with host profiles and how the service incorporates this information into the listing.

A fun way to begin is to look up a dream destination and see what types of listings are available there. Perhaps you've always wanted to spend a week exploring the ancient ruins of Rome, or seeing the cherry blossoms bloom in Tokyo, or experience island-hopping in Hawaii. Just punch in anywhere you'd love to visit, make up arrival and departure dates if you need to, and see what comes up. Better yet, you can look up somewhere you're already planning to visit but haven't yet booked a place to stay.

Once you have some results, click on anything that catches your eye. Check out the property description, photos, and amenities; look at the property and host reviews; and poke around the platform's map functionality. We guarantee you'll be amazed by the variety of places in which you can choose to stay.

Most local host rental services require nothing more than your first



How to sign up for an account, and what you'll need to do it

To book a local host rental, the first thing you'll need to do is sign up for an account on the service's website. This shouldn't take more than a minute or two. However, before actually making a booking, you'll want to set aside some time later to complete your personal profile, where applicable; we'll have more on that later.

and last name, email address, and a password to get started; Airbnb does require users to be at least 18 years old, so you'll also need to enter your birthday (don't worry—it will be kept private) to get an account there. Some sites, like Booking.com and HomeAway, also allow you to join by simply logging in with your Facebook or Google account. (Always remember to protect your privacy when working with any social media service, and keep in mind that these platforms may use your account for targeted marketing.) Before signing up, review the service's terms and conditions, privacy policy, and other legal information linked to the registration page. Once you've successfully created your account, you'll receive an automated email requesting confirmation that you have signed up.

ACCOUNT SECURITY

s an extra security measure, and for the sake of transparency, Airbnb gives hosts the option to require potential guests to further confirm their identity using its internal Verified ID program. To complete this step, you need to enter a government-issued ID such as your passport or driver's license and you can also provide a link to

How to craft a personal profile that works for you

You might think that your profile doesn't matter—but it is, in fact, absolutely integral to local host rental transactions, which are based on person-to-person relationships. Put yourself in the shoes of a host: Would you feel comfortable renting your home to someone you didn't know anything about? Of course not. And that's why it's so important for you to take the time to complete a personal profile when local host rental sites offer them—which most of them do. Your profile will help assure your potential hosts that you're exactly the type of responsible, trustworthy traveler to whom they wish to rent.

A SAMPLE GUEST PROFILE



Mr. Matt Guest 🙆



VERIFIED INFO Email Address 🗸 Phone Number 🗸

Learn more...

I am an American citizen residing in Singapore for the past 8 years. I work at a multinational consulting firm as an auditor.

I am a travel enthusiast who usually travels light and prefers venturing out solo. I love to travel as I get to challenge myself in getting to know new places, people, and local experiences.

Besides traveling, I love to compose music. If you're intersted, you can check out some of my compositions in the YouTube link below, along with my other social media links.

I am fluent in English, German, French, Italian and now Chinese!

You can send me an email at Matt.Guest@email.com.







REVIEWS (62) REFERENCES (62)



Susan, Costa Rica Matt is an amazing guest. Super clean, cheerful, and nice. He even brought us a souvenir from Singapore!

- **♦**Name
- **◆** Verification information
- Smiling and friendly photo
- ◆Brief self-description, including where you live and work
- **◆Travel interests**
- **♦** Hobbies
- **■** Languages spoken
- **◆** Contact information
- Social media
- Reviews and references

your social media accounts, if you have them, as further forms of identity confirmation. This is a secure and private process handled internally by Airbnb; hosts do not see your identification details, just that you've been verified. This process can be completed in the "Trust and Verification" section of your account, and is well worth doing since it gives hosts peace of mind that they are renting to real people. (Putting your host at ease also benefits you, the guest, because it fortifies the trust equation on which local host rentals, like much of the sharing economy, depend.) As the local host rental market matures and laws and attitudes regarding data protection evolve, we expect that ID verification will become a more standard practice across platforms.

TIPS TO CREATE THE IDEAL PROFILE

Follow our suggestions and see sample profile on page 66 to create a profile that hosts will trust.

Photo. Upload a photograph that clearly shows your face. Pick one where you're smiling and look friendly—something that you would use for your LinkedIn or Facebook account. Airbnb also lets you upload a quick 30-second video of yourself, though this isn't necessary (and most users haven't yet bothered to do it). This is not the place to upload a picture of your favorite cartoon or movie character, your child, or pet; the purpose of this photo is to help establish trust.

Description. Most—not all—local host rental services provide a space where you can briefly describe yourself. This gives you an opportunity to tell hosts more about you—where you come from, what you do for a living, how often you travel, and what kind of travel experiences that you enjoy. It doesn't have to be lengthy; just be yourself, and remember that the profile is meant to convince hosts that you'll be an ideal guest.

Social Media. Currently, Airbnb is one example of a local host rental service that allows you to connect to your Facebook account and request personal references from friends, family, and coworkers. While this is optional, it can be good way to present a positive

picture of yourself. You may not wish to share your Facebook account if it is very personal, but do keep in mind that social media has become a big part of the local host rental validation process. With Facebook and other social media platforms like LinkedIn, Instagram, or Twitter, it has never been easier to learn about strangers online. These social media platforms can help hosts get to know prospective guests, and determine whether the person making a request (or who has completed a booking) is reasonable and trustworthy. Remember that if a host sees offensive or otherwise questionable content on your profile, he or she may be disinclined to accept a request.

Reviews. Some services allow hosts to provide reviews of you following your stay, so while you may see a space for this on your profile, you won't have any reviews until after you've completed your first stay. These host reviews hold important information that, if positive, can considerably enhance trust and stand you in good stead for future bookings. It goes without saying that the more responsible and respectful you are during your stay, the better your reviews will be. (See sample reviews on page 69 and 71)

Keep in mind that while sites like Agoda and Booking.com offer instant bookings on most local host rentals at the time of writing, other services may require host approval for certain properties after you request a booking. (This is an area that's evolving as the market expands.) Your personal profile is one of the first things hosts will look at when deciding whether or not to accept your request, so make the effort to present yourself in the best light—honestly and with personality.

HOW TO FIND THE PERFECT LOCAL HOST RENTAL

ven after staying in local host rentals a few times now, it still takes me a little while to find the right place," said traveler Bernice Loh. "Things like location, cleanliness, Wi-Fi, and at least a small kitchen are important to me, so I spend time sorting through quite a few places before I actually make a booking."

At this point, you've gone to a particular service, entered your destination, your check-in and checkout dates, and have seen a listings page that may display available properties. When you see a listing of interest, you can click on it for more information and read reviews from previous guests—just like when you're searching for hotels online.

Once you've entered the basic search criteria, however, there are a few additional steps you should take to zero in more quickly on the local host rental that's right for you.

This may seem obvious, but to ensure accurate search results, it's

Review from Hosts



Christina July 2018

It was my second time to host Mr. Matt. He is very cheerful and respectful. Both times, he kept the room in good condition. It is my pleasure to host him. I would be more than glad to host him again and would definitely recommend him.

- ◆ Personality and traveling style
- **◆Feedback on cleanliness**
- **◆**Recommendation for future

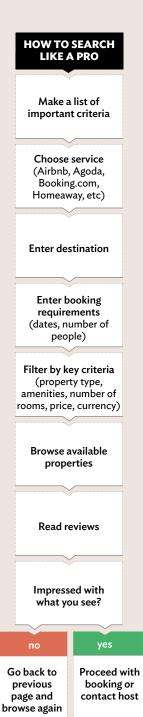
How a host views your profile

I definitely do look at prospective renters' profiles. ... I don't need a life story, but it's helpful to know why the person travels, and if they typically travel with their spouse, friends, or family. It helps me to get an idea of who this person is and how they would treat the rental.

I do take into account if the profile is coherently written.... If the person has taken time to write a short, thoughtful profile using proper grammar, this tells me that he is probably a thoughtful person who will treat my rental space well.

— Maryam Siddiqi, host of two properties

in Canada and Croatia



important to enter the dates of your stay correctly (and double-check it to be sure), along with the number of adults and children who will be traveling. Prices and availability of local host rentals vary depending on dates and number of guests, and those properties that do not meet your basic criteria are filtered out. Furthermore, hosts maintain a calendar of open dates and may charge extra for reservations that include more than a certain number of guests. On the left is a flow chart to guide you through the process.

Note that most services allow you to adjust the displayed currency, and some let you change the language, as well. At the time of writing, Airbnb let users choose from more than 27 languages and 40 currencies; Booking. com had 43 language options and 50 different currencies to choose from, while Agoda had a choice of 38 languages and over 50 currencies. One of the advantages of working through a large platform is that it can simplify your shopping process and help make sure that you get what you want in the most convenient way.

WHERE DO YOU WANT TO STAY?

nce you've entered your destination, dates, and the number of guests, some local host rental services then ask you to indicate the type of property you are interested in. Is it an entire property? A spare room within a property where the host (or other guests) may reside? Or a room to share with other travelers?

If you are looking for complete privacy and minimal host interactions, you may prefer to rent an entire property—though this will usually cost more than a private or shared room. On the other hand, if you value host interactions, don't mind sharing space, or are traveling on a budget, private and shared rooms may be better options for you. The key to picking the right property is knowing what your personal needs and preferences are.

FINDING EXACTLY WHAT YOU WANT

he fact is that your basic search may yield hundreds of listings: this is where the service's search filters come in handy. These powerful tools help you weed out properties that don't fit your criteria, taking you one step closer to finding your perfect rental.

Positive Review





Australia 8 *******

Very nice and clean place, located right next to the train station. Not too far away from town and also in a nice and not-so-expensive neighborhood. The house is spacious and very pretty. Our host, Maria, was very friendly and kind. She greeted us with a welcome drink and prepared a nice breakfast. Her house is a kid-friendly place, with a mini playground that has a kids' swing set. Our kids had a very good time, and so did we! Would return back again.

- Property and location feedback
- **♦** Host behaviour and unique traits
- Special amenities
- **◆** Recommendation for future

Negative Review





Philippines 3

My partner and I had a very poor experience at the villa. To begin with, the map in the description was not accurate. The villa was very difficult to find, located 20 minutes east from the area mentioned in the map. Also, the owner had left the keys with the neighbor, who was away shopping when we arrived so we waited for 40 minutes. This was very frustrating. Our rooms were ok, but not quite clean. Although, they had a picture of a nice kitchen in the website, the actual kitchen was rusty \Unclean and did not and dirty. But the highlight of our trip was when we returned back after going around the city, and realized that the door to our house had been unlocked (we remembered locking it very carefully)! We called the owner, who wasn't cooperative at all. Thankfully our belongings were untouched. We left the next morning and booked a hotel nearby. Never coming back again!

Inaccurate directions

◆Poor communication

match listing photos

◆Safety concerns

No recommendation for future

The types of filters vary from service to service, but all of them allow you to set a price range (or minimum and maximum price per night) and have a map where you can zoom in and out of a given destination. On HomeAway and Airbnb, you can indicate the minimum number of bedrooms and bathrooms; choose to display only listings that offer instant booking (more on this later); and tick boxes next to amenities that you require, whether that's Wi-Fi, air conditioning, an indoor fireplace, washing machine, or cable television. Click on "More Filters" near the top of the search results page to access these filtering features.

Sites like Agoda and Booking.com offer other convenient filters. Booking.com, for instance, lets you sort by meals (breakfast included, kitchen available), cancellation policy, review score, and fun things to do within or near the property. Filter options continue to evolve: Airbnb has recently launched easy-to-navigate filters for families or business travelers.

MAKE A LIST AND CHECK IT TWICE

nce you've used filters to limit the search results to only local host rentals that meet your specific criteria, you'll probably *still* see quite a few properties that'll entice you. The best way to keep track of potential rentals for future reference—and in case your top picks become unavailable—is by saving them to your favorites or wish list.

It's easy to do. On Airbnb, for instance, you'll see a small "heart" symbol in the upper right corner of each individual listing on the main search results page. When you click the heart, a window pops up that allows you to either create a new wish list (which you could name "Dream Homes" or "Paris" or "Summer Family Trip") or add to an existing wish list. You can do this within each individual listing by clicking the "Save to Wish List" button located in the right column.

Booking.com, Agoda, and HomeAway offer similar list functionality; just look for the heart symbol that's usually located near the top right corner on local host rental listings.

If at any time you want to review your favorite finds, just log in to your account and go to your personal profile to access your lists.



HOW TO ANALYZE HOST AND GUEST REVIEWS LIKE A PRO

ne of the main differences between assessing a hotel room and a local host rental is, as you may have figured, the host. You may not necessarily interact with your host much—if at all—during your stay, but just as the host should look at your profile for assurances, you, too, should review the host's profile to ensure you are comfortable renting from him or her. Remember that when you rent a hotel room, you're interacting with a business; when you rent from a host, you're interacting with a person. And you need to make sure that this is someone you're comfortable doing business with, since you'll be living in his or her home.

"In some cases, the guest reviews and the information hosts share with you in their listing are a tip-off to the type of person from whom you will be renting," said traveler Desmond Chua. "For example, you might have very casual hosts who don't provide a lot of information in their overview, and this might tell you something about their hosting style. You may get others who are stricter, which may be reflective of the fact that they should have clear house rules and specific check-in times. It's important to pay attention to those types of things to ensure it's the right experience for you."

On HomeAway and Airbnb, hosts can upload their personal photo and provide brief descriptions of themselves and their rental (or rentals). You can see when they joined the site, the languages they speak, and how responsive they are to guest queries. Airbnb shows which identification criteria hosts have verified (email address, phone number, government ID), and lets them share additional information such as the university they attended, wish lists, and destination guidebooks they may have created that include tips and recommendations. References, if hosts have them, will be displayed, as well.

Guest reviews of local host rentals consider, or should at least consider, both the property and the host. When writing reviews, guests give their evaluations based on factors like timeliness and helpfulness of the hosts' communication; how accurately they depicted—through the description and photographs—their properties in the

Make sure
you are
comfortable
with your host;
you will be
living in her
home.



5 QUESTIONS TO ASK YOURSELF WHEN YOU READ REVIEWS:

Reality check:

Is the space really as nice as it looks online?

Interactions:

Is the host helpful? Rigid? Friendly?

Hidden Secrets:

Is anything broken, not working, missing, dirty or unclear?

If only:

What could be improved?

Match:

(Everyone has different needs at different times.) Is this property the right match for me, on this particular trip? listing; the cleanliness of the property; and whether it was good value for the price.

In fact, it's probably not a stretch to say that guest reviews may be the best indicators of whether that dreamy local host rental you've fallen in love with is as amazing as it appears. Remember—be prudent and do not take everything at face value.

With host and guest reviews—as with restaurant, movie, and book reviews—their power lies in quantity. If after more than a hundred reviews, a local host rental has an overwhelmingly positive (or negative) consensus, you can probably trust the score. It doesn't mean that just because a property has very few or zero reviews that it's a scam or a place to avoid (more on common scams later), but you should definitely tread more carefully if a property looks too good to be true and also doesn't have a single review. Of course, new hosts are offering their homes for rent every day, so you may just have spotted a gem and could have the honor of being the first traveler to enjoy it.

When you do come across a negative review, pay attention to the guest's particular concerns. Though he or she may have legitimate gripes, it's also possible that this traveler simply had unrealistic expectations or had an unfair bone to pick with the host. On some services, hosts are actually able to respond to guest reviews, and these responses can often tell you a lot about the host and help you know what to expect.

To sum up, review the host profile carefully. The best and most trustworthy hosts upload a clear personal photo, provide detailed property information, are highly responsive, and have strong overall reviews.

TOOLS FOR HOST VERIFICATION

eviews are one way to screen local host rentals, but another tool that's worth mentioning is ID verification, which will become more significant as the local host market matures and technologies improve. You should expect that in the future, services may require additional steps to verify all users—guests and hosts.

What if guests want extra assurances that hosts are actually who they say they are? In today's digital world, concerns about hacking and identity theft are certainly valid, and guests are justified to do more research before



booking a room from a stranger. Currently, guests can take steps to verify a host's identity by researching easily accessible data, either within or outside the service.

Within a service, verified ID symbols on host profiles and reviews are two major building blocks for establishing trust between guests and hosts; reviews serve as "reputation mechanisms," which will be furthered explained in Chapter 4. If you are booking without a service, a quick survey of a host's social media activity can help you learn more. LinkedIn has public profiles that can provide basic information on their professional activities. You may see whether a host can be followed on Instagram, Pinterest, or Twitter. If so, you can probably follow the host without attracting attention, since these are public platforms. Hosts who are serious about their rental business may well help you learn about themselves, their properties, and their approach to marketing. Given that most Facebook accounts are private, however, guests need to think about whether or not they want to become friends with a host solely for verification purposes—especially since access to information goes both ways. Nevertheless, social media platforms are quick tools to use when doubts about host identity arise.

Note that there are three specific situations in which we would thoroughly recommend extra vetting of your potential host's identity:

When the service is unfamiliar. If you are using a service for the first time or one that is new.

When it's a high-value booking. More and more, local host rentals are tapping into the luxury market with niche product offerings and higher price tags. Let's say you are booking a special event (such as a wedding at a secluded beachfront property) or want to indulge in an exclusive getaway at an upmarket property promising the services of a five-star hotel; err on the side of caution and find out more about your host. Stay One Degree, for example, is a niche service where guests book luxury accommodations only from hosts that they are connected to through social networks. Properties are listed as "One Degree"—which means they're hosted by people you personally know—and "Second Degree," which are properties hosted by connections in your network. As of publication, guests can view Second Degree properties, but in order to make a booking they would need to add the service to their personal social network.

When you're a solo female traveler. According to a survey conducted by Wanderful—a community for women travelers that has recently launched a woman-to-woman local host rental service—54 percent of women prefer to stay in a hotel over Airbnb while traveling alone, because of trust and personal safety concerns. Wanderful markets itself as an "identity verified" platform, where all members have to be verified via a five-minute video call before they can sign up as a host or rent a property as a guest. If safety is a concern for you—especially as a female traveler—it is wise to take precautions!

Ultimately, no local host rental service can provide a 100 percent guarantee against fraudulent activities or host identities, however rare they may be. However, keeping pace with advancements in ID verification and doing your research using social media can help mitigate most of your fears and concerns, and hopefully, allow you to book your stay with confidence.

HOW TO HANDLE SPECIAL NEEDS AND OTHER REQUESTS

n addition to the filters that help narrow your search for things like amenities, price, and type of property, most services also allow you to indicate any special needs, requirements, and other extra requests for your stay.

On the Booking.com and Agoda search results pages, for instance, you can sort listings by those that offer facilities for disabled guests. HomeAway can filter properties that are wheelchair accessible and/or are suitable for the elderly or infirm, while on Airbnb you can check "Wheelchair accessible" under "Facilities," and choose "Lift" if a member of your traveling party requires an elevator. As you can see, these filter options can be invaluable for those who need them.

If you have any special requests or have questions about the facilities listed in a local host rental, it's best to contact the host before making a booking; we'll discuss how to do so shortly.

BRING THE KIDS ALONG!

ccording to Tripping.com, 90 percent of U.S. local host rental guests travel with family members; 36 percent travel with kids.¹² (See Figure 13 on page 79.) Service providers like Airbnb and HomeAway identify families as a key segment to drive growth in the local host rental market; the same is true for Agoda. Cost may have something to do with it: BJ Yasuda, senior product owner at Agoda, explained that the data show it is significantly cheaper (more than 50 percent) for families to go with a local host rental than to book two hotel rooms.¹³

The fact remains that local host rentals are also often a much better option for traveling families because they contain the perks that most hotels cannot provide. Think a full-sized refrigerator for storing groceries or milk for babies, spacious facilities for diaper duty, separate bedrooms, and a fully equipped kitchen. The vast majority of Agoda's homes have kitchens—the top preference for traveling families—while approximately 90 percent have more than one bed.

"While considering a few properties on my short list for places to stay in London, I ended up booking the one in which the host stated in the description that a baby cot was available," said traveler Martinez. "It was a huge relief knowing that we wouldn't have to pack that for the trip."

To cater to this segment, booking sites have filters for child-friendly accommodations to help families find their perfect place. Agoda can filter local host rental listings by "family/child friendly," while Airbnb's amenity filters



For families, renting a local host rental is typically more than 50% cheaper than booking two hotel rooms.

BJ Yasuda, Senior
 Product Owner, Agoda

include "family/kid friendly" and "kitchen," the latter of great importance if you prefer home-cooked meals (and the significant cost savings from not eating out three times a day). Parents can choose "children welcome" on HomeAway and "family room" on Booking.com.

If you want to stay near a park or other family-friendly attractions, you can also use the map on the main search results page to zoom in on places that you want to be near, then survey the listings populated in the surrounding area to see if they fit the bill.

HELP YOUR HOST HELP YOU

ou may not need to contact a host before initiating your booking; it's certainly not required. Some travelers can decide immediately on a property, and sites like Agoda and Booking.com offer instant bookings on the majority of local host rentals. However, if you want more information before you make a decision, these sites and others allow guests to communicate directly with a host prior to booking, which can help answer any burning questions you may have about a property (and its host). In these cases, direct communication can help you decide whether or not to book.

"Responsiveness by email matters, both because it helps us plan and because we take it as an indicator for how helpful and attentive the host will be during our stay," said traveler Yeo about one of his main considerations when booking properties. "Someone who can't be bothered to write back to a question sent in advance isn't likely to be very accessible or responsive when we really need help on the spot."

To find and communicate with a potential host, look for a "Contact Owner" or "Contact Host" link on listings on Airbnb, HomeAway, and other services. Here are a few reasons why you may want or need to contact a host:

Confirm availability. Since property availability is fluid, you might simply wish to ensure that a host's calendar is up to date. It can be a serious letdown to set your heart on a property and request a booking, only to learn that someone else has already booked it because the host

Some sites let you communicate directly with host before booking.



FIGURE 13

90% of local host rental guests travel with family members, 36% with children.

700,000 trips were taken by U.S. families on Airbnb in 2015.

Families make up **42%** of HomeAway's guests. 71% of guests with children chose local host rentals so they could cook their own meals.

Family reunions are the most popular special occasion (41%) for local host rentals.

SOURCES: Data from Airbnb; HomeAway; Tripping.com.

forgot to update his or her calendar (which can happen, especially if the property is listed on multiple sites). Sites that offer instant booking, of course, avoid this problem altogether.

Inquire about needs. If you're a light sleeper you could ask about street noise; those with physical limitations could inquire about elevators. If you're traveling in the depth of winter you could make sure there are no issues with heating, or you might simply want to confirm there isn't any major construction going on near the property.

Clarify listing details. Consider your critical personal needs and requirements. If you have any questions or if anything is unclear in the listing, don't hesitate to send a brief, polite note requesting clarification before you confirm a booking.



Validate the relationship. Most hosts will be responsive, and some really welcome interaction with guests.

Besides, it's important for hosts to know when you will be arriving. (Remember: They don't have a front desk with a 24-hour-a-day desk clerk.) If the host is unresponsive or doesn't answer your queries clearly, you may want to consider another listing which, ideally, you have saved in a wish list or marked as a favorite, as we've previously suggested. Get more insights into how the guest-host relationship works in the chapter on hosts: you'll learn some things that can make you a better guest, as well as help you get more out of the whole rental experience!

Trust is reciprocal in the host-guest relationship. When you communicate well with your host, you not only obtain the information you need; you also present yourself to the host as a trusted traveler. (Just don't overdo it. Remember that hosts are busy people, too.)

Before getting to the questions, introduce yourself briefly. Perhaps tell the host what attracted you to his or her property and explain the purpose of your trip—just a few sentences will do. Be friendly, and be your best self; after all, you know what they say about first impressions. Your goal is to present yourself in the best light.

UNDERSTANDING WHAT YOU'LL PAY, AND WHEN

ayment, understandably, is the point where some travelers feel most leery about local host rentals, particularly those who have never booked one. There's a comfort and ease to booking hotels that are a known brand and entity, whereas private local host rentals have an element of the unknown.

There are certainly horror stories about payment scams involving local host rentals. In 2016 one London woman was taken for nearly GBP 800 (~US\$1,100) when she transferred a payment to a scammer managing a fake Amsterdam Airbnb listing. Another woman wired US\$3,800 to somebody purporting to own two New York City apartments, only to soon learn that this "host" had created elaborate, fake Airbnb listings and even managed to create a fake Airbnb live-chat service (when, in fact, Airbnb offers no such service). Some guests who make

high-value bookings are particularly careful about using social media to validate hosts.

Bear in mind, however, that only an infinitesimal proportion of travelers ever experience such issues with local host rentals. And remember that Agoda, Booking. com, Airbnb, and other local host services offer secure internal payment systems and have measures in place to protect both guests and hosts; after all, their businesses depend on it.

One other thing: Aside from paying the host for accommodation, there are also other services that you may want to consider purchasing. Whether it's having a meal with a local family, a cleaning service, a bike tour of the neighborhood, wine tasting, or just ordering groceries, there are many ancillary services that can make your experience both more local and more enjoyable. Services like these are becoming increasingly available and, really, the only catch is payment. At some point, probably in the next couple of years, payment services will communicate and cooperate with one another but for now, if you're a U.S. traveler who uses American Express and Apple Pay, and your host or local service provider in Guangzhou uses Alipay and WeChat Pay, it may be difficult for you to find a shared medium of exchange. Watch this space, though—things change fast.

HOW CAN YOU AVOID A SCAM?

he number one rule to avoiding a scam is to familiarize yourself with the service's payment system and act accordingly. The service you use will clearly describe in its booking form whether you should pay via the website's payment service or directly to the host. For services like Airbnb and Agoda, for example, guests usually pay through the service's payment system, unless otherwise noted. On some sites, guests often need to pay hosts directly. Other payment options can include PayPal, bank transfer, or a third-party credit card processor. Use the method recommended by your booking site.

In general, you should communicate with the host via the service's internal messaging system, if that option is available. Again, different platforms will offer different options; the best thing you can do is get to know your



AVOID SCAMS



Familiarize yourself with the service's payment system, and pay either via the website's secured payment service or directly to host.



Communicate with the hosts via **internal messaging system** only.



Understand **all costs** before you book.



If the service provides a payment system, don't send money through outside channels.



Don't click on payment links in emails—even if they look official!

platform well and follow its instructions. Understand that these services have their customers' best interests in mind, so if you feel that something isn't right, ask the service for help. Be prudent, as you would with any online transaction.

AVOID GETTING FLOORED BY HIDDEN FEES

efore you confirm a booking, it's important to check for any additional fees.

Local host rental costs vary from service to service and from property to property. Sites like Booking.com and Agoda, for example, do not have an additional booking fee for guests: you simply pay the listed rate, which may include the service's markup and local taxes, when applicable. Many sites also collect a cleaning fee if the host indicates one.

Airbnb currently charges guests a fee of up to 20 percent of the booking price; taxes and currency conversion charges may apply, as well. Airbnb hosts may also require a security deposit, which is held by Airbnb and collected only if the host makes a claim within 14 days of the checkout date. Note that while Airbnb charges you once your booking is confirmed, they do not transfer payment to hosts until 24 hours after you check in. This is an added security measure.

Overall, the key to booking happiness is to understand exactly how your service works and know what your total cost will be—make sure you know what's what in terms of the costs, fees, and potential deposit requirements before you click. When it comes to money, nobody likes surprises!

BOOK IT

kay, you've found the perfect place, you feel comfortable with the host, and the price is right—it's time to book!

Depending on the service, there are two ways to complete a local host rental booking—instant booking and a two-step process of requesting and confirmation. Listings that are marked as "Instant Booking" require nothing more than your payment details to secure the reservation; it's just like booking a hotel room. Remember that on some sites, like Agoda and Booking.com, most listings can be booked instantly; the rest are "Book on Request." On other sites, services are working with property managers to

migrate more listings to this option. According to the travel industry site Tnooz, the total number of properties that can be instantly booked doubled in 2017; instant booking will increasingly become standard, though not universal. For example, as of June 2018, 99 percent of all local host rental reservations on Agoda are instantly booked. This is an area that will continue to evolve as the lines between local host rental and hotel services blur.

On Airbnb, HomeAway, and some other local host rental services, you may need to make a booking request first and receive host approval before the reservation is completed. In this case, you'll see a button that says, "Request to Book" instead of simply "Book."

Once you click the request button, you'll see the property's house rules, when applicable, and then be asked to tell the host about yourself, any other travelers, and your visit; again, this helps establish trust. If you've already contacted the host with pre-booking questions, he or she may have already extended preapproval, which essentially means that your booking will be instantly processed should you choose to proceed. The same rule applies to your booking request note as it does to your personal profile and pre-booking queries: be friendly and honest, and be yourself.

Once you've requested a booking, you'll need to enter your payment details, but you will not be charged until the host accepts the request. If, for some reason, the host rejects your request—and it can happen, unfortunately, because of changing availability or any number of other reasons unrelated to you—the service's rejection email will include automated alternative suggestions you might consider. Such instances are exactly why it's a good idea to create a wish list of favorite properties—if your first choice isn't available, move on to the next-best options you've found, reviewed, and saved ahead of time.

It's worth noting that on extremely rare occasions hosts have canceled guests' bookings for discriminatory reasons. One former Airbnb host, for instance, explicitly and infamously canceled a guest's booking for racial reasons (a case we'll look at in Chapter 4, which is about regulation). Contact the local host rental service immediately if you experience any discrimination at any time before, during, or after your stay.



-Smarthosts blog

PROFESSIONALISM OF (SOME) LOCAL HOST RENTALS

hough personalization has been synonymous with local host rentals since the industry's inception, in recent years professionalism has entered the picture, as well. It makes sense: As a more diverse set of travelers seek out local host rentals—business people, senior citizens, multi-generational families—the experiential expectations evolve and create a need, somewhat ironically, for hotellike services. For example, according to a 2016 article in the Smarthosts blog for short-term rental hosts, one-third of all local host rentals in Europe were managed by professional companies.²⁰ For guests, the increasing professionalization has both advantages and disadvantages.

The downside, of course, could be a more impersonal experience. The list of properties available on many services, particularly those located in major cities, often include local host rentals managed by real estate firms, not independent hosts. In Toronto, for example, *The Star* reported in August 2017 that the top host is a management company that manages 128 listings across the city.²¹ If one of the main reasons why you're staying in a local host rental is to meet and interact with a host, make sure to review a listing carefully, particularly the owner profile and guest reviews, to ensure you rent from an individual rather than from a service.

On the plus side, a more professional approach to rental management from hosts can give you an easier booking process, better and more standard amenities, and streamlined check-in and checkout. For instance, the ability to make instant bookings, which we previously discussed, can help take the guesswork out of the reservation process. Airbnb released "hosting standards" for its hosts to review and to help them better understand and react to their guests' needs.²² And advanced features like smart locks, which allow hosts to remotely send timed property access codes to guests, can eliminate the sometimes tedious task of arranging a time to meeting to pass off and return keys.

Overall, the key takeaway for guests is that it's never been easier to find a local host rental that suits your personal needs—whether that's a highly personal experience, one that's more impersonal and professional, or something in between.



Be a 5-star guest:

Practical advice from a 5-star host

Dana McMahan is a freelance writer and a longtime Airbnb Superhost.^a with two properties in Louisville, Kentucky. Guests have given both units five stars. Below, McMahan shares five tips to help guests make a good impression and have a great stay:



1 | READ THE LISTING!

The best hosts provide detailed property information in their listing—and the best guests carefully review all of it before booking or asking busy hosts questions they have already covered. "Chances are other guests have had the same questions you might have, so over time your host has updated the listing with all the details you might need," McMahan says. "Ask a question that's already answered ("Do you have Wi-Fi?") and you risk not having your booking accepted—because hosts will reason that if you can't be bothered to read the listing, you probably won't read the house rules, either."



2 | TELL US WHY YOU'RE TRAVELING AND A BIT ABOUT YOURSELF

Don't forget the personal connection and trust that go into the host-guest relationship. "For some folks it's just a transaction, but lots of us got into this because we like meeting fellow travelers," says McMahan. "Plus, we're in a position to give you some great insider tips as you plan your trip—but only if we know more about you than just your name and dates of travel."



3 | NO RADIO SILENCE, PLEASE

As we've mentioned in this chapter, there's plenty of reasons to keep the conversation going with your host after you've booked your local host rental. "Guests are great about communicating on the fly during the booking process, but almost without fail go silent after

booking," says McMahan. "Your host will often have a question or two geared at helping you have a better stay—such as asking about dietary requests if they provide breakfast—and it's frustrating to be ghosted up until the day before the trip when you suddenly launch a flurry of questions."



4 | IF YOU ONLY DO ONE THING, TELL US WHEN YOU'RE COMING

McMahan says there is one essential piece of information you absolutely must relay before you arrive. "Whether we're hanging around at the rental to let you in, or just trying to plan cleaning around checkout and check-in times, we really need to have a general idea of when you'll be here," she says. "Just a rough estimate is fine, and if you decide to stop for a leisurely lunch en route, no worries—but do the thoughtful thing and send a heads-up."



5 | WRITE A REVIEW

Your experience isn't over when you check out. Tell others (and your host) about your stay. "Hosts live and die by their reviews and work hard to make sure everything is great for you. They sweat over the details, including writing a review of your stay that will help you get accepted by future hosts," McMahan says. "Return the courtesy and jot a few lines. No need to be flowery—just tell potential guests what to expect. Keep in mind, too, that potential hosts look at reviews you've left for other hosts, and if you seem super picky, well, you might not have first pick of the best spots."

^a Airbnb uses the Superhost designation for hosts who have received five-star reviews for at least 80 percent of their bookings.



BEFORE YOU ARRIVE

nce your local host rental booking is completed, the service will email a receipt and confirmation letter that delineates all essential booking details, like arrival and departure dates, payment method, check-in time (and instructions), and perhaps house rules, driving directions, and parking information. If anything is wrong, you can edit or manage your booking in your personal profile.

KEEP THE CONVERSATION GOING WITH YOUR HOST

onsider at least sending a short note to your host prior to your arrival (and be sure to answer any queries the host may send you, too), if the service makes it possible. Again, because this is a personal relationship and not just a business transaction, it helps to maintain communication.

You may wish to confirm your expected arrival time, requests, or other special needs, clarify the check-in process, or simply say how much you're looking forward to your visit. This is also the place to ask any questions about logistics; for example, whether you can preorder groceries or supplies to be delivered before arrival, or to

arrange a backup plan in case your arrival is delayed. If and when you receive a response from your host, the local host rental service will automatically send you an email alert. You can access the message on the provider's internal messaging system after logging into your account.

WHAT YOU SHOULD BRING— AND NOT BRING—WITH YOU

or the most part, packing for your stay at a local host rental is no different than packing for a hotel visit, but there are a few notable exceptions.

Most hotels, of course, provide such essentials as towels and linens, bath products, and basic bathroom amenities. The same is true of many local host rentals, but not all of them! So it's important to review the listing carefully to see what will and will not be provided for your stay. In that regard, the best and most thorough listings should fully prepare you.

For example, one property may come with fresh linens, towels, toilet tissue, and soap on arrival, which will not be refreshed during your stay. The host of another property may offer all the aforementioned items, plus shampoo, conditioner, a carton of milk, and fresh fruit; in some properties the host may even have a "help yourself" policy, allowing you to use whatever you see in the pantry or bathroom.

Contact the host prior to your arrival if you have any questions after reviewing the listing. For instance, if you'd rather not pack your hair dryer, or anticipate needing an iron and ironing board but are uncertain whether these items will be available, that's a perfect opportunity to get in touch with your host and plan ahead. If you've rented the entire property, you could even ask if your host will leave garbage bags.

Remember, it's your responsibility to review all listings thoroughly before you proceed with a booking; this goes back to our advice to contact hosts with questions before you book. If only after completing the booking do you realize that an important amenity is not provided, and you no longer wish to stay in that property, you will be subjected to the listing's and service's cancellation policies.

WHAT TO DO ABOUT CANCELLATIONS AND AMENDMENTS

Just as different hotel room categories and rates have varying cancellation and amendment policies, rules also differ greatly among the various local host rentals and services; in other words, the cancellation policy for one property on Airbnb may be completely different than another.

Both Airbnb and HomeAway have several different cancellation options and it's up to the host to indicate how strict or relaxed they wish to be. For example, HomeAway's five cancellation policies range from "relaxed" (100 percent refund if canceled at least 14 days prior to the arrival date, 50 percent if canceled at least seven days ahead of time) to the much stricter "no refund."²³

On Airbnb, any cleaning fees that would have been incurred during the stay are always refunded, regardless of the property's cancellation policy. Users may also receive refunds on Airbnb's booking fee on up to three cancellations per year, based on eligibility. Many local host rentals on sites like Booking.com and Agoda have free cancellations up to a specific date.

To avoid any frustrations stemming from a change of mind (or plans), it's best to familiarize yourself with your service's and property's policies before making any bookings. (You can refer to Appendix 2 for a summary of the different cancellation policies across service providers.)

It's good to remember that the top priority for any local host rental service is to effectively and efficiently meet their customers' needs. Most of the larger players invest heavily in customer service departments—these are often their largest internal teams. ²⁴ This means that customer service is available 24/7; there's no need to wait for a hotel reservation desk to open for someone to get back to you. At the time of writing, Agoda has customer service staff based in Singapore, Thailand, Malaysia, China, Japan, Hungary, South Korea, and the United States, all accessible by phone and email, around the clock; ²⁵ Booking.com currently has customer service offices in 13 countries. ²⁶

Before you book, take a moment to browse the customer service information listed on a service's website. It is in your interest to book with a service that can assist you should you require a refund or have an emergency.



BACKUP AND EMERGENCY PLANS

ccidents, emergencies, sicknesses, and other unforeseen circumstances can occur when you travel. Therefore, a key step in planning for your local host rental stay is to put together a backup and emergency plan that is specifically tailored to your destination and travel needs. Backup plans should answer some basic "what if?" scenarios. Let's say you and your kids are scheduled to arrive at night, but your flight got significantly delayed. Will your host be able to let you into the rental in the small hours of the morning? Have you scheduled your travel during a peak holiday period like the eve of Chinese New Year, when transport costs rise and demand is high? If you or someone you are traveling with falls ill, do you have a first aid kit and prescriptions on hand? Do you have travel insurance? Do you know the phone number for emergency services in your destination country?

Establish a communication plan with friends, family, or colleagues at home. It is good practice to make sure that at least one person has all your travel details so that you can be reached, if necessary. Finally, be sure to keep soft copies of your ID and passport (if traveling internationally), in case you lose your passport or wallet. (A paper copy of your main passport page is also a very useful thing to have.) You should also know how to contact your bank or credit card company

BEFORE YOU LEAVE HOME—A CHECKLIST
Local host rental confirmation letter (printed or saved on your phone)
Accurate driving directions to the local host rental (if you have a car), or taxi and public transportation details (as needed)
Your host's contact information (email address, phone number, messaging app)
Your local host rental provider's contact information (email, call center, social media)
Check-in procedure (printed or saved on your phone)
Enough local currency (particularly if you've booked a cash-on-arrival property)
Backup and emergency plans.
Have everything? It's time to check in!

and have a backup plan to get money if your wallet is stolen or lost. Most of these reminders apply whether you are staying in a hotel or a local host rental, and will ensure sure that you have the best possible experience, wherever you decide to stay.

WELCOME TO YOUR LOCAL HOST RENTAL

s we've mentioned, local host rentals depend on a healthy two-way relationship. The best hosts go out of their way to ensure that guests are happy and comfortable and receive everything they expect, while ideal guests are mindful and respectful of their surroundings.

"You'll be living in someone's home," said traveler Tyler Fisher. "I think for hosts to continue renting out their properties, which is a unique opportunity for them and for the guest, once you check in it's

all about respecting the host's property and their things. It's about treating their home like how you'd want your own home treated."

Stories of poor guest behavior have cast a dark cloud over the reputation of local host rentals. The fact is that guests who are disrespectful of their host, property, and surrounding neighborhoods are in the minority; unfortunately, those few that do cause problems can threaten to ruin a good thing for everyone. A quick search online would yield numerous articles detailing the fallout from unruly guest behavior for hosts and communities. There's even a site, AirbnbHell.com, with "uncensored stories" from hosts about nightmarish guests (and vice versa).

In many ways, local host rentals are a great opportunity for hosts to welcome travelers from around the world while earning some extra income, and for guests to experience a refreshing new way of travel while choosing the accommodations that most closely fit their needs (location, amenities, opportunities to interact with hosts, etc.). The model works best when both guest and host do their part; as the saying goes, "it takes two to tango."

On your part, follow the house rules, if there are any. Handle furnishings, appliances, and all items with care. If you're sharing a home with the host and/or with other guests, try to accommodate others' needs as much as possible; you'll see that when you do so, others will be quick to reciprocate. That may mean cleaning up after yourself in the kitchen, or remembering to take your shoes off before going indoors, or keeping personal media to an appropriate volume in your room. Similarly, try to keep noise to a minimum if you come back late at night or rise early in the morning. Treat your host's home as you would like yours treated. Basic manners and a little politeness can go a long way towards ensuring a positive experience for you and your host. Also remember that while you may be on vacation, neighbors are at home. Living like a local isn't just about the home in which you're staying—it's also about being a responsible neighbor.





WHAT IT'S LIKE CHECKING IN

ost people could check into a hotel with their eyes closed.

Getting into your local host rental is usually just as easy, but sometimes there can be a little... adventure involved.

"After I booked a local host rental in Los Angeles, the host sent me a URL to some check-in instructions, and I told him over and over again that the link just gave me an error message and that I needed the correct URL, which I never received," said Agoda's BJ Yasuda.²⁷ "What happened is that I showed up at the place and I told the lobby attendant that I was going to this room. He let the elevator open for me, and it was not a problem; he just kind of took my word for it. It might have been a problem if that guy hadn't been so nice, but since it all worked out I didn't care. Things aren't necessarily always smooth, but it's okay."



Of course, such incidents during check-in are not the norm. Yasuda, in fact, makes his family home in Seattle available as a local host rental and, like some hosts, helps ensure a smooth check-in for his guests by simply emailing them a code for the front door's electronic lock. He has a property manager on hand, as well, to welcome guests, provide a goodies basket, and make sure they get in.

Check-in instructions are either provided automatically or by the host upon booking. The host may greet you at arrival with the keys or leave them with a neighbor or nearby merchant.

Remember that, unless you've booked a cash-on-arrival rental, all payments are handled online via your service's internal system, so one thing you won't need to worry about is cash or deposits.



MORE GUEST TIPS: HOW TO MAKE YOURSELF AT HOME

Stay in touch. Don't show up unannounced.

Respect the house rules.

Read the house guide and follow rules to the letter.

Clean up.

"Leave it better than you found it." Empty trash/manage resources.

Mind the neighbors.

You may be on holiday, but neighbors are not.
Keep noise levels low and act appropriately for local culture.

.....

WHAT TO EXPECT DURING YOUR STAY

B ecause you are a guest in a stranger's home, there may be some things that are expected of you. House rules should be made clear before you arrive, so you will know in advance if you're required to assist with daily upkeep. But it's always polite to help maintain the place, no matter the rules.

For instance, if you've booked an entire property, you may be asked to take out the trash, sort the recycling, and do the dishes—basically, stuff you do to keep your own home clean and tidy. Of course, you may not have to do anything at all, particularly if you've splurged on a property that has, say, live-in help preparing meals, cleaning, and doing the laundry. (Such local host rentals do exist; many villas in destinations like Bali and Phuket, for example, include house cleaners, chefs, and even drivers).

Though you should always expect the best from your local host rental—that listing pictures are accurate, that all amenities are provided, that it's clean—it doesn't hurt to be a little flexible and go with the flow. As with any kind of accommodations, there will be times when the property not only matches, but exceeds your expectations, and times when individual hosts may be able to customize the experience for you in ways that larger, commercial properties cannot. There will, of course, also be instances where it's not quite as clean, or as quiet, or as spacious as you'd anticipated. Accept that there is potential for variability in the local host rental experience.

"You have to be clear about what you want and what you're getting," said traveler Shulamit Levi. "If you're looking for a business hotel, you won't find it in someone's apartment, but if you're open to something different or more local, and you can check in advance that you're signing up for what you want—you really can find places that will make for a memorable stay and that are different from any hotel experience."

Responsive hosts will do their best to address minor problems as quickly as possible. However, on rare occasions, there may be times when an issue warrants further escalation.

HOW AND WHEN TO RESOLVE ANY ISSUES

n many hotels, the maintenance staff can try to repair a leaking air-conditioning unit, fix clogged plumbing, or replace faulty light fixtures—even at two o'clock in the morning on a holiday weekend. Things may not always be so straightforward with local host rentals, such as when traveler Alex Lim experienced an issue at a property in Italy.

"My husband and I both smelled gas in the room, and when I went to the host he said that it was the heater for our shower, which vented outside. He advised me to keep the windows on that side of the room closed," said Lim. "This did remove the gas smell, but it wasn't a fix, and I know that there have been some bad problems with gas heaters in different countries. This was a case where the informality of the arrangement was a negative, as a hotel would have fixed the problem, rather than just providing a temporary and not very confidence-inspiring workaround."

If there are any problems, first do as Lim did and try to get it addressed by contacting the host directly. Most circumstances can be resolved without too much fuss—if not always to your total satisfaction. If there is a larger issue, or if you wish to file a formal complaint with the local host rental service, do so immediately. Airbnb, for example, requires that both hosts and guests provide notice of any complaint within 24 hours of the guest's check-in. All major local host rental providers have staff available 24/7 to assist guests in the rare event of an emergency.

Such support can extend not only to call and email centers, but also to social media. In 2016, for instance, a couple arrived late at night at their remote Airbnb in Puerto Rico, found it uninhabitable, and tweeted their problem to the company's Twitter support account, @AirbnbHelp.²⁸ In less than an hour, the support team saved the couple from an unfortunate situation by booking them into another accommodation, paying for it, and refunding their original booking.

This is an extreme example, of course, but it's good to know that when there are problems, help is at hand.

WHAT TO DO WHEN IT'S TIME TO GO

he checkout process should be easy and quick. Just as check-in procedures are made clear prior to your arrival, hosts will also inform you of checkout procedures beforehand. Your host may be on-site to collect your keys and bid you farewell, or make other arrangements (e.g., have you slide the keys under the front door, drop them in a mail slot, or leave them with a neighbor). Make sure, however, that you don't forget any personal items because there (probably) won't be a receptionist on your way out to ask whether you remembered everything.

Whether you've booked an entire property or a shared space, it's polite to tidy up before you leave, even if your booking includes a cleaning fee (often

standard practice). Take out the trash, put dishes away, and toss used towels in the washer or hamper. Leaving a positive last impression can help secure a glowing review from your host, which, in turn, builds your reputation as a reliable guest. And that will make you a more attractive candidate for your next local host rental; it's a kind of accommodation karma.

YOU'VE CHECKED OUT OF YOUR LOCAL HOST RENTAL—NOW WHAT?

nce you've checked out of your local host rental, and assuming you've given the host no reason to make a claim, any right to charge you the deposit (if it was required) expires. At the time of writing, Airbnb hosts either have to make a claim within 14 days of checkout or before another guest checks in, whichever comes first. At this point, Airbnb will step in, investigate the situation, and act as an intermediary between you and the host. Since you are charged a deposit only if a claim is made, you'll probably forget that you even had to cover it.

Every service has its own policies for deposit claims and returns, so be sure to review the terms before booking. Also, company policies can change, so it's wise to check again with each new booking.

WHY HONEST LOCAL HOST RENTAL REVIEWS MATTER

s we've discussed, local host rentals operate on trust. Reviews for both hosts and guests are the key safeguards in the local host rental system to establish and maintain trust. Hosts will feel more comfortable renting out to guests with positive reviews, and guests will feel an added sense of security renting from well-reviewed hosts. That is why most sites make it as easy as possible for you and the host to provide feedback on your stay.

If you book your property on Booking.com, HomeAway, or Airbnb, you'll receive an automated email inviting you to review your guest experience; the host will also have the opportunity to review you. When you leave a review, there's space to send private feedback to the host (and service) as well, and to leave stars and comments that will appear on his or her public profile. To help maintain review integrity, the host and guest can see their own reviews only once both reviews have been submitted.



In my experience:

5 frequent guests share advice

1 | ASK QUESTIONS BEFORE YOU BOOK

When searching local host rentals, Margaret Johnson carefully reviews

the details in every listing and reads previous guest reviews, too. However, she still prefers to contact hosts before booking, even if everything looks perfect. "I can put up with a lot of things, but I absolutely cannot stay somewhere that's noisy," she says. "I've found that most people don't discuss street noise in their reviews, so I always contact hosts to ask them how loud it can get."

2 | ADJUST YOUR EXPECTATIONS

Amenities are important to traveler Ching Jet Heng, but his local host rental experiences have, in some

respects, changed the way he evaluates them. "We stayed in a very small B&B in Italy—basically an apartment whose owners, an older couple, rent out three bedrooms—and were really happy there because the room was nicely decorated and had spectacular views," Heng says. "It had basic amenities like Wi-Fi, a nice shower, and a comfortable bed; there definitely wasn't a pool, or room service, doorman, any of that. But it was still an amazingly pretty place to spend the night, and no hotel would have offered that experience. And for what it's worth, our picture of that room got more likes on Facebook than anywhere we stayed!"

3 | BE FLEXIBLE

In most cases, staying in a local host rental is nothing like staying in a hotel, says Singapore-based freelance writer

Robert Martinez. At a local host rental, things may not always go the way you expect. "I once rented a place in which the owner clearly stated in her listing that her two dogs roamed the backyard freely, but were extremely friendly.

Prior guest reviews confirmed that," Martinez says. "But on our first morning one of the rather fearsome-looking dogs decided he didn't like me and barked and growled like crazy. I called my host and she left work immediately to calm things down. In the end the dog just needed to be reassured and sniff me a little, and he was fine for the rest of my stay."

4 | TO INTERACT OR NOT TO INTERACT: THAT IS THE QUESTION

At some local host rentals, you'll have the opportunity to speak with your hosts and share their living spaces as they go about their day; at others, you may not even meet them. Keep your desired interaction level in mind when you review listings and before making a booking. "I know people who have booked on Airbnb and the only reason they did it was because they wanted to interact with the host," says lan Lee, a marketing agent based in Vietnam. "Then there are people like me, and others I talk to around my office, who just have no interest in that at all, so you can go from 100 percent to zero percent."

5 | FIND JOY IN THE LITTLE THINGS

During a local host rental stay in Paris,

traveler Jaime Burroughs found that one of the things she enjoyed most was simply seeing how much her host's everyday home experience differed from her own. "One of the things to which I was exposed at my first local host rental in Paris was that it had heated pipes in the bathroom to warm your towels, as well as a combined washer and dryer that was really small," she says. "What I loved was this mind-blowing experience of living in someone's house and seeing the technology and experiences they have day to day."



FIGURE 14

Experience more, locally

Local host rental industry's entry into "experience" travel taps into worldwide trend.



The travel experience market is **10%** of total global travel revenues.



Globally, Europe and Asia have the highest demand for experience travel—especially with food.



78% of millennials prefer to splurge on experiences than on things.

SOURCES: Data from Forbes; Phocuswright; Skift.

Was the property accurately described and pictured? Were all expected amenities provided? Was the host responsive and helpful? If there were issues, were they serious or small, and did the host do his best to address them in a timely manner? Be fair, thoughtful, and honest when crafting your review; while you want to prepare potential future guests for what to expect, there are other things to consider.

"I'm still trying to decide whether to mention the gas heater issue I had because it's important for other guests," said Lim. "At the same time, I realize that a negative review could really turn business away from a place—and people—we liked a lot."

When writing your review, consider the experience as a whole and be sensitive to the impact your ratings and remarks can have on a host and property.

HOW "EXPERIENCE" TRAVEL GOES BEYOND LOCAL HOST RENTALS

efore closing this chapter, let's discuss an emerging trend that hints at the underlying appeal of local host rentals: the desire to experience travel "like a local." There is rising demand among travelers—particularly those aged 40 and under—for a more personalized, authentic experience during their adventures, and sites like Vayable (a niche site that provides "unique experiences offered by locals") and Airbnb have piggybacked on the local host rentals concept by offering tours, classes, food and drink tastings, and other experiences you can take with local guides, who have expertise in a particular activity or topic. Launched in November 2016 in 12 cities, Airbnb Experiences has taken off; as of January 2018, Airbnb offers 4,000 experiences across 50 cities around the world.30 In October 2017, Airbnb CEO Brian Chesky told Fortune that the company boasts a "wait list of tens of thousands" to host experiences and that 90 percent of their experiences receive five-star ratings.31 Booking.com has also launched Experiences, and is offering them in more than 60 international cities as of September 2018. "Deciding what to do while you're traveling can be an extremely time-consuming and stressful task that takes away from your overall experience in a destination.... Booking

"The stuff that matters in life is no longer stuff. It's other people. It's relationships. It's experience."

—Brian Chesky, CEO Airbnb²⁹ Experiences seamlessly helps our customers to enjoy whatever they want to do, whenever they want to do it," said Ram Papatla, vice president of Experiences at Booking.com.³²

In Barcelona, one host offers an in-home experience that includes Spanish wine tastings, Catalan-style home cooking, and a guitar performance. In Bangkok, guests can join a host for a five-hour biking outing that includes ferry rides, equipment, refreshments, and street-food snacking. Olive-oil tastings with an expert in Sabina, Italy; sake master classes in Tokyo; and three-on-three street basketball followed by beers in Cuba are just a few of the many unique activities travelers can book on Airbnb Experiences.

According to Phocuswright's 2017 report *Tours & Activities Come of Age: Global Travel Activities Marketplace 2014–2020*, travel activities/ experiences account for 10 percent of total revenues in the global travel market; it is the third-largest industry segment.³³ As with other trends you will read about in Chapter 5, we expect experiences with local hosts to become widespread. So if you're looking to make your travels memorable and different, try an experience!

CONCLUDING THOUGHTS

here's definitely a bit of a learning curve in the process of becoming a guest at a local host rental. After all, you're more likely to be dealing with individual owners and all their quirks, and you'll need to learn to navigate things like building your profile, making arrangements for check-in, understanding refund policies, and even the mundane stuff like how to take out the trash. On some occasions—like a rapid-fire business trip—this may just be too much of a hassle. But for many other kinds of travel (if you're on a protracted stay and a kitchen would come in handy; or you're traveling with kids and doing daily laundry is a necessity; or you're embracing living like a local in a country you've always dreamed about), local host rentals offer opportunities and experiences that hotels just can't match. If you invest a little time and effort into mastering the basics, it can make all the difference between a frustrating experience and one that really meets—or exceeds—your needs. Whether you're staying in a centrally located studio apartment in Tokyo or renting a beachfront villa on a Thai island, you can have amazing experiences that you'll look back on for years to come. So follow our tips, find a service you're comfortable with, and go for it!

Chapter Summary: Key Lessons for Guests



Trust is a two-way street. Remember that local host rentals are person-to-person businesses. Be honest, practical, and smart about how you present yourself when interacting with hosts—from setting up a profile, searching for rentals, and communication, to following the house rules during your stay.



Educate yourself on policies and legal context. Check the legal status of local host rentals at your destination before you book. Know the legal issues and attitude towards local host rentals before you arrive.



Your profile is your calling card. Your profile assures potential hosts that you're a responsible traveler and someone they want to rent their space to. Include a good photograph and share appropriate details about yourself, your trip, and needs.



Explore and investigate. To find your ideal rental, search on multiple services, using filters to narrow down your search options. Pay attention to details—amenities, cancellation policy, and the like. Look out for red flags by reading reviews carefully.



Safety first. Make sure that your host's profile is verified and use social media to validate.



Avoid scams by following instructions regarding payment, and only use the service's internal messaging system.



Communication is key. Ask questions to clarify any doubts before you make a booking. Always let your host know when you're arriving. Don't show up unannounced.



Plan for the unexpected. Prepare backup and emergency plans for travel delays and medical problems. Consider purchasing travel insurance.



Make yourself at home, respectfully.

Treat your rental as if it is your own home. Make an effort to conserve resources, clean up after yourself, and be considerate towards neighbors.



Pay it forward with honest reviews.

Help the host, future guests, and yourself by writing an honest review after you leave. The sharing economy works best when there's transparency. And remember that your review says as much about your host and property as it does about you as a guest.

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ebra Barlow bought a flat in London years ago. When she moved to the U.S. for a teaching position, she thought initially about selling the flat, but instead decided to cover her mortgage by renting her apartment to short-term guests, who stayed for periods of between one to six months.

Barlow markets her two-bedroom flat on Sabbatical Homes, a niche local host rental service that caters to academics. "So far it has worked out incredibly well," she said. "Living so far away, I couldn't manage the hassle of different guests coming and going every few days. While I may not make quite as much money as I would if I used one of the more well-known sites, I do find the right type of people, and it's so much easier to manage them when they're staying for longer periods of time."

As an absentee host, Barlow has invested time and (a little) money to create a seamless experience for guests—only one of whom she has met in person since she began renting four years ago. First, she created an exceptionally detailed house guide to answer any questions a guest could possibly have—how to operate her (old) television and the water boiler, troubleshooting tricks for the washer and dryer, emergency numbers, and much more. She compiled all the instruction manuals for every appliance in the flat into clearly marked folders, as well.

Barlow also pays a neighbor a modest monthly stipend to act as a de facto property manager when needed, mostly to pass off and collect keys and to liaise with local cleaners, whom Barlow pays to clean the flat twice a month. "Even though Sabbatical Homes doesn't let guests review hosts, I, of course, want my tenants to have a great experience," said Barlow. "I think they appreciate me thinking ahead to any problems they might have, and little things like a local contact and a cleaning lady make a big difference."

It's all part and parcel of running a successful local host rental business—and it is, indeed, very much a business.

HOSTING IS A PART-TIME JOB, AT A MINIMUM

irst time running a hosting business? Don't worry! This chapter will provide you with the basic knowledge and tools to help you market, manage, and sustain your rental property like a pro. Before we jump into the how-tos of rental management, we'll help you evaluate whether hosting makes sense for you, given your time, resources, and community's legal context. We'll look at the benefits and trade-offs that you may encounter as a host. Hosting is about making money, of course—but there's a lot more to it than that.

Then, if you've concluded that hosting is a step you want to take, we'll walk you through each stage of the process, which includes



market research to help you determine your property's unique selling points, pricing, and positioning in the online marketplace



building a Listing that stands out, preparing your rental for guests (everything from supplies and décor to welcoming touches), creating a house guide with rules, effective guest communication, and the dos and don'ts of host etiquette



advice on ways to mitigate problems, should incidents occur (though they are few and far between). Finally, given that guest satisfaction can make or break your reputation, we'll sum up our best hosting tips with an eye towards understanding the impact that reviews play on your business. Our hope is that by the time you finish the chapter, you will have the confidence and know-how to launch your new business.

BUSINESS IS BOOMING

roperties like the one managed by Barlow are driving the transformative—and lucrative—local host rentals market. As noted in the Introduction, market research values the total global local host rental market at US\$169 billion by year end 2018, with an annual growth rate of 7 percent.¹

In Asia, services like Tujia and Zizaike have made aggressive moves and formed strategic partnerships in bids to establish their services with non-English-speaking travelers. Tujia expanded its reach when Ctrip invested in it and acquired local host rental services like Mayi and Qunar, and partnered with HomeAway and WeChat, while simultaneously bolstering its presence in neighboring countries like Korea and Japan.² Tujia is flexing its muscle in China, in particular. In August 2017 Tnooz cited data from Analysys that showed China's local host rental market had grown by 60 percent over a three-year period and estimated that 2017 transactions would total more than US\$1.8 billion.³ In May 2018,



South China Morning Post reported that 700,000 of Tujia's 1 million listings were in China, for the most part spread across 300 Chinese cities.⁴

Agoda, which receives millions of visitors per month, seeks to make a similar splash in its home turf as it invests significant resources into its growing local host rental service, marketed as Agoda Homes. Still in its early days, Agoda Homes already lists 1.1 million properties as of October 2018, the majority of which are in Asia—especially Thailand, Malaysia, and Japan—where the company has a strong hotel presence.⁵ Agoda's footprint in homes is global; in 2017, listings grew most quickly in the United States, Italy, Spain, France, Croatia, Russia, the U.K., Germany, Japan, China, and Indonesia.⁶ According to Agoda's Senior Product Owner BJ Yasuda, Agoda's Homes business has been growing significantly and the company expects this trend to continue.⁷

As all these services jockey for a piece of this global industry's pie, one thing is certain: hosts are in demand,

Over 416,000 hosts earned US\$ 5.7billion from October 2015 to September 2016.

— Airbnb

and opportunity is knocking louder than ever before. Around the world, local host rentals are providing hosts with lucrative and rewarding new income streams that increase not only financial security, but benefit communities as well. From empty nesters saving for retirement and young professionals paying off mortgages, to parents putting aside money for their children's education and entrepreneurs using the income to invest in a new business, local host rentals are proving to be an attractive business opportunity.

According to a *Financial Times* article, total gross bookings for Airbnb alone grew by close to 150 percent over 2016,8 while CBRE, a global real-estate advisory and research firm, reported that Airbnb's total host revenues nearly doubled between 2015 and 2016. In the U.S. alone, hosts who rented out entire properties (rather than shared units) generated 81 percent of Airbnb's total U.S. revenues, according to CBRE. Between October 2015 and September 2016, over 416,000 hosts had earned a total of approximately US\$5.7 billion.9

The message is clear: As the market matures, demand for local host rentals will only continue to grow. There is no time like the present to become a host.

(SOMETIMES) RISKY BUSINESS

ur goal in this chapter is to help prepare you, the host (or potential host), for success with your local rental business. We want it to be a rewarding experience both personally and financially; to do so, we first must pause to share some legal perspectives.



As we've mentioned in Chapter 1, the legal status of local host rentals varies tremendously from place to place. As a participant in this rapidly evolving market and legal landscape, you will need to be informed about issues that are emerging in your local market. Even in cities and countries where local host rentals enjoy legal status, restrictions still usually apply. As we have noted throughout the book, it is your responsibility as host to stay on top of the regulatory landscape in your area—it changes fast.

The implications of not following the laws are serious. For example, in the period between September 2017 and January 2018, Airbnb removed *half* of its 10,000 listings in

San Francisco—including more than 2,000 deletions in one single night—because hosts were not in compliance with registration requirements enacted by the city's Office of Short-Term Rentals. At the same time, Airbnb continues to advise hosts in cities like San Francisco, New York, Portland, and Barcelona to comply with local laws and abide by a policy they call One Host, One Home, which requires each host to only have one listing at one address.

While some services provide hosts with information about pertinent laws in their municipality, the responsibility to learn about any potential regulations—and penalties—belongs with the host. If you don't own your home, for example, it's advisable to review your lease and/or contact your landlord to see if subleasing is permitted; if it's not, in the worst case, you could be evicted.

In short, it's crucial to understand any and all potential legal risks before embarking on your local host rental business. And once more, to be clear, whether you're simply renting out a spare room in your home or managing an investment property, your local host rental is—and should be—viewed as a business. After all, that's how many regulators officially view it, and in some cases, tax it.

While we cannot cover every local law, Figure 15 provides some examples of current, and trending, policies around the world. In addition to staying apprised of the emerging regulatory environment in your area, it's important to educate yourself on different types of policies, as it's likely that governments will create regulation to address the issues that emerge from the industry's ubiquitous growth. In other words, it's best to be prepared.



BEFORE YOU RENT: A LEGAL CHECKLIST If you rent, confirm lease terms to determine landlord permission Confirm with local government (e.g., city/town council, housing authority, etc.) whether you need to **register** or obtain a permit Check for day limits on occupancy Evaluate any tax obligations Search online for **news** articles on local policy debates—in many municipalities, regulation takes years to finalize but it helps to be aware of changes that lie ahead.

FIGURE 15

An overview of the regulatory landscape for hosts

Regulatory Approach Location



Maximum cap

Japan: Hosts can rent homes to guests for up to 180 days per year.



Paris: Hosts can rent homes for up to 120 days per year.

London: Hosts can rent homes for up to 90 days per year.

Amsterdam: Hosts can rent to guests for up to 60 days per year (in 2019, it will be 30 days).

Minimum rental period

Singapore: Hosts are not allowed to rent out homes if such rentals are less than 3 months in duration (short-term rentals are effectively banned).



New York: In most cases, hosts cannot rent homes for less than 30 days at a stretch.

Home sharing



Santa Monica: Hosts cannot rent out homes for 30 days or less unless they live on the premises themselves. Therefore, only shared rentals are effectively legal.

Registration/ licensing requirement

Paris: Hosts must register with the Paris City Hall before they can list their properties to advertise for short-term rentals on any website.



San Francisco: Hosts that rent their homes out for fewer than 30 nights at a stretch must register with local authorities before listing properties online.

Taiwan: Hosts can engage in short-term rentals only if they have obtained a certificate of registration from the local administrative authority.

Hong Kong: Hosts who rent homes for fewer than 28 nights at a stretch must obtain a license from the administrative authorities before commencing operations.

Berlin: Hosts cannot rent out more than 50% of their apartment on a short-term basis if they do not have a city permit.

Host behavior



Japan: Hosts must abide by strict standards for property cleanliness, maintain a guest list and safety equipment, live 'nearby,' and inform neighbors that homes are used for local host rentals. Hosts must also respond promptly to any complaints from neighbors. Japan's 2018 minpaku law also requires registration.

Taiwan: Hosts must maintain guest lists, ensure guests' safety in the event of illness or emergency, and monitor, report or prevent prohibited activities.

NOTES: All information provided in the figure was correct as of January 2018.

SOURCES: Data from Airbnb; Channel NewsAsia; City of Santa Monica Planning and Community Development Department; Hong Kong Office of the Licensing Authority; Lonely Planet; Reuters; Straits Times; Skift; The Guardian; Tourism Bureau M.O.T.C. Republic of China (Taiwan).

WHY YOU SHOULD (OR SHOULDN'T) SHARE YOUR HOME WITH STRANGERS

et's take a step back and think about what is probably the most important question a host needs to answer: Why should I open my home to strangers in the first place?

There are four main reasons—financial gain, independence, new relationships, and community benefits. (See Figure 16.) We'll start with the most obvious one.

FIGURE 16

Benefits of hosting



Extra income

Increase financial stability.

According to Earnest.com, U.S. hosts on average earn over US\$900/month; 50% of hosts earn more than US\$500/month.



Be your own boss

Control business decisions. Manage 100% of your time, resources and property; create a business that meets your needs.



Relationships

Meet travelers from around the globe.

One-third of Airbnb guests could not travel or stay long without local host rentals.



Help your community

Support community business. In 2016, Airbnb guests contributed US\$8.35 billion to the Japanese economy.

SOURCES: Data from Airbnb; Earnest.

MAKE SOME EXTRA CASH

hether you're in between jobs, retired, in need of a little help paying off your mortgage, or just looking for extra cash to cover expenses and rent—the latter scenario was, in fact, the genesis of Airbnb—managing a local host rental can help to increase your income and give you greater financial stability.¹² In 2016, Airbnb reported that its hosts made on average more than US\$900 a month, but the range was very broad—from less than US\$200 to more than US\$10,000.¹³ In 2017, Earnest, a U.S.-based loan provider, analyzed "tens of thousands" of loan applicants over a 27-month period to determine how much income was derived from sharing economy income; they found that approximately 50 percent of the Airbnb hosts they looked at earned US\$500 or more.¹⁴ (See Figures 17 and 18 for more data.)

Before we get into how much you can make as a host, let's first review a few baseline statistics. According to a 2016 HomeAway U.S. host survey,

- Host earnings from rentals contribute 24 percent of hosts' annual income
- 70 percent of hosts cover at least half of their mortgage from rental income, and 54 percent cover three quarters of their mortgage

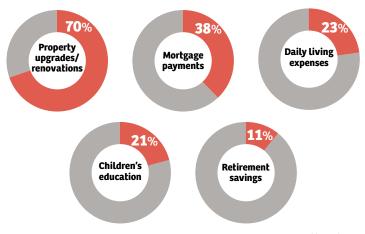
source: HomeAway.

- Extra income earned helps hosts in five key areas:
 - **70 percent** upgrading/renovating property,
 - 38 percent paying off mortgage,
 - **23 percent** daily living expenses,
 - **21 percent** paying for children's education,
 - and **11 percent** retirement savings.¹⁵
 - (Obviously, some apply funds to more than one area.)

FIGURE 17

Rental earnings constitute 24% of the average U.S. host's annual income.

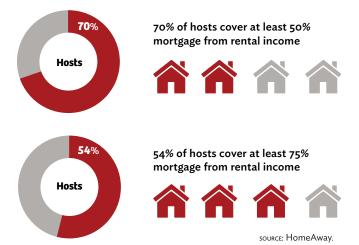
Hosts apply extra earnings to 5 areas:



source: HomeAway.

FIGURE 18

Earnings from rentals help U.S. hosts stay in their homes



CONTROL YOUR OWN DESTINY

o matter which service you choose for your local host rental, you control everything about how you conduct your business. You decide when and for how long to rent out your property; you set the rates and ancillary fees (such as cleaning fees); and you can create a set of house rules for guests to follow. This freedom is one reason many people like to host—it's a great deal more flexible than a nine-to-five job (though, of course, the responsibility does not end at 5:00 p.m.).

Though some services offer only instant bookings—that is, the ability for guests to book local host rentals without first requiring host approval—other services give you the ability to review potential guests before accepting their booking request. Of course, if you turn guests down, you have to do it for a proper reason; hosts who decline bookings based strictly on illegal discriminatory factors can (and should) be banned from the service and can even face fines and other legal repercussions.

MEET TRAVELERS FROM AROUND THE WORLD

ccording to Airbnb, one-third of all guests say that local host rentals help them to travel—and stay for longer than they otherwise could. Depending on how much you interact with guests, hosting travelers from all walks of life and from around the world can

Travelers spend most of their money on expenses unrelated to accommodations.

-WTTC

be personally rewarding as you cultivate relationships you otherwise might not have the opportunity to make. The connections you can make as a host—as a part of this emerging global community of travelers—can even extend to your own travels. In her *New York Times* interview, for instance, a divorced New York teacher, who in 2012 began hosting on Airbnb, shared an anecdote about hosting a Pakistani family. Initially uncertain about staying with her, both parties actually ended up building such a good relationship that they offered to host her in Pakistan.¹⁷ The benefits of the guest-host relationship may surprise you.

BE A CHEERLEADER FOR YOUR COMMUNITY

osts can help put their neighborhoods on the map, so to speak, by attracting tourists and supporting local merchants through recommendations on the best restaurants, bars, shops, and other businesses. To cite just one example on the country level, Airbnb claimed that it contributed JPY\$820 billion (US\$8.22 billion) to the Japanese economy in 2016 through the value of home rentals and additional spending by guests during their stay—and that's just Airbnb.¹⁸

In addition, research gathered by WTTC, the Singapore Tourism Board, and other organizations make it clear that most travelers spend the majority of travel dollars on *non*-accommodation expenses, such as local transportation, food and drink, shopping, entertainment, and more. Tourism is a significant economic stimulus to neighborhoods—and when travelers leave the standard tourist zones and stay locally, the stimulus is spread to businesses all over town.

Aside from helping contribute to the greater financial good of their communities, many hosts actively participate in town halls, public hearings, and debates to add their voice to discussions concerning sensible local host rental regulations. Host get-togethers and associations are becoming more common in major cities around the world, including Mumbai, Sydney, Tokyo, and Melbourne. These events can help hosts band together and give them a platform to discuss issues relevant to their businesses and communities.

In some cases, hosting can even have a direct impact on those less fortunate: some services are examining ways in which fees generated by local host rental bookings can be invested back into the community, such as by funding houses for the homeless.¹⁹ In this regard, local host rentals can contribute to the bigger picture of sustainable tourism.

WHY YOU SHOULDN'T HOST

osting is, at a minimum, a part-time job, though for many hosts it is, or becomes, much more. We encourage you to keep reading to learn more before you decide whether or not you're up to the challenge. That said, there are a few reasons why, no matter what, hosting may not be right for you.

Five red-flag reasons why you should not host:

- **1. Legal restrictions.** If local host rentals are restricted in your community or building, you must take the required steps to register your business and/or acquire the necessary permits. If they are illegal, of course, you should not list your property.
- 2. Risk of illegal discrimination. If you are uncomfortable with sharing your own home or property with strangers, some of whom may be of a different race, religious belief, and/or sexual orientation than you. (In fact, Airbnb has felt the need to step in and remind its hosts they may not discriminate on the basis of which sports teams their guests support!)²⁰ Host discrimination against potential guests can get you in a lot of trouble. One now-banned Airbnb host, for example, was fined US\$5,000 and required to complete and participate in a number of civil-, race-, and community-education discussions and classes after canceling a confirmed reservation because of the guest's ethnicity.²¹
- **3. Inadequate resources and time.** If you have a full-time job or lifestyle that does not allow you sufficient time to dedicate to a part-time business; or if you do not have a family member or friend to assist you, and cannot afford to hire a property manager to help with



"I tell prospective hosts, 'Think long and hard about whether you're ready to run a business."

SuperhostJodie Billingsley

cleaning, maintenance, booking requests, pricing and finance management, guest service, and other day-to-day requirements.

- **4. Public presence.** If you do not wish to have a public online presence, it doesn't make a lot of sense to be a host through an online platform. Though some services offer host anonymity, most of them have space for personal profiles that can—and should—include your photo and a little bit about yourself. Profiles are important in attracting guests, so if you are not comfortable with a public profile, you may need to think twice about getting into the business of renting.
- **5. Security risks.** Hosting, by definition, means having strangers in your house. Hosts need to take appropriate safety and security measures—stowing away valuable or highly personal items for safekeeping and purchasing a comprehensive insurance plan beyond host insurance coverage provided by some services. If you're really not comfortable with this aspect of the business, you may not be ready to host.

Still want to learn about becoming a host?

Great! Let's dive in.

HOW TO BE A HOST WITH THE MOST

really have to think long and hard about whether you're ready to run a business," explained Airbnb Superhost Jodie Billingsley, a freelance journalist based in Nashville, Tennessee, in the United States. With help from her husband, Billingsley manages two local host rentals on Airbnb and knows firsthand how much time and attention hosting requires; one of her units required significant renovation in order to make it market-ready. Despite this, she has maintained Superhost status on the service, and while she still finds this part-time business rewarding, she—like many hosts—has learned that running a successful local host rental can, at times, be a full-time job.

And just like any business, managing a local host rental comes with its own set of challenges. On a financial



level, the old saying that "you have to spend money to make money" applies. As Billingsley's experience demonstrates, expenses range from renovations large and small to insurance policies, new furnishings, cleaning services, guest amenities, and much more. And even if your extra room or property is in tip-top shape and fully insured, you still have to attract guests.

Once guests start arriving, a host should be prepared to operate as a small-scale hotelier. Some hosts report burnout from both the everyday hosting responsibilities—cleaning, making small talk, restocking amenities, providing concierge-like services—and other necessities such as managing bookings and finances, dealing with changing licensing regulations, and learning new property management tools on their chosen online service.

As local host rentals continue to reach a broader audience of travelers, more and more hosts are joining the community and marketing their services and properties. Competition is a major factor in the success (or lack of) of a local host rental property, and that's particularly true in popular destinations and major cities like Tokyo, Vancouver, and New York City.

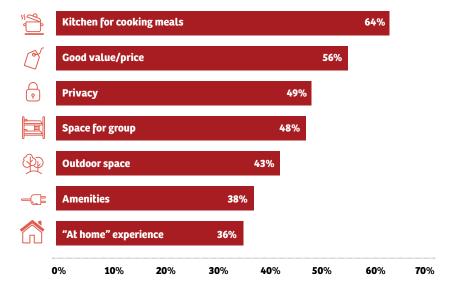
WHAT IS YOUR UNIQUE SELLING POINT?

iven the fact that your local host rental is highly likely to compete with properties from other well-prepared hosts, here's another important question to ask yourself: Why would a traveler choose to rent from you?

Does your property have unique architecture or other special features, like a big backyard or ocean views? If you live in a big city, is your place conveniently located in a trendy neighborhood or near public transport and popular tourist areas? Does it have stunning interior design or highend amenities such as complimentary media-streaming services or an outdoor whirlpool? Do you provide a fully stocked kitchen or a welcome basket full of local treats? Does your property provide exceptional value compared to other local host rentals in the area? Maybe you offer one, or several of these; the point is that you need to make your property stand out in some way to your potential guests.

A 2016 survey by the Home Depot and Tripping.com of more than 1,620 renters in the U.S. revealed four main reasons why travelers select local host rentals in lieu of other accommodations: access to a kitchen (64 percent); good value/price (56 percent); privacy (49 percent); and a





SOURCE: Adapted from Tripping.com.

space large enough for groups (48 percent). What do they not want? "Inaccurate listing photos (32 percent), dingy furniture (19 percent), a poor location (18 percent), and outdated appliances (9 percent)." ²² (See Figure 19.) A s you market your property, pay attention to your target guests' preferences and highlight the features that matter most to them.

Whatever the features, it's crucial to understand the ways in which your local host rental will stand out. Successful hosts have a clear game plan for marketing—from knowing which guests to target, to what traits to stress in the listing, to communication. For example, one property owner has noted that her place is unusually attractive and has the photos to prove it. It's also minutes from popular tourist attractions and the train station. Furthermore, she works hard to provide extra services—pretty much acting like a hotel. The reviews clearly point out how much her guests value this extra service, which really helps the property stand out against its competition.

MONEY MATTERS

f you're prepared to open a local host rental business, it means you have checked the legality of managing a local host rental in your building or neighborhood, and have accepted that it's your responsibility to stay informed about any changes in regulation. If necessary, you are ready to apply for a permit and register your property as a local host rental, and keep track of your finances, particularly for tax purposes (more on that later).

As a host, you have determined your unique selling point(s) and accepted the myriad challenges of marketing your property to diverse travelers from around the globe—which we'll be covering shortly. You're also comfortable with having an online presence, meeting and cleaning up after guests (or paying someone to do it), and receiving reviews—good and bad—about both your hosting capabilities as well as your property.

As we've tried to make clear, your local host rental business is an investment of time, energy, and finances; it's the latter that we'll discuss next, starting with perhaps the most banal, but salient topic—taxes.

TIP

Airbnb
automatically
issues tax
forms to U.S.
hosts if they
earn more than
US\$20,000
and complete
at least 200
transactions
per year.

—Airbnb

TAXES AND LICENSES

ome hosts are required by law to obtain a license and/or register their local host rental before they can legally start accepting reservations. Depending on your location and service, some properties are subject to city, state, and other taxes, which you may have to collect in person from your guests. And since your local host rental is your business, you'll need to understand and keep track of your property's value and income, deductible expenses, and other finance-related issues that come up during tax season. For instance, for U.S.-sourced earnings, Airbnb hosts automatically receive tax forms if they earn more than US\$20,000 and have at least 200 transactions in a given year. ²³

Some services provide hosts with basic guidance on taxes related to their local host rental. Many hosts, particularly those handling a significant number of bookings, find it easier to hire an experienced accountant or tax professional to help manage the nitty-gritty of taxes and other legal matters. Whether you manage your finances yourself or hire a service, avoid any possible legal entanglements by making sure you know and meet the tax and licensing requirements, and any other responsibilities related to managing local host rentals in your area. Be sure to check frequently, as laws change.

HOW MUCH YOU CAN MAKE

ased on data by Earnest, Priceonomics has reported that Airbnb hosts in the U.S. earn more than anyone else in the sharing or "gig economy"—"nearly three times as much as other workers."²⁴ (See Figure 20) As stated before, 50 percent of Airbnb hosts make US\$500 or more per month—compared to 84 percent of workers of other companies in the sharing/gig economy who make *less* than US\$500 per month. Figure 20 shows how Airbnb—and by proxy, income from local host rentals, in general—compares across sharing/gig economy jobs.

Like any business, your total revenues depend on the quality of your main product—in this case, your property and your services as host—and your ability to meet customers' expectations by satisfying their needs, matching demand, and differentiating your rental from the competition.

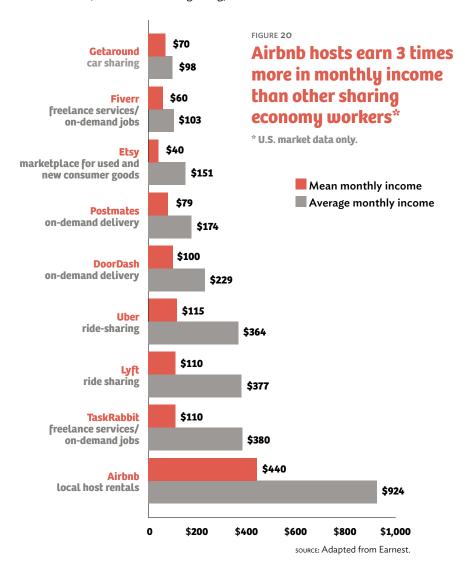
Airbnb provides extensive income estimates and statistics for hosts based in specific cities around the world.* As of 2016, the average Airbnb host in Vancouver, Canada, makes around CAD 6,500 (US\$5,230) annually, which according to the service, is income that covers at

^{*} All earnings data cited are from Airbnb or academic research using Airbnb data. For some markets, Airbnb discloses "average" income for the "average or "typical" host (calculated as the sum of all values divided by the number of data points), while in others it reports median (the midpoint income). HomeAway cites averages.

least 50 percent of the host's mortgage or monthly rent.²⁵ In the U.S., a typical host in Seattle makes around US\$11,000 a year;²⁶ in Philadelphia it's US\$4,600.²⁷ One retiree in Beach Haven, New Jersey, has told *The Inquirer* that she makes US\$12,000 a year.²⁸

In 2017, Airbnb CEO Brian Chesky had said to *Fortune* magazine that most of his company's U.S. hosts earned US\$7,000 per year,²⁹ while the Airbnb Policy *Tool Chest 2.0* reported that globally, a "typical Airbnb host" would earn US\$3,100 per year.³⁰

In Asia, Japan's median host income in 2016 was US\$9,900; across Taiwan, median income was US\$1,900 and all hosts in aggregate earned US\$67.8 million. In Hong Kong, host median income was



Calculate your earnings

Total revenues

- Operating expenses
- Service fees
- Taxes
- Licensing fees
- = Total Profit

US\$3,500, while total host earnings came just under US\$50 million; meanwhile, Airbnb hosts in Thailand made US\$97.7 million, and the median host income was US\$2,100 31 In 2017, an average Airbnb host in Malaysia earned an annual revenue of MYR 5,569 (~US\$1,414). 32

Of course, these income numbers are just approximations—you can make far less or far more depending on where your local host rental is located, how much competition you have, when and for how much you list your property, and so on. In Malaysia, for instance, the annual revenue can vary widely depending on where the rental property is located—in 2017, the highest earning host in Kuala Lumpur pulled in an estimated annual revenue of US\$33,708 on a luxury apartment in the city center.³³

Indeed, location matters in places like New York City, where Airbnb hosts with properties in midtown Manhattan make a median income of US\$8,286 annually, compared with, say, the US\$5,501 median income that hosts in Staten Island can expect.³⁴ Based on the results of a 2016 survey of its U.S. hosts, it seems the average owner on HomeAway grosses US\$28,000 annually from renting to groups of travelers and families.³⁵ (Note that different services report different host income levels, which may be the result of geography, market segment, property size and type, and/or how the service tracks and calculates its figures.)

Some industry studies have shown that the average income estimates provided by services like Airbnb are in some instances heavily skewed by the presence of commercial real-estate enterprises, and do not accurately reflect a private host's earning potential. In 2017, for example, the McGill University School of Urban Planning in Québec, Canada, released a report concerning the collective 2016 performance of the local host rental markets in Toronto, Vancouver, and Montréal. They found that a large part of the US\$430 million that Airbnb hosts made that year was earned by just 10 percent of hosts, with the top 1 percent making more than 12 percent of the income. Airbnb's top "host" in Toronto, with 128 listings and earnings of US\$1.34 million, was not an individual, but a real estate management firm.³⁶

Keep in mind that these income estimates on Airbnb and HomeAway come after the services deduct their hosting fees (3 percent to 5 percent per booking for Airbnb; either

FIGURE 21

Estimated host monthly earnings and profit in Asian cities

•	Monthly Earnings (Occupancy: 20 days/month)	Operating Expenses (including rent)	Monthly Profit	Profit as % Monthly Earnings
Osaka, Japan	US \$935	US \$640	US \$295	32%
Tokyo, Japan	US \$1,335	US \$990	US \$345	26%
Bangkok, Thailand	US \$470	US \$250	US \$220	47%

NOTE: All information provided in this figure is based on 2018 data. SOURCE: Data from Agoda.

annual fees or per-booking fee for HomeAway). Sites like Agoda do not charge hosts additional fees, so you will get the full listing price. At the same time, it is important not to confuse your total earnings with profit; at the end of the day, you must carefully keep track of your income and your expenses (we'll go into more detail later in this chapter). It's also critical to estimate your occupancy rate—according to a *Forbes* article, the U.S. average occupancy rate in 2016 was 65.8 percent.³⁷ For an example of how to estimate earnings, refer to Appendix 7.

Figure 21 provides some sample data from Agoda that shows what you might earn from renting out a centrally located, one-bedroom apartment for 20 days a month, in a few cities in Asia.

As you can see, there is good opportunity for savvy hosts to earn money. And help is available, too; the service you use to list your local host rental will provide some internal tools to help you estimate your earnings, review seasonal travel trends in your neighborhood, and figure out pricing. Before we delve further into pricing strategies, however, it's important to call attention to a significant factor in your earnings: service fees.

SERVICE FEES

hile the services vary, most do charge their hosts fees and commissions (these may be per year or per booking). It's important to understand the costs involved, as they will have a significant impact on your bottom line. A few percent may not seem like much at first, but hosts fortunate enough to receive regular bookings know how quickly these costs can add up.

Airbnb states that it generally charges hosts 3 percent per booking but it may be higher for hosts who select their Super Strict cancellation



Think like a guest: Booking fees + cleaning fees can make an affordable property pricey. rules; meanwhile, Airbnb charges guests up to 20 percent, depending on the property and length of stay.³⁸ For instance, let's say you list your property at the average price of US\$100 per night, and it is booked 20 days a month (on average). Before fees, you would have made US\$2,000 a month on your property; but if Airbnb were to charge a 3 percent booking fee, you would have to pay the service US\$60 out of that total.

The guest would also be paying fees. If a guest booked your property for four nights, and the service charges 10 percent, that would add US\$40 onto the guest's tab, in addition to cleaning and any other charges. Fees can bring apparently low-priced local host rentals closer to the cost of hotel rooms, which may discourage guests from booking. It's important for you to look at the total costs to guests, so you can price your rental appropriately for your market.

Services have different kinds of fee arrangements for hosts. HomeAway allows hosts to choose between an annual US\$349 to US\$999 fee and a per-booking fee that's between 10 percent and 13 percent,³⁹ while Booking.com charges hosts about 12 percent per booking;⁴⁰ Tujia charges hosts 3 percent.⁴¹ Agoda operates somewhat differently; hosts receive the prices they set, and guests pay the prices they see. The service earns its margin on a small markup between the price the host receives and the price the guest pays.

In summary, different services have different business models. Make sure you understand the service's fee structure before you sign up.

HOW MUCH TO CHARGE

ricing is one of the most effective ways to determine who is going to rent your property. One owner we interviewed targets a specific type of traveler when pricing and marketing his property. Because his property is located in an affluent neighborhood, and since he offers premium amenities, he tries to attract luxury travelers, as opposed to budget-minded backpackers.

In other words, he knows whom he wants to rent to and whom he doesn't. Determining your ideal guest demographic—whether it is couples, business people, families, luxury travelers, or backpackers—can help you decide how best to manage your local host rental, and that includes its price.

Pricing your local host rental is not an exact science, and the pricing tools that services provide, while helpful, are only a guide. One host, for instance, told Fast Company that while his service's pricing tools suggested that he price his spare bedroom at US\$26 a night, he charges up to US\$45 per night instead, and continues to receive good traffic. On the flip side, another successful host had decided that instead of renting out his property for the (high) suggested price and filling it on average one night out of three, he preferred to rent it out for nearly 100 percent of the time at one-third of the price because the approach helped garner positive reviews, which led to increased and sustained business.⁴² We recommend that you use your service's tools and guidance to understand the market—but then select the pricing strategy that works best to help you meet your personal goals.

Reviewing pricing tools and suggestions can help, but your own research, expenses, target profit, and business strategy will determine the price you are comfortable charging guests. The following are a few strategies to help reduce the guesswork. (For a list of companies that can help with this and other aspects of hosting, see Appendix 8.)

Assess the market value. First, it's helpful to know how well local host rentals in your area are performing: overall demand, average occupancy rates, and how much hosts charge for comparable properties. While they were designed for Airbnb, services like Everbooked and AirDNA provide detailed market analysis reports and data that can help paint an accurate picture of your local host rental market—and how your property fits into it. Market reports on AirDNA must be purchased (e.g., the report on the Upper Sukhumvit area of Bangkok covering 32 months of market trends, costs US\$30 per month), but you can look up metrics such as average daily rate, occupancy rate, and revenues just by typing in your address on the website. Currently, Everbooked charges US\$100 per month for data on 3,000 cities in U.S. markets.⁴³

Scope out the competition. Even if you've purchased a market research report, it's still a good idea to spend some time comparing and contrasting local host rentals that are similar to yours in your area. If you haven't selected





5 STRATEGIES TO DETERMINE PRICING



Assess the market value by observing practices of other local host rentals.



Scope out the competition by comparing and contrasting local host rentals.



Don't forget additional fees and charges such as cleaning fee, early or late check-in, etc.



Factor in weekends, seasons, and **special events** to adjust according to demand of the property.



Determine most competitive price with a high quality and wellreviewed property.

.....

the service on which to list your property (or even if you have), choose two or three services for your competition reconnaissance mission. Or do some literal undercover research by booking a night at a competing property.

Focus on learning as much as you can about local listings that are similar to your rental offering—number of bedrooms, size of property (square meters/square feet), maximum guest occupancy—prioritizing listings that have the most positive guest reviews (you want to learn from the best!). Set up a simple spreadsheet that lists the size, occupancy, key amenities and features, location, and average nightly price for each competing local host rental. Run some sample numbers to estimate how well your own property fares compared to these successful businesses.

Don't forget about additional fees and services. When pricing your rental, keep in mind that most services allow you to charge additional amounts on top of the nightly rate to cover operating and maintenance costs. Many local host rentals charge guests for cleaning, some charge extra for early or late check-in, for additional guests beyond the stated occupancy, or for bringing a pet (if allowed). While these and other possible fees may be fair, remember that they increase the overall price to your customers and will affect how attractive your rental will seem. Our advice is to keep these charges reasonable, and make sure you are in line with your competition.

Factor in weekends, seasons, and special events.

Though hosts can list properties for the same rate every day of the year, you will probably be able to rent out your property more often, and increase your profits, if you were to adjust the rate for different days of the week and times of the year, as well as by duration of stay. Depending on where your property is located, there may be greater demand on weekends than weekdays—or vice versa—and your price should reflect this. You could offer a cheaper rate for stays of more than a week or month, since longer stays usually require less management effort and reduce vacancy time. Likewise, you can increase your rate during peak seasons and lower it during the lull periods. If travelers are pouring into your city for a special event like the F1 auto race or World Cup, or if it's ski season or the

Lunar New Year, you would be remiss not to take advantage of the elevated demand. Again, look at how your competitors handle specific times of the year, and do your own cost analysis to determine if you can meet or beat their offers.

Determine how low you can go. Once you've finished your overall market and competitive analysis, consider whether and by how much you can undercut your competition, while still maintaining a reasonable profit margin. A competitive rate combined with a high quality and well-reviewed property can be a potent and alluring mix. (We'll have advice on setting your property up for positive reviews later.) Guests can be quite hesitant about booking a property with zero reviews, so when you first list your property, it can be quite an effective strategy to offer guests a massive discount. Then, once you have gathered a good number of (hopefully positive) reviews, you can look at raising your price.

HOW GUESTS PAY—AND HOW YOU GET PAID

he vast majority of local host rental services secure guest fees, including any potential deposits, by credit card, PayPal, or other automated electronic payments. Some services, like Booking.com, may allow (or require) guests to pay only at check-in, but this is uncommon and is likely to change: both parties generally prefer the security of handling finances via the service's internal payment system, and usually in advance.

Just as host fees vary among the services, the turnaround time for when hosts get paid also differs. Agoda, for example, typically transfers payment by PayPal into host accounts one day after checkout, whereas Zizaike issues payment before guests check in. HomeAway and Airbnb reimburse hosts 24 hours after guests check in. All services make their payment policies clear once you sign up as a host.

Each service accepts different payment types, and payment options generally follow customer usage trends in local markets. For example, as of time of writing, Agoda supports over-the-counter payments at local 7-Eleven convenience stores in Asia; e-wallet systems like PayPal, Apple Pay, Alipay, and WeChat for mobile payments; online bank transfer with regional banks like SCB in Thailand and Maybank in Malaysia; and credit cards from regional providers (e.g., JCB and UnionPay) and global cards like Visa, Mastercard, and American Express.⁴⁴

At present, the payment services and systems popular in one country may be less accepted in another, or not at all. American Express, for instance, is quite common in the United States, but not

Reminder: Clearly state payment terms and security deposit amount in listing. often accepted by smaller merchants in Southeast Asia. Alipay is almost universal in China—where even some street food vendors will accept mobile-phone payment by WeChat—but these systems may be inaccessible to foreigners. It's in everybody's interest to have these systems expand, but at the same time, some countries are putting up barriers to international payment gateways. Here's our advice: Work with systems that make payments easy for your guests (not only for accommodations but also for ancillary services), and watch this space.

If you decide to request a security deposit from guests, the service will usually handle it via credit card authorization, although Airbnb doesn't place a hold on the card, as is the case with most hotels. Instead, it charges only when a claim is filed and verified. To avoid any confusion or misunderstandings with guests, be clear about the terms of the security deposit and the amount in your local host rental listing.

In the unlikely event that you need to make a claim against the security deposit, each service has its own procedures; be sure to familiarize yourself with them. In all cases, you will need to prepare evidence, which includes photographs, email exchanges, receipts from damage repairs, and any other forms of proof. Currently on Airbnb, hosts must make any claims against a collected security deposit either within 14 days of a guest checking out or before the next guest checks in, whichever comes first. At that point the service steps in, acts as a liaison between the host and guest, and deducts funds from the deposit as necessary.

You should, however, feel confident that the risk is low. Indeed, Airbnb has claimed that of its more than 40 million guest arrivals in 2015, hosts had filed only 1,010 reports of significant property damage ("significant" in this case, meaning reimbursed claims against its host guarantee for more than US\$1,000).⁴⁵

DECIDE WHERE TO LIST YOUR LOCAL HOST RENTAL: GLOBAL OR REGIONAL SERVICES

osts can choose to list their property on more services than ever before, from leading global services like Airbnb, HomeAway, Booking.com, and Agoda to niche and regionally focused services like



FlipKey (global, but focuses primarily on North America, especially the U.S.);⁴⁶ 9flats (global, but predominantly in Europe); Zhubaijia (China);⁴⁷ and AsiaYo, which focuses on Taiwan, South Korea, and Thailand.⁴⁸ You will need to take into consideration the languages in which the sites can be read and the type of currencies they accept, if you are interested in attracting international travelers.

Each of these services will have its pros and cons, and personal factors, such as your property's location, your desired occupancy rates, your target income, and the demographic you wish to reach, will determine the one that's right for you.

We recommend thoroughly exploring all policies, fees, income estimates, and other information concerning services before signing up to list your property. To get you started, refer to our summary of local host rental services in Appendix 1.

Evaluate
both global
and regional
services to
attract your
target guest.



Take note: If local regulation limits the number of days you can rent, pay attention to how you manage booking calendars when using multiple sites.

LISTING ON MULTIPLE SERVICES: LEGAL CONSIDERATIONS AND MANAGEMENT SYSTEMS

any hosts list their properties on multiple services. From a business standpoint, it may well make sense to market your property to as wide an audience as possible. For instance, a survey of 1,200 local host rental owners and managers in the period between 2016 and 2017 had found that using multiple services to list their property increased revenues for a majority of survey respondents by two to three times.⁴⁹ Nevertheless, it's important to think through the management and administrative side of this strategy.

For example, let's say your local host rental is located in London, where without the proper (and somewhat laborious) licensing requirements, short-term rentals are capped at 90 days per year. If you decide to list on Airbnb, the service will automatically de-list your property the moment it hits the 90-day limit for a calendar year; it will only reinstate you if you wrote in to justify your request.

If you write on multiple services, you won't bump up against this automatic process. Of course, if you list on more than one site and exceed the 90-day limit in total, you will be in violation of the law and could be subject to significant fines. Cross-listing your property is not inherently illegal or improper, and it can indeed increase your chances of renting it up to the regulatory limit, but it will require more diligent management on your part.

To make listing on multiple sites easier, most services support a feature called Calendar Sync. Each service will regularly poll the other services automatically to see if a booking has been made on another service, and if so, automatically block those dates.

Fortunately, as the local host rental market continues to professionalize, a number of third-party players have entered the market to meet this specific need. Whereas a couple of years ago, it may have been cumbersome to maintain and manage multiple availability calendars, keep track of booking policies and payments, and handle myriad guests with varying expectations on different sites, the industry has since matured, with software, channel managers, and property-management systems playing a key role.

In order to find the solution that works best for you, it's important to know what you need. If, for example, you are a host who rents out a single property or a shared room on occasion, the simplest and cheapest way to manage multiple listings is to use Google Calendar, which is free, as your main availability calendar. Google Calendar, however, does not automatically sync with multiple sites; you have to create a system to do so by yourself.⁵⁰ Many hosts figure out creative and relatively simple ways to do this (for example, color-coding bookings from different services); there are online host forums that provide step-by-step, how-to tips and recommendations.

If you list multiple properties, you may want a more robust system that allows you to manage all your listings and their calendars on one portal. This is where channel managers and property-management systems help. (Given their costs, these are more tailored to hosts who earn their full-time income as professional property managers than to hosts who rent out a single property, either whole or partially.) Here's a quick overview of how they work:

Channel managers are online services specifically designed for synchronizing listings across different platforms, including pricing, calendars, and updates.⁵¹ Pricing and terms vary; it's a good idea to enquire about free trials, compare fees, and ensure that synchronization works with your technology and listing service. Two companies that offer free introductory trials and low monthly subscription fees are Lodgify and Orbirental. Rentals United includes training for its customers in the first month and advertises that their pricing has no hidden fees, commissions, or setup costs.⁵² (See Appendix 8 for more details.)

Property management systems, as described by Skift, are the "nerve center" of ancillary technology offerings for local host rentals, with inventory tracking and the availability calendar as their "core." Different property management systems offer different services, but most commonly they centralize the functions related to managing guest relationships: they will help you track leads, maintain guest records, do your financial accounting, and manage services like maintenance and housekeeping. If there is one piece of technology to invest in—particularly if you're a host that manages multiple properties—Skift has claimed that this is "arguably the most important piece" of local host rental technology on offer and well worth the cost. As with channel management systems, it's important to make sure that these systems will integrate easily with your other software programs.

Guesty is a property management service that allows hosts to manage multiple listings through a cloud-based platform. Costs include a

US\$500 charge for onboarding and service fees that range from 2 percent to 5 percent of booking value. (It would be prudent to run the numbers for your property to make sure the service is providing good value for your specific needs.) Availability Online is another U.S.-based company that allows hosts to choose between a standard service (US\$95 per year) and a more comprehensive premium service (US\$190 per year).⁵⁴ GuestReady, Kigo, LiveRez, and VRBookings are other similar services tailored for professional managers and hosts with multiple properties. More details are provided in Appendix 8.

Ultimately, it is up to you as the host to decide whether it makes sense to market your listings through multiple services. As the market develops and technologies advance and improve, more management software choices will become available and more affordable; you should reevaluate how well your needs are being met by the services you choose on a regular basis.

HOW TO PREPARE YOUR HOME FOR GUESTS

ravelers may choose a local host rental for a variety of reasons the host, the location, the price—but it's the property itself that ultimately seals the deal.

We had said earlier on that when it comes to running a successful local host rental business, you'll need to spend money to make money. This adage is true, but you don't necessarily have to break the bank to get your home in good shape. This is one area in which some small investments can really pay off in the long term.

We have a few tips to guide you in your home preparation decisions, from streamlining your investment spending to equipping, protecting, and maintaining your local host rental wisely and effectively.

FIRST THINGS FIRST—ARE YOU SHARING YOUR SPACE OR RENTING OUT THE WHOLE PROPERTY?

any services give hosts the option of renting out their entire property, a private room with shared common areas (e.g., a spare bedroom in your apartment), or a shared space (such as an inflatable mattress on your living room floor). While there are some universal considerations when hosts are preparing their home for guests—cleanliness level, types of amenities, and choice of furnishings—there are also other concerns that are specific to the type of room or dwelling you are planning to rent out.

As we've discussed previously, travelers can reveal a lot about how much interaction they wish to have with their hosts just by the type of properties they book. The ones who desire complete privacy will usually book an entire property, while those who are open to host interaction are more likely to choose a shared space.

If you intend to rent out a room in the house or apartment where you live, you can more easily observe your guests' needs and offer assistance when needed (e.g., helping with tricky appliances or unclogging the shower drain); and you'll know if they break any house rules. And for a brief moment, you'll have the unique and enriching experience of sharing your home with a traveler.

On the other hand, there's a chance you may find yourself not getting along with the traveler you're hosting. One host, for instance, told the *New York Times* that she once rented to a father and son from Italy who sat around in their underwear watching soccer throughout their stay, and left a lingering stench of foot odor for days after their departure. ⁵⁵ We don't know whether this host invested in an in-room television for future guests afterwards; surely, she at least considered it!

If there's only one bathroom in your home, you'll be sharing it; if your guest cooks, you may have to face dirty dishes; if your guest falls ill, well, you'll have to deal with everything that entails. All the while, you'll need to maintain a level of professionalism and do your best to be a gracious host. Depending on the level of interaction your guest expects, you may even need to be something of a shadow resident in your own home—seen and not heard.

If you plan to rent out an entire property—whether it's your actual home or an investment property that you use exclusively as a local host rental—preparations are likely to be more extensive. Beyond ensuring that valuables are secured (or removed from the premises altogether), you will need to think about how to handle basic chores like the trash and recycling—things that you might otherwise take care of yourself.

One host, for instance, explained that her neighborhood has extremely strict rules about noise levels and trash disposal. The neighbors would get annoyed whenever they noticed foreign guests violating these rules, and would lodge complaints. To avoid this problem, the host pays extra for a trash-collection service. As a result, guests and neighbors are happy—and so is she.



Remember:

Most guests expect hotel-like comforts and conveniences.



BASIC FURNISHINGS AND APPLIANCES

f you plan to use your own home as a local host rental, you might think that aside from setting your guests up with a small television set, DVD player, and smartphone charging cords in the spare bedroom, there's not much left to do. But the fact is that most guests expect hotel-like comforts, conveniences, and amenities during their stay (this goes back to how you market your property in the listing, which we'll get to shortly). You may think that you already have everything a guest could need, but that's not necessarily the case.

To prepare your property well, put yourself in your guest's shoes. Imagine how a guest would spend her time in the property, from the morning alarm to bedtime. Make a list of the things she would need and look around your property and figure out what you're missing.

For instance, if you're strictly a tea drinker, you probably don't own a coffee maker and would have left this out of your listing description. But chances are you'll rent to guests who are used to the convenience of

brewing themselves a fresh cup of coffee in the morning. Many guests would also appreciate other basic amenities such as an iron and ironing board, a microwave, and hair dryer—whether you use them yourself or not. If you can anticipate your guests' potential wants and needs well and ahead of time, it will make your guests' stay all the more pleasant and garner the good reviews you need.

"My husband and I stayed in a local host rental once in London, and though overall, we really liked it, it was a little annoying that there wasn't a microwave," said traveler Olivia Chua. "There were loads of microwaveable ready-made meals at the corner grocery that would have saved us a lot of time and money, had we been able to heat them up."

To start you off in the right direction, we have provided a checklist of standard, and stand-out, amenities for your local host rental in Appendix 4. However you decide to furnish your local host rental, these are a few basic guidelines to keep in mind:

Expect wear and tear. A successful local host rental business will receive plenty of foot traffic, so despite everyone's best efforts it's inevitable that, over time, walls will show some black scuff marks, carpeting or chair cushions will get stained, and in general, some signs of use will show up. While hosts should expect guests to be respectful of any and all items during their stay, keep your expectations reasonable—and furnish accordingly.

In other words, if you're shopping for a new couch or dining table for your local host rental, it makes sense to opt for sturdier items that can handle heavy usage over, say, white wool upholstery or an expensive cherry-wood dining table—unless you're marketing to luxury travelers, in which case, you may want to splurge on high-end furnishings.

Be mindful of breakables and valuable items. If you're renting out a spare bedroom in your home, do consider taking down the fine china that you have delicately displayed on narrow, wall-mounted shelves. Rest assured that your local host rental property can still achieve a fun and eclectic vibe without your family's antique paintings or treasured travel souvenirs hanging on the living room walls. In short, limit the risk of damage to breakable objects and other items of value by either securing or removing them altogether.



Think like a guest.

Then create your shopping list.



DESIGN WITH GUESTS IN MIND

Furnish and design your property with target audience in mind.

42%

of HomeAway's guests are families

60%

of Airbnb's guests are millennials.

Protect your privacy. While identity theft is rare, it's quite common to have guests invade your privacy—at least a little. A 2016 survey by identity theft protection service LifeLock, for instance, found that 41 percent of 1,000 American adults surveyed *admitted* to looking through personal items at a local host rental where they stayed. So, please do lock away important documents securely and remove photographs and other personal items for safekeeping.

DESIGN AND DÉCOR

hen it comes to design, furnishings, and amenities, plan and execute with your target guests in mind. There are two segments that stand out in guest demographics—millennials and families.

According to a 2017 Airbnb trends report, millennials accounted for about 60 percent of all guests who have ever used its service; furthermore, the number of millennials using the service was increasing year after year (by more than 120 percent in 2016 alone). Meanwhile, Forbes, citing a 2016 Hipmunk study, reported that 74 percent of U.S. millennial travelers have used local host rentals on business travel, and 80 percent of millennials predicted an increase in travel.

Hosts who hope to attract millennials should spend time researching their travel trends, design likes and dislikes, and other preferences prior to decorating and designing. That could mean aiming for uniqueness and adding quirky flourishes to your décor, like painting a famous line from a Haruki Murakami novel—"Whatever it is you're seeking won't come in the form you're expecting"—on the wall in a color that complements the base paint. You may want to hang twinkling lights in the bedroom or furnish the living room with funky but affordable sculptures. According to the Home Depot and Tripping.com's 2017 survey of U.S. local host rental guests, "millennials have expensive tastes—12 percent plan to stay in villas/estates in the next year vs. only 6 percent of Boomers and 9 percent of Gen Xers."

The other important demographic to plan for is, of course, families. At the time of writing, HomeAway, for example, reported that families made up 42 percent of all its guests.⁶⁰ To cater to this demographic, HomeAway

has published on its website specific tips on how to plan for welcoming (and retaining) families at your rental, which include family-friendly layouts with twin beds, high chairs, and removable cribs; stocking a chest of toys and books; prioritizing safety with baby gates on hand; and even small details like having child-friendly dishes, utensils, and small containers in the kitchen.⁶¹

These are just two segments, of course. Though hosts are likely to receive bookings from all types of travelers, the important thing is to design your property with your target demographic in mind, whether they are families, luxury travelers, retirees, arts lovers, or sports fans.

To begin, we recommend that hosts spend some time reviewing other hosts' design and décor for ideas and inspiration—just as you'd take the time to review competitor listings when figuring out pricing. Take notes on your likes and dislikes, what does and does not work, and think of ways you can re-create or, better yet, improve on what you like. The smart investments (big or small) that you make to spruce up your local host rental can make your listing stand out from the others and attract the right guests.





GIVE THEM WHAT THEY WANT (AND NEED)

hen it comes to stocking your rental with necessities, amenities, and useful items, first think about what you would want when staying in a local host rental—and, perhaps, even what you've come to expect at a hotel. At a minimum, there should be a comfortable bed with high-quality linens and pillows, bath towels, Wi-Fi, and probably a television. Then, consider your rental's geographic location and property type, and your target traveler audience as you create your shopping list.

If you're located in a city where it frequently rains, make sure to provide guests with an umbrella or two. (Be prepared: you'll have to replace them regularly—and have guests bear the cost.) If you have a fireplace, make sure your property is stocked with wood and fireplace matches. If yours is a oceanfront property, have a supply of beach towels in the linen closet. If guests have kitchen access, furnish them with some decent pots and pans, basic utensils and cutlery, a cutting board, dishes, a bottle and can opener, a corkscrew, and ideally, a microwave.

Minh Truong manages three local host rentals in Ho Chi Minh City, Vietnam. "I market to millennials with a midrange budget, so I provide things like an Xbox with Netflix, a 100-inch projector screen, and one



free beer when my guest arrives," he said. "People can get sick drinking the tap water in Vietnam, so I have clean drinking water, too, and of course, all the basics like glasses and other dishes."

As we've mentioned earlier in the chapter, you can find a checklist of suggested items and amenities in Appendix 4 to help you prepare your local host rental for visitors. While the list isn't exhaustive, it serves as a good starting point. In the following section, we'll cover a few high-tech gadgets that can help make hosting easier—and the guest experience even better.

HANDY GADGETS FOR HOSTS

hese days, hosts can take active steps to monitor disturbances before they become an issue. As more technology is being tailored specifically to the local host rental market, you'll find that noise-monitoring tools are both cost effective and helpful for minimizing disturbances to neighbors. (Neighbor concerns will be discussed in detail in the next chapter.)

NoiseAware, for example, is a smart home service designed specifically for local host rentals; it includes a small sensor that plugs into a wall outlet. Hosts can customize 24/7 noise monitoring according to their needs, by



PLAY IT SAFE

Purchase home insurance to cover property damage, even if your service offers coverage.

Store all private, personal, or sensitive information in a **lock box**.

Read all the **fine print** of policies to
know claim terms and
procedures.

.....

setting permissible noise levels. If noise levels exceed decibel parameters at specific times of day or night, hosts receive an automatic "Noise Alert" via email or text so they can contact their guests immediately. NoiseAware costs about US\$150 to \$200 per property per year, depending on the size of the rental. Guest privacy is protected, as NoiseAware does not record the content of guests' speech. David Krauss, CEO of NoiseAware, has compared the technology to a "smoke detector for noise."

New technology—an area to watch—can also contribute to environmental sustainability and help hosts achieve significant cost savings:

Switching to LED lights from traditional lightbulbs is one of the least expensive, and yet most effective changes you can make, as LEDs use 75 percent less energy and last 25 times longer than traditional bulbs.⁶³

To conserve water, you can install aerators

(small filters that add air to water, aerators cost approximately US\$5 each online)⁶⁴ on all faucets, or purchase low-flow faucets and showerheads that already include aerators; these low-cost additions can reduce water usage by 30 percent to 50 percent.⁶⁵

In terms of heat and air-conditioning, there is a wide range of Wi-Fi-enabled "smart thermostats" that can be controlled via your smartphone, Amazon's Alexa, or Google Home, even if you are not at home. 66 These can help you save significantly on energy costs.

One thing is certain: As demand for eco-friendly local host rentals rise, it makes sense to manage your property with environmental sustainability in mind. An article on sustainability by the Evolve Vacation Rental Network had this advice for hosts: "With new technologies and updates hitting the sustainability market every day, being environmentally conscious is a great way to lower the cost of running your rental, improve your guests' experience, and feel good about your impact on the planet."⁶⁷

PROTECTING YOUR STUFF AND YOUR HOME

s you know, it's not uncommon for guests to snoop around a little at a local host rental, and the majority do so more out of curiosity than anything—chalk it up to human nature. Nevertheless, it's still sound practice to protect your privacy and limit risks of identity theft by stowing away any and all personal documents, photographs, sensitive information—anything you wouldn't want guests poking their noses in. Some hosts keep personal items in safes or locked drawers and closets, while others keep certain rooms off-limits to guests. You may also want to consider stopping or redirecting mail, particularly if you have guests that stay for extended periods of time.

Astute hosts also purchase comprehensive insurance plans to ensure they're covered in the event of property damage. Certain services automatically provide insurance. For instance, at the time of writing, Airbnb had a host protection insurance program with coverage of up to US\$1 million in 15 countries, while HomeAway had a US\$1 million liability insurance guarantee. Even if your service does provide insurance, taking out your own home insurance policy is still recommended. Your service and/or insurance provider may not always fully cover or reimburse for damages.





5 KEY QUESTIONS TO ASK YOURSELF AS YOU WRITE YOUR HOUSE GUIDE

- 1. Are check-in and check-out times clear?
- 2. What are my nonnegotiable rules?
- 3. Are my instructions for appliances, utilities, and electronics detailed?
- 4. Do I expect the guest to help with daily maintenance like trash removal or washing dishes?
 - 5. What is the best way to reach me with questions or in an emergency?

For instance, in 2017 one Airbnb host claimed that she was victimized by guest theft that amounted to US\$3,000. She had filed police reports and claims with Airbnb under its much-publicized Host Protection Insurance program, but said that in the end she only received US\$300 in compensation from Airbnb and US\$600 from her personal insurance plan, leaving her more than US\$2,000 short. Another host reported a similar situation, claiming that Airbnb only reimbursed him US\$50 for US\$700 in damage caused by a guest.⁶⁸

In general, insurance for local host rentals should provide coverage for the following, which may occur during a guest's stay:

- injuries to guest
- damage to guest's property
- damage to your own property (caused by guest)
- adjacent property damage (e.g., neighbor's property or apartment complex) caused by guest.

In addition, insurance policies can cover loss of income and business expenses that occur if your property becomes unrentable. Costs of policies vary by location, property type, and coverage, so contact insurance providers directly for quotes. (Refer to Appendix 6 for a table of providers with policies for local host rentals.)

It's crucial to review the fine print, exclusions, and claim procedures of all insurance policies in advance, so that you can act quickly and in the correct manner in the event of an unfortunate circumstance.

PLAN FOR THE UNEXPECTED

eyond insurance policies, a simple, well-thought out plan for emergencies and minor disruptions is an important step before you welcome any guests. Take time to think about the various scenarios that could unexpectedly impact a guest's stay, and/or his or her safety—from falling sick, to travel delays (which will inevitably happen), to inclement weather or power outages. Plan a step-by-step response for each situation,

which you can include in your house guide (described in the next section) or have prominently displayed in a common area in your home, such as on the refrigerator or kitchen counter. At a minimum, you should provide contact information and addresses of the local police, fire department, hospital, and nearest doctor's office. In your guide, give clear instructions about who to contact in case there are any issues with the property; ideally, you or your property manager should be the first point of contact, but in some cases (e.g., a theft or serious injury), guests need to know how to call local authorities. Make sure that you have backup plans for 24/7 coverage, should you be unavailable.

CREATE A HOUSE GUIDE WITH RULES

detailed house guide is invaluable to hosts and guests alike. The best guides include accurate information about everything related to your local host rental that guests need to know, from check-in and checkout times to instructions for operating electronics, and your contact information. This helps guests answer basic questions without having to contact you and saves you the hassle of replying to simple queries time and time again.

Though many services allow you to post house rules in your listing, it's a good idea to provide them in your printed house guide, too. While house rules aren't necessary, they help establish basic guidelines and expectations before arrival. It's up to you to define the rules, but some common ones include issues such as smoking, pets, visitors, parties and large gatherings, noise, and trash disposal.

If you do provide house rules, try to keep them succinct and cheerful. For instance,



Please refrain from smoking indoors and from having large parties. Treat our home as you'd like yours treated!



We won't tolerate any crazy parties, nasty cigarette smoking, or other boorish behavior.

Basic information Rules clearly stated upfront Welcoming tone Detailed guest responsibilities for maintenance Key priorities are in bold

A SAMPLE HOUSE GUIDE

WELCOME!

Wi-Fi network and password: sweethome Hello!123

This apartment is **smoke free** and **pet free**. Please help us keep it that way. And we appreciate you removing your shoes.

En-suite bathroom

Extra toilet paper is under the sink. Additional bed sheets and towels are kept in the bedroom cupboard.

Bedroom

The dresser and closet are yours to use. Unpack and enjoy!

Kitchen

Please **DO NOT** dispose of food or grease (or anything other than liquids) down the sink. Garbage is under the sink (full bags, tied up, can be taken to the garbage chute by the elevators. **Please empty the kitchen garbage before your departure**). This building composts—please put all food waste in small bags and deposit them at the garbage chute. And small recycling items (paper, tin, plastic) can go down the chute as well. For bigger items to be recycled, and all glass, you must take them to the large recycling room on the ground floor.

The door is near the elevators. Please bring the key and fob with you as you may need to swipe the fob to enter the recycling room.

The toaster, kettle, and coffee maker are all here for your use. Coffee, tea, spices, etc. can be found in the cupboards on either side above the oven.

Cleaning supplies are in the kitchen cupboard closest to the front entrance. Washing tabs for the dishwasher are in the cabinet under the sink. **Please clean all dishes** (via dishwasher or by hand) before departure.



A washer and dryer are in the closet near the front door. Soap and softener are on the floor in front of the machine. You'll also find a vacuum and other cleaning supplies here if you need them. Please keep the lint cage of the dryer as clean as possible.

Living/Dining area

Apple TV is set up and ready for you to use. If you want to make purchases using Apple TV, please make sure you are signed into your own account.

If possible, please help keep our plants healthy. There are five in the living/dining room—they only need to be watered once a week. Thank you!

The balcony is available for your use. Please make sure the doors are closed and locked when not in the apartment.

Also, FYI, there is a smoke detector on the ceiling just before you enter the bedroom.

Heating/cooling

The thermostat is on the wall in the living room and heat/air-conditioning can be adjusted via this.

Gym and other amenities

There is a gym (and change room), pool, jacuzzi, sauna, library, and virtual golf room in this building on the second floor. They are available for your use but you'll need the key fob to access all of these facilities.

If you have ANY questions at all, please call, text or whatsapp me.

Enjoy your stay!



Reminder to control costs Safety information **Extra** amenities Host communication

When putting your house guide together, organize it like a hotel directory by grouping related topics. For example, the "Electronics" section would be a logical place to include the Wi-Fi password, instructions for accessing Netflix, and tips on how to operate appliances. In addition to all the aforementioned topics, you could include a brief welcome letter, advice on local transportation, suggestions for nearby attractions, bar and restaurant recommendations, and delivery menus—anything that guests will find useful and/or essential during their stay.

Your house guide can be a PDF or other e-document that you email to guests, or a printed booklet left in a prominent place in your local host rental. To help, we've included a sample house guide created by host Maryam Siddiqi for her rental property in Toronto on pages 144–145.

CLEANLINESS IS NEXT TO GODLINESS

osting can be rewarding on so many levels, but it can also be a humbling experience, particularly when you're cleaning your rental after guests have checked out. "I've never found scrubbing other people's fecal matter from my toilet seat particularly fun," admitted one Airbnb host in an August 2017 confessional in *The Guardian*. "I've gagged while picking up nail clippings left by rich [foreign] students."

FIGURE 22

Sample housekeeping providers and costs

Location	Company	Services	Rate (US\$)
K/ H		2-hour cleaning	
San Francisco	Handy	2-hour furniture assembly	90
		4-hour interior painting	240
		2-hour moving help	90
Shanghai	Jin Guo Jia Zheng, Loy Home Service	2 hours of cleaning	11

NOTE: Information provided in the figure was correct as of time of writing. Sources: Data from Vator and Cityweekend.

It may be the least glamorous of your hosting duties, but maintaining a high level of cleanliness in your local host rental is essential to its long-term success. It's one of the first things guests notice when they arrive, and a key component in their evaluation of their overall experience. Cleanliness is, in fact, one of the seven criteria that guests can rate from one to five stars in their post-stay review on Airbnb (more on that later). A spic-and-span local host rental will, indeed, do wonders for your business—and the opposite also applies.

"My husband and I had a horrible experience in a Brooklyn flat once, and one of the worst things was that it was really dirty. There were long hairs all over the bathroom floor, and the shower was disgusting!" said traveler Claire Glover. "The host clearly hadn't bothered to do anything more than a cursory clean before we showed up, and we were staying there for six nights, too. I mean, the garbage was half full when we checked in. We obviously left a bad review."

You should have a good idea as to what constitutes cleanliness, but a general guideline is to picture the most pristine hotel room (or local host rental) in which you've ever stayed and then try to replicate it. Sweep, mop, and vacuum the floors; wipe down surfaces; wash the dishes; dust appliances; and, yes, disinfect the bathroom before every guest arrives and after every guest leaves. Keep things organized to maintain an overall appearance of cleanliness, and don't forget that the insides of microwaves, washing machines, and hot water kettles need attention, too. Hosts who share a space in their own home may have to clean during a guest's stay, depending on the kind of service they promise in the listing.

If housekeeping isn't your forte or you just don't have the time (or inclination) for it, consider hiring a cleaning service to take this task off your plate. Companies like Handy, Moxie Girl, and MaidThis! are among the many services that specifically cater to local host rentals. Prescreened team members from Handy—which currently offers its services in 34 cities across the United States, Canada, and the U.K.—will do the laundry, handle key management, and scrub the floors and bathroom. They also provide setup services like furniture assembly and help with moving, or add-on services such as

If you don't have time to clean, hire a professional.

Guests want to know they are renting from a trusted person. Your verified profile assures them that they are.

cleaning the insides of cabinets, refrigerators, ovens, and interior windows. To help with general maintenance, hosts can even book Handy-approved plumbers and other handymen. Housekeeping services in Shanghai are much cheaper—costing about RMB 35 (US\$5.50) per hour. Hosts can choose from numerous service providers such as Jin Guo Jia Zheng, Loy Home Service, and Shanghai Household Services. Figure 22 on page 146 gives you an idea of costs.

It doesn't matter *how* you keep your local host rental clean—it's just important that the place sparkles when guests arrive.

MAKE YOUR LOCAL HOST RENTAL LISTING STAND OUT

kay—you've zeroed in on your target guest demographic, picked a service (or services) to market your local host rental, figured out how to price it, invested in it, and spent countless hours getting it into tip-top shape. Finally, after all that work, you're ready and willing to accept bookings—but first, you have to convince those millions of potential guests out there to book it.

To help get your business off on the right foot, we'll next share some tips on how to grow your bookings through an enticing local host rental listing that'll have travelers knocking down your virtual door for the chance to rent your room or property.

YOUR PERSONAL PROFILE IS GROUND ZERO

n the previous chapter, we made a point to emphasize how crucial it is for guests to foster trust by completing and (in some cases) verifying a personal profile. Hosts, understandably, want to know who they are opening their homes to, and want to assure that their potential guests are responsible, respectful travelers, and are who they say they are.

Trust is a two-way street, of course, and personal profiles are of even greater significance for hosts. Guests want the safety and security of knowing they are renting from a trusted person. They want to be able to see pictures of their hosts and learn a little about them, confirm that their identity is verified with the local host rental service, and read reviews written by previous guests. (See opposite page for sample host profile.)

A SAMPLE HOST PROFILE



Ms. Maria 🙆 VERIFIED INFO



Email Address 🗸 Phone Number 🗸 Learn more...

◆Name

♦ Verification information

Smiling and friendly photo

■ Languages spoken

◆Brief self-description. including where you live and work

▲ A little description about the local host rental

♦ What you love about hosting

Languages Spoken: English, Spanish, and Thai

I grew up in a Mexican city named Tijuana where I spent most of my teenage years, after which I moved to Bangkok with my husband (then boyfriend) and have been staying here ever since. We own a Mexican restaurant named Comida Deliciosa in the heart of the metropolis.

The locality in Phrom Phong soi 7, where we live, is very residential and peaceful. There is a 7/11 and TOPS market, 100 metres from our condo. The condo has a gym and swimming pool, along with a nice courtyard garden where you can stroll around during the evening. The security is at par and people living in the community are nice and friendly.

My husband and I stay in the apartment just below the one we are renting out. We are always happy to share a bottle of beer with guests but we equally respect your space and privacy. Also, guests are welcome in our restaurant (shown in the Google map below).

We love to host because we are eager to meet lots of interesting people from around the world visiting this beautiful city. We hope you enjoy your stay here!

Reviews and references



REVIEWS (106) REFERENCES (23) Hinata, Japan

Maria and Juan are great hosts! They are approachable and very helpful. The apartment is spacious, big enough for a family of 5. It is located 5 minutes' walk from the skytrain and has plenty of bars and restaurants around. Would love to stay here again!



COMMUNICATION TIPS

Be positive and welcoming

Be clear about your availability upfront

Preempt questions

Many of the same personal profile best practices that we have previously shared for guests also apply to hosts:

Verify your identity. Services like Airbnb allow hosts to verify things like their phone number, email address, and government identification, and to link social media accounts. While the details are not actually displayed on the host's personal profile, the type of information that they have had to provide will assure guests that their potential hosts are real. Verified hosts are sometimes prioritized in search results, too.

Upload a photo. Choose a clear photo, preferably one where you're smiling, approachable, and welcoming. Don't wear sunglasses, and don't use an avatar, a picture of your pet, your favorite cartoon character, or any other such images.

Write a short bio. Share a little bit about yourself—your profession, your hometown, what you love most about hosting, your travel habits, or anything else that reveals something about your personality. Keep it concise: this isn't the place for your full life story, just a snapshot of it.

State languages spoken. Fluent in multiple languages and want a chance to practice—and garner more bookings? Share your skill in your personal profile to help attract travelers seeking hosts who speak their native tongue.

Have good references. Some services give hosts the option of requesting references from friends and family members that are displayed on their profile. While not essential, references are another trust building block.

Rack up the reviews. One of the first things guests read about a local host rental is the reviews. Of course, you won't have any until you start receiving bookings, but as we'll discuss shortly, guest reviews are the one thing that can make or break your business.

SELL YOURSELF—AND YOUR HOME

hile your personal profile conveys basic information about you, the local host rental listing describes your property and its amenities, while also clearly defining what guests should expect from you.

Guests will have many questions and different needs, so it is best to describe your desired relationship with them up front. For example, you can note whether it'll be you, a friend, or a property manager who is on call to assist them; if you're sharing a space in your home, how often you expect to be around during guest stays. As always, keep it positive and present yourself as a welcoming, accommodating, and enthusiastic host.

In addition to the host profile, reviews, and rental terms and pricing, most local host rental listings include some or all of the following: a headline, a list of amenities and facilities, photographs, and a room or property description. We'll discuss photographs shortly, but first, here are some tips on crafting a stellar listing:

Determine—and then appeal to—your target audience. Let your potential guests know who your property is best suited for, and why. For example, if you're targeting families, focus on kid-friendly features like childproof locks, a playroom, or bassinet availability.

Write a striking title. Grab travelers' attention with a catchy title. You can do so by highlighting unique features, the location, or other noteworthy qualities that set your property apart from others. For instance, instead of "Two-bedroom apartment," say "Stunning, contemporary two-bedroom flat perfectly located in the heart of the city." Use bold, descriptive adjectives—while remaining true to the facts, of course!

Prioritize unique features. Remember that most travelers opt for a local host rental because they are seeking an experience that's more distinctive and personal than a hotel stay. While it's important to convey the basic facts about your property, focus on singular things that guests will enjoy or remember most. Paint a memorable picture of what life is like in your home.

For instance, is your property within walking distance of a sports stadium, art gallery, craft brewery, or farmers' market? Do you have amazing sunset views, an expansive backyard with a tropical garden, or a massive flatscreen television hooked up to a high-end sound system? Think about your rental's three to five most notable features, then describe them in a colorful, creative way.

Set realistic expectations. If your listing sounds too good to be true, guests may be skeptical about booking it or may highlight perceived shortcomings in reviews. So help guests know what to expect. For example,

"There's a skylight in the master bedroom that fills the room with stunning bright light throughout the day, but if you prefer total darkness to sleep, keep in mind that the bedroom starts to get light as soon as the sun rises. There are no shades over the skylight, so bring an eye mask!"

Don't forget the amenities. Depending on which service you use, indicating which amenities and facilities are included should be as easy as ticking checkboxes. Make sure you include everything you offer, as many guests filter search results by checking off required amenities. As you review what you have at your property, take the opportunity to get ideas for new amenities that you may offer in the future.

Be concise, yet thorough. Enhance your listing with descriptive adjectives. Explain where it's located and what's nearby (attractions, bars, supermarkets, etc.), what's included, and what's unique, but try to do so without rambling. If you have a pet, mention what type. Write clearly and succinctly in short, complete sentences to convey pertinent information, which will enhance the listing's overall air of professionalism.

How do you know if you've struck the right tone and communicated all your property's selling points? Before you post, show your draft listing to friends (especially if they match your target audience's demographic—families, millennials, etc.). Ask them to describe what they like best about your place and how they feel in it. It helps to see your property through the eyes of a visitor.

PROFESSIONAL PHOTOS MAKE A DIFFERENCE

long with guest reviews, photographs are the most important variable in local host rental listings. They are a hundred percent within your control—but they do require considerable attention to detail, from careful setup and selection of images to ensuring appropriate lighting, angles, and subject matters. Effective photos serve two functions. From a marketing perspective, they create the first impression, draw in prospective customers to inquire about your property, and help communicate a visual story through which guests can imagine what their renting experience will be like. Equally important—and this is the critical part—photos should provide accurate information about your property, its amenities, location, and any unique selling points. They should be detailed, precise, and honest, and cannot be misleading in any way. As the Home Depot and Tripping. com have discovered in their survey, inaccurate photos were the top complaint among 32 percent of guests.⁷³

Photos directly affect sales—both positively and negatively. In 2016, four Ph.D. students at Carnegie Mellon University published a 2016 empirical

research study that assessed the impact of "verified" Airbnb photos, which were taken by professional photographers arranged by the service, on sales. Analyzing data on more than 380,000 photos from 17,000 listings (from 15,000 hosts), their study compared "high-quality" (verified) photos with "low-quality" (non-verified) ones and concluded the following:



Properties with verified photos are booked 9 percent more often



For a property priced at US\$100/ night, verified photos increased host income by US\$3,285 per year



On average, if a host replaced low-quality photos with high-quality ones, annual earnings would increase by US\$2,455



As the number of verified images increased, overall demand for the neighborhood was likely to increase.

SOURCE: Data from Zhang et al..

Although the research focused on differences between verified and non-verified images on Airbnb, the researchers concluded that their findings could be generalized to high-quality and low-quality photographs across services.⁷⁵ The principle is clear: high-quality images are essential.

Bill MacDonald, a host who manages a local host rental in Perth, Western Australia, discovered this lesson for himself:

"When I first started renting a small cottage in my backyard, I posted photos from my iPhone and thought they were perfectly fine.... One of my photographer friends offered to reshoot the photos with his camera, and the new photos literally had an instant impact. My booking requests increased immediately, even though the photos were the only thing I changed in the listing."

32% of guests' top complaint about local host rentals is that photos are inaccurate.

—The Home Depot and Tripping.com

HOW TO TAKE PICTURES LIKE A PRO

ou don't need to be a professional photographer to take great photos, but enlisting the services of a skilled friend or hiring a professional is a modest up-front investment that pays off. As mentioned above, some services connect you with a local professional who specializes in rental photography. (If you use third-party photos, make sure you respect all relevant intellectual property laws.)



Don't

Post blurry pictures.



Follow these tips if you choose to take your own local host rental photos:

Highlight distinctive features. Just as you should describe in words your home's most unique features to potential guests, show them with pictures, too. Take photos of cool technology, striking décor, standout amenities, and even of your neighborhood or nearby points of interest.

Determine the focal points. What's the first thing you notice when you walk into your bedroom—probably the bed, right? That's the focal point. Figure out the focal point for each room or area you're photographing, then ensure that all items around that point complement it. For instance, if the bed is made with *Star Wars* sheets, stack sci-fi novels on the nightstand.

Steady your shots. Nobody will be impressed by blurred or imprecise photos, so set your camera (or smartphone) up on a tripod that's set up at eye level. If you don't have a tripod, prop your camera on a shelf or any flat surface to keep it steady.

Look at the lighting. It's best to take your photographs in natural light, which is often nicest in the late afternoon. Travelers like to see photos depicting a bright, airy space, so avoid snapshots taken on rainy days, at night, or in bright sunlight.

Clean and tidy up first. It goes without saying that photographs of a dirty and/or cluttered local host rental just won't do. Before taking pictures of the kitchen or bathroom, it's not enough just to clean all the surfaces meticulously. You should also remove used bath products, dirty linens, stacks of dishes, and your child's crayon doodles from the refrigerator: basically, anything and everything that makes the areas look lived-in or



cluttered. Coil or hide cords in the living room and bedroom, straighten the curtains, make the bed, remove clutter, and generally do what you can to make sure your property looks exceptionally attractive.

Project the experience and destination. If you live in, say, Portland, Oregon, set up bottles of local craft beer on an outdoor table for a photograph of your backyard. Carefully arrange a bottle of Chinese wine next to a bowl of local snacks if your place is located in Penang. If you want to draw attention to your home's proximity to a farmers' market, place a beautiful wooden bowl with fruits and vegetables on the table in a photo of your kitchen.

You must choose, but choose wisely. According to Guesty, 15 is the magic number when it comes to how many photos to include in your listing; but pay close attention to the first five, which, in the case of Airbnb, are displayed before a guest clicks through the complete listing. Their first impressions could be the "make it or break it moment" that determines whether or not your potential guests read any further. Provide enough images to create a clear picture of the different rooms and convey the atmosphere, but don't include so many that it'll take 10 minutes to flip through them all.

ANSWER THE CALL

here are three main time frames for guest-host communication: pre-booking, after confirmation, and upon arrival/check-in.

Some services, like Airbnb, indicate a host's overall response rate (on a percentage scale) and average response time to booking queries. Be aware that even if you cover every single detail in your listing, it's common



for guests to contact owners with questions before they make a booking. For instance, they may wish to inquire about the level of street noise, flexible check-in and checkout times, or ask about the neighborhood.

Prior to booking, services facilitate communication in different ways. Airbnb, Agoda and HomeAway, for example, permit any user with an account, who is logged into the system to contact the host directly with inquiries. Agoda's messaging platform is being developed to respond automatically to some common guest queries, such as airport transfer options and check-in and checkout times, using machine learning to recognize patterns. More and more, hosts will be able to streamline communication with guests by balancing a mix of automated messages and customized answers, when appropriate. Whichever service you use, it is important to have answers readily available to guest inquiries at each stage of the booking process. The opposite page has some sample prebooking questions.

We can't stress enough how important this first point of contact is. Prompt, clear, and concise answers to your potential guest's pre-booking queries can be the difference in securing or losing a booking. As one frequent local host rental guest noted in the previous chapter, responsiveness matters—it shows

Examples of questions asked by guests before booking

• •	70
Pre-booking topics	Sample questions
Property information	ls there a gym?
and facilities	Where do I park my car?
	There do I park my car.
Availability	Is your online calendar up to date?
Room amenities	Can we add an extra bed or cot?
	Is there a safe?
**	Do you have Wi-Fi?
Special requests	It's my wife's birthday. Can you set up flowers and cake upon arrival?
•	I have bad allergies. Is your unit nonsmoking and pet-free?
Transportation	How far to the nearest subway?
· · · · · · · · · · · · · · · · · · ·	Any airport pickup available?
Check-in/out	Where can I store my luggage before check-in?
N	Can I check in early?
	Is late check-out available?
Points of interest	How far to the nearest market?
Q	How far is the central business district?
Services	Is there a cleaning service or washer/dryer?
	How do I wash my clothes?
Guest policy	Listing says the property sleeps four people, but we have five (with three children). Is this ok?
Family/Kids	Do you have a high chair and crib?
	Is there a nearby playground?
	Does the pool have a shallow end?
Special deals	Is there a discount if I stay longer than one week?
%	

that you're available and willing to take the time to assist them, and gives you the opportunity to present yourself as a friendly, welcoming, and helpful host. On the other hand, hosts who take days to respond to straightforward questions, or do so in a gruff or dismissive manner, will likely find themselves crossed off their potential guest's short list.

"The host who I ended up renting from on my last trip to Ho Chi Minh City was really fast in answering my questions before I booked," said traveler Esther Lim. "It was within a few minutes, actually, which was helpful and appreciated. He was just as responsive during my stay, too."

Staying on top of pre-booking queries can also help you weed out travelers that you may not feel comfortable renting to. One Airbnb host, for instance, told the *New York Times* that she has rejected requests from college students looking to throw a party and and as a general rule, any guests who ask if they can smoke marijuana in the room.⁷⁷

Sites like Airbnb, HomeAway, and Agoda make it easy to communicate directly with guests through the internal messaging systems that are built directly into their platforms. Agoda's messaging system, like that of most providers, is accessible through Android and iOS apps, as well as mobile web platforms. Both you and your guests will be notified immediately via email or text each time a new message appears. For security reasons, personal contact information (like phone numbers) cannot be accessed until after a booking is confirmed.

In addition, third-party local host rental management apps can improve the ease of your host-guest communication. We've mentioned Guesty, a property management service designed especially for local host rentals. The service helps hosts manage listings using a cloud-based platform, which can be very useful when you are using multiple services. Through one shared inbox, Guesty sends automated messages and guest reviews, while assisting with other services such as staff management and payments. Guesty charges 2 percent to 5 percent of your total booking value.⁷⁸ (See Appendix 8 for more information.)

BUILD YOUR BRAND

rom employing a well-researched pricing strategy to following a focused marketing plan aimed at specific travelers, do everything you can to give your property a competitive edge in the increasingly crowded local host rental market. As you put your plan of attack into practice, every decision you make will contribute to what slowly but surely becomes your personal brand.

Earlier, we mentioned a luxury property that featured high-end amenities and personalized services; well, the hosts would even offer to help guests make reservations at at highly reviewed restaurants. Over



time, as the positive reviews add up, this property will become recognized for its location, amenities, and service.

Consider what kind of experience you aspire to for your brand, then let that aspiration help guide your decision-making process. Be consistent, anticipate your guests' needs before they arrive, and deliver on everything you promise in your local host rental listing: your brand depends on it.

WELCOMING YOUR GUESTS

here are several ways to be a host. Depending on the type of space you're renting out and whether you live there or not, you could be having daily interactions with your guests or never meet them at all. Many hosts join the local host rental community largely because they enjoy meeting and speaking with other travelers, but some prefer to keep interactions to a bare minimum—many guests prefer that, too.

As with every aspect of your local host rental business, you decide on your level of interaction with guests. Once you receive and confirm a booking, however, there are guidelines that are applicable to all hosts to help ensure a smooth, seamless stay for guests, and help garner those positive reviews that are so paramount to long-term success.

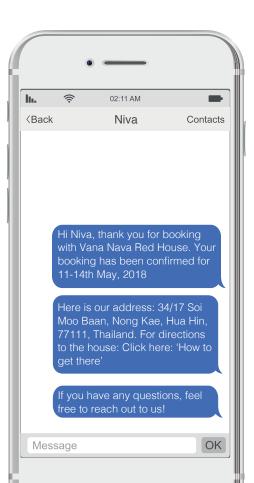
COMMUNICATE!

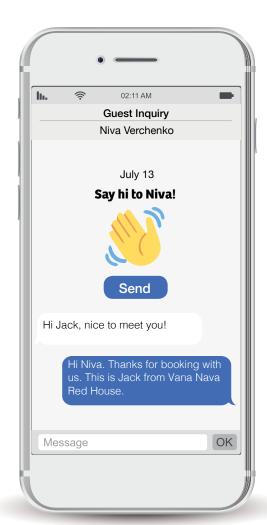
lear and concise pre-arrival communication with your guests sets a positive tone for the upcoming stay. Once a booking is confirmed, your guests will receive an automated email that includes a receipt and any information you've set up for your listing—directions, for instance, and perhaps a reminder of the house rules—but you should also follow up with a brief personalized note of your own. HomeAway allows hosts to attach documents like rental agreements and house guides through their messaging service; with other services, you can include them as texts in automated messages.

Whether or not you have automated messages, use this opportunity to introduce yourself, thank the guest for his or her booking, and confirm essential details like the guest's expected arrival time and the check-in process.

For example, while many hosts do their meet-and-greet and hand off keys in person, some may hire a property manager to do so, while others leave the keys with a neighbor or at a local convenience store.

Services send automated messages to guests after booking.





Personalized communication makes a difference.

SOURCE: Adapted from Agoda.

Hosts who've installed a smart lock on their local host rental can explain how it works and send the access code. Provide the simplest route for directions. If guests are most likely going to be driving to your place, specify the distance from the airport and highlight any quirks (e.g., construction or hard-to-see road signage). If needed, outline public transportation options and costs and, if you can, include directions written in the local language so that guests can show them to the taxi driver.

Finally, to help ensure guests know what to expect (and what to pack), send details about key amenities you'll be providing during their stay—full sets of bathroom linens, bath products, a hair dryer, or supplies for coffee and tea.

Pre-arrival information will vary from one local host rental to the next. Consider the things you would want to know if you were the guest and make sure you provide those details.

The period between a confirmed booking and guest arrival is when you should expect more questions from guests. This is especially important near the check-in time, because that's when guests may reach out if flights get delayed and special requests may arise.

Most services will alert you of any new queries, messages, or communications, but it is your job to stay on top of them. Agoda's system organizes messages such that all communications related to one booking is contained within the same message thread for easy tracking and responding. Furthermore, unread messages are marked with a red dot. Jeff Owens, product owner for Agoda Homes' extranet, has noted that the platform automatically alerts the host if a message has not been responded to within 16 hours, and notifies Agoda if a message has not been responded to within 24 hours. Good communication makes a difference.⁷⁹

Before your guests arrive, make sure that you've covered the following tasks:
Confirmed guest arrival time
Provided accurate directions and outlined check-in procedure
Fully stocked all promised amenities
Thoroughly cleaned and tidied your local host rental
Tested appliances, lighting, safety monitors, and electronics to ensure they work
☐ Tested water pressure and temperature, sink/toilet drainage, and heating/cooling
Secured private documents and personal belongings
Placed the house guide (if you have written one) and emergency information in an easy-to-find location

GET READY FOR CHECK IN

here may be other things specific to your local host rental that you'll want to address prior to your guest's arrival, too. For instance, if you have a fireplace, you should ensure the ventilation is clear; and if you have a pool, you'll want to have it cleaned.

GREET YOUR GUESTS AND MAKE THEM FEEL SPECIAL

n general, it's a good idea to try and meet your guests when they check in, or have a property manager or other representative present to meet them. It's not required, of course, and guests who rent entire properties may even prefer not to have any interaction with hosts.

That being said, the arrival/check-in moment is an opportunity to provide everything the guest needs and to answer any questions that come up. It is when you can provide the guest with a brief orientation to the property, note where key items and facilities are located, and explain how tricky appliances or complicated television menus work. It's the best chance you have to make a positive impression on your guests, which leads to better reviews that will boost your business in the long run.

To add a personal touch to their guests' arrival, some hosts take the orientation one step further by offering a quick walk through the neighborhood. Many hosts set out a welcome drink or put some cold beers in the fridge, arrange fresh flowers on the kitchen table, or put together a small basket of locally produced treats. "At a minimum I leave out a bottle of wine, and usually put some juice and milk in the fridge, too," said Sally Lim, a Sydney-based host. "It's not a lot of money, and my guests really appreciate it and often mention it in their review."

When possible, go the extra mile and personalize welcome treats for each individual guest. For example, if a guest has expressed prior to her arrival about an interest in exploring the local arts scene, make information about the best art galleries and museums available. If you're renting to a family with small children, gift them with a small box of crayons and a coloring book. Live near a fresh market with local fruits that overseas guests have never tasted? Leave a bowl of them for guests to sample, with directions to the market. Small gestures like these can have a big impact on your guests' overall satisfaction with their stay.

THE FINE ART OF HOST ETIQUETTE

nce your guests check in, your level of interaction with them will vary depending on whether they're sharing your home or renting the entire property.

If they've booked your entire property, you may not





Make the extra effort to personalize your welcome for guests.
They will remember it.

see them until checkout, if at all (if that's the case, you'll want to ensure checkout procedures are clearly defined in advance of their departure). Guests should also know who to contact with any questions or in an emergency—whether it's you, an off-site property manager, or someone else. The last thing you want is for a guest to lose the keys or forget the access code and be locked out of the local host rental, and not know how to get help or a prompt reply when it's really needed.

Hosts who share a space in their home should try to follow their guests' lead when it comes to personal interactions. For instance, if you have sustained correspondence with a guest prior to his or her arrival, sharing tips on local attractions, the best restaurants, or something else related to the stay, those are signs that this person may look forward to meeting you and having at least some day-to-day interaction. In general, most guests who book a space within an occupied home expect some interaction.

When they arrive, try to read guests' signals about what they expect from you during the stay. If you're sharing a

bathroom and other facilities, it may be helpful to briefly discuss your daily schedule, or ask about your guests' plans. For instance, if you're away at work from 10:00 a.m. to 6:00 p.m. during the week, you might politely mention that you need the bathroom for about 30 minutes between 8 and 9 o'clock in the morning. If you or a family member cooks dinner at a specific time, note when you'll be using the kitchen (and invite your guests to join you, if you like).

There's no universally right or wrong way to handle guests during their stay. The best hosts simply learn to adapt and cater their level of interaction to each guest.

WHEN IT'S TIME TO SAY GOODBYE

rior to their departure, guests should be well aware of the checkout time and procedures, and hosts should know when guests plan to leave. It isn't essential to be present when your guests leave—particularly if someone is leaving early in the morning or late at night to catch a flight—but it gives you the chance to make one final positive impression and to inquire about their stay.

Once guests have checked out, you (or your representative) should review the premises as soon as possible to ensure everything is in order and that there hasn't been any damage. As we've mentioned earlier, each local host rental service has its own policies and procedures when it comes to claims on security deposits or other complaints; prior to accepting your first booking, you should know the rules and procedures in the event that you need to make a claim.

After your guests' departure, the service will send an automated email, inviting them to rate and review their experience; some services also give the host the opportunity to review their guests. It is important here to understand that ratings and reviews are related, but not the same. *Ratings* are determined by set criteria that each service defines according to a fixed scale (e.g., one through five stars or other symbols—in some countries, stars can be awarded only to hotels and only by the relevant government agencies). *Reviews*, on the other hand, are open-ended, qualitative guestions that guests

FIGURE 23

Example of rating criteria for local host rental services by guests

Service	Agoda	HomeAway ^a	Tujia	Airbnb
Rating scale	10-point scale	5 stars	5 stars	5 stars
Criteria	5 CRITERIA:CleanlinessLocationValue for moneyFacilitiesService	4 CRITERIA: • Review title • Star rating (1-5) • Date of arrival • Written review	4 CRITERIA: • Cleanliness • Location • Management • Facilities	7 CRITERIA: • Overall Experience • Cleanliness • Accuracy • Value • Communication • Arrival • Location

sources: Data from Agoda; Airbnb; Forbes; Lodgify; Tujia.

answer about their experience, and are publicly displayed on your listing (although for some services, guests can also message you privately). This is when your guests consider every decision you've made and action you've taken concerning your local host rental—the price, the design and furnishings, cleanliness level, the correspondence, the welcome gift—and decide whether it all added up to good value and a positive (or not-so-positive) overall experience.

Few things are as important to the success of your local host rental business as these ratings and reviews. To help you prepare, we've summarized the rating criteria for some of the major sites in Figure 23.

THE THING THAT CAN MAKE OR BREAK YOUR BUSINESS

n 2014 Stony Brook University conducted a study that proved success begets success; that is, the researchers had determined that "early success bestowed on individuals produced significant increases in subsequent rates of success." This principle definitely applies to local host rentals.

A string of positive guest reviews on a new property can help elevate the listing in a service's search results, make the property more appealing to potential guests, and position it to receive more bookings, which ideally lead to even more good reviews, and so on. On the other hand,

a "Reviews of a property.... focus on the traveler's experience renting the property, which will typically focus on the stay but may address other factors relating to the rental process such as inquiries or bookings," from HomeAway's official website, https://help.homeaway.com/articles/What-are-the-review-guidelines.

lukewarm to negative reviews can drag a local host rental down below its well-reviewed competitors in search results, forcing hosts to work that much harder to turn their businesses around and attract more guests. Guest reviews can quickly create a virtuous or vicious cycle.

In China, where most rentals are managed by property managers, Tujia takes an active role in monitoring customer ratings and reviews. For any review that's three-out-of-five-stars or below, Tujia will inquire with the manager individually—often including an on-site visit to put together a plan for improvement with the host.⁸¹

On Airbnb, even positive four-star reviews can have a harmful impact on a local host rental's standing: According to one host, anything less than a five-star rating can knock a property down in Airbnb's search results. Furthermore, a property must receive five-star reviews in at least 80 percent of its bookings for the host to qualify for Superhost status—and for the better customer service and search placement that comes with it.

Various academic studies have provided helpful insights into the relationships among reviews, listing popularity, and sales. For example, a 2017 analysis of less than 2.3 million Airbnb listings published in the *Journal of Self-Governance and Management Economics* found that private rooms, Superhost listings, and hosts who have short response times or high response rates receive the most reviews; entire homes and shared rooms, on the other hand, get fewer reviews. Other studies have shown that positive reviews and good ratings can have a positive impact on pricing; in 2017, researchers found that Superhost listings are priced 8.73 percent higher than the average listing, and noted that only 12 percent of all Airbnb listings attain Superhost status.⁸²

The unfortunate reality is that you can bend over backwards to please guests and still receive a less-than-glowing review; many hosts have found out the hard way that it's impossible to please everyone. That said, most guests keep an open mind and leave honest, fair reviews, reserving harsh comments only for egregious situations that, after following our advice in this chapter, you will know how to avoid.

If you do receive a bad or unfair review, some services

RECOMMENDATIONS FOR GOOD GUEST REVIEWS



Include unique property features



List amenities available



Answer queries



Offer competitive pricing



Provide directions



Maintain cleanliness



Welcome guests

may allow you to respond to it publicly, and address specific concerns that a guest has expressed and to assure future guests that you've made the necessary modifications or improvements. For instance, if a guest complained that he or she was not provided with a coffee maker and/or microwave, you could make a note that you've since purchased these items; and if the heating was broken, you could explain that it's been fixed. Whatever you say, respond with a polite tone and keep your reply brief and to the point.

If there is an unfair or inaccurate review, you can try contacting the service to state your case for its removal, but many hosts find it difficult to prove that such reviews are inauthentic or inaccurate. You may have to take the hit and hope that other positive reviews make up for it.

Throughout this chapter we've outlined tips and best practices for running a successful local host rental business. Tick off each of these boxes for every guest visit and watch the five-star reviews start pouring in You can do it!

POTENTIAL RISKS AND TRAPS OF HOSTING

ell-prepared hosts educate themselves not only on the potential rewards of a thriving local host rental business, but also on the risks and problems that can occur. These issues range from safety concerns for both hosts and guests to short- and long-term financial challenges. By identifying these risks ahead of time, and combating them with careful planning and smart local host rental management strategies, however, hosts can reduce their impact if they do happen, or perhaps even avoid them altogether.

SAFETY

Services like Airbnb give hosts the option to require that all potential guests provide some form of government-issued identification before they're allowed to make a booking; hosts must then verify their identity in the same manner. Such processes help foster trust and security within local host rental communities because it becomes extremely difficult for either a guest or host to fake their identity and introduce potential safety risks to the host-guest relationship.

In an August 2017 editorial in Reinvent, Nick Shapiro, the global head of Trust & Risk Management for Airbnb, wrote that the company uses advanced technology to assess the risks of every single reservation made on its platform before it's confirmed, maintains global watch-list checks, and does background checks on all of its users in the United States.⁸³ These are just a few examples of safety measures that one service exercises to protect its guests and hosts,

and other services may well choose to implement similar screening and day-to-day monitoring.

The vast majority of guests are respectful of their hosts' homes, and certainly there are very few instances of assault or other such personal safety issues related to guest (or host) conduct. But it can happen, and when it does, is not something to be taken lightly: In July 2017, a 51-year-old woman from New Mexico filed a lawsuit against Airbnb, claiming the company was liable for an alleged sexual assault that she suffered at the hands of a host; one who had previously been accused of domestic violence, and yet had been allowed to host. 84 The case was not yet settled at the time of writing.

In addition to requiring some form of identification from potential guests, hosts can also carefully review guest profiles and, specifically, any reviews guests may have received from prior hosts. (Remember, reviews go both ways: many services allow hosts to review guests following their stay.) At the same time, you may want to take a moment to scan social media to further verify your potential host's identity. Making time for these extra screening measures can help you know your guests better. Some services, like Airbnb, already run periodic background checks on hosts and guests, searching public criminal records, sexual offender registries, and terrorism watch lists. Obviously, those found to have questionable backgrounds may be banned from services.

In the near future, guests and hosts may be required to complete multiple identification-verification steps—and pass background checks—before they can join a service. Services may adopt stricter policies for users who consistently receive poor reviews; perhaps not "three strikes and you're out," but some form of monitored probation. However it unfolds, as the sharing economy expands, reputation-defining mechanisms will become more prevalent and important for all.

Another safety note: earlier in this chapter we recommended that all hosts purchase a comprehensive insurance plan to protect their local host rental in the event of damage to their property. For the safety of your guests and your property, it's also important, at a minimum, to install working smoke and carbon monoxide detectors and to provide a fire extinguisher and emergency phone numbers.

Finally, remember to stay informed about the latest technological innovations that can help hosts mitigate safety risks. SkyBell, for example, is a "smart doorbell" that allows you to see who is at your door, no matter where you are, through a video camera that connects to your computer or smartphone. By alerting you to every person who enters your property, you can verify guests as they arrive even when you're not on site.

HIGH OCCUPANCY RATES— A DOUBLE-EDGED SWORD

s good hosts keep on collecting positive reviews from their guests, it will lead to more bookings for their property, which is great for business! Success, however, comes with the inevitable wear and tear on your rental's furnishings, amenities, and overall condition.

There's no getting around it: as you welcome more and more guests, the probability of potential complications increases significantly. Though you should factor in the following into your local host rental's pricing anyway, a steady flow of guests will drive up the cost of day-to-day expenses like

- bath products and kitchen sundries (if you offer them)
- electricity and other household bills
- maintenance and replacement of common everyday items (burned-out light bulbs, dead batteries, broken fans).

If you don't hire a cleaning service to tidy up after guests have checked out, you'll spend a great deal of your own time cleaning. As more guests traipse through your local host rental, there's also the real potential of having to replace big-ticket items like appliances, linens, carpeting, and other such things. Don't be surprised if and when completely unexpected costs arise, such as the extensive home renovations Superhost Billingsley described earlier in this chapter.

Security deposits, private insurance plans, and service-based insurance coverage can help alleviate the costs of major damage caused by guests (though not always), but the toll from everyday use that guests will exert on your local host rental is something less quantifiable and not likely to be covered by any deposits or insurance policies. Be prepared to expend the time, effort, and expense to keep your place looking top-notch, and you'll continue to attract the guests you want.

UNRULY AND DIFFICULT GUESTS

Screening guests prior to accepting a booking (if your service allows you to do so) and creating a clear set of house rules are two ways to help avoid every host's worst nightmare—the unruly, disrespectful, and otherwise difficult guest (but let's be clear: you cannot reject a guest for discriminatory reasons). The majority of guests are just the opposite, but numerous horror stories have received significant press ever since local host rentals crossed over into the mainstream of travel.

Sometimes guest-related inconvenience amounts to little more than the aforementioned father and son who sat in their host's living room all through their stay, watching football while rather unpleasantly attired in underwear and stinky socks. Other guests may be overly needy, like the "perfectly nice couple" that one Airbnb host said had called or texted her every time the room temperature strayed from their comfort zone, and whenever they couldn't figure out how to use the washer, ceiling fan, and other basic appliances.

There is the risk of renting to guests who throw wild and raucous parties at your place, not only causing damage to the premises but also annoying neighbors and putting your business in jeopardy, particularly if you're operating it in a building or neighborhood where local host rentals may be restricted. Party animal guests could lead to fines, too: in New South Wales, Australia, legislation is being considered that would require hosts who rent out rooms in their home to out-of-control guests to provide financial compensation to neighbors if disturbances are egregious.⁸⁷

On extremely rare occasions, hosts may even have to deal with guests who refuse to vacate the premises. In Barcelona, a woman found out that a tenant was illegally renting her flat on Airbnb (at rates far higher than she was charging him), and after fruitless attempts to push him out of the apartment, had to change the locks and effectively squat in her own home. Such instances, again, are the exception to the norm, but speak to the need for hosts to be vigilant about their guests.

Hosts are sometimes forced to deal with guests who don't provide their arrival time and otherwise communicate poorly; who levy unfair or inaccurate criticisms about their local host rental experience in the post-stay review; who cancel at the last minute or simply don't show up; and who break house rules by, say, smoking indoors or bringing a pet. There is always the threat of vandalism or theft, too, though services like HomeAway and Airbnb claim that such calamities are rare. For example, HomeAway's insurance

provider, CBIZ Insurance Services, has said that less than one percent of the claims it receives from hosts resulted from damage incurred by guests.⁸⁹

If a guest breaks house rules or causes some other significant issue, you can follow these steps:

Communicate with the guest immediately. Have a polite conversation with your guest about the issue when it arises and try to resolve it in a friendly manner. In many cases this is the best solution; if you can't reach a resolution, detail any unacceptable behavior in the post-stay review, warning other potential hosts about future problems they may experience with this guest.

Report to service post checkout. If the direct approach fails, and if you or your property are not in any imminent danger, wait until the guest checks out, then immediately contact your service to report the guest and/or file a claim

Solicit help in emergencies. On the rare occasion that you need to immediately evict a guest from the premises, contact your service for guidance on how to do so. In extreme instances, you may need to enlist the help of the police or other local authorities, while making sure that you, too, are compliant with relevant laws.

INCONSISTENT INCOME

ome hosts run their local host rental business strictly as a means to supplement a steady income source, and can afford to roll with seasonal travel trends and periods of inactivity. Other hosts rely on their local host rental as their sole revenue stream to fund retirement, or to help pay the mortgage, their children's education cost, or other bills. Whatever your financial expectations may be, we've provided you with a wealth of information, tips, and strategies to help set your business up for success, however you define it.

However, as the poet Robert Burns wrote, the bestlaid plans of mice and men often go awry.

Hosts must be prepared to deal with the real possibility of inconsistent income from their business. Even the most stunning, well-priced, and perfectly marketed



Remember: Be prudent and set aside financial reserves to ride out unexpected events beyond your control.

local host rental is subject to factors outside of the host's control, including seasonal travel trends (high and low season) and local market saturation. Inaccurate budgeting for day-to-day expenses and unexpected costs can eat into your projected income, and as we have covered, just as guest reviews can make your business, a series of bad ones can break it.

We've outlined strategies to avoid many of these pitfalls—adjusting your local host rental pricing during low season, for example—but some of them may well be unavoidable. Make sure your finances are sufficient to keep you afloat during the lull periods.

QUESTIONS OF LEGALITY

n 2016, a couple living in Melbourne, Australia, was found to have broken the terms of their lease by subletting their entire apartment on Airbnb many times over the course of the previous year. Following charges filed by their landlord that were eventually settled in the Australian Supreme Court, the couple was evicted.

As we've discussed at the beginning of this chapter, questions of legality persist in many destinations around the world. Failure to follow the letter—or at least the spirit—of the law can have a disastrous effect on your local host rental business, so take the time to research and understand all legal matters before you start renting to travelers. You also have to continue to update yourself on the evolving regulatory landscape. The laws that were in place when you first listed your property may not be the same soon after. We cannot stress enough that it is your responsibility to follow local regulation.

BURNOUT

unning a successful local host rental business takes considerable effort, financial commitment, and patience. From researching market trends and studying the pros and cons of the various services, to whipping your property into good shape (and keeping it there) and carefully managing the guest experience to help get and maintain that crucial five-star review, hosts certainly have a great many responsibilities to manage. It's understandable, then, that many one-time enthusiastic hosts have become worn out and, in some cases, pulled the plug.

One increasingly common reason for the churn, in particular for Airbnb hosts, is the changing nature of the industry, or what we might call its gentrification, and the new demands it places on hosts. Many Airbnb hosts say that guest expectations have changed as more travelers who expect a hotel-like experience at a fraction of the cost use the service.

Consider the story one Airbnb host shared ("Diary of a Burned-Out Airbnb Host") on an unofficial Airbnb forum for hosts, which we have excerpted:

Many [guests] seemed oblivious to all the work that went into hosting.... Even though money changed hands there is always a feeling that when someone is a guest in your home, there should be the small but vital reward of appreciation that money alone can't convey.

...We felt that Airbnb's review system even prompted guests to try to find things wrong with their stay by asking them to make suggestions for improvements. These suggestions would often be disheartening for a host spent from having done all they could to create a wonderful stay, and left with a mess to clean up. It felt like nothing would ever be good enough for everyone.

Airbnb... is pushing hosts to provide exemplary service at a low cost to tempt guests away from hotels. This puts an extraordinary strain on hosts.... Even the most expensive five-star hotels don't provide all of these things because they wouldn't stay in business, yet we are advised to do them all, while getting those ever-present messages reminding us to drop our price for more bookings.⁹¹

There's no easy way to avoid such feelings of exasperation, which is why it's important to know exactly what you're getting into, to understand the service-host-guest dynamic, and perhaps find help with your business where you need to, whether it's a cleaning service, a property manager, an accountant, or all of the above.

WHAT'S NEXT?

osts, travelers, and services aren't the only parties driving innovation and leading the industry in new directions. Local host rentals have spawned a robust ecosystem populated by service providers, app developers, and other relevant companies helping to improve and add value to the experience.

Sites like Urban Bellhop, for example, help hosts better manage their properties by offering a variety of hospitality services.

On-demand companies like FlyCleaners and Properly specialize in local host rental cleaning services, while FIBARO, Ube, and SkyBell (mentioned above) are among the many companies that offer wireless home-automation and security systems. To streamline check-in and checkout procedures, hosts can install the smart locks

manufactured by such companies as Lockitron, or sign up for services like Keycafe for remote home-access management.

Pillow Homes and Beyond Stays are just two providers of full home-management—check-in, cleaning, guest communication, and more. HomeAway partners with companies like RTV, Inc. (photography and virtual tours), CBIZ Insurance (local host rental insurance), and MyVacayHome (marketing) to give its hosts easy access to more business services.

Ride-sharing services like Uber and Lyft have found a sympathetic audience in those who frequent local host rentals, with some hosts recommending them over taxis for local transport. Sites like Spinlister connect sporting and outdoor enthusiasts interested in sharing bicycles, surfboards, hiking gear, and other equipment. In fact, as the industry's ripple effect widens, travelers are finding that private home rentals aren't the only means of connecting with locals and enjoying a more singular experience.

HOSTING WITHOUT A HOME

here are new ways to be a host, too. In late 2016, Airbnb launched a new platform called Trips (currently organized under Experiences on the website), which is the platform's version of a local tours and activities operator. By the end of 2017, the service had plans to offer its host-managed Trips in more than 50 cities around the globe, including in Singapore, Shanghai, and Tokyo.⁹²

These tours, or experiences, vary greatly in theme, from brief one- to two-hour cooking classes and dance lessons to multiday hiking excursions, fishing outings, tours of street food, and surfing lessons. It's a chance for hosts to further introduce travelers to their community, as well as to share expertise in just about anything and earn extra cash while doing it. According to Airbnb, the average cost of an experience is US\$91 per person. 93 Let's do the math: If you were to host a group of five on a hiking expedition once a week, that's more than US\$1,820 in earnings every month. As we've mentioned, Experiences is growing at an exponential rate; the topic will be further discussed in Chapter 5.

Other local host rental services are surely watching to see how well this new service is embraced by hosts and travelers. If it's a hit, you can bet there'll soon be competition and demand for more "alternative" hosts, whatever the new alternatives to "traditional" hosting ultimately entail.



CONCLUDING THOUGHTS

erhaps you had initially wanted to be a host because the extra income would be useful. Or maybe you've spruced up that spare room or acquired a second property that has the potential to accommodate paying guests. Maybe you had rented from a fantastic host on your last vacation and thought to yourself, "I should do that!" Whatever the reason for your interest in becoming a host, we hope that by the end of this chapter, you've realized that being one means you will effectively be running a business. Although for some, venturing into business could be daunting at first, setting up an efficient and welcoming local host rental can be rewarding—for both you and your guests. The steps we have discussed to make your property—or experience—stand out really boil down to the key ingredient (and the main theme of this book) that makes a local host rental successful—mutually beneficial relationships. It goes without saying that you will need to carefully assess the market, your assets and management style, the legal context, marketing strategy, and risks. And yes, the devil is in the details. But ultimately, if you think like a guest and put yourself in the shoes of a visiting traveler who wants to feel safe and at home in your neighborhood, you will succeed. Good luck!

Chapter Summary: Key Lessons for Hosts



Think like a business manager. Hosting is a part-time job, at the very least. You're running a new business, so you need to think like a manager. Evaluate your time, resources, personal needs, and market context before you begin. If you don't have the time, be prepared to hire help.



Evaluate the pros and cons. Before you host, evaluate the pros and cons of hosting to figure out why you want to host, and what you will get out of it, along with tradeoffs. You can earn income, be your own boss, meet travelers, and contribute to the community, but you also need to self-check against discrimination, monitor your time and investments, be comfortable with an active online profile, and assess security risks.



Know the rules. Keep up to date on the legal landscape. Regulation of local host rentals changes rapidly. It's your responsibility to know and comply with local laws.



Follow the money. Calculate all expenses including fees, taxes (if applicable), and start-up costs when forecasting projected income.



Market your property like a brand. Figure out what makes your rental stand out—e.g., location, amenities, décor—and create a listing with fantastic photos to appeal to your target guests. Research like properties in your area for competitive pricing and positioning.



Be clear, but make it memorable. Set clear rules and instructions, and provide all relevant information in a house guide. Explain important details in the property listing to preempt questions. Personalize your guest's experience with low-cost added touches, like small welcome gifts and insider tips, so guests feel at home.



Don't be a ghost host. Even if you can't meet guests at arrival and checkout, communicate as if you're always on duty. Guests want to know that they can reach you with any questions or issues. Respond to all queries—before booking and during the stay—immediately using the service's internal messaging system.



Protect yourself and your property.

Invest in insurance to cover damage, injuries, and lost income from accidents or incidents during a guest's stay.



Communicate emergency plans clearly.

Write a clear emergency plan for guests to follow and have it prominently displayed in your property. Provide all important contact information.



Reviews are your bread and butter.

Guest reviews can make or break your business. Future customers largely determine if they trust you and your listing based on them. If a guest raises issues in a review, post a public response to provide a solution. Treat your guests well and they will reciprocate.

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n the small city of Roanoke, Virginia, U.S., local authorities, in addressing their community's growing local host rental market, enacted a "homestay zoning exemption."

The legislation had a practical goal: to require owners to register their rental intentions, and to bring their neighbors into the application review process as a way of helping limit potential neighborhood disruptions.

The exemption would allow owners to list their homes legally on services like Airbnb, Booking.com, Agoda, and HomeAway. To receive the exemption, owners had to meet with a regulatory board, ensure their home met certain safety standards, pay a registration fee, and listen to any concerns the neighbors might have.

The outcome was different for every host. Some chose not to go through the process at all (at the time of writing, only 10 percent of the Roanoke listings in Airbnb had local authority approval). Some went through the process successfully, including one owner, who was "not a fan of rules" but did so to avoid causing problems in his neighborhood. Another owner, however, applied for the exemption but experienced a significant backlash—there was a strong negative reaction toward her proposed rental from neighbors who attended the public hearing. The city council ultimately rejected her application, effectively pulling the rug out from beneath her planned business.

"I do support the city and the planning department," said the owner. "They did what they could but there was an onslaught of xenophobic neighbors who operate with the premise of 'not in my back yard."



NEIGHBORS MATTER

ocal host rentals, like all businesses in the sharing economy, flourish in communities. A theme that we continue to stress throughout this book is the idea that reciprocal, mutually beneficial relationships are the engine that makes the local host rental industry run. Whether you are a guest or host (or both!), it pays to consider the needs and priorities of the other party. In previous chapters, we highlighted the reasons why local host rentals are transforming travel at an exponential rate. We've examined the unique roles that guests and homeowners play in the increasingly prevalent (and lucrative) local host rental industry. We've advised travelers on how to be responsible and well-informed guests, and recommended best hosting and business practices for owners. In Chapter 4, we'll suggest ways in which forward-thinking regulators can legalize local host rentals in a manner that benefits and protects these parties.

But right now, let's focus on a frequently overlooked group of people in the local host rental sector—neighbors. As we've seen in Roanoke, Virginia—a community that presents an interesting microcosm of the industry's bigger picture and challenges—neighbors are directly and indirectly affected by both hosts and guests. Increasingly, as the growth of local host rentals normalizes, neighbors' concerns, needs, and wants will need to be more systematically addressed.

The goal of this chapter is to look at local host rentals from the neighbors' perspectives. We begin by shedding light on some of the reasons why neighbors might have mixed feelings about local host rentals. Then, we'll show how local host rentals can benefit neighborhoods and communities, address neighbors' most common concerns, examine neighbors' rights, and look at a few great examples of how hosts, neighbors, and regulators can work together to successfully incorporate local host rentals into their communities.

Local host rentals flourish in communities. Neighbors are key stakeholders to the industry's success.

FEAR OF THE UNKNOWN

any neighbors, of course, are already familiar with local host rentals and the rise of the sharing economy—and many have benefited, whether it is by staying in a rental property themselves or using a ridesharing service like Uber, Grab, or Didi Chuxing in China. Some have already opened their own homes to travelers, while others may consider doing so in the future for reasons that range from offsetting their rental or mortgage costs or making extra cash to help pay for their children's education, to supplementing their retirement income. Some enterprising neighbors are raising extra income supporting local host rentals in their community, by offering a range of helpful, everyday services like house cleaning, mail and package collection, and even themed tours and parking assistance for guests.

While the basic concept of renting a spare room or an entire home for a short period of time has existed for centuries, it's only recently that short-term rentals have bubbled into the global mainstream, evolving into an industry that some analysts predict will reach upwards of US\$170 billion by 2019.4 Despite the spike in popularity, many neighbors are still unaccustomed to seeing a stream of new faces coming and going from the house next door, and in their communities in general. This is particularly true of nonurban locations—and neighbors in such places may, at first, be uncomfortable with it.

Indeed, during the public hearing in Roanoke at which the homeowner's exemption permit was rejected, one neighbor had voiced fears about "a stranger knocking on her door or taking her children," while others had cited "heavier traffic" and opposition to "commercialism As traditional lines between a business and home blur, neighbors may not feel comfortable with an influx of strangers next door.

in a residential neighborhood" as reasons for dissent.⁵ Later, we'll address these and other common neighborly concerns and look at how they can be resolved or, at least, significantly mitigated.

Although these concerns and fears are sometimes unfounded, they need to be addressed. Local host rentals are changing the traditional makeup of neighborhoods, and it's simply human nature to be uncomfortable with, or question, change. There are no longer clear boundaries between commercial and residential properties: a property owner who rents out a room or home to guests as a local host rental doesn't have a "Hotel" or "B&B" sign hanging outside. The inflow and outflow of visitors next door is somehow different when they are strangers paying for a room rather than a friend crashing on your neighbor's couch (although the friend may be a stranger, too).

But local host rentals are here to stay, so let's start by bringing neighbors into the conversation.

A POSITIVE WAY FORWARD

he reality is that there is an overwhelming worldwide demand for local host rentals, and for neighbors, saying "No!" is simply not a viable, long-term option. Besides, it's important to remember that things change. Neighbors who may not be familiar with local host rentals today—or might even oppose them in their communities—could one day find themselves staying in one or managing one themselves. You never know.

With sensible legislation, local host rentals can greatly benefit their communities, while their negative effects can be minimized. Neighbors can work with hosts, building managers, and local regulators to iron out any concerns and resolve potential problems. Which is precisely what one community in Palo Alto, California, did.⁶

A longtime resident of Palo Alto decided to turn a home he inherited from his mother into a rental. He had a plan to lease the house to property managers who, in turn, would advertise it on a local host rental platform. When neighbors got wind of the idea, they banded together to express their opposition to the city council. The council issued a cease-and-desist letter to the resident and reminded him that the municipal code for his neighborhood prohibited rentals for any period shorter than 30 days. So the owner took a

With communication, education, and cooperation, most issues can be resolved.

different tack; rather than try to fight City Hall, he had a conversation with his neighbors and explained that he had been struggling for quite some time to find a suitable renter for the home. Once they understood the situation, these neighbors changed course and some even went the extra mile to help their neighbor find a suitable, legal tenant.

Not every situation can be so happily resolved, but there are some important lessons to this story. First, regulators would do well to be more open-minded and reevaluate their policies forbidding short-term local host rentals. Second, difficulties between hosts and their neighbors can often be resolved through better communication, education, understanding, and cooperation. When owners make their local host rentals visible and regulators approach the issue openly and with an eye toward the future, and when neighbors take an active role in the legislative process (by contributing ideas and creating neighborhood associations with reasonable standards), then the industry's benefits can reach the largest number of people possible, in the most positive way. On the other hand, trying to eliminate the practice altogether will only drive local host rentals underground, potentially creating more problems and more risks.

Hosts, neighbors, and communities can work together with regulators to create reasonable standards that benefit all.

HOW LOCAL HOST RENTALS BENEFIT COMMUNITIES

n the past decade, local host rentals have taken the world by storm and revolutionized the way we travel. Forbes, citing a TripAdvisor survey, reported that 67 percent of global travelers intended to rent homes or properties on their travels in 2016.⁷ That number has most likely risen since, as the visibility, number of services, and mass appeal of the practice continues to increase. Although neighbors may perceive local host rentals as affecting their own community more than others, the truth is that the global surge in popularity is redefining how property owners worldwide are choosing to live and conduct business.

Listings on services such as Booking.com and Chinabased Tujia include everything from condominiums in Bangkok and spare bedrooms in the suburban United States, to luxury ski chalets in Hokkaido and private pool villas in Bali. While the kinds of accommodations that hosts have on offer may differ and the reasons they have for



renting out their properties may vary, they all have one thing in common: *every* host benefits financially. And while this extra income can help hosts with their individual needs, we'll see shortly that it can benefit their communities, as well.

Many hosts use the income from their local host rental business to earn extra money for retirement. As a matter of fact, in the case of Airbnb, the fastest growing demographic of hosts globally is aged 60 and above; and out of the 200,000 senior hosts, 60 percent are women.⁸ Meanwhile, hosts based in pricey urban centers like London, New York City, and Vancouver use the service to help cover high rental costs, just to be able to stay in their own homes.

Just as hosts share one powerful motivation—income—so do the guests: they are looking for a comfortable and convenient place to stay among the locals while they are away from home. Guests may hail from all walks of life and every demographic, from budget-minded backpackers and young couples, to families with small children and, increasingly, business men and women; but troublemakers are rare. Neighbors may well have seen stories in the media about unruly guests wreaking havoc on a home or causing a community disturbance. To be clear, such things do happen and will again, just as incidents have and will continue to occur in hotels. But most guests are responsible, respectful global citizens who simply enjoy an alternative way of travel that enables them to connect on a more local level with the places they visit.

In fact, CBIZ Insurance Services, which provides insurance for HomeAway hosts, pointed out in 2016 that less than 1 percent of hosts' claims stemmed from damage caused by guests. Similarly, Airbnb received just 1,010 "significant" property damage complaints (i.e., claims for more than US\$1,000) from its hosts in 2015, a year in which there were more than 40 million guest bookings around the world. (See Figure 24.) While this does not account for neighbor noise complaints or other grievances—more on that shortly—it demonstrates that bad guest behavior is the exception to the norm.

Five Community Benefits Of Local Host Rentals

t a minimum, neighbors have a right to expect well-mannered guests at local host rentals in their community. However, neighbors need to realize that guests create plenty of benefits for them, too. Here are the top five:



FIGURE 25

Tax revenue

page 188

Taxes from local host rentals can be invested in the community.

Airbnb estimates that governments can earn US\$ 2 billion in global taxes from local host rentals in the next decade.



Foot traffic to local businesses

page 189

Stores, F&B, and local attractions gain new customers as travelers shop locally.

43% of total travel spend goes to neighborhood businesses.



Jobs for neighbors

page 191

Ancillary businesses create new jobs.

Tourism creates 1 in 10 jobs globally; local host rentals demand ancillary services and new jobs.



Keeping residents in their homes

page 191

Hosts can afford rents and mortgages to stay in homes.

60% of hosts use income to stay in their homes.



Increasing home value

page 192

Homeowners investments grow from value of local rentals.

Home values rise when potential income from local host rentals is factored into price.

TAXES FROM LOCAL

HOST RENTALS
DIRECTLY BENEFIT
PUBLIC SERVICES:



Chicago 4% tax on each booking supports homeless families with children



New Orleans
US\$1 per night of each
booking supports
affordable housing



100% of tax revenues allocated to affordable housing

—Airbnb Policy
Tool Chest 2.0

.....

Tax revenue. Well-planned, innovative regulation can help minimize the everyday impact of local host rentals on neighborhoods and create a new, potentially significant tax revenue stream that local governments and city councils can appropriate for projects to improve the community. For instance, as of May 2017, Airbnb has formed tax partnerships with over 275 jurisdictions and "collected and remitted nearly a quarter of a billion dollars in hotel and tourist taxes globally,"11 which was an increase of US\$100 million from December 2016. Of these agreements, 90 percent are in the U.S., but Airbnb has announced a policy of rapid expansion of tax collection. Internationally, Airbnb has formed agreements with municipalities in Mexico, France, Italy, and Canada. In addition, in Malaysia, Airbnb collects a flat tax rate of MYR 10 (~US\$2.65) per room per night from foreign visitors,12 while in Japan, Kyoto is considering adding a tax of between JPY 200 and JPY 1,000 (~ US\$2 to \$10) for all hotel guests, including local host rental guests.¹³ Airbnb says it is capable of raising US\$2 billion more over the next 10 years, assuming governments embrace the service and pass legislation that includes tax collection.14

Because the U.S. is so big and diverse, it can serve as a laboratory for different kinds of policy experiments from which other countries can learn. These are just a few examples of how revenues from taxed local host rentals can be a boon for neighborhoods: In Washington, DC, where local host rentals have been taxed since 2015, authorities have allocated revenues, in part, to its police and fire departments.¹⁵ In San Francisco, some of the local host rental tax revenue is spent in support of local arts programs. 16 In Portland, 100 percent of tax revenues are allocated to affordable housing, while in New Orleans, US\$1 per night of each booking supports the same cause.17 In the Finger Lakes region of New York, one of the state's most popular tourist destinations, hosts are hopeful that an agreement reached in 2017 to tax their rental bookings will help make the area an even more attractive vacation choice. "Hopefully our county will do something positive in a tourist field" when they reinvest the money, said Karen Stewart, an Airbnb host. "I think that it is a contribution that we can give to our county to get more tourists to our area."18

Foot traffic to local businesses. HomeAway, one of the world's largest local host rental services, had more than 2 million listings in virtually every country in the world at the time of writing. The company is calling attention to the revenues that it and other services generate for local businesses. "We welcome the opportunity for dialogue with council members and stakeholders to address concerns and protect the rights of... the small businesses that rely upon a strong rental ecosystem," said spokesperson Phil Minardi. 19

In 2016, global travelers to the top 20 cities around the world used on average 32 percent of their total travel spend on accommodations; more than half of the remaining expenditure was on food and drink, activities, shopping, local travel, and local services, as reported in a Mastercard study on top global destinations.²⁰ According to an Airbnb report, between September 2016 and September 2017 Airbnb guests spent an estimated US\$6.5 billion at restaurants across 44 cities, including US\$61 million in Hong Kong, US\$66 million in Singapore, and a whopping US\$468 million in Tokyo. (See Figure 26.) Meanwhile, 43 percent of global guests' travel spending occurred in the neighborhood of the local host rental.²¹

These are substantial numbers—and they come from just one of many local host rental services. While the restaurant spending in this report appears to be primarily

FIGURE 26

Hong Kong

Singapore

43% of guest travel spend goes to businesses within a local host rental's direct neighborhood.

—Airbnb



Tokyo

source: Data from Airbnb. Data from September 2016–September 2017.



drawn from major cities with hundreds or thousands of listings, smaller communities and their businesses stand to benefit from local host rentals, too. Many travelers favor non-hotel accommodations and are open to visiting and staying in places off the beaten path.

China's Belt and Road Initiative (BRI), which aims to increase trade and economic growth, has helped attract Chinese tourists to local host rentals in small and midsized cities. ²² Airbnb claims that, in the Czech Republic, it has seen a 132 percent growth in bookings made outside of Prague. Within Prague, which is the country's top tourist destination, more than 80 percent of reservations made between September 2016 and September 2017 were in neighborhoods outside of the city center. "By working together, we can help boost economic and social opportunities for regular people, generate new tax revenues, and help spread tourism benefits to regular people and their communities," said Sofia Gkiousou, a regional public-policy manager at Airbnb.²³

Jobs for neighbors. Local host rentals not only generate tax revenue for communities and boost spending at neighborhood restaurants and boutiques, but also create job opportunities, both full-time and part-time. Local host rentals have had a positive snowball effect over time, as a whole array of businesses has emerged that offer cleaning, management, concierge, and other services, which hosts use to help improve the guest experience and streamline their responsibilities.

Entrepreneurial hosts can even offer related services to neighbors interested in helping out and earning some extra cash. Some hosts do so by dealing directly with neighbors—agreeing on the service requirements, handling payment, etc.—while others refer them to online travel agencies that act as a go-between to make the process easier for both parties. In 2017, Airbnb, in its first study on the impact of hosting on women hosts, estimated that over 50,000 women globally have channeled rental income toward investing in an entrepreneurial business.²⁴

Handy, GuestReady, and Mopify are just three companies that employ local cleaners to handle things like guest laundry, key exchange, and turnover services. Local photographers are frequently commissioned to take professional photographs of homes to help make listings stand out. Property managers are hired to manage local host properties when owners are away or need the extra help. Withlocals, Eatwith, and Airbnb's Experiences are just a few of the growing number of niche tour providers on which neighbors can register with to offer their local expertise and tour-guide services.

Keeping residents in their homes. Although a rapid increase in the number of local host rentals could create significant changes in the housing market for major urban centers like New York City and London, these changes are not necessarily a bad thing for residents. In many places the ability to earn extra income from one's home has, in fact, helped bind neighborhoods together by helping hosts cover high rents and mortgages, thereby keeping residents in their homes.

Income from local host rentals has also helped hosts avoid eviction or foreclosure, according to Airbnb; such is the case in cities like Los Angeles, California (13 percent 54%-70% of hosts use rental income to pay mortgages and keep their homes.

—Airbnb and HomeAway

in 2016),²⁵ Rio de Janeiro, Brazil (19 percent in 2016),²⁶ and Barcelona, Spain (25 percent in 2017),²⁷ to cite a few examples. Overall, Airbnb has said that 54 percent of its hosts have used income from rentals to help them stay in their homes.²⁸ As we've mentioned in Chapter 2, 70 percent of HomeAway's hosts in the U.S. use their rental profits to pay for at least half of their mortgage.²⁹ Rather than compromising the spirit of a community, local host rentals can actually help keep it going.

Increasing home value. As of now, concrete data concerning the impact (positive or negative) that homes doubling as local host rentals have on the values of the overall building or neighborhood is scant. However, in municipalities where the local host rental industry is permitted and regulated—and particularly in high-demand destinations—some realtors believe that homes with "rentable" features can fetch higher prices on the market than ones that do not. There are also signs that sales of homes used largely as a local host rental are rising in part because savvy homebuyers (and would-be hosts) see the demand and earnings potential.

A 2018 study on Airbnb's effect on home prices in the U.S. by researchers at the University of California, Los Angeles, the University of Southern California, and the National Bureau of Economic Research has suggested that an increase in local host rentals is correlated with a modest rise in rental rates, and thus home prices.31 According to the Wall Street Journal, the study looked at prices in the largest 100 U.S. metropolitan areas between 2012 and 2016 and concluded that a 10 percent increase in the number of Airbnb listings in an area yielded a 0.39 percent increase in rents and a 0.64 percent increase in home prices. Although the numbers sounded small in comparison with the average increase in house prices (roughly 4.8 percent a year in the 100 areas), they are nevertheless significant and beneficial, explained Dr. Edward Kung, a co-author of the study, to the Wall Street Journal. Dr. Kung also said that "Airbnb enables homeowners to generate income from their property, making their homes even more valuable."32 Overall, the paper's authors are supportive of regulation that allows local host rentals to continue, given the economic benefits they provide.

Local host rentals "enable homeowners to generate income from their property, making their homes more valuable."

—Prof. Edward Kung,University of California

This is aligned with research published in the *Cornell Real Estate Review* in 2015, which concluded that cities that permit local host rentals can "protect a community's character and property values by helping to insulate individual owners from the effects of negative housing market downturns."³³

There are exceptions, of course. While some real estate agents tout the beneficial aspects of local host rentals on home values, others highlight instances where a mismanaged rental can hurt a neighbor's home value. For instance, if a host permits or doesn't attempt to control loud parties or gatherings, neighboring home values could decline. Similarly, there are real estate agents who feel that homes situated next to a unit that's frequently, or exclusively, used as a local host rental can take longer to sell and/or receive lower offers.³⁴

SUSTAINABLE DEVELOPMENT: LOCAL HOST RENTALS' ENVIRONMENTAL IMPACT

ommunities around the world are setting goals to balance economic growth with environmental protection, and planning for the long-term conservation of resources. Local host rentals can also benefit communities in their quest for sustainable development. As we've discussed earlier in the book, local host rentals make fuller use of existing resources, thereby reducing the need to build new accommodations; they also tend to have a smaller environmental footprint than hotels.

Airbnb has stated that sustainable development is an important part of its work in communities:

We constantly seek ways to seamlessly integrate sustainable practices into our platform, whether through everyday steps hosts can take with their listings, or partnerships with solar-panel and smart-home tech companies to reward our hosts for adopting energy-saving tools, or educational efforts to help hosts prepare guests for local environmental challenges such as droughts.³⁵

In 2016, Airbnb guests in Europe "achieved energy savings equal to 566,000 homes, reduced water usage equal to 9,000 Olympic-sized swimming pools, and reduced greenhouse gas emissions equal to 1.6 million cars"³⁶ by choosing to stay in local host rentals rather than hotels. In addition, Airbnb partnered with the UN Environment Programme during the 2016 Summer Olympics in Rio de Janeiro to promote "Green Passport" materials with guests, which educated them on how to be environmentally responsible during their travels.³⁷

COMMON NEIGHBOR CONCERNS

s we've seen, local host rentals can directly benefit neighborhoods. They can boost the local economy, contribute tax revenue, create jobs, help hosts (who are neighbors themselves) pay rent or avoid foreclosure, and potentially increase the real estate value of neighboring homes and apartments. However, as with any emerging industry—in this case, one driven by millions of private owners that present a unique set of regulatory challenges—we can expect some bumps in the road.

In previous chapters, we examined concerns and issues relevant to guests, hosts, and regulators. Neighbors, likewise, have their share of problems to grapple with. We'll demonstrate, however, that many of these points of contention are rectifiable while others may even be somewhat overblown

NOISE

aucous house parties and excessive noise are perhaps the biggest concerns expressed by neighbors about local host rentals. Unfortunately, the media do give headlines to egregious instances of guest behavior, rare as they may be. Meanwhile, unruly and otherwise disruptive guest behavior also occurs in hotels, but does not usually attract the same level of media attention.

Having said that, a quick look through a website like AirbnbHell.com will confirm that noise can be an issue for local host rentals, particularly with units where the homeowners aren't present. For instance, one neighbor wrote about how "rave-like parties" would happen regularly at a neighboring home used exclusively as a rental, and described an incident in which there was a "near riot in front of the house when drunken partygoers screamed and fought in the front yard when the police came for the third time that day." Another user based in Dublin, Ireland, complained that a neighboring apartment, rented to groups of up to six people, resulted in "loud music and noises" every other weekend.

As with hotels, it's impossible to eradicate the risk of excessive noise, but services, and some city regulators, have systems in place to help control it. One technique is to manage guests' reputations through reviews. Many rental platforms allow hosts to write public reviews of guests (and vice versa), which gives hosts the ability to alert other hosts



Remember: Reputation mechanisms help hosts address issues.



about unpleasant experiences with undesirable guests. A guest who has had an unsavory track record delineated in multiple negative host reviews may find it difficult to make future bookings. This reputation effect can lead guests to practice more socially respectful behavior, or at least spare other neighbors the nuisance of noisy rentals.

Airbnb has noted that its listings range from "traditional hostels" to "ideal venues for large events."⁴⁰ This is one way of saying that parties do occur in some of their properties. But Airbnb also noted that it actively removes listings that disrupt communities or have the "potential to cause quality-of-life issues"⁴¹ for neighbors, and has deleted significant numbers of listings (e.g., 1,500 in Korea as of end 2016 that were deemed "not in line with [its] community standards."⁴²). Later, we'll look at ways neighbors can voice concerns about such properties to the listing service.

In New South Wales, Australia, authorities have proposed a plan that would require hosts whose guests have been overly disruptive to compensate their neighbors; hosts could also be temporarily banned from the service.⁴³ This approach can significantly incentivize hosts to keep noise levels down. Hosts can also take advantage of new technological solutions like NoiseAware, a monitoring system they can install on their properties.

Yet other neighbors take a *que será*, *será* attitude toward intermittent noise caused by guests in a neighboring local host rental. "In a way, I quite like knowing that even though there's pounding tropical house [music] at 1 a.m., chances are they'll be gone tomorrow," said one television show editor in London.⁴⁴

Reality check:
All hosts want
their guests and
neighbors to
be safe. Seeing
unfamiliar faces
does not mean a
local host rental
is unsafe.

SAFETY

n Mount Vernon, Virginia, U.S., a number of residents cited safety issues as the main reason behind their opposition to local host rentals in their community. "There is no vetting. You don't know if there are sexual predators down there, you don't know if there are ex-convicts, you don't know if there are criminals," said one resident. In Canberra, Australia, a resident who was pro-rentals recalls running into a neighbor in her building's hallway and learning that she was one of the people pushing back against rentals. "I worry about security," the neighbor said. "They have keys to the place, don't they?"

Instances where a neighbor's family, personal safety, or property have been compromised by a local host rental guest are extremely rare (though, again, not without precedent).

And the presence of strangers is not unique to local host rentals. In any multiunit building, residents move in and move out, and their friends, significant others, and other visitors come and go all the time. Unfamiliar faces are an everyday occurrence in apartment buildings and not necessarily an indicator of unsafe conditions.

Many services require that users verify their identity by providing at least one official government document. Airbnb is one service that claims to screen its users further by running periodic background checks of those who have provided at least their full name and birthdate.⁴⁷ When doing so, the service checks public criminal records, sex offender registries, criminal convictions, terrorist watch lists, and other records, and removes users known to have committed violent crimes, sexual offenses, and other misdeeds.

Though not ironclad processes, this type of guest and host vetting does help keep unsavory people off the service and out of neighborhoods. We expect that more services will soon adopt similar trust, safety, and verification protocols. After all, no local host rental service wants to make headlines by causing a serious safety issue in a community. (Although many neighbors have voiced grievances related to local host rentals, there have been, in reality, very few instances of safety-related conflicts.)

One other thing to note: Sometimes properties are vacant for certain periods of time because their owners are traveling for an extended period, because they have been purchased for long-term appreciation, or some other reason. When neighboring properties are vacant—whether they are houses or apartments—not only can they be a potential safety hazard, but the lower level of occupancy can also discourage growth in local businesses, from the grocery store to the dry cleaners. Keeping these homes occupied—even by transient guests—may be better for the neighborhood than if they were left empty.

GENTRIFICATION AND OVERTOURISM

ot all cities welcome—or can even accommodate—increased tourism, especially when it goes to neighborhoods located outside of the traditional tourist districts.

In Europe, residents of major tourist destinations like Dubrovnik, Barcelona, and Venice have made known, in various ways, concerns over what they say are inundations of tourists caused, at least in part, by the increasing number of local host rentals.⁴⁸ Protesters have marched through the streets of La Barceloneta, a residential neighborhood in Barcelona that has seen a rise in foreign visitors. In response, local authorities have limited the number of local host rentals. In places like New York City, where for years residents and regulators have struggled to strike a balance between honoring and protecting the distinct rights of private owners and neighbors, "Airbnb-induced gentrification" can be quite real.

But the short- and long-term benefits of what we call "alternative tourism driven by local host rentals are significant. Consider, for example, places with sluggish economies in the United States' Rust Belt, impoverished villages well off the tourist grid in culturally rich northern Thailand, or the many cities across Japan affected by the nation's aging population and depressed housing market. Disadvantaged neighborhoods and even entire states and regions stand to reap the rewards of increased traffic gained by adventurous guests.

In other places, the discussion is touchier, and residents' concerns about overcrowding and gentrification are not unfounded. Short-term rentals, however, are not solely responsible for all the issues these communities face, and judicious regulation can help alleviate some of the stress that travelers exert on neighbors and communities.

In Amsterdam—in a move against large-scale commercial operations—legislation at the time of writing permitted local host rentals only if the host was registered as the property's primary resident.⁴⁹ Presently, in multiunit buildings in Chicago, Illinois, no more than 25 percent of listings or six units (whichever is lower) are allowed.

Conscientious regulation can help address concerns regarding overtourism.

In Jersey City, New Jersey, hosts are required to make a commitment to ensure that their rental business will not "disrupt the residential character" of their neighborhood. And in Philadelphia, Pennsylvania, hosts are not allowed to post "accessory signs," and guests are explicitly forbidden from inconveniencing neighbors with excessive noise.

Regulators and city officials worldwide can certainly do more to address contentious matters like gentrification, while still permitting responsible local host rental businesses to run. While these legislation examples are neither foolproof nor fully developed, they demonstrate that it can be done.

PARKING CONGESTION

arking may not be a significant concern in urban centers where residents and visitors alike primarily get around by public transportation, but competition for parking spaces is a gripe voiced by neighbors of local host rentals in many other destinations—particularly the car-oriented United States. For instance, neighbors of a local host rental in rural Athens, New York, lodged complaints with their town board, saying that the unit attracted a consistently rowdy crowd that blocked traffic and often parked on neighbors' private property.⁵² In North Arlington, Texas, one neighbor who lives near a local host rental that could house up to 17 guests claimed that there could be up to 12 cars parked on the street at any given time.⁵³

To address the parking predicament, regulators in San Jose, California, enacted a number of rental ordinances, one of which includes parking requirements for different types of listings.⁵⁴ As part of their "responsible hosting" guidelines, Airbnb actively encourages hosts to apprise guests of parking rules in the building and/or neighborhood, as well. In short, while guests are primarily responsible for their own parking behavior, better communication among guests and hosts, along with proper regulation, can help nip parking annoyances in the bud.

COMMUNICATION BETWEEN HOSTS AND NEIGHBORS

n Edinburgh it wasn't so much the noise coming from a nearby local host rental that rankled one neighbor—it was the fact that he had no way of communicating with the absentee host. "The irritation was that it was very difficult to get in touch with the owner via the Airbnb website. I had to pretend to be interested in renting it in order to send them a message," he said.55

Though gentrification and other concerns are complex issues, many—perhaps even most—disturbances that neighbors might occasionally experience can be avoided through open and honest communication with the host. Such dialogue, of course, is a two-way street, and as the neighbor in Edinburgh can attest, it can be tricky to contact off-site homeowners to discuss concerns, report repeated guest misconduct, and try to find amicable solutions to potential problems.

As the industry has grown and changed, so has the hosting model, to some extent. The business was originally built around private owners renting to individual guests. But many short-term rentals today are managed by real estate firms and other commercial organizations, which has reduced the process for some to a financial transaction with little personalization. While it's not necessarily a negative trend, it does introduce further complexities when it comes to issues like zoning, local housing markets, and communication between neighbors and owners. The best and most responsible hosts (and management firms) make themselves available to neighbors, are open to constructive dialogue, and do their best to address reasonable requests; to do otherwise only jeopardizes their business. Next, we'll look at steps that neighbors can take if communication with a host breaks down or is unattainable, or if the neighbor's rights have been compromised.

KNOW YOUR RIGHTS AS A NEIGHBOR— AND HOW TO ASSERT THEM

ntil now, we've looked at the impact of local host rentals on neighbors from a comfortable distance— a perspective that helps guests, hosts, neighbors, and regulators understand the macro-issues. But what if you live next door to a local host rental? What do you need to know

As more properties are managed by professional firms, communication with neighbors matters even more.

and what can you do, if issues arise? We'll conclude with practical advice to guide you in this evolving area of neighbors' rights.

Let's say you live in an apartment building in which local host rentals are legal,, and there are a couple of units on your floor that are used partly or exclusively for that purpose. Aside from seeing different people coming and going, your everyday life as a neighbor should not be much different than if there were permanent residents in those apartments.

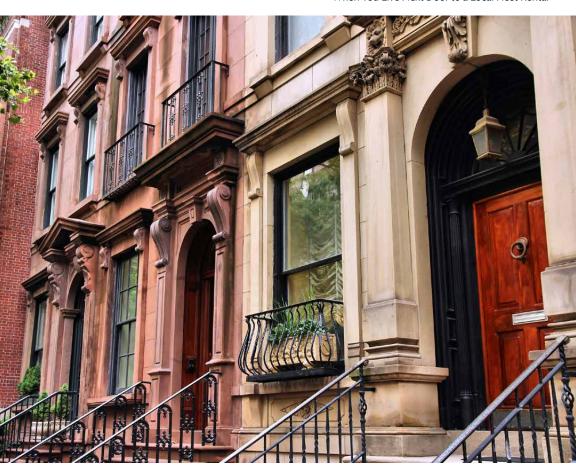
Problems could arise, of course; a late-night party may go too late and get too loud, or maybe trash is incorrectly sorted. But such issues can and often do happen with residents as well, and remember that disruptive guests are far and away the exception to the norm. After all, guests have a vested interest in being respectful, low-impact visitors so as to avoid being negatively reviewed by hosts, or losing their security deposits. "On the odd occasion l've met [a neighbor's guests] on the stairwell, they have seemed nice enough—pleasant, polite, and quiet," wrote Serina Bird Huang, blogger and resident of a 15-unit apartment building in Canberra, Australia. "Most were middle-aged couples; another time there was a father and his teenage son." 56

Any problems you may encounter should be minor and can often be addressed by speaking directly with the host, or even directly with his or her guests. That said, there may be exceptional situations in which you feel compromised, overly inconvenienced, or perhaps even threatened by activities or guests at a neighbor's local host rental. Here are a few things to consider and steps you can take to protect your rights as a resident or homeowner, particularly if a local host rental near you is operating illegally.

ARE LOCAL HOST RENTALS LEGAL IN YOUR COMMUNITY AND/OR BUILDING?

s we've discussed at length in other chapters, regulations concerning the legality of short-term rentals differ from country to country, state to state, city to city, and even building to building. Some places strictly prohibit local host rentals (at least for now); others have legalized them with restrictions; and many still have no regulations at all. Furthermore, many apartment complexes, co-ops, and even neighborhoods may have their own rules or lease terms regarding local host rentals; though rentals may be legalized in your city, landlords are entitled to prohibit them.

On the other hand, some buildings and landlords expressly permit them. Airbnb's Friendly Buildings Program, currently running in a few U.S. cities, could develop into a more widespread model adopted not just on Airbnb, but in some form by other services, as well.⁵⁷ Created to help "landlords, property managers, and homeowners' associations let people



in their building host on Airbnb,"58 the program creates an agreement between landlords and hosts in which landlords allow Airbnb rentals in their building in exchange for a percentage of their tenant's (a.k.a. host's) earnings. These agreements also require that hosts comply with other terms, which could be established in part to minimize disruptions to neighbors—like the examples we've seen in Jersey City and Philadelphia.

At this point, some of you may not necessarily relish the idea that a nearby apartment or single-family home is being used as a local host rental. But if the practice is legal in your community and in your building, and your personal safety and property are not compromised, it may simply be a fact of life to be tolerated. And if there are specific concerns about a legal local host rental, don't bottle them up; instead, do your best to contact your neighbor (the

In case of emergency or safety concerns, call local authorities.

Trust is the glue that holds communities together.

host) and strike up a polite conversation. Again, most hosts are more than happy to engage in constructive, neighborly dialogue, and many problems can be resolved in this way.

If guests are throwing loud parties when your neighbor is away, or are using the wrong parking spots or not following rubbish disposal guidelines, tell your neighbor about it; perhaps stricter house rules can be created or better enforced. If you cannot get in touch with your neighbor, the next step would be to speak with your landlord or building superintendent, if one is available. Alternatively, you may be able to contact the local host rental service, if you can find out which service your neighbor uses. There is a portal on Airbnb, for example, created specifically for neighbors to report issues related to things such as common spaces, noise, and parties.⁵⁹

In the rare instance of an emergency or safety-related conflict that demands immediate resolution, you may find it necessary to contact local law enforcement authorities or emergency services, who are there to help if you need them.

WHAT TO DO ABOUT AN ILLEGAL (AND BOTHERSOME) LOCAL HOST RENTAL

ost neighbors of local host rentals are perfectly comfortable living near them—whether or not they are fully legal—especially if the arrangement does not personally inconvenience them. There may be instances, however, where the host of an illegal rental is unreachable or any attempts to address your concerns through communication with the host have been ineffective.

Those living in multi-dwelling buildings can report the situation to their landlord, superintendent, or co-op board, and be sure to provide specific details, if any, about disruptive or suspicious activities. In New York, a group of legislators created a special hotline that residents can use to lodge complaints about illegal local host rentals. As we've seen in places like Palo Alto, California, and Athens, New York, neighbors can contact their local housing authority, city council, and other regulating bodies to voice their concerns or to report illegal or disruptive activities at a local host rental. These efforts have often been successful in resolving issues detrimental to neighborhoods.

As you can see, neighbors have a number of conflict resolution options at their disposal, if and when they

need them. Strong communities and neighborhoods, however, are not built on conflict but on trust, communication, and flexibility. So try to resolve conflicts directly with your hosting neighbor before elevating an issue by taking it to a landlord, housing board, or other authority; it could be a simple misunderstanding that is easily addressed. Once other parties become involved, your neighbor could potentially face fines, eviction, and the loss of his or her local host rental business; the punishment may not fit the offense.

A MODERN SENSE OF COMMUNITY

n Japan, an aging population paired with a steady migration of young people to big cities like Tokyo and Osaka have created a unique housing crisis that threatens to devastate rural communities. At the time of writing, there was an estimated more than 8 million vacant homes across the country,⁶¹ including in places like Yoshino, a city of under 10,000 residents located in Nara Prefecture, outside of Osaka. As government authorities brainstorm possible solutions to this growing problem, one interesting model emerged in Yoshino in early 2017, which could one day help revitalize and transform communities

In the Japanese city of Tokamachi, there is a fascinating story about a woman who enlisted the help of her forward-thinking neighbors, and together, they turned a vacant home into a successful local host rental and tour guide business, transforming their small town in the process. Inspired by this story, Airbnb worked with a Japanese architect to build Cedar House in Yoshino. A new type of local host rental, Cedar House can accommodate up to seven guests and is collectively managed by village residents. In a bid to encourage mingling between guests and locals, the architect designed the structure and its veranda in such a way that it also connects to the village's public walking path.

In its first year of operation, Cedar House maintained an 80 percent occupancy rate; its success has prompted Airbnb to support similar endeavors in other small towns around the world in need of new revenue streams and an overall economic boost.

Relationships between hosts and communities are evolving as new models for collaboration emerge.



Cedar House isn't the only project in which neighbors have organized for positive change in their communities. Cività di Bagnoregio, a town in central Italy that dates back to the thirteenth century, sits precariously upon a mountaintop, accessible only by a 70-meter (230-foot)-high suspension bridge. Most of the former citadel was damaged in an earthquake in 1980, leaving the majority of structures uninhabitable. Together, the mayor, local residents, and the local tourism board collaborated with artisans, Airbnb, and DWA Design Studio in Milan to restore Casa Greco as a one-bedroom house to attract tourists. The town's mayor is the host, and artists are eligible for discounted rates. Proceeds from bookings are donated back to the town to help support cultural projects that benefit the community. Built on volcanic ash, the town is regularly damaged by landslides and rockfalls. However, local residents have organized to start charging visitors entry fees into the town to raise funds for preservation and maintenance.

What tools are available to help community members drive local initiatives? Crowdfunding is a useful way to generate support for projects that add value to the community. For instance, in Denmark, local municipalities organized crowdfunding initiatives for projects that were outside the scope of public budgets. Apps have also been created to harness such bottom-up initiatives. Neighborly, a community investment marketplace, provides a platform for neighbors to invest in civic projects via municipal bonds, and as a means for municipalities to

offer such projects up for public investment.⁶⁷ Likewise, in the United Kingdom, Spacehive provides a crowdfunding platform for projects that aim to improve local civic and community spaces.⁶⁸ Given that raising "funds is one of the biggest challenges for bottom-up initiatives,"⁶⁹ these innovations are crucial.

Hosts, too, can collaborate to give back to communities while promoting local host rentals. Globally, Airbnb has facilitated the creation of home sharing clubs, small community groups in which hosts meet to share experiences, plan ways to support community initiatives, and educate neighbors and policy makers on appropriate regulations. As of time of writing, there are over 200 home sharing clubs worldwide.⁷⁰

These clubs have made an impact on their communities. For instance, members of a club in Berlin, Germany, write letters and attend local council meetings to advocate for fair regulations. In London, club members supported relief for Grenfell Tower after its devastating fire in 2017 and organized community service activities during a "Week for Good." In Taiwan, members have organized service activities like delivering food to senior citizens in Taichung, cooking for the homeless in Taipei, and cleaning up trash in Yilan."

These examples provide a glimpse into the potential future of local host rentals as they grow in number, become more flexible and diverse, and can better meet and address specific community needs. They symbolize, too, how the lines between what defines an apartment, hotel, and local host rental can blur—and how the nature of hosting and its connection to the community can and will evolve.

CONCLUDING THOUGHTS

t falls upon residents and regulators of the communities they serve to forge paths forward that will maximize local host rental benefits, limit disruptions, and seamlessly incorporate them into neighborhoods. And as demonstrated by civic-minded residents and businesspeople in Walworth County, Wisconsin, neighbors can play an active role in helping achieve these goals.

Here, homeowners, local business owners, and real estate professionals have banded together to ensure "the responsible hosting, management, and governance" 73 of

As of 2018, hosts share experiences and help communities through more than 200 home sharing clubs around the world.

-Airbnb Citizen



Insight: Local host rentals allow potential residents to test what life is like in a community before buying.

local host rentals, while simultaneously supporting the rights of private homeowners to share their homes, and of neighbors' rights to the "quiet enjoyment of their homes and neighborhood." The group has done extensive research concerning local host rentals, and has presented a series of recommendations to its county housing and zoning boards. It continues to work with those officials to settle on astute regulations that permit responsibly managed rentals in its community.

While it's clear that legal local host rentals can create new revenue streams for neighborhoods, it seems that they may, in fact, also help to attract new permanent residents. In Massachusetts, U.S., one married couple booked a series of stays in local host rentals located in different communities across the state's North Shore, with the explicit goal of "test driving" them as places to potentially relocate. The couple said that it's been a cost-effective endeavor, since they rent their home in Somerville to other travelers when they're away. 75

"Living in a town via a short-term rental lets you experience it firsthand, warts and all. By sampling restaurants and grocery stores, testing commute options, and exploring open spaces and cultural attractions, we're strategically pinpointing a permanent residence," wrote Courtney Hollands in the *Boston Globe*'s real estate section.⁷⁶

Here again, we see the shifting nature of local host rentals and how divisions between the seemingly disparate stakeholders—guests, hosts, regulators and neighbors—can and will change along with life circumstances. Guests can become neighbors, hosts are often also guests, and neighbors may turn to hosting.

Only one thing is certain: though the industry is destined for change, local host rentals are here to stay.

Chapter Summary: Key Lessons for Neighbors and Communities



Look at the benefits. These are substantial and diverse. Local host rentals boost local tax revenue, increase spending at local businesses, and create jobs.



Focus on the positive. The vast majority of hosts and guests are respectful and responsible. Incidents that disrupt neighborhoods are exceptions.



Communicate directly. Raise concerns about issues like house parties, noise, and parking directly with landlords, owners, and building managers. Most problems are easily resolved through person-to-person dialogue.



Involve regulators. Regulators can work on your behalf to enact laws that protect communities and neighbors' rights, without infringing upon hosts' abilities to operate rental businesses.



Ask for help from authorities when necessary. If major problems can't be resolved directly, report illegal, disruptive, or unsafe local host rentals to local housing officials or law enforcements.



Be respectful. Being a good neighbor is a two-way street; hosts should respect neighbors' needs, while neighbors should respect hosts' right to operate a local business.



Be open to change. While local host rentals may feel new to your neighborhood, they are, in fact, mainstream. One day you may consider becoming a host, so keep an open mind and aim for collaboration.

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PHOTOS: Unsplash and Shutterstock



"There are laws for people and there are laws for business, but you are a new category, a third category, people as businesses.... As hosts, you are microentrepreneurs, and there are no laws written for microentrepreneurs."

-Brian Chesky, CEO of Airbnb1

hange can be messy. Innovation is disruptive because it fundamentally alters the way people and systems behave. In the case of local host rentals, specifically, and the sharing economy in general, consumers, communities, businesses (competitors and suppliers), and governments are trying to keep pace with the rapid growth of what has, over the past decade, emerged to become a new marketplace.

The positives of the sharing economy are clear: consumers choose from products and services that meet their individual needs at an unprecedented scale, volume, and affordability. Access to information is as simple as a swipe on a smartphone. And, in theory, anyone with time and resources can aspire to be a microentrepreneur. As we have seen with local host rentals, you don't have to be a commercial property owner to earn income from your residence; local host rentals break down barriers to entry for millions of people who want to become more financially self-sufficient. From the empty nesters with a spare room in their house to a young professional who invested in a second property, hosts are renting properties to strangers through a global network built upon a philosophy of trust.

At its core, the sharing economy works (not always perfectly, it is true) because it fills unmet needs. But when solutions to old problems are created, a wave of new challenges and questions rise in their wake. This is not bad, per se; it is a natural consequence of any system change.

"The questions today are more about social issues, not technology; about a labor market that doesn't fit into the times," explained Martijn Arets, a collaborative economy analyst and author who specializes in the sharing economy. "Changes are coming, but there's not enough sense of urgency to adapt to an economy of sharing."²

In the first two chapters, we looked at how guests and hosts can best handle the emerging local host rental industry. The third chapter, on neighbors, demonstrated that this new accommodation segment is changing communities. But what about governments? They, too, need to pay attention to this alternative way of traveling, which has a big impact on neighborhoods, taxation, licensing laws, and economic development. This chapter steps back and evaluates local host rentals from the lens of policy makers.

In many communities, emerging frameworks for regulating local host rentals are not black and white.

KEEPING POLICY IN SYNC WITH INNOVATION

ocal governments around the world are still trying to figure out how to adapt to the sharing economy. As a recent article on risks and regulation in the *Chicago Policy Review* has noted, "The challenge of regulating the sharing economy, which relies on trust between people, lies in whether this new business model can fit into existing laws." As far back as 2013, *Wired* magazine described a regulatory environment mismatched to the sharing economy, and the situation has not changed much since then: "Many of today's regulations were right for their time, and contributed to the safe and efficient growth of services over the last century. But emerging digital institutions have already started to make them obsolete."

A key difficulty for regulators is the pace of local host rentals' success. The industry is so new, and growing and changing so fast, that it's difficult for cities, provinces, and countries to stay on top of it. From a regulatory standpoint, the industry is simply too young to have developed legal and policy precedents. In most communities, local host rentals cannot be classified as either legal or illegal but fall somewhere in between, in the gray area of emerging law that we call "pre-legal."

At a macro level, we've already seen glimpses of why regulation is so challenging to pin down: local host rentals are valued differently by each stakeholder. Governments cannot favor one over the other, but must try to determine how and whether to intervene on behalf of public safety and consumer interests, and against monopolies. As Seattle City Councilman Rob Johnson explained after he had announced the city's new regulatory approach in December 2017 (after two years of deliberation): "We met a very diverse set of objectives with a very diverse set of stakeholders." 5

Similarly, Los Angeles City Councilman Mitchell Englander has described the conundrum policy makers face as highly complex "uncharted territory." The city began looking at regulation in 2015, a process that had not yet finished as of time of writing. "There's definitely an impact on the housing market. To what degree, I don't know," said Englander to the LA Weekly. "If you read five different studies you get six different answers."

This chapter aims to help regulators make sense of

this complexity: first, by looking at local host rentals within the larger context of the sharing economy; and second, by walking through the benefits and specific issues pertinent to each stakeholder—guests, hosts, communities, and businesses. The positive economic impact of local host rentals on communities is real: they put money in the pockets of homeowners, increase the supply and demand for tourism, while also growing supplementary industries. We obviously can't cover every single development in each and every destination around the world, but we have laid out the primary issues that governments are grappling with—from neighborhood complaints to security, impact on local housing markets, discrimination, and competition.

This chapter concludes by evaluating the risks of protectionism when it's taken too far, as well as policies that are gaining traction—time limits on rental periods, licensing requirements, and taxation. We also provide practical recommendations that can serve as guiding principles for governments as they create fit-for-purpose policies that meet the needs of stakeholders. No single policy works for all markets, but there are common themes. For example, commercially owned and operated units may require different policies than single rental units operated by a private homeowner. In short, regulation for local host rentals must be adaptive and not overly restrictive.

Overall, this chapter asserts that regulation must treat local host rentals as a unique business segment at the nexus of the hospitality and e-commerce industries. An important point to remember, and one that will be discussed, is that local host rentals *complement* traditional hotel accommodations rather than compete with them. In doing so, they spread the wealth from increased localized economic activity.

Effective regulation seeks to optimize these benefits while balancing the unique needs of each constituency. The most sensible regulatory approach embraces change rather than fights against it.

It's essential that governments do their research so they can be up to date on the latest developments. There will never be one single set of regulations that works for every circumstance, but there are localities that are All stakeholders benefit when regulation embraces change rather than fights against it. managing local host rentals well and benefiting from them. We encourage communities to learn from one another, adopt best practices, and share lessons learned. It's also important to keep regulations simple, scalable, consistent, and flexible. Regulations that are too complex will discourage compliance.

WHY REGULATORS NEED TO CARE ABOUT THE SHARING ECONOMY AND LOCAL HOST RENTALS

e've stated that local host rentals are part of the larger global phenomenon known as the sharing economy. But what does this mean and why does it matter? The term "sharing economy" is broad, and, as we point out throughout this book, cannot precisely describe every related activity. Regulators need to recognize the fact that this landscape is evolving, and do their best to design policies that will adapt to change.

Enabled by the growth of technology—but also by changing attitudes about what it means to own, use, and enjoy things and experiences—the sharing economy is changing the world in many areas. One of the biggest changes is happening in transportation, where companies like Uber and Didi Chuxing (for taxis), Ofo/Mobike (for bicycles), and Go-Jek (for motorcycles, cars, and trucks in Southeast Asia are making it easier and cheaper for customers to get from place to place, while also providing jobs and income to car owners, easing the burden on public transport systems, and improving commutes for the communities within which they operate. Accommodation may be the next most important and visible sector of the sharing economy, but sharing is also expanding in areas like part-time work (e.g., TaskRabbit in the United States), coworking (WeWork), peer-to-peer lending, fashion, and many more.

The sharing economy is based on marketplaces (usually online) for goods and services. Buyers and sellers participate in these markets where they see a benefit. As entrepreneur and author Alex Stephany has noted in his book *The Business of Sharing: Making It in the New Sharing Economy*, "reciprocity is at the core of the most successful and scalable peer marketplaces. One side saves money: the other side earns money." And both

sides benefit from experiences and opportunities they wouldn't otherwise have.

There's no question that sharing economy companies and services have faced problems—and, in some cases, caused them. In the accommodations sector, for example, local host rental services have been accused of operating without licenses, damaging neighborhoods, hurting local housing markets, and putting both hosts and guests in unsafe situations. These problems do exist in places, but are amplified by the large volume of media coverage they receive. And the reason they are disproportionately covered is in part because the sector is new: while a vandalized hotel room is less likely to get in the news, a wrecked local host rental apartment may well make headlines. These problems can and should be addressed, and we will look at them in more detail later in the chapter.

It is essential, however, to keep two crucial points in mind: (1) the sharing economy has identified problems9 that have always existed and helped to find new solutions for them; and (2) these new solutions are not going away—quite the contrary. They will continue to grow because there is demand for them. As the New York Times reminds us.

Peer-to-peer technology may be disruptive, and its effects can be messy. But it has an inexorable tendency to empower people to find—and produce—new offerings that improve our lives by reinforcing the most basic rule of entrepreneurship, which is to make something that people really want.¹⁰

As we have noted in the Introduction, PwC has forecasted that the global sharing economy as a whole will grow to US\$335 billion by 2025. Skift estimated that the short-term rental market alone will reach US\$169 billion in 2018," and the technology market research firm Technavio has forecasted that by 2021 the short-term rental market will reach US\$194 billion.¹² These numbers prove that short-term rentals are something that people really want.

"Reciprocity is at the core of the most successful and scalable peer marketplaces."

> —Alex Stephany, The Business of Sharing: Making it in the New Sharing Economy

The total global local host rental market will be valued at US\$194 billion by year-end 2021.

-Technavio

To get a sense of what these numbers look like on a local level, data on international travelers from Mastercard's 2016 report on top global destinations¹³ and reports from Tripping.com—the world's largest aggregator of local host rentals—reveal the economic potential that this industry brings. Figure 27 provides a brief overview of key Asian and Western market trends.

FIGURE 27

Tourism and local host rental metrics in four major Asian and Western markets

di major Asian ana western markets				
	Bangkok	London	Paris	Singapore
Tourism metric	a			
Global ranking	1	2	3	6
Total international tourists	21.47 mil	19.88 mil	18.03 mil	12.11 mil
Total tourist spend (\$US billion)	\$14.8	\$19.8	\$12.9	\$12.5
% spend on accommodations	26%	30%	45%	29%
Total accommodation value (US\$ billion)	\$3.85	\$5.96	\$5.78	\$3.62
Local host rental market ^b				
Average listing rate on Tripping.com (US\$)	Not reported	\$234	\$263	\$134
Total listings on Tripping.com	9,174	26,499	16,717	2,630

sources: Data from Mastercard; Tripping.com.

^a Based on 2016 data by Mastercard. (For reference, market #4 is Dubai; #5 is New York.)

^b Tripping.com excludes Airbnb listings, except those that are on multiple sites. Tripping.com data is from 2017.

Let's look at some statistics that further illustrate the size and economic impact of local host rentals:*

In France, the Ministry for Economy, Industry, and Digital Affairs estimated in 2015 that of the 8.8 million tourist beds available in the country, 3.8 million were shared accommodation offerings.¹⁴

Even in Singapore—where regulation prohibits renting for less than 3 months—about 260,000 tourists have already been hosted in local host rentals, while an estimated 1 million Singaporeans have stayed in Airbnb accommodations overseas (almost 20 percent of the total population) as of June 2017.¹⁵

In New York, Airbnb produced US\$623 million in economic activity in 2015, the year before regulations became stricter, "including US\$105 million from direct spending in neighborhoods that do not typically benefit from tourism." ¹⁶

Even a small town like Paducah, Kentucky, U.S.

(population 25,145), hosted 100,000 Airbnb visitors in 2016. Equally important, Paducah hosts earned on average US\$3,800 per year.¹⁷

A consulting firm doing a study for Airbnb estimated that, in 2016, Airbnb supported about 730,000 jobs and more than US\$60 billion in economic output in 200 cities around the world, including US\$9 billion and 170,000 jobs in Asia.¹⁸

Harder to measure—but equally important—is the fact that more and more people travel this way because they enjoy it. Whether they are parents looking for a place to stay with their kids (and benefiting from homes with kitchens, washers and dryers, and adjoining rooms), adventurers looking to engage with local culture and communities, backpackers searching for cheaper digs, business travelers seeking different options. Or longer-stay tourists who just can't face the same hotel room day in and day out, many travelers are

In 2016, Airbnb supported 730,000 jobs and more than US\$60 billion in economic output in 200 cities globally—including US\$9 billion and 170,000 jobs in Asia.

-NERA Economic Consulting

^{*}Note that terminology is not consistent across all sources.

Terms used include "shared accommodations," "short-term rentals," "vacation rentals," and others. We use "local host rentals" to encompass the whole sector.

enthusiastic about the opportunities that local host rentals provide.

"The genie is out of the bottle. Vacation rentals aren't going away," said one Airbnb host hailing from Florida to the *Orlando Sentinel*. "This is the preferred method of lodging now."²⁰

LOCAL HOST RENTALS AND SUSTAINABLE TOURISM

t the same time, we recommend that governments look to local host rental service providers as strategic partners in sustainable development. In 2015, the United Nations declared 2017 to be the International Year of Sustainable Tourism for Development "to raise awareness... among public and private sector decision-makers and the international community" about tourism's role in helping achieve the UN's Sustainable Development Goals, "while mobilizing all stakeholders to work together in making tourism a catalyst for positive change." 22

Research on the interplay between short-term rentals and sustainability is growing. The Small Business Institute Journal has detailed six areas in which local host rentals are "better suited to produce sustainable business outcomes" than "traditional accommodations" (i.e., hotels). The argument is that local host rentals consume less energy, produce fewer greenhouse gas emissions, consume less water, and produce less waste than hotels, while they are also more likely to enhance "consumer economic well-being" and "create social ties among users." Chapter 3 and much of this chapter evaluate the economic and social benefits, many of which are key considerations for regulators.

Broadly, we recommend that regulators frame policy approaches to local host rentals that focus on four sustainability principles.

• First, recognize that **local host rentals create value from underutilized resources;** from a regulatory standpoint, this means governments can promote development goals by tapping into existing property

"Competitiveness is the key business driver of sustainability."

-UNWTO and UNDP

supply without the need for large-scale investments in new construction

- Second, recognize that the environmental footprint
 of local host rentals—especially if they are shared
 accommodations—can be significantly smaller than
 that of hotels
- Third, governments can partner with hosts and service providers—as they can with hotel chains—on local and national environmental initiatives, such as promoting energy conservation through the use of solar panels and new technologies
- •And fourth, in the words of the UNWTO and UNDP "competitiveness is the key business driver of sustainability."²⁵ To achieve long-term sustainability goals, governments should encourage, not hinder, fair competition among players. (We will return to this topic later in this chapter.)

THE BENEFITS OF LOCAL HOST RENTALS

s we've noted in the Introduction, local host rentals solve problems that arise from inefficiencies between supply and demand in the traditional accommodation market. In places where it is cost-prohibitive to build hotels, or where governments seek to curb commercial development to protect cultural and environmental resources, local host rentals offer travelers and communities an alternative that makes good use of existing resources.

Though there are certainly cons to the sudden expansion of local host rentals, the sector's exponential growth makes it clear that there are many pros, as well. Let's take a closer look at all the different sides of the local host rental economy to see how participants are already better off—and what they stand to gain as the industry expands.

Good for guests

We have already mentioned some of the most important reasons why one key demographic of travelers—families—increasingly favors local host rentals. Hotels are simply not designed for people traveling with children, particularly on

FIGURE 28

Key benefits of staying in a local host rental



Choice

Millions of properties globally Tripping.com, the largest aggregator of local host rentals has 12 million listings



Experiences

Unique activities at local destinations 72% of travelers prefer to spend money on experiences over things



Family friendly

A home away from home 90% of guests travel with family; 36% travel with children



Value for money

Stay longer for less Local host rentals are 20% cheaper than hotels with more amenities; Guests stay 50% longer

SOURCES: Data from CNBC; Priceonomics; Tripping.com.

extended trips. Parents want to be able to look after their kids at all hours, but also to be able to shut the bedroom door when they need privacy. Eating three meals a day in restaurants for multiple days is both inconvenient and expensive, and hotel laundry services are no replacement for a trusty washer and dryer. As mentioned previously, a 2016 Tripping.com survey found that 90 percent of people who chose to stay in short-term rentals traveled with family members, and 36 percent with children.²⁶

The search for new experiences is increasingly appealing to all types of travelers, and these are things that home rentals can usually provide more readily than hotels. Living in someone's house or apartment can take travelers into neighborhoods they would rarely see, and help them "live like a local," to borrow a phrase, in cities far from home. According to a 2016 study by the Harris Group, for example, 72 percent of millennials preferred to spend their cash on experiences rather than things.²⁷ Meanwhile, American Express surveyed more than 1,500 American customers and found that 81 percent "valued having a personalized experience" over other travel activities, and 73 percent would even pay more than budgeted for "a unique local experience."²⁸

But the beauty of local host rentals is that travelers don't pay more; in fact, one of their most appealing aspects is their value. Guests can enjoy a wide range of options, amenities, and local experiences, and do so at a fraction of the price than they would at hotels—which makes accessible a wide range of new destinations and travel experiences that would otherwise have been cost-prohibitive. Studies have consistently found that local host rentals compete well against traditional accommodations in terms of price. This is especially true when additional amenities (more space; kitchen or laundry, a gym or pool; parking) are factored into the

value. According to the Priceonomics blog, a one-night stay in a whole apartment in any one of 65 U.S. cities was over 20 percent cheaper than a stay at a hotel, and a stay in a room at someone's apartment was only about half the price of a hotel room.²⁹

The price advantage doesn't only make travel cheaper—it also opens up greater opportunities. A 2014 survey of Airbnb users in Barcelona found that guests stayed 2.4 times longer compared to typical tourists.³⁰ In one recent survey of travelers visiting Los Angeles, 37 percent of guests said they would not have been able to travel for an extended period without the opportunity to stay in local host rentals.³¹ With a wider variety of accommodation options to choose from than ever before, local host travelers can go farther, stay longer, and engage more deeply with the places and people they encounter.

The sharing economy gives consumers more affordable and more varied options and the opportunity to be more entrepreneurial than conventional travel does.³² The broader range of choices means that different kinds of consumers can meet their needs more efficiently and more effectively. Even the U.S. Federal Trade Commission has noted that peer-to-peer applications "appear to be responsive to consumer demand and also may promote a more efficient allocation of resources", while "help[ing] to meet unmet demand for... services" and "also may reduce consumers' transaction costs in arranging and paying for such services."³³ In a bigger and more varied marketplace, it's easier for people to find and take advantage of exactly what they are looking for, at the right price. (See Figure 28.)

More for hosts

It's not just guests who have something to gain when they stay in local host rentals; hosts stand to benefit, too. Hosts can learn so much about the world when they accommodate visitors from other countries, and many view the hosting experience as a way to make new friends. Hosting, in particular, can be a very successful second career for seniors; as of 2016, the fastest-growing group of hosts in the U.S.—and those most likely to receive five-star reviews—are people over 60, and 64 percent of them are women.³⁴

54% of hosts report that rental income helps them stay in their homes.

-Airbnb

Short-term rentals increase local businesses' revenues.

—Singapore Tourism Board Just as it is for guests, one of the biggest motivations to host is an economic one. Housing is expensive—for most people, mortgage payments or rent is their biggest monthly outlay—and sharing space provides a way to manage the cost. Stephany has noted that in London rent can take up 59 percent of income; in New York it can be as high as 65 percent.³⁵

Given the cost of housing, it's not surprising that studies by Airbnb consistently show that many of its hosts rely on rental income to avoid the catastrophic loss of their homes. In a survey of its Vancouver hosts, for example, half of respondents said they apply the income they earn directly to the rent or mortgage, ³⁶ while 14 percent of the company's hosts in Chicago "avoided foreclosure or eviction thanks to the money they made sharing their homes." ³⁷

While in some communities the growth of local host rentals may put pressure on housing markets, in others it is the local host rentals that make it possible for the people who already live there to remain there. As of May 2017, Airbnb has reported that 49 percent of the income that hosts make is spent on basic household needs, while 54 percent of hosts claim that the income earned helps them remain in their houses.³⁸ It would appear that the practice of sharing their homes is often essential to keeping hosts in their communities.

What communities gain

Local host rentals can be a major boon to communities: helping hosts keep their homes is one way, and bringing in tourist dollars is another. Tourists typically tread the familiar paths of major sights, transportation corridors, hotels, and entertainment—think of the theatre district in New York, Orchard Road in Singapore, Sukhumvit in Bangkok, and Ginza and Roppongi in Tokyo. But when they stay in local host rentals, tourists visit the neighborhoods where residents *live*—and spend their money there, too.

In general, the research shows that travelers typically spend well over half of their destination expenses on things other than accommodation, including ground transportation, meals, entertainment, and shopping³⁹ It is a huge benefit to communities to have these funds



go not only to the major tourist districts and the businesses operating in them, but to local supermarkets, restaurants, pubs, taxis, and stores. ⁴⁰ Because local host rentals attract different types of tourists with different interests, different social profiles, and different budgets, inevitably different parts of cities—and countries—will benefit economically as the practice expands.

Regulators should recognize that short-term rentals are not substitutes for traditional travel accommodations, but complements to it. If anything, they increase the size of the tourism pie. According to Stephany, a 2014 Boston University study on the impact of local host rentals in Texas found that each 1 percent increase in Airbnb listings corresponded to a reduction of only 0.05 percent in hotel revenues. Rather than "cannibalizing hotel revenues," in fact, Airbnb was "bringing new visitors to the area." Those findings are supported by research carried out by faculty members at the Massachusetts Institute of Technology (MIT) and Harvard Business School, analyzing Airbnb and hotel data between 2011 and 2014 across 50 of the largest U.S. cities. They found that local host rentals "allow more travelers to stay in a city

without greatly affecting the number of travelers staying at hotels."42 The study, published in 2018, discovered that local host rentals affect hotel profits only under very specific circumstances: at times of "compressed demand" (e.g., New Year's Eve in New York City) when hotels in highdemand locations are already at peak occupancy. "Airbnb negatively affects hotel revenues in cities where hotels are more likely to be capacity-constrained, and...the effect is more concentrated on price than on quantity."43 True, local host rentals marginally decrease hotel revenues, but overall bookings do not decrease. This makes sense: when prices are inflated, price-sensitive guests seek out lowercost options, while those who can afford the higher-priced rooms still book them. The study concluded that "without Airbnb, hotel revenues would be 1.5 percent higher"44 at such peak times; however, "between 42 percent and 63 percent of nights booked on Airbnb would not have resulted in a hotel booking"45 if Airbnb supply did not exist. Once again, we see that local host rentals increase travel.

Overall, the Organization for Economic Co-operation and Development (OECD) has noted that the sharing economy increases the size of the tourism sector as a whole.46 One of the great advantages of local host rentals is that they are flexible, permitting destinations to expand capacity when needed. This flexibility is extremely helpful in addressing large-scale fluctuating market demand, whether because of changes from season to season, or because of surges caused by infrequent but important tourism events like the winter and summer Olympics in Brazil, South Korea, and Japan.⁴⁷ Building hotels to accommodate one-time demand peaks is not economically practical. Local hosts, on the other hand, can provide supply to help accommodate travelers who come to participate in or witness special events. For example, a December 2016 study by the World Economic Forum and MIT analyzed Airbnb data for the 2016 Rio Summer Olympic Games. It concluded that Rio would have had to build 257 new hotels to accommodate the 85,000 guests who rented from 48,000 Airbnb listings—many of which were launched specifically for the Olympics.⁴⁸ Clearly, utilizing existing resources was far more efficient and far more cost-effective than constructing hotels—which might well have remained empty after the Olympics concluded. Beyond special events, local host

rentals can also help travelers find moderately priced accommodations in high-cost destinations, such as London, New York City, or Tokyo, thus attracting more visitors at different levels of the economic ladder. 49 Local host rentals can be a way to develop tourism in areas where infrastructure is lacking.

An economic perspective

Local host rentals bring substantial economic benefits to local economies. As we have noted, lower prices may encourage longer stays—and allow travelers to spend money on things other than just lodging. Studies have shown that guests in short-term rentals in San Francisco, for example, stay over 50 percent longer than guests in hotels (5.5 days vs. 3.5 days, according to Airbnb),50 and even longer in Montréal (5 nights vs. 2.7 nights, according to Airbnb).51 Overall, HomeAway has reported in its 2017 trend report on local host rentals that American travelers' length of stay increased by 27 percent from 2015 to 2016.52

It's not just hosts and local merchants who benefit from local-host-based travel. Even in these relatively early days, taxation of local host rentals is contributing substantial amounts to communities. These new tax revenues can be devoted to specific causes that will benefit the community, such as affordable housing (Chicago and Los Angeles), the arts (San Francisco), or destination marketing (France and Florida).⁵³ Stay tuned for a further discussion about taxes, below.

Local host rentals can help bring the economic growth that increased tourism promises. At time of writing, Japan already accommodates 24 million travelers a year, and intends to have 40 million by 2020—with the potential of doubling the share of GDP provided by travel and tourism. Additionally, 8 million homes in Japan are vacant, and these homes could help ease the coming accommodation burden. A well-developed local host economy could make a substantial difference on all these fronts.⁵⁴

Local host rentals augment supply during peak events, helping municipalities not only manage tourism surges, but also by channeling more resources to the local economy. For example, Airbnb has reported Japan aims to increase tourism arrivals from 24 million to 40 million by 2020; local host rentals can help.

-Nikkei Asian Review

Airbnb hosts welcomed 80,000 guests for Rio's 2016 Summer Olympic Games, contributing US\$100 million to the local economy.

-Airbnb

For every 30 new tourists brought to a destination, 1 new job is created.

-World Economic Forum

that as an accommodations partner during the 2016 Rio Summer Olympics, their hosts welcomed 80,000 guests, who generated US\$100 million in economic activity.⁵⁵ The company also formed an agreement to provide accommodations for South Korea's Gangwon Province at the 2018 Winter Olympics.

Equally important, local host rentals support a whole ecosystem of related employment. According to the World Economic Forum, "for every 30 new tourists to a destination one new job is created." Many companies provide products and services to meet the needs of this growing industry. Urban Bellhop and Guesty, as mentioned in the chapter for hosts, offer property management services. Airbnb enlists many professional photographers to take photos of rentals for hosts.

Cleaning services are another simple and obvious need that the industry has. Unlike hotels, local host rentals do not have their own housekeeping staff, and so can create an array of cleaning and maintenance jobs for people in need of employment. But when New York decided to place severe restrictions on local host rentals, which passed in



October 2016 and went into effect in January 2017, it threw people in these roles out of work. *Fortune* magazine described the experience of one house cleaner in New York who was making her way out of poverty—until the local host rental laws changed. "With her earnings along with the income she received from public assistance, she was making enough to feel like she was on solid footing. But by November [2016], she was working only 30 to 25 hours a week. By January [2017], she was down to about eight."⁵⁷ If municipalities allow local host rentals to grow, then guests, hosts, workers, local businesses, and communities all benefit.

DEALING WITH DISRUPTION

s we write, there is a daily barrage of news about the local host rental industry. Much of it is positive, but a fair amount of it focuses on the stress and confusion caused by this new sector. The stress is understandable, but the fact that it exists does not mean that local host rentals are bad. They are simply new, and new things are disruptive.

Regulators need to understand that it will not be easy to apply existing rules to this sector. Unlike hotels, which have a distinct physical presence, a history, and a familiar management and financial structure, local host rentals blend into the housing landscape. The proprietors are often ordinary citizens, the properties look and usually function like ordinary residences, and, most confusingly, local host rentals come and go as circumstances dictate. Since the usual earmarks of a business are lacking, it is difficult even to monitor what's going on, let alone regulate. Local hosts are entrepreneurs, which is good in that they create growth and boost economic development, but also difficult, since many hosts are new to the business and may not know which rules to follow—or may choose to ignore the rules, if they exist at all.

This is a tricky landscape to regulate, without question.

Furthermore, as others have pointed out, the internet and sharing economy often do not behave in the same way as more established and traditional businesses. The mantra "ask for forgiveness, not permission" may not always apply, but it is a common attitude and can give regulators pause.

Established economies are based on *rules*, which help determine behavior and expectations by guests, hosts, and regulators. In the new and often informal sharing economy, however, the relationships are based in good part on *trust*, which is difficult to regulate. Guests who prefer local host rentals to hotels value both the diversity of experiences (also difficult to govern, since the range is so wide) and the personal relationship and exchange between host and guest.⁵⁸

Reputation mechanisms help protect customers and build trust. At first blush, this behavior seems to open the door to chaos, and much of the sensational news coverage about local host rentals focuses on violations of trust (e.g., when on an extremely rare occasion, a devious host puts spy cameras in a property). However, the sharing economy and the internet, its platform, have made substantial progress in solving the fundamental problem of how to trust a stranger—particularly one who either welcomes you into his or her home or stays in yours. The key is what are called "reputation mechanisms."

What are reputation mechanisms? Social media are a good example. Platforms like Facebook, Instagram, WeChat and LinkedIn connect people to their social networks, thus reassuring their members about reliability. Rating systems do the same: customers are much more likely to buy a product from an unknown brand on Amazon.com if it has hundreds of five-star reviews. These mechanisms help to reduce uncertainty and information asymmetry between parties. They can also provide incentives for good behavior and high-quality service.

Of course, they do have limitations. Reviews can be skewed or faked, for instance, and the use of any kind of personal data raises questions about information security. (It is important for regulators to keep on top of the developing and important regulations on data privacy.) But all in all, these techniques have proven immensely valuable in the internet economy—so much so that even well-established brick-and-mortar hotel brands like the Starwood Hotels & Resorts Worldwide chain find it advantageous to provide customer reviews of their own properties on their websites.⁵⁹

Online travel agencies and local host rental platforms have been successful because they respond quickly to the needs of their customers and continue to overcome problems through innovation. They help potential guests learn and validate what they want to know about properties and hosts, while their features, systems, and processes help create the trust necessary to enable both parties to conduct the transaction. Go Usergenerated brands are very important to this process, which is why we have advised both guests and hosts to put care into creating their online profiles, writing

reviews, and so on. While these mechanisms cannot guarantee complete certainty, the law of large numbers suggests that as the volume of reviews and the links through social networks increase, the outcomes will be what participants in the sharing economy expect and need.⁶¹

In other words, if you book a highly rated local host rental, you may not have a big hotel brand to rely on, but you are betting that all the reviews and features (e.g., the host's profile and photographs of the property) are accurate and will give you what you want. Breaking trust could be quite risky for participants, whether hosts or guests. As Stephany has noted, "a negative reputation" in an economy based on trust "could be far more crippling than a bad credit score."

This is indeed a very different world from the one regulators are used to, and it is certain to require adjustment and changes of attitude. That does not mean, however, that local host rentals and the sharing economy are bad, nor that they can be successfully regulated into disappearing. They are new and different—and growing fast. Destinations that adapt and embrace them are likely to benefit directly, and may well win out in the competition for travel and tourism against the many others that are easily and instantly accessible to consumers on their smartphones.

LEVEL PLAYING FIELDS

nline platforms come in many shapes and sizes, but one simple way to categorize them is by size and scope—some are large and international, while others are smaller and local. There is a place for all players: narrowly focused platforms can be great because they have excellent local knowledge and may have the best inventory in a particular city or market segment (e.g., villas in a beach community, whether in Thailand or in Florida). International platforms offer different kinds of advantages, such as best-in-the-world marketing, global access to customers, and highly secure systems of payment and customer data protection (critical in an era when data privacy is becoming increasingly important). Customers should choose the platform that best meets their needs. Governments must beware of protecting local players over global ones, which have the potential to bring in travelers—and their tourist dollars (and renminbi and euros and yen) from all over the world. Economies thrive when they create and maintain a level playing field, not when they protect one company against fair competition.

COMMUNITY CONCERNS

s we've mentioned, local host rentals raise a number of community concerns. Let's review the key issues—neighborhood complaints, safety, impact on housing, discrimination, and hotel competition—and look at ways to address them.

Neighborhood complaints

One common complaint about short-term rentals—or, more specifically, their guests—is the unwelcome noise and disruptive behavior that they can cause to the neighborhood. Such concerns may be well-founded and understandable, but with care and forethought they can be overcome. The key lies in understanding the neighborhood norms, addressing issues quickly and effectively, and communicating well with others.

In some jurisdictions, regulators have responded by zoning neighborhoods for single-family use. For example—at the time of writing—Atlanta, Denver, Oklahoma City, Miami Beach, and Philadelphia are U.S. cities with local host rentals in single-family zoned areas. 63 Zoning can help to spread out concentration of local host rentals, especially in urban areas where listings typically have "intense geographic concentration," according to a 2017 academic study of Airbnb listings."64 However, zoning laws are often incredibly complex—one observer calls zoning "a complicated web of legal language"65—and the burden of navigating these laws and determining whether a listing is in an illegal zone falls on the host, who might not have the requisite resources to obtain expert advice.66 Therefore, we recommend that regulators and communities first work to harness the existing informal mechanisms (from neighborhood associations to cultural norms) to launch public awareness campaigns before making more drastic moves like codifying zones, which—by nature of the market—will inevitably need to change.

In some communities, this organic process toward self-regulation is already happening. Japan, for example, is well-known for being a cohesive society with strict expectations when it comes to social etiquette. Having guests in quiet neighborhoods might seem like a surefire way to cause disruptions, but one local host we interviewed explained how he successfully addressed the situation in his community. Not only does he provide extensive guidance for guests and hire services (e.g., trash collection) to make sure he's complying with neighborhood norms, he also carefully cultivates relationships with the neighbors and the neighborhood association—and his efforts are paying off.

The care that this particular host took to address his community's concerns does not have to be the rare exception. Neighborhoods and municipalities can recognize and address the needs of local host rentals by establishing guidelines, policies, and communication mechanisms

so that guests know how to behave respectfully and appropriately—and neighbors know how to address concerns and conflicts if and when they arise. They can work to create public awareness campaigns, put up signages, and open up hotlines in order to facilitate the timely and non-confrontational exchange of information. Where local host rentals operate on a larger scale, communities can negotiate with providers, aggregators, and management companies to hire local staff, set aside affordable housing, or contribute to the public good in other ways.⁶⁷

Safety

As we've noted, the local host rental landscape is new and when incidents occur, they tend to garner a disproportionate amount of attention. Cases of theft and other crimes in hotels worldwide rarely attract press attention these days; any disruptive behavior in the relatively new and emerging world of local host rentals, on the other hand, earns the headlines. Admittedly, regulating for the safety of both guests and hosts in a large and diffuse marketplace is much more complicated than in hotels, which are designed for commercial occupancy.

Given that short-term rentals cannot technically be classified as either hotels or private residences, they are not necessarily bound by the health and safety measures that are typically constructed for "traditional accommodation providers." Yet safety is, without a doubt, on regulators' minds. At the time of writing, some U.S. jurisdictions have begun to require that local host rentals abide by basic fire and safety codes. For example, hosts in Tacoma must install mandatory smoke and carbon monoxide detectors; guests in Chicago have to be provided with evacuation diagrams on the "inside entrance door of each vacation rental; nad hosts in Denver must provide safety information to guests. In New Orleans, where it's mandatory for hosts to register their rental properties, applications need to include a "floor plan showing locations of smoke detectors in every bedroom, fire extinguishers, and exits," and provide proof of liability insurance for US\$500,000.

Toronto, Canada, takes a lighter touch: hosts there self-certify that they abide by Ontario's building and fire codes, but are not required to prove compliance in order to receive an approved license.⁷³ It's no surprise that Japan, located in a region prone to natural disasters such as earthquakes and tsunamis, currently has many regulations in place to ensure guests' safety. For example, buildings are frequently required to install and maintain automatic fire-alarm equipment, a functioning fire extinguisher, and lighting with clearly marked escape routes in case of emergencies.⁷⁴ While every city and every country will have to decide what safety regulations best suit their needs, there is no doubt that the issue of guests' safety is of paramount concern, and hosts and

governments should work together to create standards that make sense for accommodations of this kind.

In a broader sense, the safety and security of both guests and hosts in local host rentals depends on all parties involved. Guests need to be mindful when reading reviews and researching hosts' reputations, avoiding situations that could put them at risk. And hosts should do the same: leaving valuables and private documents lying around in a home where strangers stay leaves the door wide open to property and identity theft. Services need to do everything they can to ensure the safety of their partners and customers, since the well-being of individuals—and of the company as a whole—depends on it. People who abuse trust—guests who damage property, hosts who spy on guests, and people who behave offensively or aggressively—need to be pursued legally and removed from the service. Trust is the currency of the sharing economy, and violating it is analogous to counterfeiting and other types of serious fraud.

Regulators have an important part to play in all this. In the social media age, bad news travels almost instantaneously, and any locale that experiences multiple incidents is likely to suffer. Municipalities need to work with services and hosts to help prevent crime and to be highly responsive when problems occur. All parts of the network stand to benefit from a good reputation (and suffer from a bad one); the safer the environment, the more likely it is to attract travelers.

Impact on local housing markets

Gentrification, "hotelization," displacement—these are all real concerns about the effects that local host rentals can have on the local housing market. Converting long-term housing stock to short-term rentals will necessarily impact the market—positively, in some cases, and negatively, in others. Though a regulator's first impulse may be to impose an outright ban, in most cases, that is neither desirable nor practical. There are better ways to manage the process such that we increase benefits and mitigate harm. Let's explore.

Critics say that local host rentals disrupt housing stock and price levels, which can be true. In some cases, properties that were previously used for long-term housing have been converted exclusively to short-term rental units, effectively removing the space from the housing market. This happened in the U.S., in the small town of Joshua Tree, California, situated on the edge of the Joshua Tree National Park. According to a 2016 article in the *Harvard Business Review*, there were over 200 local host rentals in this community of 7,414 people—surely an unusually high proportion of rentals to residents. Christine Pfranger, a resident of the town, noticed that the "locals are having difficulty finding homes to rent, and are being pushed out of their homes to make way for more vacation rentals."

Other areas have seen tenant eviction rates rise, sometimes in correlation with the growth of short-term rentals. A Neighborhoods with high proportions of short-term rentals tend to have low vacancy rates, in part because vacant rentals may be taken off the long-term market and offered for short-term occupancy. Many short-term rentals are not home shares, but are, in fact, properties used solely as rentals and were never occupied by their landlords. For example, according to data from Inside Airbnb, in 2018 an estimated 61 percent of Airbnb's Sydney listings were for whole apartments. In the previous year, 89 percent of Airbnb's revenue in Los Angeles was from "whole-unit" rentals "without on-site hosts."

These rentals are effectively conversions or hotelizations, and they can have an impact on the cost of housing in affected markets. In 2016, one researcher found that rent in Los Angeles actually increased 33 percent faster in neighborhoods with high rates of local host rentals than in neighborhoods with low rates. One example was Venice Beach, California, a popular neighborhood in which 12.5 percent of rental properties were available on Airbnb, an unusually high proportion.⁸⁰

These examples are part of the decades-old debate about gentrification. On one side are those who want neighborhoods to remain stable and unchanging, with the greatest rights given to existing tenants. On the other side are those who believe that property owners have a stronger claim, and that they should have the ability to maximize the value of their real estate by selling, renting, or renovating as they see fit. There is no absolute right or wrong in this debate. Both sides have reasoned arguments, and which side people are on often depends on whether they are the owner or renter, long-term resident or short-term visitor. An increase in short-term rentals can be truly beneficial to the neighborhood where travelers bring in much-needed commerce and income, or where vacancy rates are high. Elsewhere, there may be more conflict.

Regulators can best address these questions by being sensitive to the needs of the constituencies affected. Landlords who illegally evict tenants or use pressure tactics should be stopped. On the other hand, tenants must recognize that change is fundamental to the nature of real estate, and that there may be circumstances under which

Effective regulation must be tailored to local needs; there is no one-size-fits all policy.

market forces must prevail. That said, decision makers in towns and cities can use their powers to prevent abuses.

For example, they can restrict local host rentals in highly sought-after areas to a certain number of days per year (as London, Amsterdam, and Japan have done), or to home sharing only, thus reducing the risk of hotelization where it is undesirable. They can also put a one-year moratorium on local host renting for properties from which tenants have been evicted, effectively preventing evictions that are engineered to maximize profit, rather than, say, remove tenants who are destroying property or failing to pay rent. As we will discuss in the section on setting limits, however, not all regulations are created equal. Some tools that are employed in the name of safeguarding affordable housing do not have a positive impact on housing supply and prices.

The key to success is to understand the dynamics of the market and to choose and implement regulations that are adapted to local needs (without being unduly complex!), rather than impose bans or write laws that are not well matched to the situations of owners, renters, and visitors.

Discrimination

Airbnb, as the most conspicuous provider of local host rentals, has faced a number of highly publicized cases of illegal discrimination. In California, an Asian-American law student booked a cabin in the rural resort of Big Bear in February 2017, only to have it canceled minutes before she arrived—and after she had driven through severe weather for hours. According to a local newspaper, the host explained her rationale for the cancellation, texting her that she "wouldn't rent it to u if u were the last person on earth" and "One word says it all. Asian." The host also texted that "I will not allow this country to be told what to do by foreigners." ⁸¹

The case received a great deal of publicity, and the host was ultimately required to pay a fine of US\$5,000, apologize to the guest, do community service at a civil rights organization, and have her rental patterns monitored for four years. Eventual Dealterns monitored for four years. Under significant pressure to demonstrate that it was not facilitating bias and discrimination, Airbnb also banned white supremacist groups as guests on the platform after the Charlottesville, Virginia, incident in August 2017. Since then, Airbnb has enacted its "Open Doors" policy that sets up a process through which customers who feel that they cannot book a room due to discrimination have round-the-clock access to specially trained employees, who "will ensure that the guest finds a place to stay."

Discrimination is not limited to race and ethnicity. In India, for

example, hosts in some communities only allow rentals by married couples. Interestingly, India has no law that forbids the rental of hotel rooms to unmarried couples; it is a question of community pressure and random actions by local police. Even this restriction has opened up entrepreneurial opportunities, however. A company from New Delhi called StayUncle offers rooms to couples for rentals of eight to 10 hours, and an aggregator called OYO Rooms allows guests to find lodgings that are specifically open to unmarried couples. StayUncle's motto is "Couples need a room, not a judgement," and they are described as "India's first and best portal for booking secure and safe hotels for married and unmarried couples both with local or other city ID proof."

As with so many other things, it is impossible to create rules that work everywhere, and for everyone, but important to find the right balance between principles and local norms.

Competition

On the one hand, renters complain that short-term rentals are making the housing market difficult for them. On the other, hotels and their unions protest the unfair competition they are getting from this newcomer to the market. They argue that local host rentals avoid hotel taxes, skirt public health regulations, and undercut hotel staff by using independent cleaning services (such as in the case of the New York cleaning lady profiled by *Fortune*, mentioned earlier).

Hotel associations have been up in arms in very visible ways. In one extreme case, the Hotel Association of New York City ran a campaign warning that local host rentals were likely to house terrorists—after there was an attack in Manchester, U.K., by a person staying in a short-term rental.⁸⁸ At the time of writing, the American Hotel and Lodging Association was using its multimillion-dollar regulatory budget for its plan to "thwart Airbnb."⁸⁹

Regulators need to be wary of such extreme claims and scare tactics. Competition is part of business, and no business model is permanent and sacred. As Michael Petricone, senior vice president of government and regulatory affairs for the Consumer Technology Association, has explained, "If you see a city applying the same regulations to someone renting a spare bedroom through Airbnb as they do to Hilton Hotels, that's clearly inappropriate and it's probably being done to protect some incumbent interests."

The Internet Association has researched the question of whether local host rentals compete with hotels and their research found no statistical evidence that local host rentals are systematically capturing the markets of hotels. In addition, their findings confirm

30% to 50% of guests might not have traveled if not for local host rentals.

-WTTC

Competition spurs innovation.

that local host rentals may help local residents stay in their homes, rather than being forced out. The association has urged policy makers to avoid giving in to claims to the contrary and to review the evidence rather than accept arguments not based in fact.⁹¹

In addition, the WTTC has addressed this issue head-on in its *Global Economic Impact and Issues 2017* report by stating that "hotel occupied room nights are at all-time highs, suggesting that the [local host rentals] model is leading to new, induced demand." According to the report, the overall impact from local host rentals on overall hotel demand is "relatively small in the grand scheme of the global hotel sector." More importantly, the report also noted that when local host rentals do compete, it is with lower-tiered hotels, but "a significant portion of the demand, often as much as 30 percent to 50 percent, is induced, meaning that those visitors may not have made the trip had it not been for what is often a lower-priced option." In other words, local host rentals are bringing tourists to destinations who otherwise would not have the opportunity to travel.

Destinations need to remember that discouraging competition and innovation is going to be harmful to them. As Arun Sundararajan, a professor at the NYU Stern School of Business, wrote, "If your business relies on a model of consumption that is inefficient for your consumers, chances are that there's already a new sharing economy marketplace that is looking to streamline it for them." It is unwise to bet against innovation.

Some hotel chains, aware of this dynamic and seeking new ways to compete, have responded by innovating too. The Marriott-Starwood mega-chain, for instance, offers the eco-friendly Element hotels, the new Moxy brand aimed at the millennial traveler, and also serviced apartments in a number of its brands.

Over time, it seems highly likely that local host rentals will benefit by adopting some features of hotels, such as the ability to check in on demand, and that hotels will find ways to offer some of the personalization and diversity that have made local host rentals a success. Adapting to change is a more successful formula than trying to hold tight to the status quo when the world is moving forward.

Should you regulate? If so, how?

Sharing economy industries are often criticized not just for disrupting existing business models but for evading laws and regulations. The patterns of the sharing economy do not fit very well with the assumptions and models on which regulations are based, and both sides need to adapt. The goal of regulations should be to prevent unfair competition but not to protect incumbents, as well as to ensure consumer safety rather than restricting consumer choice.

To help achieve this goal, we've summarized the major approaches that policy makers around the world are taking to regulate local host rentals, recognizing that this is an emerging field. A starting point is to recognize that as the sector matures and becomes more professional, regulation should be flexible enough to accommodate these changes. Just as governments provide different incentives and regulation for small companies than those they create for big businesses, local host rental policies should be adapted to the different types of hosts, based on their scale.

We have articulated three key principles that we believe will help everyone involved in the regulatory process—not only governments, but also hosts and the companies they work with.

Regulators who incorporate these principles will find their job much easier, and they will also be able to gain cooperation from other stakeholders, to the benefit of all.

Let's look into regulation a little more closely.

We will focus on three major regulatory options:

1) setting limits, 2) licensing and registration, and 3) taxation. Regulators will have to decide what is most appropriate for their own situations, but we recommend consulting with hosts as well as with other constituencies to ensure that they are building contexts that are forward-looking, and that work to foster the broad economic and social benefits that local host rentals can provide.

FOR LOCAL HOST RENTAL REGULATION

Local host rentals regulation should



Promote responsible local host rental activity, with appropriate oversight to protect the interests of hosts, travelers, and communities



Balance the economic costs and benefits of local host rental activity



Be user-focused, easy to understand, and easy to implement.



How Local Host Rentals Are Changing Travel in Japan

ravelers love Japan. According to the country's tourism board, 28.7 million foreigners visited in 2017, a final tally that broke the previous year's record for the fifth consecutive year.95 That's a lot of tourists and a remarkable trend. But consider an even more ambitious future: Japan expects to welcome at least 40 million annual visitors by 2020;96 some think that's a conservative estimate. As Japan grapples with its overseas popularity and braces for a tourism crush that will peak with the 2019 Rugby World Cup and 2020 Summer Olympics, one pressing question looms:

Where is everybody going to stay?

Already experiencing a hotel room shortage, particularly in Tokyo, Japan looks likely to turn to local host rentals (known as *minpaku*) across as a solution. A recent survey of 15,000 owners, conducted by the Health, Labor, and Welfare Ministry, found that only 17 percent had obtained permission and 31 percent had rented without (the remainder could not be identified). For those that did obtain permission, local host rentals had to be located in special designated zones and follow restrictions on requirements like stay duration. In these areas, companies like Agoda, Airbnb, and Booking.com are already doing robust business.

Airbnb, for example, has claimed that it handled 3.7 million visitors in 2016 alone, 98 further estimating that it contributed JPY 920 billion (approximately US\$8.4 billion) to the Japanese economy based on its users' collective overall spend, including on things like food and attractions. 99 As of June 2017, HomeAway listed fewer than 10,000 properties in Japan, 100 while Airbnb had 60,000 as of January 2018. 101 Leading Asia hotel-booking site Agoda, a relative newcomer to local host rentals, had thousands of listings in Japan as of 2017, as the company entered this segment of the accommodations market.

These and other platforms see opportunity—though also risk and uncertainty—in the wake of a new law that went into effect in June 2018, 102 which allows private and corporate owners to rent their properties for up to 180 nights a year if they register with authorities as local host rental providers. While the new law introduces clarity, it also raises concerns among certain stakeholders. Some feel the 180-day maximum is too restrictive. Some hosts argue that the 180-day cap may make it impossible to earn a profit and the risk of

incurring punitive fines for noncompliance makes hosting increasingly unattractive. Others question whether the 180-day limitation will properly address the acute accommodation shortage in popular parts of Japan. He Nikkei Asian Review and Japan Times reported that Airbnb removed 80 percent of its total listings in Japan to comply with the law before its June 15 deadline, reducing the site's total listings to 13,000 in a matter of weeks. No law is perfect, of course, and the Japanese government is constantly working with the industry to create improvements.

"The new regulations are not good because it's not going to be profitable for the hosts," says Takashi Kawamoto, the regional manager of Agoda Japan, who supports the company's local host rentals program. "Most of the properties are being managed by agencies/aggregators and real estate companies, and these entities will get licenses, but as for the individual owners, I don't know how much they will be in the market." 107

Furthermore, many local governments are discussing whether to implement further restrictions on local host rentals, either by limiting where they can be located or by reducing the 180-day cap.¹⁰⁸ For instance, the Hyogo Prefectural Government is considering whether to ban local host rentals within 100 meters of kindergartens, elementary, junior high, and high schools.¹⁰⁹

In other words, real estate management firms with multiple properties may have the capital and volume to deal with a 180-day rental limit. But hosts who do not live at properties will need to obtain landlord or building permission and a license—and will still face the prospect of an empty property for at least half a year. As reported by the Japan Association of New Economy, around 90 percent of such hosts, in fact, said the new regulations would cripple their business.¹¹⁰

It is, however, important to note that the new *minpaku* law clarifies and simplifies existing law. It is making the Japanese market extremely competitive, both for existing players and for new entrants. Recruit Holdings, formerly Japan's largest provider of temporary staff, announced its entry into the local host rental market in January 2018, and is collaborating with Airbnb to offer listings on its prominent housing site, Suumo.¹¹¹ A Japanese local startup, Hyakusenrenma, is partnering with JTB Corp., Japan's largest travel booking site; the former has 800 listed properties that can be accessed on the latter's multilanguage travel booking site, Japanican. Meanwhile, Rakuten Inc., is collaborating with Tujia to capitalize on the influx of Chinese tourists into Japan (in 2016, 25 percent of visitors to Japan were from China) and its established brand name in China.¹¹² Tujia, a Beijing-based startup, is seeking to host 200,000 listings in Japan by 2025.¹¹³ In addition, Rakuten Inc., is also collaborating with HomeAway and Booking.com.¹¹⁴ One of



the most interesting new entrants is Terahuku, a company that will offer accommodations known as *shukubo*—an overnight stay and vegetarian meals at Buddhist temples; Terahuku has already partnered with Airbnb and Booking.com in order to target not just local pilgrims, but also English-speaking tourists.¹¹⁵

Building on this trend, Airbnb is responding to the market in a variety of ways. Beyond private rentals, it is offering a wider range of accommodations, including "boutique ryokan and hotels through partnerships with travel startups." As part of this effort, the company is cooperating with Evolable Asia to offer, on a specialized website, upscale Japanese inns and hotels that boast "unique architectural and service features." Earlier, in 2016, Airbnb had partnered with Venture Republic to integrate Airbnb properties into the Travel.jp platform; other online travel agencies active in Japan include Expedia, Ctrip, Zizaike, and Agoda.

Meanwhile, innovations were popping up in anticipation of the *minpaku* law that took effect in June 2018. Seven-Eleven Japan is cooperating with Japanese travel agency JTB to facilitate local host rental check-ins: machines in the company's convenience stores will be able to confirm

a guests' identities through photographs. Once guests' identities are confirmed, they will be able to pick up keys—and they will be able to return them to the stores as well. This simplifies the check-in process greatly for hosts, especially hosts who do not live on the premises, as the law requires "absentee landlords" to outsource property management—handling keys, checking guest identity, and maintaining guest books—to a contractor. Such check-in service machines are available in Tokyo's Shinjuku ward, and 7-Eleven Japan plans to have 1,000 stores in popular tourist hotspots with such machines by 2020, to capitalize on the 2020 Tokyo Olympics, when use of local host rentals will rise exponentially. The service, called, "Convenience Front Desk 24" launched in June 2018, in coordination with the new minpaku law.

The government also hopes that the *minpaku* law will distribute tourism more evenly across Japan, revitalizing rural areas and smaller cities, where population is in steep decline. Such a change will be very welcome, as a 2016 McKinsey study showed that nearly half of all tourist stays were concentrated in the three most visited cities (Tokyo, Osaka, and Kyoto) and accounted for 60 percent of tourist expenditure.¹²³ As we have seen elsewhere, the growth of local host rentals offers tremendous opportunities for hosts, for guests, and for local economies.



Multiple tracks: all hosts are not alike

As we've seen, rental markets vary widely. In very dense markets with low vacancy rates, it may make sense to differentiate between homeowners who rent out rooms in their own homes and commercial operators that rent out properties on a full-time basis—whether these are single units or larger groups of units under commercial management.¹²⁴

The former are commonly called "primary" rentals, and the latter "secondary." The differences among these businesses is significant. At one end of the spectrum is an owner who rents out a single room in her home on occasional weekends. At the other end is a property management company that works full-time managing thousands of listings in multiple locations. The impact that they have in communities is different, as are their resources and revenues. So when regulators are drafting policies, it is imperative to ask: What type of business does the policy target?

Some cities in the United States, such as Philadelphia and San Jose, and in Europe have introduced a two-track regulatory structure to differentiate between primary and secondary rentals. 126 There is nothing wrong with commercial operations, whether large-scale or small-scale, but some jurisdictions choose to apply different regulatory and tax rules to people who are sharing their own homes and to those who are renting out entire apartments or houses as a strictly business endeavor.

Don't overdo it

At times, regulators may be tempted to try and make rules for everything. For example, a city council member in New Orleans has said of home sharing, "We needed to control, limit, and monetize it." He was not alone. In Thailand, for example, the Hotel Act that was in force between 2004 and 2016 imposed heavy penalties on those providing short-term rentals: fines of up to THB 20,000 (US\$600), up to one year of jail time, and up to THB 10,000 (US\$300) per day during the period of noncompliance. At the time of writing, Taiwan was still imposing large penalties on operators of unlicensed short-term rental properties. Fines ranged from NTD 30,000 (US\$1,000) to NTD 300,000 (US\$10,000), with additional fines of

Regulations should be flexible to meet market needs



NTD 100,000 (US\$3,300) and NTD 500,000 (US\$16,700) for businesses that have been deemed illegal.¹²⁹ Berlin, Germany, fines illegal rentals an astounding EUR 100,000 (US\$118,000),¹³⁰ while Singapore has recently fined some local hosts SGD 60,000 (US\$45,000).¹³¹

The severity of these punishments is disproportionate to their social impact. Regulators need to recognize that these properties are being rented out in situations where there is both supply and demand; trying to stamp out the practice is not only futile, but damaging. Some hosts really need the rental income, and travelers seeking the prices and experiences that local host rentals offer will simply go to other destinations to find them.

Alternatively, short-term rentals may continue to operate under the radar, as researchers have noted: "When business operators fail to obtain a hotel license because their building does not qualify, many continue on to illegally operate a hotel business, irrespective of the legal requirements." Unregulated properties cannot be inspected, may not be safe, and cannot be taxed, so the risks of excessive regulation can be quite high.

In *The Business of Sharing: Making it in the New Sharing Economy,* Alex Stephany cited an interesting historical example of what can happen when innovation is thwarted to protect existing business models. In response to the growing export of printed cotton fabrics from Calcutta in the eighteenth century, France made it illegal to import, manufacture, or use these goods. Companies attempting to use new technologies were made illegal. The result—over the period of a 70-year ban—was not only deadly riots, but also serious damage to the national economy. A researcher from the London School of Economics has argued that "without the calico ban, France would have become the European leader in cotton textiles." 133

In short, backward-looking protectionism can have a strong negative impact on the future.

Set limits

One increasingly common option for managing the local host rental market is to set time limits on hosting. In 2015, London decided that hosts could rent out their property for up to 90 days a year without a permit—or longer, with permission. The San Francisco Board of Supervisors, in 2016,

set a cap of 60 days a year for short-term rentals and Airbnb will be limiting local host rentals in Amsterdam to 30 days a year from 2019 onwards.¹³⁴ In a liberalizing move, Japan in 2017 decided to allow short-term rentals for up to 180 days a year.¹³⁵ Enforcement can be difficult, however, since without coordinated automatic tracking, hosts can exhaust their time limit on one platform and then simply list again with another.

Other attempts at limiting local host rentals can be creative, but also hard to enforce. For example, municipalities can require hosts to apply for permits (this approach has proved popular in New Orleans), 136 limit the number of rentals per square kilometer or square mile, or restrict rentals to buildings in certain pricing ranges. Similarly, cooling-down periods can work—for example, laws that prevent owners from becoming hosts for a period of time after they purchase a property. One additional strategy can be to rely on market mechanisms: Stephany has suggested that buildings establish their own rules and conditions on whether or not local host rentals are allowed. "There are people that would pay more to live in a [building] where they would be free to let out their apartment on an occasional basis." 137

Several European cities are exploring innovative ways to balance local host rentals with other neighborhood benefits. As of time of writing, Paris, for example, let hosts rent out their properties if they also provided an equivalent rental on a long-term basis. Amsterdam allows short-term rentals if the host's underlying rent exceeds EUR 699 (US\$850) per month and if the landlord has agreed; homeowners may rent out their homes if they register with authorities, pay local and national tourist taxes, and take in up to four guests for up to 30 days per year. Berlin leaves the decision up to individual districts, which are required to weigh public and private interests, and may require hosts to compensate for the loss of long-term living space.¹³⁸

There is no single, universally valid approach to regulating local host rentals. Regulators must recognize that the different stakeholders have varied and sometimes competing interests, and that their role is to come up with a combination that's most effective for all their constituencies—while remembering that what's best for their location is likely to change over time.

Regulators must balance the interests of stakeholders; keeping in mind that needs change over time.

If regulations are too complex to implement or follow, they will not achieve their goals.

Licensing and registration

Two common and often interrelated requirements are licensing and registrations, which serve different regulatory purposes. Registration permits governments to gather information on rental units, hosts, and guests as a means of monitoring and keeping track of local host rentals. Licensing is used to ensure that hosts comply with defined regulations (e.g., fire safety codes); meeting minimal standards is a prerequisite to being granted a license. The two frequently overlap; both tools can require hosts to pay fees, which governments can redistribute, and registration can also be used to enforce host compliance with local laws (as up-to-date data can help track noncompliance).

As with hotels, licensing is a common requirement for local host rentals, and there are good reasons for this—safety, perhaps, being the most important one. There have been a few well-publicized cases of injuries and even deaths in short-term rentals, ¹³⁹ just as there have been periodic fatalities in hotels. ¹⁴⁰ Fires and gas leaks are the most common dangers, though these can be rendered significantly less likely with appropriate rules, and timely and efficient inspections. Neighborhood concerns and the collection of tax revenues are other common and sensible reasons for regulation.

At the same time, it's essential that licensing requirements make sense for the circumstances. Since local host rentals are not hotels, their licensing needs to be different. And it's important to keep in mind that when licensing requirements are lengthy, complex, and difficult to comply with, it is unlikely that individual hosts will meet all the requirements—with the unintended consequence that they may either operate illegally or shut down their businesses altogether. While such an outcome would serve to reduce competition to existing, licensed hotels, it may actually endanger travelers and limit the freedom of travelers (and hosts) significantly, while reducing the benefits that local host rentals provide to their communities.

In some countries, registration requirements have proven to be challenging to private local hosts who aren't running commercial businesses. In Taiwan, for example, legislation—at the time of writing—classifies local host

rentals as a "tourist hotel enterprise," requiring compliance with an extensive registration. To operate a local host rental in Taiwan, hosts must first apply for and obtain a certificate of registration from the local administrative authority, pay an application fee of NTD 5,000 (US\$170), and submit a lengthy list of documents including, but not limited to, copies of insurance policies (liability against bodily injury or death), building use permit, and photos of the premises. 141 As we have noted, the penalty for operating an unregistered local host rental is a hefty fine. Furthermore, once granted a license, hosts must comply with numerous operational requirements, such as maintaining guest registration books, reporting room rates (and any changes) to local authorities, maintaining the safety and cleanliness of the premises, and taking concern for stewarding the guests' possessions, well-being, and safety.

Most regulations are designed with the benevolent intentions of protecting travelers and promoting sound business practices. But if the regulations are too complex or unwieldy, they will fail to achieve their goals and may actually do more harm than good.



Governments can channel local host rental tax revenues.

Taxation

Nobody likes to be taxed, of course, but as U.S. founding father Benjamin Franklin wrote, "In this world nothing can be said to be certain, except death and taxes." Like regulation, taxes can serve a good purpose, provided they are thoughtfully designed and fairly enforced. Regulators should not tax in ways that can destroy the local host business and the benefits it brings, especially to local and national economies. In other words, it is essential to avoid killing the goose that lays the golden eggs.

Let's look at some examples and principles to see how regulators can approach this important responsibility.

In most places, owned property is already taxed, as is most property designed to generate revenue. Few would realistically recommend overturning these principles; the question is how best to apply them to local host rentals.

There is certainly significant potential for tax revenue in the local host rentals business. As Airbnb has pointed out, if New York had regulated differently than its decision to restrict short-term rentals under 30 days, the city could have collected US\$110 million in tax revenues in 2014 alone—and given the expanding size of this market, the number could have ended up being much higher in subsequent years. 144 Regulators need to take a close look at the cost of prohibiting this new business. The tax revenues that it generates could potentially offset existing tax burdens to citizens and businesses or provide new sources of revenue—both goals that governments can heartily embrace.

And, in fact, some do.

Tampa, Florida, for example, has come out in favor of the sharing economy. A local newspaper has quoted its mayor saying "Airbnb, Uber, and Lyft are all disruptive technologies that are changing the way we do business. Tampa needs to be a place that welcomes that." This open-minded view may have been influenced by the fact that the county—of which Tampa is the seat—is likely to have collected at least US\$250,000 in tax revenue in 2017. When hosts benefit from renting, and more travelers come and spread the wealth, and the county gains revenue, it is hard to argue that this is a bad outcome.

Other U.S. jurisdictions, including New Orleans and the U.S. Virgin Islands, are starting to apply hotel taxes and fees to local host rentals, as well.¹⁴⁷ And Washington, DC,

has been taxing local host rentals since 2015, using the revenue to fund local fire and police departments, among other services. 148 Indeed, there is no question that tax revenues gained from short-term rentals can be applied to many local needs, such as creating more affordable housing, increasing integration, or helping low-income residents to stay in their homes in the neighborhoods with high levels of local host rentals. 149

Meanwhile, local host rental services are cooperating with policy makers, recognizing that clear communication on tax obligations is a positive step towards securing the role of local host rentals in communities. By May 2017, Airbnb had entered into 275 partnerships with tax authorities around the world, including agreements with local governments in Mexico (as a model for other countries in Latin America), five cities in China (Chengdu, Shanghai, Chongqing, Guangzhou, and Shenzhen), Belgium, Australia, India, Italy, Germany, Switzerland, Portugal, Netherlands, and Canada—among others. So of May 2017, Airbnb reported that it has directly collected and remitted more than US\$240 million in hotel and tourism taxes worldwide.

There's no doubt that tax issues can be complicated. For example, residential tax rates in the U.S. are usually much lower than commercial rates. In Japan, empty houses are taxed 60 percent less than idle land. 152 lt may be necessary for municipalities to recognize that properties can be both residential *and* commercial, and adjust their rates accordingly. An effort to apply tax from local host rentals in Los Angeles to increase funding for affordable housing failed to raise the required funds to meet policy goals, 153 but this was a problem of detail and execution, not concept.

If appropriately taxed (remember that if taxes are perceived as excessive or unfair, people will seek ways to avoid them!), local host rentals can be an important source of funds for the public good.



Four Effective Local Host Rental Policy Recommendations

aking into consideration the above issues and trade-offs that governments make while balancing the needs of all stakeholders, we propose four recommendations to help guide public policy frameworks for local host rentals, which are detailed below.





Policies should adapt to different types of local host rental businesses. This applies to a common regulatory tool: limits (e.g., zoning restrictions, or caps on the number of rentable days per year). To use limits properly, policy makers need to be clear about the purpose of the tool and the consequences of using them. For instance, capping the number of days per year that property owners may rent out space can have benefits (e.g., discouraging investors from buying up all available units in a neighborhood, changing it from residential to commercial), but also negative effects (e.g., making it impossible for a retiree to supplement her pension by renting out a room in her flat). Careful thinking is required.

Zoning is another limiting instrument in a legislator's toolbox. Rather than create single rules that cover a whole city or state, legislators should recognize the differences among neighborhoods. Seattle, for example, imposes a limit of two units per host—but makes an exemption for hosts whose rentals are located outside the downtown core.¹⁵⁴ Likewise, Portland, Oregon, exempts its islands from the regulatory restrictions that govern local host rentals elsewhere in the city, recognizing that these islands have "traditionally been a vacation-rental market."¹⁵⁵

Fees are another effective method for managing the impact that local host rentals have. Portland charges hosts US\$100 to register the first unit, but charges a higher rate for additional units owned by the same person.¹⁵⁶ Similarly, in Milan and Vienna, hosts do not need to register their first unit—only additional ones. 157 Intelligent use of flexible limits can help governments manage the growth of local host rentals without the need for outright bans, which can have quite negative consequences. Examples of jurisdictions that regulate but avoid outright bans are Tasmania, Australia, and Chicago.¹⁵⁸ In these cities, registration is not costly. Chicago's is completely free (even for registration renewals), while Tasmania levies a one-off fee only for residences that have five bedrooms or more. At the same time, neither city limits the number of rentable days per year nor allowable listings per host.159

Policy recommendation 2: Licensing and registration requirements should be streamlined, easy to use, and cost-effective.



Registration and licensing requirements must be easy to use, affordable, and manageable. As we've discussed, regulations that are difficult for hosts to comply with are likely to have the opposite of the desired effect: local host rentals may go under the radar, making it hard for governments to support the public good through appropriate safety management and taxation.

It's important that regulators recognize that local host rentals do not operate like hotels and cannot be regulated in the same way. Hosts often do not have the personnel, expertise, or budget to go through elaborate compliance processes and its implementation. And complex licensing requirements are difficult for governments to administer and enforce. Registration and licensing tools can be effective and beneficial to all parties—if they are properly designed. For example, Denver, Colorado, implemented an easy-to-use, low cost (US\$75), and accessible online registration system that resulted in a "high rate of compliance from [the] host community," for and in 2016, became the first city to have a registration process with Airbnb that is done completely online.



Policy recommendation 3: Make taxation simple and fair. Taxation should not deter local host rentals from conducting business; tax revenues can be channeled to support local initiatives.

The key to successful taxation is fairness and simplicity. Heavy tax burdens deter business and entrepreneurial activity. If local host rentals move to more tax-friendly jurisdictions, the communities they leave will lose out on the benefits they bring. 161 Ultimately, what constitutes a reasonable tax rate for local host rentals depends on context—both the local environment, and the type and scale of the host's business. We also believe that if registration and licensing processes are user-friendly and efficient, businesses are far more likely to comply.



Policy recommendation 4: Build partnerships with local host rentals and industry players.

Above all, bring local host rental service providers and other industry players into the room as partners. The VRMA, for instance, published a policy agenda for the U.S. in 2016. 162 Airbnb regularly updates its policy tool kits, and policy advocacy groups such as the Short Term Rental Advocacy Center are good places to go to for information about developments in local municipalities. 163 As of late 2018, industry associations were being formed in Japan and Singapore, as well. These associations want to be good partners for municipalities and promote good regulation that serves all stakeholders well.

Regulation That Balances Stakeholders' Needs Creates Win-Win-Win Benefits for All

Guests choose safe,

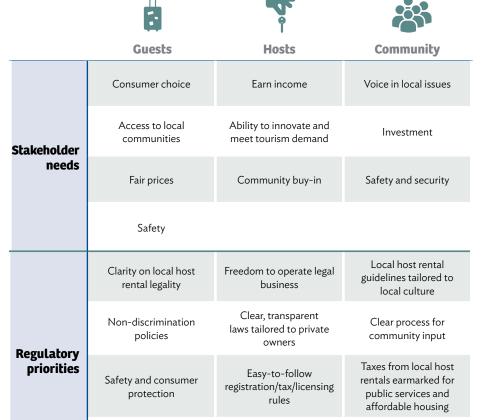
cost-effective local

host rentals and

feel welcomed in

communities

Benefits



Fair competition

Hosts legally operate

local host rentals to meet

tourism demand with

community buy-in

Community captures

economic and social

value from increased

tourism while

maintaining a voice in

local issues

CONCLUDING THOUGHTS

o pretend that local host rentals do not exist, or to stand against the tide and say, "that can't happen here," may temporarily (but not indefinitely) delay the impact of this change, but it certainly will not benefit your constituents, and potentially cause harm.

Like the sharing economy that fuels them, local host rentals have transformed how businesses impact communities. Around the world, new legal and regulatory developments seem to emerge daily as regulators try to keep pace. Tracking them all would be nearly impossible, but the principles and case studies we've reviewed in this chapter provide some insight into what works (and what to avoid).

At a macro level, regulators should look closely and clearly at the issues that are unique to the destinations under their jurisdiction. They need to design solutions that address real problems without stifling the growth of local host rentals, and that offer long-term rewards to travelers, hosts, and the communities in which they flourish. When properly supported, local host rentals can help fill vacant or underutilized housing, create jobs for the under- and unemployed, enhance crosscultural understanding, and be a meaningful source of revenue for local business and tax revenue for the communities that host them. Regulation that effectively balances the needs of all stakeholders can put your community on the map. Smart regulators will create policies that embrace change while looking out for the interests of all parties. Those who do so will see their neighborhoods grow and thrive.

Chapter Summary: Key Lessons for Regulators



Don't be an ostrich. To ignore the sharing economy is futile. This market is massive, growing, and thriving because it obeys one fundamental rule: it gives people something they want.



Recognize that change can be good

for all—if well managed. Take into account all constituencies—hosts, guests, neighbors, local businesses, the broader community, and even competing destinations—and shape policies that will benefit as many as possible. Embrace change as an opportunity.



Focus on benefits. Local host rentals help travelers discover your community and help hosts earn income so they can stay in their homes or reach financial goals. Local merchants gain new customers and ancillary businesses create jobs. As your community welcomes travelers from everywhere, cross-cultural understanding grows.



See the whole picture. Local host rentals do not compete with hotels; they complement them. They expand the tourism pie. By offering more choice and increasing supply at lower cost, tourists can stay longer, spend more money, and discover what makes your community great.



Focus on practical, flexible regulation.

Technology and the sharing economy are evolving fast; internet companies adapt by making products that change with circumstances. Regulators should follow this example. Design policies and update them with regular reviews to adapt to a changing landscape.



Steward responsibilities wisely.

Keeping people safe, investing tax revenue in local services, and ensuring diversity and inclusion are regulators' roles. But policies need to be simple, fair, and accessible. If policies are complex and restrictive, even well-intentioned people will find it difficult to comply—and that will be bad for everyone.



Don't be adversarial: bring people

together. Create progressive policies that accommodate constituencies' different needs and build partnerships rather than divisions. Collaborative policies will elevate your community in the public eye and attract visitors from around the world.

ENDNOTES | CHAPTER 4

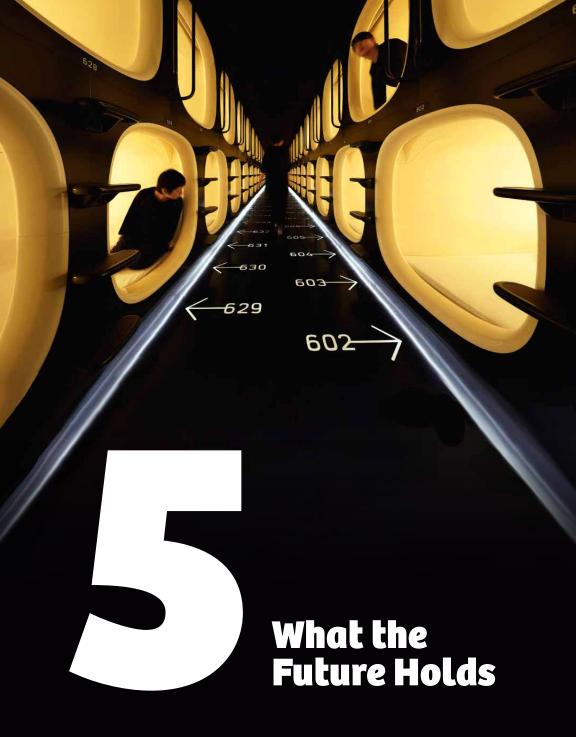
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"The future is already here— it's just not very evenly distributed."

—William Gibson science fiction author¹

s society's expectations for travel, work, leisure, and living space evolve, predicting with absolute certainty the future of these topics—once disparate, but now increasingly linked—is challenging. But we can make educated guesses about what the future holds because, as William Gibson noted, tomorrow's trends are already taking shape today. If we look closely at current events and developments and use what knowledge we have to forecast trends, we can gain some useful insights into what's coming down the pike.

And what's coming—which several industry experts will help illuminate in this chapter—is a sea change to many traditional business models, from how apartments are rented and commercial spaces leased, to how—and where—travelers book a place to stay. Indeed, significant changes to the architecture of everyday life are well underway.

"It's a big wave—a tsunami—that's coming. You have to recognize, acknowledge, and manage it, rather than try to prevent it."

 Dr. Francis S. C. Yeoh, Professorial Fellow for Entrepreneurship, School of Computing, NUS t's a big wave—a tsunami—that's coming, and you have to recognize, acknowledge, and manage it, rather than try to prevent it," said Dr. Francis S.C. Yeoh, Professorial Fellow in Entrepreneurship at the School of Computing, National University of Singapore (NUS). Dr. Yeoh further warned: "It is futile to try and fight this." Rajeev Menon, Marriott COO for Asia Pacific (excluding Greater China), agreed: "This is a business model that's here to stay." 3

As we've seen, short-term rentals have expanded faster than most could have imagined and will continue to proliferate in greater numbers and in more destinations. New online services operating on a global scale like Airbnb, Agoda, Booking.com, and HomeAway have significantly changed the ways in which travelers, providers, businesses, regulators, and destinations think about and plan for travel. They have disrupted tradition, forcing established industry players to pull up their socks and innovate—while the disruptors themselves continue to evolve, find ways to raise their game, and adapt to a changing landscape.

"There will be businesses that step in between the customer and the homeowner to improve the service of the local host rental experience," said Errol Cooke, vice president for Global Partner Services at Agoda. "A lot of owners have limited time and don't have the industry experience to get the best return on their investment, so there will be an opening for more and more businesses to take over the management of the shared property, as we've seen in North America and Europe, and make it more professional."

Many of the ancillary service providers and companies that Cooke was describing can be considered part of the so-called sharing and gig economies, which will continue to develop alongside the traditional accommodations market. (We'll explore these two concepts in more detail just a few pages from now.) These companies will borrow and broaden practices and ideas from these local host rental services and apply them to their own new endeavors in real estate and small business.

EYE ON MILLENNIALS

ne big driving factor is the rise of the millennials. There are 1.2 billion of them around the world, more than half of whom are in Asia," said Turochas T. Fuad, founder and CEO of Spacemob and now Managing Director at WeWork Southeast Asia. "The millennials are doing things differently, and that has changed the paradigm of work to more collaboration. If you ask WeWork's 150,000 members, the majority say they're working there because they want to make a change in the world, regardless of industry."

Travel news is filled with reports on how millennials are redefining industry norms. (See Figure 29.) For example, as recently as March 2018, Forbes cited a 2016 study by FutureCast and Barkley—two marketing consultancies that focus on millennial trends—that valued the millennial travel market at more than US\$200 billion. Moreover, a 2017 Nielsen study on millennial travelers, which cited data from China Internet Watch, has estimated that China alone is home to 400 million millennials—and that

FIGURE 29

Millennials move the market: 1.2 billion globally, over half in Asia



Market opportunity

As of 2016, millennial travel market is valued at more than US\$200 billion

Will spend **US\$1.4 trillion** on travel by 2020

400 million millennials in China alone



Travel preferences

88% travel 1-3 x per year

86% would rather spend money on **exploring a new culture** than partying or shopping

2/3 want personalized travel services



Local host rental habits

74% have used local host rentals for work

60% don't want to share rental space with owners

48% are most likely to rent with friends



Consumer habits

Use multiple devices for booking

Book in advance, longer trips

Use **aggregators** and online travel agencies for deals

Rely heavily on reviews and research

Willing to share **personal data** for customized services

SOURCES: Data from BCG; Expedia; Forbes; Hipmunk; HomeAway; Nielsen; Topdeck Travel; Tripping.com; Turnkey.

"74 million travel-ready students will graduate from Chinese universities over the next decade."

Traveling and seeking out new experiences is very important to millennials. A Topdeck Travel 2016 survey of more than 31,000 millennials (across 13 countries) found that 88 percent of millennials traveled overseas between one to three times per year, Forbes has reported.8 Also from the same survey, 86 percent of millennials would "rather experience a new culture" to partying (44 percent) or shopping (28 percent).9 This is definitely a new generation!

Nielsen has reported that millennials "have distinct approaches to travel, largely because they want to control their experiences." It's a view that's notably different from those of older travelers, who are "more likely to allow brands to drive their travel experiences." A survey by Expedia in 2016 has discovered that three-quarters of millennials want travel to deliver personalized experiences. 22

As we've highlighted in Chapter 2, local host rentals are a great fit for millennials. Tripping.com has noted that 48 percent of millennials are most likely to rent with friends, while Hipmunk has reported that 44 percent prefer local host rentals to hotels. Which type of local host rental do they prefer? According to 2017 research by Phocuswright, most (60 percent) prefer to rent whole spaces rather than share with owners.

Also of note, seven in 10 millennials have expressed interest in staying in local host rentals for business travel, wrote *Condé Nast Traveler* in March 2017, 16 and this number is only expected to grow. Expedia has reported that 62 percent of them are willing to extend travels after a business trip to experience local travel. 17

As stated in a Nielsen report,

Millennials don't simply represent another generation of travelers. Their preferences and lack of predictability make them different from their older counterparts. At the same time, this uniqueness means that the travel industry will need to adjust in order to meet their specific needs and desires.¹⁸

For companies, this means changing the way services are bundled, sold, and marketed. Mobile, for example, is key as millennials use multiple devices while booking and traveling.¹⁹ According to BCG, millennials plan ahead and travel for longer periods than older consumers. They look to aggregators, online travel agencies, and metasearch engines for deals and rely

heavily on peer recommendations and reviews. Overall, as millennials seek out memorable, individualized experiences, there is no longer one authoritative source for all their travel needs.²⁰ For companies that want to capture the millennial market, innovation is the name of the game.

INCREASED CONSUMER DEMAND FOR SUSTAINABLE TOURISM

nother key travel trend, linked in no small way to millennials, is the rise in consumer demand for sustainable tourism. Citing research on consumer behavior by Nielsen and Deloitte, Credit Suisse has stated in its *Global Investor 1.17* report that millennials are "the most sustainability-conscious generation." Importantly, trends are "pushing millennials to adopt new consumer habits"—of which the biggest change is "sharing instead of consuming" through peer-to-peer economies.²²

The *Chicago Tribune*, citing a 2017 TripAdvisor survey, wrote that "nearly two-thirds of travelers plan to make more environmentally sound choices over the next year."²³ As evidence of this shift, Airbnb launched its Sustainability Advisory Board in the same year. In 2016, the company also partnered with the United Nations Environment Program (UNEP) to publish a checklist for travelers on "how to be more sustainable while traveling,"²⁴ and in 2017, they released a data-filled report entitled *Advancing Sustainable Tourism through Home Sharing*, authored by U.K. -based sustainability experts at Elevate Strategies.



Around the globe, local host rentals are responding to the surge of interest in sustainable tourism by marketing properties as eco-friendly (e.g., highlighting off-the-grid features, proximity to nature, or experiences like organic farm stays). A quick online search for "sustainable travel" leads readers to such articles as *Architectural Digest's* "7 Stylish Eco-Friendly Airbnbs for a Sustainable Vacation." In March 2017, Skift predicted that "at the current trajectory, in 10 years, all tourism will have to be responsible and sustainable." ²⁶

EMBRACING CHANGE

By and large, change will not be easy, but as Dr. Yeoh of NUS has noted, the immense momentum behind local host rentals is a powerful wave that should not be underestimated or ignored. All players in the travel industry must cooperate and innovate to ensure that current developments work to everyone's benefit, both now and into the future. Destination governments must work with tourism authorities, services, and other stakeholders to ensure that regulation and other systemic changes are positive, supportive, and reasonable. When done the right way, regulators can anticipate and mitigate problems raised by this new and exciting way of traveling—and share in its many benefits.

"Regulations are mostly out of date and struggling to keep up with the extent of customer demand," said Adrian Currie, senior vice president of Booking Holdings.²⁷ And there will be plenty more complications as this marketplace develops further.

There are some big and sensitive issues. Politically, there's tension in every country and every city between people who own a property, [who] benefit from tourism, or participate in the shared economy, and those—often younger—people who feel they've been left behind, experience over-stretched resources, who have a life committed to renting, and who have fewer assets than previous generations. It's a real tension. For those who work in this industry, the opportunities are large but can quickly be lost if you don't keep moving forward and adapt to new situations.

Of course, businesses and regulators aren't the only ones who must learn to understand and embrace change better. Travelers, renters, and workers—ordinary citizens, in short—need to adapt to a rapidly shifting global community, too. "Millennials are fearless, but older consumers need to get over the fear of the unknown. For example, [older consumers] know it will be safe at a Hyatt or Marriott, but...once they've tested local host rentals they always come back," said Jeff Manheimer, co-founder and COO of Tripping.com.²⁸ Manheimer went on to illustrate this point

with a story about his mother—a longtime employee of the Hyatt Hotels Corporation—and her recent trip to Italy.

When I asked her to try Tripping.com instead of staying in a hotel, she said that she was inherently nervous about staying in a local host rental. But she took the chance, and afterwards said she didn't think she'd ever stay in a hotel in Florence again. She was blown away by all the space, the great location—the whole experience. And after that first apartment, she checked into another rental that was so nice she was willing to pay *more* than she would have for a hotel.

As we will see, however, the boundaries between local host rentals and hotels are blurring, and they will continue to do so as similar transformations permeate our living and working spaces. Indeed, the only thing we do know for certain is that the changes caused by what is sometimes called today's "disruption economy" is inevitable.

HOW TODAY'S TRAVEL TRENDS COULD SHAPE TOMORROW'S FUTURE

he sharing economy has often been called disruptive because it doesn't play ball with how things are supposed to be done today—that is what makes it so interesting," said Fuad. "If you look at Uber, for example, it changes how transportation works because it doesn't play ball with the taxi and limousine services. But if you look at the similarities of the sharing economy, it boils down to what human beings want and what we need."

As we have demonstrated in previous chapters, the local host rental market today includes the different but interlinked wants and needs of its various players. Travelers are in search of a more personalized and local experience and are increasingly turning to alternative ways of staying in and exploring foreign destinations. They are also looking for accommodations that better cater to their specific life or travel situations. Parents with young children, for instance, are in need of more space and facilities than many hotels can provide, and local host rentals with their kitchens, washing machines, microwaves, full-sized refrigerators, and separate bedrooms are a godsend on the road. People who need help covering their rent or mortgage, or who wish to supplement retirement income by renting out a spare bedroom (or entire home) are joining local host rental services and becoming hosts. City officials and regulators, seeking to maximize tax revenue in their communities, are working with services, hosts, and residents to develop fair, forward-looking regulations that can help shore up budgets and generate brand-new revenue streams.

History tells us, however, that accommodation wants and needs are

People want "a sense of place and to be recognized not as a number, but as an individual."

-Mario Hardy, CEO, PATA

not static, as Mario Hardy, CEO of the Pacific Asia Travel Association (PATA) reminds us.²⁹

"When Holiday Inns were first created... the company realized that what people wanted was the same level of service and standard in every Holiday Inn, regardless of where in the world it was located, so they came up with the idea that every single Holiday Inn would look exactly the same," Hardy said.

"It worked for decades, but it doesn't really work anymore because people want to have a sense of place. When I'm in Istanbul, my room should look like Istanbul. That's why a lot of boutique hotels gained popularity—that need for a sense of place and to be recognized not as a number, but as an individual."

DISRUPTION IN THE DISRUPTION ECONOMY

s hotels continue to grapple with travelers' shifting needs and expectations—some of which have been spurred by the industry-changing rise of short-term rentals—the disruptors themselves have to brace for their own inescapable periods of upheaval. Following the normal ebb and flow of any nascent industry, more services and companies will enter the space, increasing competition in both mainstream offerings and the sector's more niche-oriented corners. Companies will expand, shrink, consolidate, and fail. They will test-drive new products, some of which will flop spectacularly, while others will succeed beyond expectations. And like many hotel brands, they will increasingly focus on targeted curation to differentiate themselves from others and better cater to specific traveler demographics.

In short, they will learn, get smarter, hone their brands, and evolve.

"There will be consolidation in the sharing economy. We've already seen some of these accommodation-sharing companies that have strength in a certain market get acquired," said Agoda's Cooke. "Eventually it may be a handful of large, global brands that control the space, especially those with deep pockets for buyouts, marketing, and additional revenue streams like hotels, concierge service, and communities."

More, indeed, often leads to less. In 2015, U.S.-based travel company Expedia, for instance, acquired HomeAway, which itself, had previously acquired an array of local host rental companies that include Dwellable, Stayz Australia, Travelmob, and VRBO.³⁰ Tujia (sometimes called China's answer to Airbnb) has acquired Ctrip's and Qunar's homestay businesses to expand reach and inventory.³¹ Airbnb has made a number of notable acquisitions as well, among them the Montréal-based Luxury Retreats International.³²

As these and other services weigh future strategic moves and partnerships—and not just with fellow rental providers, as we'll discuss later in this chapter—it's clear that there will be some degree of copycat behavior as companies seek to compete and get ahead.

"Airbnb is looking at the China model, Tujia, which is one of the first services to offer a check-in crew, cleaning services, and hospitality professionals. It's all merging," Fuad said. "Disruption is like a pendulum: it swings far to the right, then swings back left and disrupts the new order, as well."

"Disruption is like a pendulum: it swings far to the right, then swings back left and disrupts the new order, as well."

—T. Fuad, Managing Director WeWork Southeast Asia

LOCAL HOST RENTAL SERVICES DIVERSIFY

s disruption reaches local host rental services, it will drive these companies to take more control of their brands and, in some cases, carve them up into sub-brands. Disruption, in other words, will spur product and overall brand diversification as services explore new revenue and marketing opportunities.

One key example is Airbnb's Experiences, which launched in November 2016. Experiences enhances the hosting model by enlisting local experts to function as quasi-tour guides who can further localize and personalize a guest's interaction at a destination. As of November 2017, Experiences hosts had earned US\$5 million in total revenues (within a year),33 with 91 percent of total bookings rated 5 stars.34 (According to Airbnb CEO Brian Chesky in October 2017, fewer than 80 percent of local host rental bookings are rated 5 stars.)35 In January 2018, Airbnb announced that Experiences had grown 500 percent in one year.36 At that time, the company offered 4,000 experiences across 50 cities globally, including 1,000 in the United States. With an investment of US\$5 million, Airbnb aims to expand Experiences to 200 cities in the U.S. by end 2018.37 The

average price point is surprisingly high (Experiences' average price is US\$91),³⁸ and Airbnb charges hosts a service fee of 20 percent—higher than the combined rates for guest and host fees with local host rentals.³⁹ At the same time, Experiences appeals not just to travelers, but locals as well—which opens up a path to new customers. As a trend, expanding services to include experiences is a move which other key players are likely to adopt, or at least look to for innovation.

"We're starting to see more hosts taking the extra step by offering not only accommodations, but also services in their locality," said Cooke. "They're doing things like guided tours, at-home cooking classes, meet-and-greets with locals, and sports game outings. These are all additional avenues hosts will use to expand their local host rental business into other areas."

PATA's Hardy agrees. "People are trying to up the value of where you stay so they can charge you a little more by providing ancillary services that make your stay more enjoyable," said Hardy.

In some ways, services will increasingly resemble well-rounded, full-service travel agencies. Agoda, for instance, has added flight-booking searches to its service through a partnership with KAYAK. At Airbnb, which aims to earn US\$3 billion in profits by 2020, Chesky has asserted that its core rental business will generate less than 50 percent of the company's revenue in the near future, and that he wants the company "to one day redefine how we fly." Nobody knows exactly what that means, and it may just be pie-in-the-sky bluster, but as Cooke has noted, companies with deep pockets will have the means, and perhaps the impetus, to explore and experiment with such big ideas.

But why stop at flights and host-led activities? How about, say, a Booking.com-branded restaurant staffed with local chefs specializing in regional cuisine, or an Agoda spa staffed by local therapists trained in native massage techniques? After all, Booking.com and Agoda are part of Booking Holdings, which owns the restaurant-booking service OpenTable, and Booking Holdings' mission is "to help people experience the world." That's a broad vocation.

In the near future, local host rental services will attempt to plan (and capitalize on) each guest's door-to-door trip, extrapolating key information from personal

profiles, preferences, and prior bookings to offer highly personalized recommendations and branded services that could range from airport transfers that meet specific needs (e.g., a wheelchair-friendly van for someone who requires one or a budget car rental for a business traveler) to restaurant reservations, spa appointments, and other things appropriate to each traveler. Indeed, while commenting on Airbnb's US\$13 million investment in restaurant reservations app Resy, Chesky mentioned that "helping people find and book incredible local restaurants is a key part of us moving beyond just accommodation to focus on the whole trip."

In the future, local host rental services will capitalize on door-to-door services to offer a one-stop-shop for customized travel experiences.



 ${\tt SOURCES:}\ Data\ from\ \textit{China}\ Daily;\ CNBC;\ Tech Crunch.$

OPPORTUNITIES FOR LOCAL HOST RENTALS IN BUSINESS TRAVEL

streamlined, more consistent experience will be part of this diversification, as well, particularly as services increase efforts to woo the lucrative business traveler demographic away from hotels.

According to the Global Business Travel Association (GBTA), the total spend of all business travelers globally

By 2021, total global business travel spend will grow to US\$1.7 trillion.

-GBTA

is US\$1.3 trillion, as of 2016.42 GBTA has forecasted that total business travel spend will grow between 6 and 7 percent annually until it reaches US\$1.7 trillion in 2021—a growth rate that business travel experts say have not been reached since 2011.43 Local host rentals are poised to take advantage of this opportunity. However, for this goal to be reached, services must understand and cater to business travelers at the right time and in the right way. Recent research by the GBTA and American Express has found that convenience comes before cost when business travelers make decisions about their travel plans; in fact, they are willing to pay a premium for convenience.⁴⁴ Business Travel News pinpointed the heart of the issues that local host rentals must tackle: "It is no easy task to take a diverse group of homeowners and establish a reliable level of consistency from one property to the next, but consistency is exactly what business travelers expect."45

"If she is going to NYC for two nights and has loads of business meetings, the business traveler wants a known commodity—things like working Wi-Fi, parking, clean sheets, and room service," said Manheimer. "But longer stays are where I see business travelers starting to get more comfortable with staying in a private rental. Business travel in local host rentals is still in its infancy, but it will gain momentum over the next five years as the experiences in these places become more standardized."

As we saw in the Introduction, business travelers are using the sharing economy on work trips and in their personal lives. However, according to *Business Travel News*, unlike Uber, which it claims is the most expensed service in business trip receipts, Airbnb accounted for only 1 percent of accommodation expenses as of April 2017.⁴⁶

How should local host rentals adapt to cater to business travelers? David Holyoke, Airbnb's global head of business travel, stated that, as of May 2017 more than 150,000 global Airbnb listings are equipped with business amenities and more than 250,000 companies in over 230 countries are enrolled in the service's program that directly services corporate clients. ⁴⁷ This is tremendous growth from the 250 companies that began when the program launched in 2015. ⁴⁸ (See page 271 for listing criteria.)

But equipping properties with amenities and making

searchable listings easy to find are not the only pieces of the puzzle. To ease the process, Airbnb enabled "oneclick expensing" so bookings can be billed directly to companies, and launched a third-party booking tool so that both the business traveler and corporate employee who sets up travel can communicate with hosts and manage bookings.49 Meanwhile, Airbnb is building an ecosystem of partners for business travel. American Express Global Business Travel claims that it was one of the first business-travel management companies to form a partnership with Airbnb: "Our customers want to provide their travelers with options beyond traditional hotels; however, travel managers have valid concerns around safety and security, cost, licensing and taxes, employment practices, and data."50 Given that corporate travel policies can be a barrier to entry, American Express Global Business Travel now integrates Airbnb data into reports and traveler tracking "that supports duty of care responsibilities."51

American Express understands that one key driver behind the corporate demand for short-term rentals is millennials. In The Atlas piece "How Millennials Are Shaping the Future of Business Travel," American Express forecasted that by 2020, millennials will make up 50 percent of the global workforce. The Brookings Institution has predicted that by 2025 this number will grow to 75 percent. The millennials, the line between their personal and professional lives is often blurred," reported The Atlas. This blurring of lines—which permeates all the trends that are emerging from the sharing economy—has given rise to a phenomenon that syncs perfectly with local host rentals known as "bleisure," the blending of business and leisure travel.

As David Holyoke had said to South Africa's *Business Report* in May 2017: "The lines between business and leisure travel are blurring; more and more of us are combining business trips with weekend stays." According to Holyoke, in 2016 more than 50 percent of business trips booked on Airbnb included a Saturday night.⁵⁵ In June 2017, the GBTA released findings from a report on bleisure travel trends in North America; 48 percent of millennials "extended a work trip for leisure"—more than Gen-Xers (33 percent) and Baby Boomers (23 percent).⁵⁶

AIRBNB FOR WORK LISTING CRITERIA



Entire home/property



Allergen-friendly:

No smoking or pets allowed on premises



Amenities:

Wi-Fi, laptop-friendly workspace, 24/7 selfcheck-in (lock box, doorman, etc.)



Safety features: Smoke detector and carbon monoxide detector



Home essentials:

clean linens, toiletries, iron, clothes hangers, hair dryer, etc.



Reviews:

Rated at least three times with 60% of listings' primary reviews and cleanliness rated 5 stars



Host response rate:

At least 90% of requests responded to within 24 hours in past year



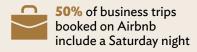
Cancellation terms:

Must be "moderate" or "flexible" policy

—Airbnb

Work + Play: The Rise Of "Bleisure" Travel





SOURCES: Data from Business Report; GBTA.

Thus, as local host rentals vie for business customers, millennials are a key segment to target. "With 75 percent of the global workforce projected to be millennials by 2025—and many of them freelancers who can work from anywhere—it's clear that the business travelers of tomorrow will increasingly want this unique type of work travel experience," said Alvan Aiau Yong, head of business travel, Airbnb (Asia Pacific) to Travel Wire Asia. Fraveler, seven in 10 millennial business travelers expressed interest in staying in local host rentals, compared to four in 10 of other age groups. Their reasons include wanting to feel at "home away from home" (50 percent), to stay someplace "unusual" (42 percent), and to "stay with locals in their neighborhood" (41 percent). See Figure 30.)

The business travel segment holds strong potential for local host rentals in Asia. Globally, the Asia Pacific region is the largest travel region in the world, accounting for 42 percent of global business spend in 2017.⁵⁹ According to

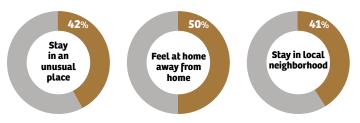
By 2025, millennials will make up 75% of the global workforce.

—Brookings Institution

FIGURE 30

Seven in 10 millennial business travelers want to stay in local host rentals.

These are the reasons why:



SOURCE: Data from Condé Nast Traveler.

the GBTA, business travel has more than doubled in Asia since 2000.⁶⁰ By 2018, Asia's business travel growth will have surpassed Europe (by two times) and North America (by four times).⁶¹

How well do the needs and habits of Asian business travelers sync with local host rentals? Very well, it seems. As of time of writing, Asia is home to 1.9 billion internet users, 62 approximately 60 percent of the world's millennials, 63 and an online travel market that is expanding at 17 percent per year, almost three times as fast as regional travel overall. 64 In 2015 the STB published a report focused on business travelers from five countries (China, India, Indonesia, Japan, and Singapore) that together account for 68 percent of Asia's population and more than 78 percent of Asia's business travel spend. 65 In it, three of the five key findings bode well for the future of local host rentals: flexibility, a focus on travel experience, and the opportunity for disruption. 66

- 1. Flexibility: 74 percent of Asian business travelers have some choice when it comes to travel accommodations; there's either a preapproved list or no restrictions at all. Equally significant, "business travelers appear to be gaining even greater autonomy, particularly as companies adopt digital applications" and travel decisions are moving away from managers to "controlled choices made by employees." 67
- 2. Travel experience: 56 percent of Asian business travelers view travel as a job perk (especially true for Indonesians—76 percent, Indians—61 percent, and Chinese—59 percent); 48 percent are open to "extending business trips for leisure." Overall, Asian business travelers are twice as likely as Europeans to include weekends in trips.
- 3. Disruption: For booking, online and mobile channels are 28 percent more popular than traditional travel agents. Seventy percent were familiar with local host rentals and 40 percent would consider using them for business travel. Of these, millennials were 11 percent more likely to consider local host rentals than non-millennials. Meanwhile, cultural preferences were stark: Indonesians (41 percent) and Chinese (38 percent) expressed the highest interest in using local host rentals on work trips, while Singaporeans (20 percent) and Japanese (10 percent) were less open. 68 (See Figure 31)

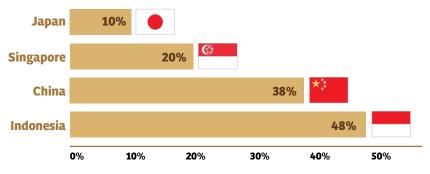
According to the STB report, the primary reason given for the interest in local host rentals was "greater value for money, although several respondents also cited experiencing local culture and previouspositive stays."⁶⁹

FIGURE 31

Asian business travelers' demand for local host rentals

70% of Asian business travelers are familiar with local host rentals.

40% will consider using them for business travel.



SOURCE: Data from STB.

A Travel Wire Asia article reported that between 2016 and 2017 Airbnb's bookings for business guests quintupled in Asia—a rate even higher than the global growth rate of this segment (4.3 times). "Of the 250,000 companies that have signed on to use Airbnb for Work, 53,000 are based in Asia," said Yong to Travel Wire Asia.⁷⁰

"As Asian business travelers have their expectations and preferences shaped by their consumer and leisure travel experiences, the business travel industry is primed for disruption by the same forces at play in the leisure market," stated the STB report.⁷¹ From the look of things, that is a pretty accurate prediction.

THE GIG ECONOMY GOES MAINSTREAM

ocal host rentals are becoming increasingly familiar, and will soon become as commonplace as traditional hotels—but the model isn't actually new. In beach communities like Fire Island in New York, Phuket in Thailand, and Bali in Indonesia, homeowners have been renting out and sharing their vacation homes for decades. To subsidize costs, owners would buy houses and condos and rent them out during high tourism seasons or on weekends. Local communities and businesses, including transportation services, restaurants, and shops, are built around this practice and it has worked well, in general.

What has changed, however, is the scale and efficiency in which shared and whole dwellings in urban areas are being rented out through online services. Rental services, which in the past would have operated manually on a small, local level, have suddenly become semi-automated multibillion-dollar businesses. Renting used to be what some homeowners did in certain places, at certain times; today, it's something that anyone can do anywhere and at any time (absent local regulations that may limit one's ability to do so).

"The fundamental thing is that many travelers want this experience—to travel like a local and meet locals—so in the long run that's a big force for change," said Booking Holdings' Adrian Currie.

As we have seen, both the potential, and perhaps even the necessity, of utilizing underused assets is growing. In Japan, for example, Rakuten LIFULL STAY launched in mid-2017 with the goal of connecting owners of vacant homes and rooms with those seeking accommodations. ⁷² (Continuing the trend of boundary blurring, LIFULL STAY recently partnered with China's Tujia, Booking.com, and Agoda for distribution of local host rental listings.)

"We build everywhere. How many of these offices and apartments are often left empty? I have faith in the new generation to realize that the way society moves at the moment is not sustainable," said PATA's Hardy. "Owning a car is pointless because the car loses value three seconds after you've bought it. People want to share—and not just houses and cars and accommodations, but things like skis and surfboards, too."

Indeed, as mentioned in the Introduction, a 2014 Nielsen study showed that 68 percent of global online consumers were open to renting or sharing personal belongings in exchange for payment.⁷³

In a 2017 article entitled "What's Next for the Sharing Economy?" by the BCG Henderson Institute, the authors posed the question: "Could the current sharing economy be just an intermediate phase between a past of traditional ownership and a future of *everything as a service* (XaaS)?"⁷⁴ Judging by the trajectory and speed of disruption thus far, the answer could soon be "yes."

Today, anyone can rent, anywhere, anytime.

EXPANDING THE GIG ECONOMY

hen the sharing economy thrives, the interrelated gig economy does, too. To clarify, the "sharing economy" refers to the companies (primarily online) that act as the go-between for buyers and sellers of a given product or service, while the "gig economy" usually refers to the workers or service providers that perform limited-term jobs and tasks. For example, Agoda (through its Homes product), Uber, and Deliveroo are three companies driving the sharing economy; a freelance local host rental cleaner, Uber driver, and Deliveroo delivery person are the workers who perform the gigs, or jobs, from the sharing economy in which they participate.

Sharing economy:

Companies serve as middlemen between buyers and sellers of a product or service—usually online

Gig economy:

Workers or service-providers are hired to preform on-demand jobs

The sharing and gig economies are rapidly growing in size and scope, and will continue to do so to meet consumers' and businesses' needs and wants—both inside and outside the travel sector. In 2013, entrepreneur Ross Bailey founded Appear Here, in London, with the goal of creating a service that could be the "Airbnb for retail." Inspired by the growing trend of pop-up shops and restaurants, and recognizing rising vacancies on high streets across the city—in part caused by inflated rents with long lease terms—Bailey connected the dots. Appear Here facilitates relationships between landlords of these vacant spaces and startup business owners interested in short-term lets, which would allow them to build brand awareness without investing a potentially crippling financial commitment to long-term rent. Three years later, the company has opened 4,000 stores across London, founded offices in Paris and New York, and raised more than US\$20 million in funding.

The gig economy is on the rise in experiential travel, too, with more and more niche-oriented services launched around the world to connect locals with visitors. Services like Eatwith and BonAppetour, for instance, focus on "social dining" by offering home-cooked meals, food tours, classes, and other food-related experiences. Withlocals aims to help users "enjoy a city like a local" by offering a vast array of tours, classes, and other activities with everyday local experts. And in Vietnam, Triip differentiates its similarly

localized activities by focusing on the positive impact the company makes on communities, particularly in developing nations. ⁷⁶ According to the service, 70 percent of its "local experts" are "women from lowincome countries."⁷⁷

We have even seen these economies expand to one of humanity's most basic—and sometimes most pressing—needs. Offering "the most unexpected VIP e-ticket in town," an app developed by Rockaloo helped users locate bathrooms in New York City restaurants, bars, and venues, then book them for fees ranging from US\$0.99 to US\$8.99—inclusive of a place at the front of the line.⁷⁸

LOCATION, LOCATION, REGULATION

n travel, you've undoubtedly heard the phrase "location, location, location," hotel chain founder Conrad Hilton's memorable reference to the importance and convenience of an accommodation's geographic address. For the local host rental industry, the phrase is "location, location, regulation."

"Lawmakers need to adapt, take some risks, and think outside the box a little bit," said Tripping.com's Manheimer. "One possible analogy is the legalization of marijuana. Some people are adamantly against it but then you see where, in other cities like San Francisco and Denver, the tax revenue it's generating is phenomenal. Plus, there've been no issues, no violent crime—no major shift in how officials run these cities because of it."

Though local host rentals will continue to become more mainstream, they will not be the same everywhere. Regulators in some destinations will be firm holdouts, doing everything possible to prevent the proliferation of local host rentals. This will most probably happen in places where there are powerful hotel lobbies, labor unions, well-to-do property owners, or very conservative neighborhood associations that wield significant sway over governments and benefit more from the status quo than from any change.⁷⁹

This is a possible path for destinations, but a risky one for several reasons.

Most fundamentally, it is risky because millions of travelers around the world have shown that they want and need this option, and, as we have noted earlier, it is "Lawmakers need to adapt, take some risks, and think outside the box a little bit."

—Jeff Manheimer, Founder and CEO, Tripping.com



unwise to try to resist something that large numbers of people demand. Attempts at regulating short-term rentals out of existence will certainly prevent *some* hosts and guests from doing business, but others will simply go underground. As a result, those that do exist may not be as safe as they could be, since there will be no recourse for hosts or guests who encounter injury, danger, or other calamities. Illegal rentals also cannot be taxed, so these communities will suffer a loss of potentially lucrative tax revenue. Homeowners and communities will miss out on substantial income and, in some locales, property value appreciation, as well.

We can already see this differentiation. In the very complex New York City real estate market, for example, individually owned units mostly fall into one of two categories: condominiums and co-operatives. Condominium owners tend to have more freedom, typically being allowed to rent their units after satisfying some relatively limited approval procedures. Co-ops, on the other hand—an older ownership model dating back at least to the 1880s—are much more restrictive. Typically, co-op owners (who are technically shareholders in the building as a whole, rather than the owners of individual units) may rent out their units for a maximum of two consecutive years, and must go through a major board approval process.

Indeed, co-ops are famous for their restrictions. Some, for example,

may require owners to buy with 50 percent cash—even for multimillion-dollar units—or have multiples of the unit value in liquid funds. Co-ops can turn down prospective buyers for any reason, without explanation, and can impose substantial "flip tax" transfer payments when owners sell their units. Co-ops are generally more exclusive, maintain a clubbier feel, and provide a more controlled community in which to live.

Some people prefer this kind of arrangement, but it is condos that have the higher value—10 percent more than co-ops in Manhattan—and the difference is growing. So Essentially, the freedom to rent a unit has real cash value to those who own it; the same principle will apply to buildings and communities that restrict or refuse local host rentals.

Other communities—the smarter ones, we think—will embrace change and develop creative ways to make this change work for everyone. They will recognize that accepting local host rentals helps attract travelers and the financial and cultural benefits they bring—not only to hosts, but to taxi drivers, grocery stores, restaurants, bars, and a host of small ancillary businesses that provide services that travelers need, and that can and will grow to meet those emerging needs.

These communities will gain a competitive advantage over other destinations that drag their heels. Whether they are developing economies that already thrive on tourism or up-and-coming neighborhoods that are eager to flourish, or even rural or industrial communities that have lost population over decades but still have appeal to travelers, forward-looking communities will work hard to make themselves friendly to local host rentals. They will create regulations that make it easy and attractive for hosts to register their properties, undergo safety inspections, and pay appropriate taxes. (A word of advice to regulators: Businesses tend to invest more in areas with lower taxation, so make sure to get the balance right. Your community will reap the rewards.)

"Regulations are needed, but if they're too rigid and impair the model, the model will find a way to exist without them, which has been happening anyway," said lanic Menard, vice president of Sales, Marketing, and Distribution for Upper Southeast Asia, AccorHotels. "They have to make sense enough that hosts who do the right thing receive a reward that is greater than the risk. They must make hosts think that 'if the regulations are not a nuisance, I will comply.'"

These taxes will fund community platforms such as fire, police, and education. They can be invested in arts and cultural services that benefit both residents and visitors, and they can be allocated to destination marketing efforts to attract more tourists. We already see these things happening in places like San Francisco, Los Angeles, and Florida. As the trend of traveling for local experiences becomes the norm, these communities will benefit, grow, and thrive in ways not previously possible.

Sensible regulations can help protect destinations, too, as sharing economy entrepreneur and expert Alex Stephany explained.

In a totally unregulated market, lots of capital would gravitate to short-term lettings, so that the downtown San Franciscos, New Yorks, and Venices of the world would just become in part distributed Airbnb hotels. That's what the free market would create, but regulation is preventing it.

I don't think the average Venetian wants all of central Venice to be Airbnbs, of course, and nor does Brian Chesky, the Airbnb CEO. Regulation needs to be locally informed and data-driven, because it will look different for every city. For example, in London they're clamping down on the professional Airbnbs. The 90-day rule [forbidding LHRs for more than 90 days per year, per unit] prevents that type of activity, and I don't think that type of setup was in the original vision of Airbnb, anyway.⁸³

Time limits can help where the risks are high. As we have discussed, London now has a rule that forbids local host rentals from being rented out for more than 90 days per year. This limit allows owners to make some additional income by renting out a spare room or a full flat occasionally, but makes it unprofitable for investors to buy units and rent them out as if they were one-room hotels. Regulators need to understand the needs of individual neighborhoods and design rules that make sense for them

THE BLURRING IDENTITIES OF WORK, HOME, AND TRAVEL

n China, services like Zhubaijia and OneHome function as both real estate agencies and short-term accommodation providers, offering multiple rental properties across destinations that the companies manage themselves or with the help of a partner agency. In the U.S., Seattle is home to one of the latest proving grounds for the rapidly diversifying WeWork, which began in 2010 as a company specializing in the design and management of shared workspaces, and is now expanding its model into the residential, education, and fitness sectors.

"We have just acquired a building in Seattle that will have about 36 floors of WeLive and WeWork combined. The existing buildings have both a WeWork and a residential component," said WeWork's Fuad. "That's our way of taking a leadership role in changing how people live, work, and play."

Looking beyond just local host rentals, the sea change sweeping through our global society is turning vacation, living, office, and other spaces into more permeable, less distinct concepts. As we will see, in some ways hotels and local host rentals are becoming more like one another; office buildings are doubling as residential facilities. Boundaries are blurring as businesses adapt, evolve, and innovate.

LOCAL HOST RENTALS ARE HERE TO STAY—BUT WILL EVOLVE

his type of travel is obviously becoming more mainstream, and that is a challenge for organizations," Stephany said. "The more mainstream travelers treat local host rentals more like hotels. As we move through the adoption curve, some hosts talk about the good old days, whereas others who are, say, less interested in things like washing up after guests, see it as a hotel."84

Local host rentals are here to stay, but as Stephany hinted, they are constantly evolving. Everything about them is dynamic, from the relationships between hosts and guests to their locations, management, and even ownership. We've seen this in a number of Airbnb's recent real-estate ventures and partnerships.

As part of its Friendly Buildings Program at Neptune Waterpark Condominiums in Toronto, for example, Airbnb extends primary property insurance to hosts and extended liability insurance to the building to cover the common areas. ⁸⁵ Residents can go online to see Airbnb guest activity in the building, and the service is working with building management on rules regarding things like pets and parking. In exchange, management receives a percentage of every booking. Some argue the arrangement effectively turns the building into a hotel; Airbnb believes that it simply puts better guidelines and control over the kind of situation that already exists.

As we've noted earlier in the book, Niido "Powered by Airbnb" is a partnership between Airbnb and the Newgard Development Group, which permits leaseholders in a 324-unit Florida apartment building to rent out rooms or entire units for up to 180 days a year. 60n-demand "MasterHosts" will manage day-to-day things like cleaning of these units, each of which will be equipped with keyless entry to facilitate short-term rentals. In the notoriously Airbnb-averse San Francisco, the service struck a similar deal with Veritas Investments, the city's biggest residential landlord. Tenants in—for now—five of Veritas' more than

In some ways, hotels and local host rentals are becoming more like each other.

As They Adapt, Local Host Rentals and Hotels Influence Each Other



"As local host rentals become more standardized, and more and more people have great experiences, it will become a seamless process."

—Jeff Manheimer, Tripping.com 200 buildings can legally rent out their units.⁸⁷ As part of the deal, tenants also receive access to the Pillow.com service, which helps hosts price their units in relation to their local market. As with Neptune Waterpark in Toronto, leaseholders share a portion of rental proceeds with their landlord.

The residents they surveyed had indicated a lot of interest in this "new aspect of the 'sharing economy'," said Veritas CEO Yat-Pang Au, in a statement. "Airbnb and Pillow can help our residents with economic empowerment and could further differentiate our properties." Manheimer is predicting that such arrangements will become more frequent.

"As local host rentals become more standardized, and more and more people have great experiences, it will become a seamless process," said Manheimer. "You'll be really well-informed and trust the brand, and everything will be done on the mobile. You'll book online, get your confirmation number and a passcode, then scan your phone to get in when you show up. You won't even interact with the host."

Landlords aren't the only ones who stand to benefit from more flexible and innovative local host rental regulations. In Seattle, the startup Loftium partnered with Umpqua Bank in 2017 to help potential homebuyers with their down payment. In exchange, the buyer would have to rent out a portion of the new home on Airbnb and share some of the revenue with the company.⁸⁹ If the initial pilot program with 50 homebuyers is proven

successful, Loftium has plans to expand its model to other cities and lenders. "The goal is to ensure that cities don't become places where only the very, very wealthy can afford to own, that there's still this ability for middle-class people to be able to own a home," said co-founder Yifan Zhang.90

Local host rentals, indeed, are even blurring the role and archetype of property owner. "Local host rentals are attracting a younger, more techsavvy individual as landlord," Stephany said. "These modern landlords have a higher-risk, higher-reward attitude, and are drawn to real estate because of their hopes for an equity-like return."

REINVENTING THE HOTEL

hat about hotels? Though not all of them recognize it yet, their industry faces an era of massive disturbance that affects their entire ecosystem. Think of it as "business climate change"—which, like environmental climate change, is dangerous to deny. Indeed, a hotel that may at one time have dealt with a competitive set of a few neighbors—or, for luxury hotels, a few peers in the city—now could contend with thousands of more nimble competitors. The results could be catastrophic for those that do not prepare and adapt.

In general, as we've noted, we believe that local host rentals are a complement to the hotel market, rather than a competitor: the two segments offer different kinds of services, essentially to customers with different needs (or the same customers traveling under different circumstances—e.g., an executive traveling by herself on business, or on vacation with her husband and kids). But we must acknowledge that disruption is fundamentally, well, disruptive. If you run the only two-star hotel in a neighborhood, you're happy in your niche. If someone builds a competing hotel, you're significantly less happy. But if hundreds of local neighbors start offering spare rooms in their apartments and some of them offer their whole apartments on the market, all of a sudden you have a lot more competition. You're going to have to raise your game or lower your prices—or both. In general, local host rentals will create more competition at the lower end of the hotel market, because it's more difficult to replicate five-star properties, but it remains a fact that a large flood of new supply changes the market dynamics. Fundamentally, this is how commerce works—think of economist Joseph Schumpeter's famous phrase about capitalism, "creative destruction" (implying that the process of economic growth and change inevitably destroys some older business models). It is productive in the long run, but inevitably can make life harder for some players along the way.

As with communities, we will see a spectrum of responses. Some



CHANGE TO LOCAL HOST RENTALS CAN SPUR HOTEL INNOVATION TO MEET TRAVELER NEEDS



Communal Travel

People enjoy traveling with friends and family; they enjoy shared activities like cooking, watching movies, and relaxing together.



Local experience

Travelers want to meet locals and seek experiences that are unique to their destinations.



Personalization

People feel rewarded with personalized service.

hotels and hotel chains will be holdouts, trying hard to ignore what Dr. Yeoh described as the "coming tsunami." Some of these, by virtue of their unique positioning and features, will continue to do well, but some, particularly those operating in the lower- to middle-market sectors, may fail. Hotels must recognize that there is suddenly a large supply of low-priced, easy-to-access, and often differentiated products on the market, and that many travelers will vote with their mobile devices by choosing the local host alternative. This will become even more of an everyday reality as a greater variety of accommodations becomes more accessible, the barrier of unfamiliarity drops, and the local host rental experience becomes streamlined, nuanced, and more reliable.

"Accor is investing significantly in local host rentals; rather than ignore the trend, we're being a part of it," said AccorHotels' Menard. "For example, we've acquired Onefinestay, part of Squarebreak, and Travelkeys, and will bring all of them under the Onefinestay brand, giving us 10,000 homes around the world. We're looking to differentiate ourselves from Airbnb and others with a luxury offering that comes with some of the high-end services, but with the space and flexibility of having a private rental."

Indeed, the hotel industry will be forced to diversify and adapt its tried-and-true business model. In some cases, that means sharpening the model to build on its strengths. As Marriott's Rajeev Menon noted, hotels offer many advantages. A top hotel, he explained, "comes with great facilities that are purpose-built for that level of accommodation, and that goes from great gymnasiums to spas, restaurants, bars, and so on. With that, there is a very heavy focus on things like safety and security and hygiene and insurance cover, and all the other things a good business needs to do to protect its interest and the interest of its customers and associates as we grow." Increasing these strengths—and communicating them well—will be the key to the loyalty of some customer segments.

But hotels will also need to find ways to attract traveling families and groups of friends—people who want not just a row of doors on a long corridor, but a communal place where they can gather, cook meals together, watch a movie, and relax. They will want to attract business travelers, too, who are in town for a week or a month and need more than just a bed, a desk, and a television. They will also need to attract people who are simply tired of standardized fare and of being treated as anonymous strangers, who want to experience what it is really like to live in a place, participate in the local economy, eat locally, and meet people who have an interest in meeting them, too.

In short, hotels must find ways to attract a diverse range of travelers with varying, constantly evolving, wants and needs.

"If I had to tell a hotel how to compete with a local host rental, I'd say, 'Personalize your service to the degree that you know more about me than I do myself,'" said PATA's Hardy. "'If it's a large chain, you have my profile, you know what I like, what type of room I book. Personalize it so that you recognize me as an individual. People love the attention."

Hyatt Hotels CEO Mark Hoplamazian, for one, agrees with Hardy's assessment, and in a recent presentation credited services like Airbnb for helping make the Hyatt brand stronger. "Airbnb has demonstrated that people really do care about the interpersonal human experience," he said. "Their founding was about connecting individual travelers to real people, [and they have] actually expanded travel and they've inspired us to think about how we do business."91

And smart hotels are indeed changing the way in which they do business in order to meet their consumers' evolving needs and demands. In 2014, Marriott partnered with IKEA to launch Moxy Hotels, a small chain of midrange urban hotels in the United States and Europe that feature open communal spaces and in-room personal media streaming to an internet-ready television.⁹²

Bidding for the millennial demographic, Hilton Worldwide is developing what CEO Christopher Nassetta calls "a hostel on steroids" and "urban micro brand" that will have "super-efficient spaces that are crazy flexible." This announcement follows the launch of Tru by Hilton (which also targets millennials) and

"Personalize your service to the degree that you know more about me than I do myself."

-Mario Hardy, CEO, PATA

Curio Collection (a line of higher-end boutique hotels). The latter débuted in Washington, DC, with The Darcy, which features a pop-up flower shop, in-room delivery of artisanal cocktails from a professional mixologist, and a men's fashion program. ⁹⁴ All of Hilton's new hotels, Nassetta said, must "have a very cool locally curated concept with a local partner in the food and beverage scene. It's got to have a bar scene. It's got to bring the community in." ⁹⁵

In New York, renowned boutique hotelier lan Schrager launched the Public Hotel with the goal of "making luxury available to all" and entering the "select-service space." With nightly rates starting at "just" US\$150 (cheap for New York!), the design hotel includes a restaurant from Michelinstarred chef Jean-Georges Vongerichten, a trendy rooftop bar, a "progressive, avant-garde multimedia performance space," and tech-friendly rooms. YOTEL Singapore, which opened in late 2017, offers self-service check-in, communal work and leisure spaces, and robot butlers. 98

"We have a new brand called JO&JOE, which helps travelers rent a small space that's very affordable and is about meeting and making connections with locals," said Menard. "From a product development point of view it's very specific. You can industrialize it, but it's more complex than, say, a Novotel because you have to create the atmosphere and make it evolve."

Adapting existing hotels will be expensive and time-consuming, but as hoteliers and hotel chains build for the future, these examples show that forward-thinking groups will introduce flexibility into their designs and models. They may, for instance, build groups of modular rooms that can be rented out singly or as larger units, perhaps with enhancements such as a shared kitchen, entertainment area, or even bar attached. Washing machines and the facilities for preparing simple meals may become common room amenities, just as some hotels in North America (and increasingly Asia) now offer in-room coffee machines and ironing boards.

A change in how traditional hotel services are offered—when they are offered at all—is underway, too.

The concept of room service can evolve from the current in-house standard (which typically offers limited menus and charges high prices, not to mention service fees) to include in-room delivery from local restaurants via online services

like Seamless, Uber Eats, or Deliveroo. The gig economy has a big role to play. In 2017, eight Meriton Suites properties in Sydney and Brisbane, Australia, partnered with Deliveroo by letting guests place orders through the guest services staff, which arranges the delivery and adds the cost to the guest's final bill.⁹⁹ If the pilot program goes well, Meriton Suites will expand it to other properties across the country.

Cleaning (including hotel linens) may be outsourced to local services, rather than managed by the hotel itself. Conversely, hotels may also seek greater connections with their local community by offering memberships to their gym, swimming pool, and other facilities, as some hotels in Asia already do. They may view and design food and beverage outlets with both tourists *and* locals in mind, as Nassetta has vowed to do with new Hilton properties.

A hotel, after all, is a bundled set of services. It's a piece of real estate with units available for short-term rental; a reservation service (now usually transacted online); food and beverage services; cleaning services; and sometimes additional choices like advice on local experiences (the concierge), laundry, exercise, shopping, and even gambling. These services have traditionally been grouped together under the hotel umbrella, but do not necessarily have to be. We anticipate that many of these services could be aggregated by providers (ones that are typically mobile-based) that can operate across hotels or even in multiple geographic locations.

We noted in earlier chapters that the rise of local host rentals has fostered the development of ancillary services such as room cleaning, providing employment to people based in the communities in which the rentals exist.

Laundry services, too, could serve people in their homes and apartments, as well as hotels, possibly with increased personalization and ease of billing.

Concierge services, perhaps offered through credit card or local companies, or through mobile apps, can operate at scale and provide levels of assistance that customers want (and are willing to pay for), and which may vary from guest to guest and from stay to stay. These services could also be a more curated, though automated, experience. Virgin Hotels, for instance, gives guests access to Step Outside, which is a concierge-like online

Together, hotels and the gig economy can redefine "service" for travelers.

service that helps guests find activities to do near the hotel by choosing personalities and interests (e.g., "The Foodie," "The Artist," and "Fun & Adventures").100

Budget-conscious travelers could forgo amenities they don't need and save money; think of low-cost airlines that charge for optional things like advance seat selection and checked baggage. Parents could gain peace of mind by ensuring that the kinds of food, facilities, and amenities they need for their children are available every step of the way. Clients with special needs could be assured that these needs will be met with the help of, say, wheelchair-friendly transportation.

All of these scenarios present substantial business opportunities at large and small scale. They can be optimized to increase service levels and profitability, and can be spread across a spectrum of specialist providers. We expect this diversification trend, influenced by the growth of largely mobile-based ancillary services, to increase significantly.

In many ways, as the sharing and gig economies and local host rentals grow in tandem, services that were provided by hotel concierges and in-house services can be outsourced to entrepreneurially on-demand local businesses. For example, LuggageHero offers travelers in New York, London, and Copenhagen a choice of 310 safe and certified locations to store their luggage at local stores, cafes, hotels, and more, for a low price while in transit; as of time of writing, travelers are paying US\$1 per hour (plus a US\$2 per bag handling fee) in New York.101 FlyCleaners and Cleanly are two U.S.-based companies that provide on-demand pickup and delivery of dry cleaning and laundry for local host rentals in New York City, at a fraction of the cost of traditional hotel laundry services (we've seen prices of US\$17 to wash and iron a shirt—not entirely surprising in a city where hotel parking can run to US\$95 per night).102 Guests in more than 65 cities in the U.S. and Canada don't have to worry about the high charges of in-room minibars, thanks to Drizly, an app on which customers can order beer, wine, and liquor from local liquor stores, either for delivery (often within an hour) or pickup.103 If you crave pampering, with Zeel you can book same-day massages or spa treatments at your location (including hotel rooms) from licensed providers in 85

cities in the U.S. ¹⁰⁴ or request delivered beauty services (makeup, hair, nails, etc.) from a range of on-demand providers like the Glamsquad in seven U.S. cities. Meanwhile, there's no excuse for not exercising while traveling thanks to apps like Handstand, through which you can stay fit while you travel, with local bike routes, music mixes for your run, appointments with local trainers, and online workouts that can (if you choose) fine you when you don't show up!¹⁰⁵ Finally, parents don't have to stress about childcare in an unfamiliar environment thanks to Helpr, which provides screened childcare providers within three hours' notice, in numerous U.S. cities.¹⁰⁶ These are only a few examples that illustrate the potential of the gig economy to redefine how and where travelers are served.

In essence, the boundaries of what we have until now thought of as the "accommodations industry" will become more porous and more flexible. In fact, some hotels have even decided that if you can't beat them, you should join them: In August 2017, Chesky tweeted that there were 15,000 boutique hotels listed on Airbnb, a number that could more than triple in 2018 with new partnerships (discussed later in this chapter). ¹⁰⁷ Similarly, platforms that traditionally offered only hotel rooms, like Agoda, now allow travelers to search through an inventory that contains both hotels and homes. Guests may well be open to staying either in a hotel or in a local host rental, and those that are will have a dramatically increasing freedom of choice.

Marriott's Menon has some advice for colleagues (and competitors) in the hotel business:

The piece of advice from my side is that we can't live in denial. This is a reality, and it has great potential for growth. Like any other business, hoteliers need to play to our strengths and make sure that we continue to create memorable experiences while focusing and communicating our core business proposition that attracts the customer—for today, and for the future.

REDEFINING BOUNDARIES BETWEEN HOME AND OFFICE LIFE

Steve Jobs used to say he created the iPhone not because people asked him to do it, but because people needed it," WeWork's Fuad said. "We look at the way people work, what millennials want, and what technology can do: if everything is in place, we will change the way people work and live. People want to stay connected, so we become the physical and digital space for them to do that."

As the boundaries of hotels and short-term rentals increasingly blur, so do those of work and living spaces. In Korea, the "officetel" (a blend of "office" and "hotel")—urban buildings with residential and commercial units—has been around since the mid-1980s.¹⁰⁸ But coworking specialist WeWork is notably expanding and modernizing

"Products change; needs change. We're filling the void of what people are looking for."

—T. Fuad, Managing Director, WeWork Southeast Asia that basic concept of mixing work with play a few steps further. Launched in 2010 as an office design and management firm focused on fostering millennial-friendly work cultures—free beer and coffee, for instance—WeWork has recently announced a number of ambitious spin-offs into the residential, fitness, and education industries, each of them in tune with the company's core focus on community.

Most notable, perhaps, is WeLive, in which occupants of co-living residential buildings can participate in communal meals, movie nights, yoga classes, and other activities. The fully furnished units include internet and cable access, monthly cleaning service, and the ability to manage building services and events with a mobile app. The first WeLive building opened in New York in 2016, at which time the company aimed for WeLive to account for more than 20 percent of its revenue by 2018.¹⁰⁹

"Not much has changed or evolved in terms of apartment living for a long time," said Fuad. "WeLive is like a traditional serviced apartment where you have a kitchen, linens, internet, and laundry all provided, but it also offers the shared space of communal living, with people hanging out together and just being a part of a communal society. People miss that."



"WeLive serves the segment that Airbnb and Agoda and Booking.com are targeting, but also the needs of people looking for an alternative to apartment living."

WeWork hopes to answer the needs of those seeking alternatives to education and fitness, as well. In May 2017 the company announced WeWork Wellness, which it positions as an alternative to gyms with "intimidating" environments by focusing on communal classes. ¹¹⁰ Six months later, news surfaced about WeGrow, which are grade schools located in WeWork facilities where business-oriented topics are mixed into more traditional instruction. ¹¹¹ When the first WeGrow school opens in New York in 2018, students will receive instruction one day a week at a 60-acre farm, and occasionally attend presentations from WeWork employees.

"Products change; needs change," Fuad said. "We're filling the void of what people are looking for."

A VIEW OF THINGS TO COME THAT ARE ALREADY HERE

he distinction between hotels, local host rentals, apartments, and offices is gradually blurring as each entity learns and borrows innovative concepts from the others. This trend will accelerate.

Hotels, for instance, could offer free coffee and even craft beer in their communal areas, just as WeWork does in some of its managed offices. Some are starting to offer mobile check-in and keyless entry. Local host rentals will offer hotel-like amenities such as gym membership, professional cleaning services, and business facilities. In fact, in October 2017 Airbnb partnered with WeWork to give corporate users access to a desk at a nearby WeWork office during their local host rental stay.¹¹² In 2015, two German entrepreneurs launched Homelike, in Köln, to offer business travelers long-term, furnished accommodations with business-friendly amenities like VAT invoicing. "Similar to the shifts we are experiencing in transport and mobility, we believe that the rental market will develop towards a 'living-as-a-service model," said co-founder Dustin Figge.113

Local host rental services will not only more closely resemble hotels in terms of amenities. We see them following the lead exemplified by such hotel chains as



WE CAN SEE THE FUTURE

Hotels

Communalcollaborative spaces that blur the lines between work, play, and relaxation

> Deliver services through **shared economy**

Local host rentals

Offer hotel-like amenities

Segment products to niche customers (e.g., luxury, family, business)

Housing

Co-living communities

Mixed developments that split rent between local host rentals and private residencies

•••••••••••

AccorHotels, by whittling their brand down into multiple sub-brands to provide customers with more curated experiences. AccorHotels, for instance, offers boutique luxury via its Sofitel Hotels & Resorts line; its Ibis hotels cater to budget-conscious travelers with basic needs; and the Grand Mercure and Novotel hotels are somewhere in between, and as Menard explained, the brand is investing heavily in local host rentals, as well, to serve customers interested in that type of experience.

It's worth noting that combining local host rentals and hotel challenges on a single platform has both advantages and difficulties. For example, local host rentals—as we have noted—typically incorporate profiles of both guests and hosts; hotel reservations do not. Hotels have star ratings, often awarded by government agencies. To date, these ratings do not (and often may not) apply to local host rentals, so platforms are coming up with alternative ways to indicate different levels of amenities and comfort. Messaging systems are useful and are becoming more common, but communicating with individual hosts is quite different from communicating with the more complex management structures of hotels, and platforms will need to find ways to do both optimally. On the positive side, however, listing both hotel rooms and local host rentals side by side gives customers looking for a place to stay a much broader range of choices, and can help them recognize the advantages of local host rentals, which typically offer more space for the money than hotel rooms. For instance, a comparison between the average room price per night for hotels and Airbnbs in major cities in January 2018 showed that Airbnbs were cheaper across the board. According to a January 2018 article in Forbes, guests could save up to US\$119 in New York, US\$127 in Tokyo, US\$38 in London, and US\$53 in Moscow if they stayed in Airbnbs instead of hotels.114

As we look ahead, product segmentation will become more widespread in local host rental services as hosts, faced with growing competition, pursue ways to connect their unique properties with target travelers. In an example of how fast the market is changing, we had predicted some of these offerings in an earlier draft of this handbook, only to find out that Airbnb has actually made them real. In February 2018, on its 10th anniversary,

Airbnb announced a "roadmap to bring magical travel to everyone" that included the launch of two new listing tiers, Airbnb Plus—a collection of 2,000 homes in 13 global cities "for guests looking for beautiful homes, exceptional hosts, and added peace of mind"¹¹⁵—and Beyond by Airbnb, the site's luxury offerings, that was planned to launch in spring 2018, but, as of writing, was still in development. Airbnb Plus homes are all verified in person against a 100-point checklist for "cleanliness, comfort, and design," and are marketing with professional photos under easy-to-search collections named for key features like "Poolside Homes," "Big Backyards," "Awesome Architecture" and "Knockout Kitchens."¹¹⁶ In an interview with the *New York Times*, CEO Chesky projected that total Airbnb Plus homes will grow to more than 75,000 listings across 50 destinations by end 2018.¹⁷⁷

At the same time, since we began our research, Airbnb has moved further along its path towards service diversification and the blurring of lines between traditional and alternative accommodations. As of March 2018, the company announced that it would open its platform to boutique hotels and small B&B's in partnership with a third-party platform, SiteMinder, which works with over 28,000 small hotels globally.¹¹⁸ Previously, Airbnb permitted small hotels and B&Bs to list independently, but this largescale partnership reflects a strategic shift; now, Airbnb looks more like a traditional online travel agency that aggregates listings, while managing transactions and payments. Staying true to Airbnb's positioning in the market, the hotels will be required to meet specific requirements (e.g., unique designs, emphasis on local experiences, access to common spaces, and high-quality photos). According to PhocusWire, this partnership for third-party distribution is "the first significant change to the core product in a number of years."119 In the words of CNBC, Airbnb has taken "further aim at big chain hotels and online travel agencies, announcing a program... that would expand it beyond shared accommodations into something like a fullfledged travel company."120

We expect that by the time this book is published, more trends will come to light. For example, we are awaiting news about the new category of "Superguests," which Airbnb promises will open a "passport to new travel lifestyle" for guests. ¹²¹ Based upon what we have seen, we know that change won't take long. In fact, their pace is likely to accelerate.

The other area where we expect to see rapid transformation is in residential housing. We've already seen WeWork's approach with WeLive, one that is similar to Common, another co-living startup with buildings so far in New York, San Francisco, Chicago, and Washington, DC.¹²² In San Francisco, HubHaus launched in 2016 with a related, but slightly different co-living model that places its residents, or "members," in private quarters located within shared multimillion-dollar homes outfitted with communal kitchens, pools, common areas, and other amenities.¹²³ The company hoped

The shared economy will change real estate norms.

to provide 1,000 rooms by fall 2018.

These emerging living and membership concepts raise interesting possibilities. For example, instead of signing a one-year lease for a specific apartment or house, perhaps people will soon have membership options with a company that guarantees space in any of its facilities worldwide for a period of time—think of it as a quasi-timeshare for the twenty-first century. Such an approach could be applicable to hotels and local host rentals, as well, particularly as brands explore new ideas for fostering loyalty and repeat business in an increasingly crowded marketplace.

Co-living will not be limited to younger people, either. Imagine a five-unit house with a shared nursery and other family-friendly facilities catered to young budget-minded parents, or 10-unit homes designed to accommodate senior citizens; retirement homes of the future, in other words.

This fluidity of space will apply to commercial units, too, as businesses face many space constraints that the current market situation does not accommodate well. Because most commercial leases can range from three to 10 years (or even longer), periods inevitably occur when companies are forced to lease spaces that are too big for them (when they are renting in advance of future growth), or must crowd into spaces that are too small (since they've grown more quickly than expected but can't afford to move, or are unable to break their lease without suffering severe financial penalties). Similarly, the owners of commercial real estate face long periods of vacancy during which they are unable to collect any income.

Such problems need not continue.

Short-term commercial rentals can be highly appropriate ways to reduce the impact, inconvenience, and cost of such situations caused by the "lumpy" nature of leases. Just as the invention of calculus made it possible to determine the area under a curve by dividing it more and more accurately into smaller and smaller segments, so short-term rentals can dramatically reduce the impact of leases that are too short or too long and spaces that are too big or too small, at any given time. As we have noted, the sharing economy ultimately works because it puts idle assets to use, and this principle applies to far more parts of the real estate industry than those to which it has already been applied.

"Previously, being a landlord was about minimizing the

number of voids [periods when the space was unoccupied]. Now a local host landlord can have 20 voids a year, but if each void is only for a couple of days, he can still massively outperform a traditional landlord," said Stephany.

As we've seen with Appear Here, owners and lessees could let spaces for periods of several months to companies in transition, startups, or overflow staff from overly crowded offices. Empty spaces could be rented at a discount, even with the décor from previous commercial tenants or with minimal fit-out: not every business or commercial tenant desires personalized space catered to long-term needs. Indeed, many could find it advantageous to take a shorter rental, and landlords could compete effectively with the very expensive serviced office providers, gaining income from tenants who would cheerfully pay less for less.

Just as shared bikes can be used for a single ride across town, and car shares can be available for an hour or half a day, flexible commercial space can meet diverse and specific needs, creating benefits to owners and renters alike.

THE RISE OF BIG DATA AND ARTIFICIAL INTELLIGENCE

t Cornell University, students have created a tool called the Real Estate Advisor, which helps Los Angeles homeowners evaluate and compare revenue they could potentially generate by either selling their home or listing it on Airbnb.¹²⁴ The tool works by analyzing various real estate websites and the average rental prices on comparable houses listed on Airbnb.

This is just one example of how big data and artificial intelligence (AI) will play an increasingly pivotal role in the travel and housing markets. They will more accurately personalize search results for local host rentals, influence building designs, inform real estate decisions, and help brands know their customers more intimately.

Homelike, for instance, has claimed that the data it has—and continues—to collect will help it "vertically integrate further with developers" on new buildings designed to best meet its customers' needs. ¹²⁵ Mike Curtis, vice president of Engineering at Airbnb, said the company uses AI to populate search results for each user with units that he or she is most likely to be interested in—and also most likely to review positively. ¹²⁶

Big data and AI will help guests and companies personalize travel.



"Data will come a lot more to the forefront. We see this already with occupancy-based demand pricing where, on certain websites, owners receive data that helps them get the best returns on their local host rental over certain periods," said Errol Cooke. "Moving forward, there will be increased data that helps hosts not just with pricing, but with how to create better overall experiences for their guests based on demographics, their guests' profiles, and their ratings trends."

Cooke's remarks are similar to Hardy's sentiments, suggested earlier in this chapter: data will lead to a personalized travel experience. "By the time you get wherever you're going you want your beer of choice waiting in your room," said Manheimer. "That's years away, but that's going to be the experience."

Hotels may not have yet figured out how to stock every guest's favorite beer, but they're getting close. Hilton Hotels, for instance, is testing "smart room" features that personalize various room features for repeat guests before they check in.¹²⁷ Starwood Hotels & Resorts can already preset room temperatures and television channels based on guest profiles.

Smart hotel rooms and predictive technology may sound like fairly rudimentary Al developments, and in some ways they are. But, as we've noted at the beginning of this chapter, these are elements of the future that are unevenly distributed today. They are glimpses of what's soon to come on a much larger scale.

IN CLOSING

hroughout this book, we have demonstrated that the move toward local host rentals is a global phenomenon that shows few signs of abatement. And as the sharing economy continues to expand, entire industries—accommodations, real estate, residential, and others—will change in ways that we can only begin to imagine today.

As the travel industry moves into a future in which short-term rentals are increasingly prevalent, we have attempted to prepare guests, hosts, regulators, and communities for this "coming tsunami." Each of these groups has different concerns, priorities, and opportunities, yet the fundamental issues are undoubtedly intertwined; and like the boundaries between accommodations, residential living, and office life, roles will inevitably blur. Guests may become hosts; so may neighbors. Regulators can help these groups advance their individual and common interests.

There is no question that the growth of local host rentals and the changes in all parts of the accommodations industry will disrupt existing norms. Adjusting to these changes will be difficult for some: There will be increased competition; business models that have worked for a long time will become less successful; expectations based on past experience will become less helpful as people try to understand the present and predict the future. Yet, there will be many benefits as well. Travelers will have a huge array of choices—no longer just one- to five-star hotels, but houses, apartments, hotel rooms, and villas. They will be able to select familiar experiences (a hotel that knows all their preferences and caters to them without special requests) or unfamiliar ones—local cuisine prepared to order, cultural or sporting events they might never have known about, airport pickups or school visits, dinners with neighbors, and new friends. Hosts will be able to increase their incomes when needed, meet new people, and travel more because paying guests will cover the rent. Communities will gain tax revenues and local businesses will grow and thrive. Some destinations—those that look forward and are willing to experiment—will gain revenues, interact more with the outside world, and become better able to meet their needs. Existing businesses will become more diverse, and new businesses will be born and thrive.

For all this to happen, it is necessary that all parties in this ecosystem understand one another and look out for their shared interests; communicate, cooperate, and adapt. The future, of which we can catch many glimpses today, will not look like the past. It will in many ways be brighter, more varied, more personal, more creative, and richer. To get there, we need to learn more, keep an open mind, and be prepared to welcome and guide the innovations that are happening all around us today.

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Appendices



Overview of local host rental services

NOTE: All details are subject to change over time; data was accurate as of time of writing. Please always check directly with the relevant websites before booking or making booking decisions.

Local host service	Key facts and offerings	Website
Agoda	Agoda is an Asia-based hotel booking engine that is actively expanding its offerings of local host rentals through the Agoda Homes program. As of October 2018, Agoda listed 1.1 million local host rental properties worldwide. The majority of properties can be booked instantly.	www.agoda.com
Airbnb	Launched in 2008; Airbnb is most responsible for popularizing local host rentals around the globe. As of October 2018, Airbnb had over 5 million listings in 191 countries. ² Airbnb also launched services for business travelers and Experiences.	www.airbnb.com
Booking.com	One of the world's most visited hotel booking sites, Booking.com offers over 5.6 million local host rental listings in 230 countries as of October 2018. ³ They can be accessed via the "Vacation Rentals" tab on the main site.	www.booking.com
HomeAway	HomeAway offered more than 2 million listings globally as of September 2018.4 In 2006, HomeAway purchased VRBO (vrbo.com), a major local host rental provider in the United States; at time of writing, HomeAway and VRBO share inventory. Expedia Group, Inc. purchased HomeAway in 2015 for US\$3.9 billion.5	www.homeaway .com

Local host service	Key facts and offerings	Website
Tripping.com	Founded in 2009, Tripping.com is the world's largest online metasearch engine and aggregator for local host rentals. As of May 2018, it aggregated over 12 million listings ⁶ from websites such as Booking.com, HomeAway, and Roomorama. ⁷	www.tripping.com
Tujia	Founded in 2011, Tujia is China's largest local host rental service, with over 1 million listings across 300 Chinese cities and global destinations as of May 2018.8 HomeAway lists some of its properties on Tujia in Chinese.9 Catering to the needs of Chinese clientèle, Tujia offers more than rooms; add-on amenities include on-site cleaning and maintenance. In 2017 Tujia raised US\$300 million¹º with growth planned in Southeast Asia, South Korea, and particularly Japan, to serve outbound Chinese travelers.¹¹ In August 2017, Tujia partnered with Rakuten LIFULL STAY, a Japanese vacation rental service company, to increase Tujia's listings in Japan to 200,000 by 2025.¹² Tujia was valued at more than US\$1.5 billion as of October 2017.¹³	www.tujia.com
VRBO	Founded in 1995, VRBO was an early entrant into the vacation rentals market. Acquired by HomeAway in 2006,14 VRBO now shares inventory with HomeAway; offering more than 2 million listings as of October 2018. Expedia acquired the HomeAway family of brands in 2015.15	www.vrbo.com

Local host service	Key facts and offerings	Website
Xiaozhu	Launched in 2012, Xiaozhu is one of the major players in China, with around 500,000 listings as of October 2018.16 Xiaozhu has expanded into overseas markets since 2017, with a presence in South Korea, Japan, and Southeast Asia.17 In March 2018, Xiaozhu announced a global strategic partnership with Agoda to share expertise and inventory.18 Xiaozhu raised US\$270 million and was valued at US\$1 billion as of November 2017.19	www.xiaozhu.com
Zizaike	Founded in Shanghai in April 2011 to target Chinese customers in East Asia, Zizaike reported inventory of approximately 50,000 listings (as of April 2016) in Taiwan, Japan, China, and South Korea. ²⁰ 60% of Zizaike's customers are from mainland China. ²¹ In 2014, Zizaike became the number one player in Taiwan, providing over 30,000 rooms. ²²	www.zizaike.com

OTHER REGIONALLY FOCUSED SERVICES TO CONSIDER:

Asia Taiwan, South Korea, and Thailand: AsiaYo (www.asiayo.cor	
China	Zhubaijia (www.zhubaijia.com)
Europe	9flats (www.9flats.com) ²⁴
North America/U.S.	FlipKey (www.flipkey.com)

Examples of local host rental services' cancellation policies

NOTE: All details are subject to change over time; policies were accurate as of time of writing. Please always check directly with the relevant websites before booking or making booking decisions.

Site	Cancellation policy
Agoda	No cancellation fee if cancellation is received before a specified date. ²⁵
Airbnb	Hosts can choose among three standardized cancellation policies (Flexible, Moderate, and Strict), each with different penalties for the guest. While Flexible and Moderate policies allow for full refund within limited periods, Strict policies provide only a 50% refund if the guest cancels more than seven days in advance. ²⁶
HomeAway	Like Airbnb, hosts with HomeAway can choose among five cancellation policies, each with different penalties ²⁷ for the guest.
Booking.com	Cancellation policy depends on which host the guest books with on Booking.com. ²⁸

Appendix 3
Currency abbreviations used in text

Code	Symbols	Currency
CAD	C\$	Canadian dollar
EUR	€	Euro
GBP	£	British pound
HKD	нк\$	Hong Kong dollar
JPY	¥	Japanese yen
MYR	RM	Malaysian ringgit
NTD	NT\$	New Taiwanese dollar
RMB	¥	Chinese renminbi
SGD	s\$	Singapore dollar
ТНВ	₿	Thai baht
US	us\$	US dollar

Appendix 4

Host checklist of suggested items for preparing a local host rental

Room	Basic requirements	Above and beyond
Bathroom	Hand soap; body wash, shampoo, conditioner; hair dryer; towels; shower curtain with liner; toilet paper and tissues; plunger	Heated towel rack; rainfall showerhead; deep-soaking tub; high-end bath products
Bedroom	Comfortable mattress with new linens and pillows; comforter with duvet cover; mattress and pillow protectors; closet or clothing rack; dresser; night stand	Digital alarm clock radio; full- length dressing mirror; reading lights; television; white noise machine; books and other reading materials; perhaps even condoms!
Kitchen	Pots and pans; cutlery; utensils; corkscrew; bottle and can opener; water kettle; refrigerator; coffee/ tea; cups; glassware (for water, wine, beer); bowls/plates; cutting board; toaster; microwave; ice-cube trays; salt/pepper	Useful staples like coffee, tea, sugar, butter, oils, dried herbs and spices, milk, bottled water, and fruit juice; maybe even a couple of local cuisine cookbooks
Living area	Couch; lounge chair(s); dining table with chairs; television with basic cable; Wi-Fi; air-conditioning (when appropriate); fans; umbrella; drink coasters; doormats	Blu-ray player with DVDs; media-streaming service; smartphone charge cords; stereo with surround sound; video game system; portable speakers; electrical adaptors; pocket Wi-Fi device
Essential safety features	Smoke and carbon monoxide detector; fire extinguisher; first aid kit; clearly marked fire escape route; emergency numbers; clear ventilation; fully functioning heating and cooling	

Handy gadgets for hosts



Smart locks. A smart lock, which allows hosts to manage key codes remotely, eliminates the hassle of providing, collecting, and replacing physical keys. Hosts can provide timed access to guests that starts when they check in and ends when they leave, a significant convenience if the host or property manager isn't always around.



Video doorbell. Like a miniature CCTV camera installed on your door, video doorbells provide a remote view of everybody coming and going from your local host rental and allows you to interact with them, if necessary. It's an exceptional security feature for hosts and guests alike, but be sure that guests are aware that it's there and that it's strictly to enhance safety—nobody wants to feel surreptitiously watched. It goes without saying, but absolutely do not install any video cameras in bedrooms, bathrooms, or other private areas.



Smart Lights and heating/cooling. Cut down on electricity bills by installing one of the many smart lighting, heating, and cooling systems that allow hosts to manage settings remotely with the touch of a button.



Media-streaming service. Netflix, Google Chromecast, Amazon Fire TV Stick, Apple TV, and Roku Express are just a few of the premium media services that hosts can make available for guests' use.



Universal smartphone charger. Available for as little as US\$15, a USB charger with ports that can accommodate multiple types of devices is a small investment that can make a positive impression on guests. An adapter for international electrical plugs is also welcome—but, like umbrellas, these can disappear, so be prepared.



Guest screening extension. Not so much a gadget as a nifty tool specific to Airbnb, AirReview is a free Google Chrome extension that allows hosts quick and easy access to reviews that Airbnb guests have received from and left for previous hosts.²⁹ If you use the Airbnb service, this can help you get a sense of what to expect from a potential guest who has made a booking request.

Examples of insurance providers for local host rentals

NOTE: Always contact insurers directly for a quotation. The information below was cited from company websites and public information at time of writing, and may differ by market and property.

Insurance provider	Location	Highlights of local host rental coverage
Boshers www.boshers.co.uk	U.K.	Coverage of up to US\$13.9 million for liability; US\$13.9 million for employer's liability; loss of rental income; legal expenses; accidental damage to property cover; and theft ³⁰
CBIZ Insurance Services www.cbiz.com	U.S.	Replacement cost for property and contents; damage caused by guest; loss of rental income due to property loss; and liability coverage, which includes amenities (e.g., pools, hot tubs, bicycles) ³¹
Rental Guardian www.rentalguardian.com	Global coverage	Replacement costs for host's unit and contents, damage caused by guests, loss of income coverage, liability coverage for guest's bodily injury or death. Rental Guardian's liability coverage extends to amenities such as bicycles, swimming pools and hot tubs, and beach and picnic areas ³²

Insurance provider	Location	Highlights of local host rental coverage
Safelystay www.safelystay.com	U.S. and U.S. territories	Property damage and bodily injury up to US\$1,000,000—guest's liability for damage to owner's home and damage to other structures, and owner's liability for bodily injury; damage to contents and belongings up to US\$10,000. Premiums are priced on a per-night rate, costing US\$12 per night, including a US\$100 deductible per claim ³³
Schofields Insurance www.schofields.ltd.uk	U.K., France, Spain, Portugal, and Italy.	Full theft coverage, loss of rental income and cost of alternative accommodation if property is uninhabitable, public liability coverage, damage by guests or pets. Coverage also applies whether the unit is occupied or not, with a 14-day money-back guarantee ³⁴
Vacation Rentals Management Association (VRMA) www .associationmembersinsurance .com/vrma	Contact VRMA for specific markets	Insurance coverage and employee benefits for VRMA members. Business insurance coverage includes liability, data breach/identity theft liability, property and casualty insurance, rental unit liability, and more

Example of projected financials for local host rental in Chicago (US\$)

REVENUES

Property details

Location and property type	Downtown Chicago; 1 BR	
Listing price	\$140	\$140
Occupancy rate	20 days per month/240 days per year	240
	PROJECTED ANNUAL REVENUES	\$33,600

PROFIT

	Annual	Monthly
Pre-tax Year 1 profits ^a	\$3,650	\$304
Pre-tax Year 2 profits	\$4,530	\$378
Taxes (20% income tax + 15.3% self-employment)	\$1,288	\$107
AFTER-TAX YEAR 1 PROFITS	\$2,362	\$197
AFTER-TAX YEAR 2 PROFITS	\$2,931	\$244

^a Taxes refer to income taxes

^b Hosts can either pay for an annual subscription (price starts at \$349 and can be higher), or pay a percentage of each booking.

EXPENSES

Legal compliance

Application and license fee	\$250, renewable every 2 years	\$125
Hotel accommodation tax	4.5% of listing price	\$1,512
Shared housing surcharge	4% of listing price	\$1,344
	Subtotal legal compliance	\$2,981
Fixed set up		
Lock boxes	Compartment on door with key code	\$30
Keyless entry	Push buttons located near lock	\$150
Bed linen	2 sets of queen sheets/blankets	\$150
Kitchen supplies	Basic pots and pans, coffee maker, dinnerware	\$200
Bathroom supplies	Towels, toiletries	\$150
Framed art/Décor	Museum posters and art work	\$75
Lighting	New reading lamp for bedside tables	\$75
Fire Alarms	2 smoke detectors	\$50
Operating	Subtotal set up	\$88o
Rent	\$1,200 per month	\$14,400
Online booking fee	HomeAway—\$349 ^b annual fee ³⁵	\$349
Cleaning fees	\$600 per month for professional cleaners	\$7,200
Internet	\$100 per month	\$1,200
Utilities	Heat, A/C, water, electricity \$200 per month	\$2,400
	Subtotal annual operating expenses	\$25,549
Rental maintenance		
Toiletries	Soap, shampoo, tissues, etc./\$15 per month	\$180
Cleaning supplies	Trash bags, cleaners, dish soap/\$20 per month	\$240
Kitchen items	Ground coffee for French press	\$120
	Subtotal rental maintenance	\$540
	TOTAL ANNUAL EXPENSES	\$29,950

Resource guide for hosts

NOTE: Data was accurate as of time of writing. Information was sourced from company websites and research by Rentals United. This guide is a snapshot of resources and is not meant to be all-inclusive. Please check with company websites to verify services and locations as all details are subject to change

Company	Services	Operating Locations	Website
	Local host rental niche p	olayers	
CareRooms	Arranges spare rooms in private homes for people who are in need of post-hospitalization care	U.K.	www.carerooms. com
Sabbatical Homes	Where academics, scholars, writers, and artists find temporary accommodations for sabbaticals, academic research, writing retreats, or time-off travel	Global	www.sabbatical homes.com
Vayable	An online marketplace for travel experiences, activities, and trips	Global	www.vayable.com
Wanderful	A women-to-women network that connects female travelers with female hosts	Global	www.sheswanderful .com
	Market research and data	analytics	
AirDNA	Provides data analytics to hosts, property investors, and businesses. Data includes occupancy rates, seasonal demand, and revenues	Global	www.airdna.co
Everbooked	A demand-based pricing service for hosts that provides automatic, round-the-clock pricing and market intelligence to help increase revenue	Global	www.everbooked .com

Company	Services	Operating Locations	Website
RateClarity	A data aggregation tool for the local host rental market. Property managers, owners, and hosts can build a competitive set for each of their local host rental properties	Global	www.rateclarity.com
Transparent	A data intelligence company that builds and maintains data analytics on the local host rental industry	Global	www.seetransparent .com

Cleaning and property maintenance				
Ahlijasa	An on-demand service that provides laundry pickup and delivery services	Indonesia	www.ahlijasa.com	
Cleanly	Provides a dry-cleaning and laundry delivery service for local host rentals	U.S.	www.cleanly.com	
FlyCleaners	Provides on-demand dry-cleaning and laundry services, including pickup and delivery	U.S.	www.flycleaners. com	
Handy	Connects people who need property cleaning and handyman services with prescreened professionals	U.S., Canada, U.K.	www.handy.com	
handys	Provides cleaning, laundry, bedding, and daily management for local host rentals	South Korea	www.handys.co.kr	

Company	Services	Operating Locations	Website
HouseCare	Schedules cleaning and amenity restocking services for local host rentals in Japan; automatically books services to reservation schedules	Japan	www.housecare .tokyo/en
Jin Guo Jia Zheng	One of the oldest <i>ayi</i> [maid] services in Shanghai. Services range from one-time home cleaning to live-in babysitting	Shanghai, China.	www.jinguoyuan .com
MaidThis!	Provides residential cleaning, move-in/move-out cleaning for local host rentals	U.S.	maidthis.com
Moxie Girl	Specializes in maid services and laundry services in the Phoenix metro area	U.S.	moxie-girl.com
Seekmi	Connects users with technicians, cleaners, and plumbers for household or corporate needs	Indonesia	seekmi.com
ServiceSutra	Connects users to local service providers like interior decorators, packers and movers, cleaners, and pest control	India	www.servicesutra .com
ServisHero	Connects users to plumbers, cleaners, movers, electricians, and other home service professionals	Malaysia, Singapore	servishero.com/my/ en/kuala-lumpur
Shanghai Household Services	Provides live-in or live-out nannies, cleaners, cooks, chauffeurs, caregivers, and housekeepers	Shanghai, China.	www.housekeeping -service.com
TaskRabbit	An online marketplace for on-demand help with everyday tasks, including cleaning, moving, delivery, and handyman work	U.S., U.K. and Canada	www.taskrabbit.com
Timesaverz	Connects users to services such as home cleaning, appliances repair, pest control, and handyman jobs	India	www.timesaverz. com

Company	Services	Operating Locations	Website
	Property management	tools	
Availability Online	A software system that allows hosts to accept direct online bookings	Global	www.availability online.com
Beyond Stays	Manages all aspects of local host rentals, including data and rent optimization, cleaning, check-in/check-out, maintenance, and bookings. Uses dynamic pricing models and real estate analytics to increase rates and occupancy rates	Global	beyondstays.com
FIBARO	Enables integrated control of multiple household appliances (e.g., lighting, temperature, blinds, locks, gates, watering system, alarm, and monitoring systems)	Global	www.fibaro.com/en
Guest Hook	Creates marketing, branding, and copywriting copy for hosts and property managers, including infographics and communication templates	Global	www.guesthook .com
GuestReady	Provides laundry, cleaning, guest check-in and checkout, guest communication, and maintaining listings on multiple short-term rental sites	U.K., France, UAE, Portugal, Malaysia, Hong Kong	www.guestready .com
Guesty	A cloud-based property management service designed to simplify property managers' operations and allow management of listings from multiple accounts and local host rental services	Global	www.guesty.com

Company	Services	Operating Locations	Website
Kigo	A rental management software that helps hosts to manage properties, calendars, and reservations across multiple services	Global	www.kigo.net
LazyHost	Provides full management solutions from laundry, key passing, and guest coordination for hosts in Southeast Asia	Kuala Lumpur, Bangkok, Ho Chi Minh City	www.lazyhost.co
LiveRez	A rental management software that provides an all-in-one platform to help hosts manage bookings and connect to multiple services	Global	www.liverez.com
Lodgify	Helps hosts build their own websites to accept online bookings directly	Global	www.lodgify.com
MyVacayHome	A platform to help hosts create a local host rental website with integrated booking, calendar, automated emails, and social- media sharing	Global	www.myvacayhome .com
Orbirental	A rental management platform that synchronizes pricing, calendars, and listings across booking platforms	Global	www.orbirental.com
NoiseAware	Provides a smart-home device that detects noise levels, allowing hosts to reach out to guests and request them to keep noise levels down	Global	www.noiseaware.io

Company	Services	Operating Locations	Website
Pillow	A platform for residents of multifamily buildings to manage local host rentals. Services include revenue-sharing, community guidelines, and controls for compliance with local regulation	U.S.	www.pillow.com
Plum	Produces the Plum Lightpad, a Wi-Fi light dimmer that allows a homeowner to control lights	Global	plumlife.com
Properly	An operations platform for Airbnb hosts and property managers, which helps manage operations across multiple properties, communicate with housecleaning teams, and collect data	U.S.	www.getproperly .com
Rentals United	An automation platform with an intuitive interface to help vacation rental professionals manage and expand their connectivity across 60+ sales channels, payment providers, yield managers, and operational tools	Global	www.rentalsunited .com
Skybell	A smart video doorbell that allows hosts—from afar—to see, hear, and talk with guests upon arrival	Global	www.skybell.com
Urban Bellhop	Helps hosts who are unable to meet guests at their properties. Urban Bellhop provides check-in services, rental turnover services, cleaning services, and listing management	U.S.	urbanbellhop.com
VRBookings	Provides a cloud software that helps hosts manage rentals, guests, booking calendars, and connect to multiple services	Global	www.vrbookings .com

Company	Services	Operating Locations	Website
Zens	Helps with listings and welcomeguide creation, pricing, guest communication, cleaning, monthly income reports, and other management tasks	Japan	www.en.zens.tokyo

	Guest engagement				
Hello Here	A welcome app that provides all essential guest information that includes guest communication tools like instant messaging	Global	www.hellohereapp .com		
Hostfully	Hosts create and share customized digital guest guidebooks, including voice-accessible guides	Global	www.hostfully.com		
RueBaRue	Creates customized destination guides	Global	www.ruebarue.com		
Touch Stay	Creates customized digital guest guide and content to access via mobile devices or PCs	Global	www.touchstay.com		

Gig economy innovations			
Appear Here	An online marketplace for short-term retail space	London, Paris, and New York	www.appearhere .co.uk
Baedal Minjeok	South Korea's largest food delivery app that incorporates Al to help customers choose menus ³⁶	South Korea	www.baemin.com

Company	Services	Operating Locations	Website
BonAppetour	A community marketplace that connects travelers with local home chefs for unique home-dining experiences around the world	Global	www.bonappetour .com
Deliveroo	A food delivery service that delivers food from partner restaurants to a customer's doorstep	U.K., the Netherlands France, Germany, Belgium, Ireland, Spain, Italy, Australia, Singapore, UAE, and Hong Kong	
Drizly	An alcohol delivery service	U.S.	www.drizly.com
Eatwith	A community that invites people to dine in homes and enjoy homemade cuisine and authentic food experiences	Global	www.eatwith.com
Ele.me	Provides food delivery services across China	China	www.ele.me/home
Feastly	A peer-to-peer marketplace that links up cooks with diners looking for authentic dining options	U.S.	www.eatfeastly.com
Glamsquad	Provides at-home beauty services	U.S.	www.glamsquad .com
Handstand	Provides on-demand trainers in addition to online workouts	U.S.	www.handstandapp .com
Helpr	Provides fully screened, in-home childcare providers	U.S.	www.helpr-app.com

Company	Services	Operating Locations	Website
Idachu	A platform for users to reserve chefs to provide on-site service at home	China	www.idachu.com
Neighborly	A community platform for civic investment in public projects via municipal bonds	U.S.	www. neighborly. com
Ola	A ride-sharing company that connects users to cabs, auto-rickshaws, and taxis	India, Australia, New Zealand, U.K.	www.olacabs.com
Parking Panda	An online parking service that allows drivers to find and reserve parking in advance	U.S.	www.parkingpanda .com
Picfair	A photo marketplace that connects photographers with media companies and publishers	Global	www.picfair.com
Spacehive	Provides a crowdfunding platform for projects that aim to improve local civic and community spaces	U.K.	www.spacehive.com
Triip	A platform for travelers to book local experiences and tours	Global	www.triip.me
UmbraCity	Provides an umbrella-sharing service in Vancouver, British Columbia	Canada	www.umbracity.com
UrbanClap	Connects users to urban lifestyle service providers such as yoga instructors, photographers, interior designers, electricians, plumbers, etc.	India	www.urbanclap.com
WeLive	Rents out furnished, shared- space apartments for communal living	U.S.	www.welive.com

Company	Services	Operating Locations	Website
WeWork	Designs and builds physical and virtual shared workspaces and provides services for entrepreneurs, freelancers, startups, and businesses	Global	www.wework.com
Withlocals	A global online marketplace offering personalized travel experiences, customized private tours, and activities by local hosts	Europe and Asia	www.withlocals.com
Xiaodian	Provides a power-bank sharing service for users to charge mobile devices from chargers at public locations across 70 cities in China ³⁷	China	www.xiaodian.so
Zeel	Provides an in-home massage service	U.S.	www.zeel.com
Zhulegeqiu	A basketball-sharing service based in China, which charges users for each half-hour use of a basketball. The mini app is accessed via WeChat (China's largest messaging app ³⁸	China	available via WeChat
Ziwork	Matches freelance professionals to companies who require temporary workers	China	www.ziwork.com

Local host rental industry map

Global Online Travel Agencies

Airbnb Booking.com Agoda Tripadvisor

Property Management Services

BookingSync bookster CiiRUS elina Escapia Guestline Homeloc kigo Klik Villas LiveRez RemoteLock RENTAL FO **STREAMLINE VRBookings** Vreasy YesBookit

Local Online Travel Agencies

9flats.com RedAwning Snaptrip Tujia

Internet Booking Engine Builders

Lodgify OneRooftop RealTech Rentivo

Marketing Services

bluetent Bnbsitter Fetch My Guest VisualData Systems

Consulting Service

Need More Rentals Vacation Rental Rocket Vacation Rental Strategist

Specialist Online Travel Agencies

Edge Retreats Glamping Hub

Metasearch Engines

AllTheRooms Holidu HomeToGo tripping

Guest Services

BnbBoss Hello Here Hostfully InCityBox Touch Stay Yoomondo YourWelcome

Multi-service Providers

Airhosta
City Relay
Elite Havens
GuestReady
RoomFilla
Travelio
Twelve Springs

NOTE: Data was accurate as of time of writing.

SOURCES: Adapted from industry map provided by Tim Hughes, Vice President, Corporate Development, Agoda, based on research from Skift, PhoCusWright, Rentals United, NeedMoreRentals, and Medium (2018)

Online Travel Agencies

Internet Engines

Services Channel Management

■ Finance ■ Content

Finance and Insurance Payments

Ascent Processing

Boshers

Clearbanc

Intasure

Pablow

RentalGuardian.com

VacationRentPayment

Vacaypay

Revenue Management and Analytics

AirDNA

Ascent Revenue Management

Beyond Pricing

Property Management

Bnbstat.com

MyRateManager

PriceLabs

Transparent

Vayoo

VeryUs

Wheelhouse

Channel Managers and Aggregators

Avantio

BookingPal

LaComunity

Magarental

NextPax

Rentals United

VacayHomeConnect

Content Creation

Air Sketchers

CartoBlue

CubiCasa

Guest Hook

planOmatic

The Travel Copywriter

On Property: Facilities

BeHome247

Parakeet

Slickspaces

Full Service Property Management Companies

Evolve

Guesty

MyVRHost

Onefinestay

Pillow

SenStay

Turnkey

Vacasa

, 0.00.00

Voyajoy

Check-in/checkout

Hoard

IKeyBnB

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On Property: Services

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Hostkeeping

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Appendix 10

Suggestions for further reading

Full reference details are in the bibliography, page 332.

INTRODUCTION

How Uber and Airbnb became poster children for the disruption economy

(Isaacson, 2017)—The New York Times spotlights the rise of Airbnb, Uber, and other related companies in this review of four noteworthy books concerning the modern "disruption economy."

How Tujia, "China's Airbnb," is different from Airbnb (Mahajan, 2015)— Tujia cofounder and chief technology officer Melissa Yang discusses her company's goals and key differentiation points, and elaborates on why she feels Tujia is the leading local host rental service for Chinese travelers.

Can Airbnb unite the world? (Chafkin, 2016)—"Share your homes, but also share your world." As competition grows, Airbnb CEO Brian Chesky leans on his company's hosts to differentiate and provide guests with a truly local and unforgettable experience.

The business of sharing: Making it in the new sharing economy (Stephany, 2015)—Sharing economy guru Alex Stephany looks at the big picture and a number of useful examples.

CHAPTER 1: GUESTS

Travellers fall victim to fake Airbnb site (Brignall, 2016)—While the vast majority of local host rental listings are legitimate, there have been instances of unscrupulous scammers posting as hosts. *The Guardian* details one such case, and shares some helpful tips on how to avoid trouble.

Female travelers finding creative solutions in homesharing economy

(Enelow, 2017)—Following the lead of hotels that offer solo female travelers women-friendly rooms, a new platform seeks to provide the same safety and assurances for local host rentals.

Misterbnb: How an Airbnb dedicated to gay travellers is taking off around the globe (Foxe, 2016)—In another instance of entrepreneurship following a known demand, Misterbnb has found immediate success as a local host rental service run by and for gay travelers.

CHAPTER 2: HOSTS

The key factors to consider before becoming a travel host

(Entrepreneur staff, 2017)—As we've discussed, the most important thing to know about hosting ahead of time is determining whether or not you're ready for it.

Loftium will help you buy a house if you agree to Airbnb a bedroom and split the profits (Nickelsburg, 2017)—Launched in Seattle, this startup helps homebuyers with down payments in exchange for profitsharing on Airbnb.

Making a Living with Airbnb (Dobbins, 2017)—The learning curve for new hosts can be steep, but adapting to and learning from guests—and being mindful of local regulations—can pay off in the long run. *This New York Times* story looks at the highs and lows of hosting in New York City.

How to make a killing on Airbnb (Grothaus, 2015)—From ensuring your local host rental listing has dazzling (and accurate) photographs to being exceptionally cordial to guests throughout your correspondence, these tips on how to be successful apply to hosts using any local host rental service.

Vacation rentals provide valuable income source for owners this summer, HomeAway survey shows (HomeAway, 2016)—A HomeAway survey shows that mortgage payment help, shared local host rental ownership, and strong seasonal demand are rising trends on which hosts can capitalize.

How much are people making from the sharing economy?

(Priceonomics Data Studio, 2017)—If you're interested in taking part in the sharing economy and want to maximize your earning potential, this analysis shows that hosting can be a far more lucrative endeavor than ride sharing, delivering, and other related services.

I'm an Airbnb host and I'm falling out of love with Airbnb

(Ham, 2017)—The demands of running a successful local host rental business can fatigue even the most accomplished hosts, as this Airbnb Superhost admits.

The best gear to outfit a vacation rental or Airbnb (Thompson, 2018)— Four Superhosts dish on the basic amenities, gadgets, and other items they've found invaluable in making their local host rental sparkle in the eyes of their happy guests.

Airbnb tries to behave more like a hotel (Benner, 2017)—As more and different types of travelers hop on the local host rentals bandwagon, some longtime hosts feel that expectations from both guests and services are changing in ways that both help and hinder their business.

A comprehensive look at short-term rentals (Garza and Hooton)—In an extensive study about the impact of local host rentals in Seattle, Washington, Internet Association finds that the positives far outweigh the negatives as the city's number of local host rentals continues to grow.

General guidance on the taxation of rental income (Ernst & Young, 2017)— Though specific to hosts managing properties in the United States, this breakdown of deductible expenses, rental income reporting, and other tax-related issues provides a detailed overall summary of tax-related issues useful to hosts around the world.

CHAPTER 3: NEIGHBORS AND COMMUNITIES

Walworth County Good Neighbor Association (www.walworthgood neighbor.com)—Learn how (and why) an association of homeowners, business people, and real estate professionals is lobbying city officials to legalize local host rentals.

How to set up a neighborhood sharing network (Peterson, 2014)—One writer offers ideas on how neighbors can connect by borrowing and sharing things like books, gardens, and other disused spaces and items.

Airbnb plans to build community centers in small towns (Kastrenakes, 2016)—Backed by Airbnb, a new experimental design group called Samara aims to increase tourism to little-visited towns via new community centers.

Can short-term rental arrangements increase home values? A case for Airbnb and other home sharing arrangements (Jefferson-Jones, 2015)—An associate professor at Barry University School of Law presents detailed research and analysis in support of well-regulated local host rentals.

The startup businesses built around the Airbnb ecosystem (Shankman, 2014)—As more hosts and guests test the local host rentals market, a slew of startups seek to piggyback on the industry's strength and needs.

Fall house hunt: Home buyers test-drive communities using Airbnb

(Hollands, 2017)—Testing the residential elasticity of new communities while ostensibly on vacation, some home buyers use local host rentals to test drive neighborhoods before buying.

Vacation rentals: Good business opportunity or neighborhood nuisance?

(Owers, 2016)—As local host rentals explode in places like South Florida, residents and regulators scramble to maximize the benefits and limit disruptions to communities.

Chinese tourists ready to go off beaten track, Airbnb report says (Fan, 2017)—With domestic and foreign tourism climbing among Chinese citizens, recent travel trends show an increased willingness to strike out to furtherflung cities and neighborhoods.

When Airbnb rentals turn into nuisance neighbours (Williams, 2016)—In the U.K., a tribunal ruling offers a ray of light to neighbors with the bad luck of living next to a mismanaged local host rental.

CB 8 wants Trump home off Airbnb (Brady, 2017)—It's not the White House or Trump Tower to which (these) neighbors object, but rather the 45th U.S. president's childhood home in Queens, NY.

CHAPTER 4: GOVERNMENTS

When in Japan, do as Japanese do—How to maintain "chowa" as Japan opens door to "minpaku" accommodation (Yeoh, 2017)—With 40 million visitors expected to visit Japan by 2020, regulators, residents, and travelers try to figure out how to best coexist in , or harmony.

Rental Law is key to Airbnb home-sharing (Lin, 2017)—New local host rental regulations approved by the Japanese government could impact ongoing regulatory discussions in Singapore, where local host rentals are currently illegal for bookings of less than six months.

Lessons from Seoul's two sharing economies (Hong, 2015)—In Korea, a Fulbright grantee found two completely different sharing economies: one that is hyper local, "socialist in flavor," and supported by the government, and another run by major multinational corporations.

How Airbnb is generating hefty tax revenues for the LA area (Smith, 2017)—Less than a year since Airbnb began collecting taxes from bookings in Los Angeles, the service has already remitted US\$40 million to the city—US\$27 million more than what city officials expected for a full year.

Regulating short-term rentals (Artunian, 2017)—Demand for local host rentals is here to stay, so it's up to regulators to work with private companies to find amicable solutions that benefit all parties.

Who ends up paying for the gig economy? Uber and Airbnb make millions while states lose out (O'Neal, 2017)—With the value of the so-called "gig economy" expected to hit US\$335 billion by 2025, all levels of government in the United States stand to gain millions in tax revenue—if they're smart.

A comprehensive look at short-term rentals (Garza and Hooton)— Following an extensive survey of local host rentals in Seattle, the Internet Association determines that, by and large, local host rentals have had a positive impact on the local housing market.

Cobb lawmaker's bill would protect Airbnb, similar services (Gargis, 2017)—In Georgia, U.S, one legislator calls regulations that would prevent local governments from banning local host rentals "a conversation starter"—and the proposals are doing just that.

Airbnb a solution to middle-class inequality, company says (Hunt, 2016)—According to Airbnb representatives, the sharing economy has and will continue to help the middle class mitigate financial losses suffered during the 2008 financial crisis.

Don't kill the goose that lays the golden eggs (Burke and Nguyen, 2017)—*The Vietnam Investment Review* encourages local governments to think carefully about the pros and cons of taxation.

CHAPTER 5: FUTURE

How an 'Airbnb for retail' is bringing entrepreneurs back to the high street (Sheppard, 2017)—In London, Appear Here presents an intriguing new model for startup businesses, landlords, and commercial real estate.

WeWork's \$20 billion office party: The crazy bet that could change how the world does business (Bertoni, 2017)—Forbes profiles WeWork, which received a US\$20 billion boost following a 12-minute car ride.

Homelike, a German startup that lets business travelers find an apartment, picks up £4M Series A (O'Hear, 2017)—In Cologne, Homelike gains steam in its mission to transform business travel.

Historic Airbnb-condo deal makes it a hotel: critics (Powell, 2017)—As Airbnb strikes deals with buildings and landlords to legalize its services, some believe this makes the company more like a traditional hotel.

Your hotel room will now know exactly how you like to sleep (Paul, 2017)—Preprogrammed Netflix shows, preset thermostats, and other personalized amenities are the future of hotels.

It's been a trip to \$31 billion. Now Airbnb wants to remake the entire travel industry (Overfelt, 2017)—Occupying the top spot on CNBC's 2017 "Disruptor 50" list, Airbnb gets set to move beyond accommodations.

Go inside the housing startup that puts millennials up in multimillion-dollar Silicon Valley mansions (Robinson, 2017)—Take a peek inside one of the first co-living houses—valued at US\$3.69 million—hosted by HubHaus.

Is the gig economy working? (Heller, 2017)—"Revolution or disruption is easy... spreading long-term social benefit is hard," writes *New Yorker* staff writer Nathan Heller. Is the gig economy sustainable, and if so, how?

It's time for hotels to really, truly worry about Airbnb (Grisworld, 2016)—As Airbnb ramps up its partnerships with such major corporations as BCD Travel and American Express Global Business Travel, it's time for the hotel industry to take them—and the overall local host rental industry—much more seriously.

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INDEX

Α

AccorHotels 37, 279, 284, 292

Agoda 17, 26, 33, 38, 45, 63, 64, 68, 70, 72, 77, 78, 81, 82, 83, 88, 92, 107, 123, 124, 127, 128, 149, 156, 157, 158, 161, 162, 166, 181, 239, 240, 241, 260, 266, 268, 275, 276, 289, 290, 291, 301, 303

Aibiying 41

Airbnb 19, 26, 30, 32, 36, 38, 39, 40, 41, 44, 46, 49, 52, 53, 57, 60, 62, 63, 65, 67, 70, 72, 73, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 88, 91, 95, 96, 97, 99, 100, 108, 109, 110, 111, 113, 114, 115, 116, 120, 121, 122, 123, 124, 125, 127, 128, 130, 136, 141, 142, 146, 147, 150, 153, 155, 156, 158, 166, 167, 168, 169, 171, 173, 174, 175, 181, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 205, 211, 216, 218, 220, 221, 222, 223, 224, 225, 226, 230, 233, 234, 235, 239, 240, 241, 245, 248, 249, 252, 260, 263, 264, 267, 268, 269, 270, 271, 272, 274, 276, 280, 281, 282, 284, 285, 289, 291, 292, 293, 295, 296, 301, 304

AirDNA 125

Alipay 81, 127, 128

All-Stars Investment 36

Amazon 140, 228

American Express 81, 127, 220, 270, 271

American Hotel and Lodging Association 235

Amsterdam 45, 57, 62, 80, 110, 234, 233, 245

Analysys 106

Appear Here 276, 295

Apple Pay 81, 127

Architectural Digest 264

Arets, Martijn 211

AsiaYo 129

Athens 198, 202

Atlanta 230

Atlas 271

Auckland 44

Australia 27, 171, 173, 195, 196, 200, 249, 251, 287

Au, Yat-Pang 282

Availability Online 132

В

B&B (bed & breakfast) 23, 32, 33, 59, 97, 184, 293

baby boomers 271

Bailey, Ross 276

Bali 94, 185, 274

Bangkok 20, 57, 63, 100, 123, 125, 149, 216, 222

Barcelona 100, 109, 171, 192, 197, 221

Barlow, Debra 105, 106

BBC (British Broadcasting Corporation) 39, 40

BCG (Boston Consulting Group) 21, 22, 261, 262, 275

Beach Haven 121

Belgium 249

Berlin 110, 205, 244, 245

Beyond Stays 175

Big Bear 234

Billingsley, Jodie 116, 117, 170

bleisure 271

Bloomberg 41

BonAppetour 276

Booking.com 26, 33, 38, 44, 60, 63, 65, 68, 70, 72, 77, 78, 81, 82, 88, 96, 99, 100, 124, 127, 128, 181, 185, 187, 239,

241, 260, 268, 290, 291, 301, 302, 304 Booking Holdings Inc. 26, 38, 264, 268, 275

Boshers 308

Boston Globe 206

Boston University 223

Brazil 43, 192, 224

Breezybnb 40

Brisbane 287

Brookfield Property Partners LP 36

Brookings Institution 19, 271

Brooklyn 147

Buenos Aires 20

Burroughs, Jaime 97

Busch, Franz 63

Business Report 271

business travelers 43, 44, 72, 186, 262, 269, 270, 271, 272,

273, 274, 283, 285, 291, 301

Business Travel News 270

C

Calcutta 244

calendar 70, 78, 79, 130, 131, 157

Cambridge University 52

Canada 27, 43, 120, 122, 147, 188, 231, 249, 288

Canberra 196, 200

Cape Town 39

Capital Today 37

CareRooms 50

Carnegie Mellon 152

Carousell 19, 24, 26, 27

Casa Greco 204

CBIZ Insurance Services 172, 175, 186, 308

CBRE 108

Cedar House 203, 204

channel managers 130, 131

Channel NewsAsia 110

Charlottesville 234

Chengdu 249

Chesky, Brian 99, 121, 211, 267, 268, 269, 280, 289, 293

Chicago 197, 222, 225, 231, 251, 293

Chicago Policy Review 212

Chicago Tribune 263

children 43, 70, 77, 78, 79, 89, 100, 108, 112, 157, 163, 186, F 217, 219, 220, 265, 283, 288, 289 Earnest 111, 120, 121 China 23, 26, 27, 28, 29, 32, 36, 37, 39, 40, 41, 42, 88, 106, Earth Institute, Columbia University 51 107, 110, 128, 129, 167, 183, 185, 190, 240, 249, 260, 261, Eatwith 191, 276 262, 267, 273, 275, 280, 302, 303 economic impact 35, 48, 53, 114, 183, 184, 185, 186, 190, China Daily 26, 28, 269 191, 192, 193, 194, 197, 203, 204, 213, 217, 218, 219, 222, China Internet Watch 261 223, 225, 232, 237, 245, 246, 248, 250, 252, 255, 279, 297 China Renaissance's New Economy Fund 37 Edinburgh 199 China's Sharing Economy Research Center 28 Elevate Strategies 263 Chongqing 40, 249 Ellevate 52 Chua, Desmond 73 emergencies 59, 88, 95, 142, 164, 172, 202, 231 City of Santa Monica Planning and Community emergency plan 89, 90, 143, 177 Development Department 110 Englander, Mitchell 212 Cityweekend 146 Everbooked 125 Cività di Bagnoregio 204 Evolable Asia 241 cleaning services 81, 82, 88, 95, 117, 126, 146, 147, 148, 174, Evolve Vacation Rental Network 140 183, 191, 226, 267, 287, 290, 291 Expedia 26, 33, 37, 241, 262, 266, 301, 302 Cleanly 288 Experiences 98, 99, 100, 175, 191, 267, 268 CNBC 220, 269, 293 Cohen, Steve 51 Common 293 Facebook 46, 65, 67, 68, 75, 97, 228 communication 86 families 14, 20, 31, 35, 37, 43, 44, 45, 60, 72, 77, 78, 79, 84, Condé Nast Traveler 262, 272 122, 124, 136, 137, 151, 152, 163, 186, 217, 219, 220, 265, Consumer Technology Association 235 283, 284, 288, 289, 294 Cooke, Errol 260, 266, 268, 296 Fast Company 125 Copenhagen 288 female travelers 76 Cornell Real Estate Review 187, 193 FIBARO 174 Cornell University 295 Figge, Dustin 291 Cottonwood 46 Financial Times 108 CouchSurfing 32, 47 Finland 45 Craigslist 24, 27 Fire Island 274 Credit Suisse 263 Fisher, Tyler 90 Crested Butte 49 FlipKey 32, 47, 129 Croatia 107 Florence 265 crowdfunding 204, 205 Florida 218, 225, 248, 279, 281 Ctrip 36, 106, 241, 267 FlyCleaners 174, 288 Cuba 43, 100 Forbes 28, 29, 44, 98, 123, 136, 166, 185, 261, 262, 292 Currie, Adrian 264, 275 Fortune 227, 235 Curtis, Mike 295 France 46, 107, 188, 217, 225, 244, 309 Franklin, Benjamin 248 customer service 88, 167 Fuad, Turochas, "T" 261, 265, 267, 280, 289, 290, 291 Czech Republic 190 G D Galway 45 Deliveroo 276, 287 Gangwon 226 Deloitte 22, 263 GBTA (Global Business Travel Association) 269, 270, 271, Denmark 204 Denver 230, 231, 252, 277 Germany 107, 205, 244, 249, 291 Didi Chuxing 19, 27, 183, 214 Gibson, William 259 discrimination 50, 83, 113, 115, 213, 230, 234 gig economy 120, 260, 274, 276, 287, 288, 289 Dowell, Andrew 36 Gkiousou, Sofia 190 Drizly 288 Glade Brook Capital 36, 37 Dubai 39, 216 Glamsquad 289 Dublin 194 Global Investor 1.17 263 Dubrovnik 197 Glover, Claire 147 Dwellable 267 GoFundMe 26

Huang, Serina Bird 200 Go-Jek 27, 214 Goldman Sachs 37, 42 HubHaus 293 Google 29, 65, 131, 140 Hungary 88 Grab 26, 27, 183 Hutchins, Sara 60 Grand Mercure 292 Hyakusenrenma 240 G Street Capital 36, 37 Hyatt 264, 265, 285 Guangzhou 81, 249 Hyogo Prefectural Government 240 Guardian 49, 110, 146 GuestReady 132, 191 Guesty 131, 155, 158, 226 IBISWorld 33 Idaho 46 н ID verification 47, 65, 67, 73, 74, 75, 76, 81, 148, 150, Handstand 289 168, 169, 196, 242 Handy 146, 147, 191 IKEA 285 Hangzhou 40 IMF (International Monetary Fund) 28, 29 Hardy, Mario 266, 268, 275, 285, 296 Independent 49 India 20, 39, 41, 45, 234, 235, 249, 273 Harris Group 220 Harvard Business Review 232 Indonesia 27, 107, 273, 274 Harvard Business School 223 innovation 24, 32, 35, 174, 205, 211, 212, 228, 236, 244, 263, 268, 291, 297 Hawaii 64 Inquirer 121 Helpr 289 Instagram 46, 68, 75, 228 Heng, Ching Jet 97 instant bookings 32, 68, 72, 78, 79, 82, 83, 84, 113 Hernández, Lucía 51 insurance 89, 116, 117, 141, 142, 169, 170, 171, 175, 186, 247, 281, Hilton 235, 285, 286, 287, 296 284, 308, 309 Hilton, Conrad 277 International SOS 44 Hipmunk 44, 136, 261, 262 Internet Association 235 Ho Chi Minh City 138, 158 Ireland 45, 194 Hokkaido 185 Istanbul 266 Holiday Inn 266 Italy 95, 97, 100, 107, 133, 188, 204, 249, 265, 309 Hollands, Courtney 206 Hollywood 46 J Holyoke, David 270, 271 Jaipur 45 HomeAway 26, 30, 32, 33, 34, 37, 38, 39, 41, 47, 63, 65, 68, Japan 31, 37, 40, 43, 62, 88, 106, 107, 110, 114, 121, 123, 72, 73, 77, 78, 79, 83, 88, 96, 106, 112, 113, 122, 123, 124, 133, 149, 158, 188, 197, 203, 224, 225, 231, 233, 234, 127, 128, 136, 137, 140, 141, 156, 158, 160, 166, 171, 175, 181, 239, 240, 241, 242, 245, 252, 272, 273, 275, 302, 303 186, 192, 225, 239, 240, 260, 261, 267, 301, 302, 304 Japan Association of New Economy 240 Home Depot 118, 136, 152 Japanican 240 Homelike 291, 295 Japan Times 240 home sharing clubs 205 Japan Tourism Agency 40 home value 192, 193, 194 Jersey City 198, 201 Hong Kong 26, 110, 121, 189 Jin Guo Jia Zheng 146, 148 Hong Kong Office of the Licensing Authority 110 JO & JOE 286 Hoplamazian 285 Jobs, Steve 289 Hotel Association of New York City 235 Johnson, Margaret 57, 97 hotels 16, 21, 26, 30, 31, 32, 33, 35, 37, 40, 41, 43, 44, 45, Johnson, Rob 212 47, 52, 53, 57, 58, 59, 60, 64, 68, 73, 76, 77, 80, 82, 83, Joshua Tree National Park 232 84, 87, 88, 90, 92, 94, 95, 97, 100, 107, 119, 124, 128, 134, 138, 146, 147, 151, 165, 173, 174, 184, 186, 188, 193, Journal of Self Governance and Management Economics 167 194, 205, 213, 215, 217, 218, 219, 220, 221, 222, 223, JTB Corp. 240 224, 225, 226, 227, 228, 229, 230, 231, 235, 236, 239, 241, 244, 246, 247, 248, 249, 251, 255, 262, 265, 266, K 269, 271, 274, 277, 280, 281, 283, 284, 285, 286, 287, Kawamoto, Takashi 240 288, 289, 291, 292, 293, 294, 296, 297, 301, 324 KAYAK 268 house rules 64, 73, 83, 85, 86, 91, 94, 101, 105, 106, 113, Keycafe 175

HouseTrip 47

133, 143, 144, 146, 160, 162, 171, 172, 177

Kigo 132 McKinsey & Company 22, 40, 242 Kirtane, Prashant 41 McMahan, Dana 85 Klook 37 Meituan-Dianping 27 Krauss, David 140 Melbourne 114, 173 Menard, Ianic 279, 284, 286, 292 Kuala Lumpur 122 Menon, Rajeev 260, 284, 289 Kung, Edward 192 Kyoto 31, 40, 188 Meriton Suites 287 Köln 291 Mexico 27, 39, 169, 188, 249 Miami Beach 230 Milan 204, 251 Millennial Marketing 261 LA Weekly 212 millennials 14, 60, 98, 136, 138, 152, 220, 261, 262, Lee, lan 97 263, 264, 271, 272, 273, 285, 289, 290 Lees, Monica 64 Minardi, Phil 189 Levi, Shulamit 94 minpaku 40, 110, 239, 240, 241, 242, 38 licensing 65, 110, 117, 120, 130, 211, 213, 215, 231, 237, 240, MIT (Massachusetts Institute of Technology) 223, 224 244, 246, 247, 251, 252, 271 Mobike 19, 27, 214 LifeLock 136 Montana 45 LIFULL STAY 275, 302 Montréal 122, 225, 267 Lim, Alex 95, 99 Mopify 191 Lim, Esther 158 Morningside Venture Capital 37 Lim, Sally 163 Moscow 292 LinkedIn 67, 68, 228 Moxie Girl 147 LiveRez 132 Moxy Hotels 236, 285 local businesses 48, 189, 190, 191, 197, 205, 223, 227, 254, Mumbai 39, 114 255, 260, 264, 267, 274, 275, 276, 279, 281, 288, 294, 297 MyVacayHome 175 Lockitron 175 Lodgify 131, 166 N Loftium 282, 283 Nara Prefecture 203 Loh, Bernice 68 Nashville 116 London 57, 62, 77, 80, 105, 110, 130, 135, 191, 205, 216, 186, Nassetta, Christopher 285, 286, 287 195, 196, 222, 225, 233, 234, 244, 276, 280, 288, 292 National Bureau of Economic Research 192 London School of Economics 244 neighborhood associations 185, 230, 277 Lonely Planet 110 Neighborly 204 Los Angeles 48, 49, 92, 191, 192, 212, 221, 225, 233, 249, 279, 295 neighbors 14, 15, 16, 37, 91, 93, 95, 101, 105, 110, 133, Louisville 85 139, 142, 160, 171, 180, 181, 182, 183, 184, 185, 186, Loy Home Service 146, 148 187, 191, 193, 194, 195, 196, 197, 198, 199, 200, 201, Lufax 26 202, 203, 204, 205, 206, 211, 230, 231, 255, 283, 297 Netherlands 249 LuggageHero 288 New Delhi 235 Luxury Retreats International 267 Newgard Development Group 281 Lyft 19, 21, 24, 27, 175, 248 New Orleans 188, 231, 243, 245, 248 New York City 20, 35, 48, 57, 80, 109, 110, 114, 117, 122, м 186, 188, 191, 197, 198, 202, 216, 217, 222, 224, 225, M₁ 126 227, 235, 248, 274, 276, 277, 278, 280, 286, 288, MacDonald, Bill 153 290, 291, 292, 293 MaidThis! 147 New York Times 114, 133, 158, 215, 293 Ma, Jack 37 New Zealand 44 Malaysia 88, 107, 122, 127, 188 Nielsen 25, 29, 261, 262, 263, 275 Manheimer, Jeff 264, 270, 277, 282, 296 Niido 36, 281 Marriott 228, 236, 260, 264, 284, 285, 289, 296 Nikkei Asian Review 240 Martinez, Robert 60, 77, 97 Nineflats (9flats) 32, 46, 129 Mastercard 189, 216 Nishiyama Onsen Keiunkan 31 Matrix Partners 37 NoiseAware 139, 140 North Arlington 198 Mayi 106 McGill University School of Urban Planning 122 Novotel 286, 292

NUS (National University of Singapore) 260, 264 NYU Stern School of Business 236

0

OECD (Organization for Economic Co-operation and Development) 30

officetel 289

Ofo 19, 27, 214

Oklahoma City 230 Olympics 40, 43, 193, 224, 226, 239, 242

Onefinestay 37, 47, 284

Onehome 280

OpenTable 268

Orbit World Travel 44

Orbrirental 131

Orlando Sentinel 218

Osaka 40, 123, 149, 203, 242

Ottawa 43

OuiShare 51

Outside 49

overtourism 197

Owens, Jeff 162

OYO Rooms 235

Ρ

Paducah 217

Pakistan 114

Palo Alto 184, 202

Papatla, Ram 100

Paralympics 40

Paris 35, 47, 60, 72, 97, 216, 110, 216, 245, 276

parking 44, 51, 183, 198, 202, 270, 281, 288

PATA (Pacific Asia Travel Association) 266, 268, 275, 285 payments 80, 81, 82, 83, 86, 93, 127, 128, 191, 222, 229, 279

PayPal 81, 127

Perth 57, 153

Petricone, Michael 235

Pew Research 24

Pfranger, Christine 232

Philadelphia 43, 121, 198, 201, 230

Philippines 27, 39

Phocuswire 293

Phocuswright 34, 98, 100, 262

photos 50, 64, 67, 73, 74, 116, 119, 128, 136, 141, 150, 151, 152, 153, 154, 155, 177, 191, 226

Phuket 94, 274

Pillow.com 37, 282

Pinterest 46, 75

Portland 109, 155, 188, 251

Portugal 249, 309

Prague 190

Priceline 26

Priceonomics 120, 220, 221

privacy 43, 65, 70, 118, 132, 136, 140, 141, 220

profile 59, 64, 65, 66, 67, 68, 72, 73, 74, 75, 83, 84, 86, 96, 100, 101, 116, 148, 149, 150, 151, 169, 177, 229, 285, 296

Properly 174

property management systems 130, 131, 226

Public Hotel 286

Puerto Rico 95

PwC (PricewaterhouseCoopers) 19, 20, 22, 23, 24

Q

Qudian 26

Québec 122

Qunar 106, 267

R

Rakuten 240, 275, 302

Real Estate Advisor 295

Recode 26

Recruit Holdings 240, 257

registration 65, 109, 110, 181, 237, 246, 251, 252

regulation 30, 37, 43, 49, 53, 59, 83, 109, 114, 117, 119, 173, 181, 184, 188, 192, 197, 198, 200, 205, 206, 212, 213, 214, 217, 227, 228, 230, 231, 234, 235, 237, 240, 244, 246, 247, 248, 251, 252,

254, 255, 264, 265, 277, 278, 279, 280

regulators 15, 16, 49, 50, 109, 182, 183, 184, 185, 194, 197, 198, 199, 205, 206, 212, 214, 218, 223, 227, 228, 229, 230, 231, 232, 233, 235, 237, 243, 244, 245, 248, 251, 254, 255,

260, 264, 265, 277, 279, 280, 297

regulatory 17, 41, 48, 61, 108, 110, 173, 181, 194, 212, 213, 218, 235, 237, 243, 246, 250, 251, 254

Reinvent 168

Rennie, Paul 44

Rental Guardian 308

Rentals United 131

Rented.com 36

reputation 50, 59, 75, 91, 96, 106, 169, 195, 228, 229, 232

Resy 269

Reuters 26, 110

reviews 35, 47, 48, 50, 59, 63, 64, 68, 73, 74, 75, 84,

85, 96, 97, 101, 106, 119, 125, 126, 127, 135, 148, 150, 151, 152, 158, 159, 163, 165, 166, 167, 168, 169, 170,

173, 177, 194, 195, 200, 221, 228, 229, 232, 263

Rialto 49

Ridell 22

ride sharing 21, 24, 27, 51, 175, 183, 295

Rio de Janeiro 192, 193, 224, 226

Roanoke 181, 182, 183

Rockaloo 277

Rome 64

Roomorama 46, 302

RTV (Real Tour Vision, Inc.) 175

Russia 107

ryokan 31, 33, 241

S

Sabbatical Homes 105

Sabina 100

Safelystay 309

StayUncle 235 safety 50, 61, 110, 116, 137, 148, 168, 169, 181, 196, 197, 201, 202, 229, 230, 231, 232, 237, 244, 246, 247, 251, Stayz Australia 267 271, 279, 284, 324 STB (Singapore Tourism Board) 114, 273, 274 San Francisco 32, 41, 48, 109, 110, 146, 188, 225, 244, Stephany, Alex 214, 222, 223, 229, 244, 245, 280, 277, 279, 280, 281, 293 281, 283, 295 San Jose 198 Step Outside 287 Santa Monica 110 Stewart, Karen 188 scams 59, 74, 76, 80, 81, 101 Stony Brook University 166 Schofields Insurance 309 Straits Times 26, 28, 29, 110 Schrager, lan 286 Sundararajan, Arun 236 Schumpeter, Joseph 283 Superguests 293 Seamless 287 Superhost 85, 116, 167, 170 Seattle 93, 121, 212, 280, 282 sustainability 50, 51, 52, 53, 59, 60, 115, 140, 193, 218, security 196, 213, 228, 232, 271, 284 219, 263, 264 security deposit 82, 96, 128, 200 Suumo 240 senior citizens 84, 205, 294 Sweet Inn 37 Sequoia Capital 37 Switzerland 249 service fees 82, 123, 124, 126, 132 Sydney 114, 163, 233, 287 Seven(7)-Eleven 127 Shanghai 57, 60, 146, 148, 175, 249, 303 т Shanghai Household Services 148 Tacoma 231 Shapiro, Nick 168 Taichung 205 sharing economy 14, 19, 21, 22, 23, 24, 25, 26, 28, 29, Taipei 205 30, 44, 51, 67, 111, 169, 182, 183, 211, 212, 213, 214, Taiwan 110, 121, 129, 205, 243, 246, 247, 303 215, 221, 224, 227, 228, 229, 232, 236, 237, 244, 248, 254, 255, 264, 217, 265, 266, 270, 271, 275, 276, Tampa 248 TaskRabbit 214 280, 282, 297 Shenzhen 249 tax 17, 50, 109, 119, 120, 188, 190, 191, 194, 211, 213, Shinjuku 242 225, 235, 237, 244, 245, 246, 248, 249, 251, 252, 254, 255, 265, 271, 277, 278, 279, 297 Short Term Rental Advocacy Center 252 TechCrunch 26, 269 shukubo 241 Tech in Asia 41, 42 Siddigi, Maryam 145, 146 Technavio 33 Singapore 26, 27, 28, 29, 39, 62, 66, 88, 97, 110, 114, 175, 189, Tech Wire Asia 42 217, 216, 217, 222, 244, 252, 260, 273, 286 Temasek Holdings 29 SiteMinder 293 Skift 33, 34, 35, 37, 38, 39, 42, 98, 131, 110 Terahuku 241 Skybell 169, 174 Texas 223 Thailand 27, 88, 100, 107, 122, 127, 129, 197, 229, 243, 274, 303 Small Business Institute Journal 218 The Verge 26 Smarthosts 84 social media 46, 65, 67, 68, 75, 76, 81, 90, 95, 101, Tilley, Catherine 52 150, 169, 228, 232 Tnooz 26, 83, 106 Sofitel 292 Today 26, 33 Somerville 206 Tokaido Highway 31 South Africa 271 Tokamachi 203 South China Morning Post 26, 42, 107 Tokyo 20, 31, 40, 46, 57, 64, 100, 114, 117, 123, 175, 189, 203, South Korea 37, 43, 88, 106, 129, 195, 224, 226, 289, 302, 303 222, 225, 239, 242, 292 Topdeck Travel 261, 262 Spacehive 205 Toronto 84, 122, 231, 281, 282 Spacemob 261 Spain 107, 192, 309 tourism 190, 217, 223, 225, 274 special needs 76, 86, 288 Tourism Bureau M.O.T.C. Republic of China (Taiwan) 110 Spinlister 175 Travel Daily Media 42 SquareBreak 284 Travel.jp 241 Travelkeys 284 Star 84 Starwood 30 Travel Wire Asia 39, 41, 44, 272, 274 Statista 26, 34, 52 Triip 276 Stay One Degree 76 TripAdvisor 30, 32, 185, 263

Tripping.com 38, 39, 77, 79, 118, 136, 152, 216, 219, 220, 261, 262, 264, 265, 277, 302,

Trivedi, Aarjav 22

Truong, Minh 138

trust 19, 25, 47, 50, 58, 59, 63, 66, 67, 68, 74, 75, 76, 80, 83, 85, 90, 96, 148, 150, 168, 177, 196, 203, 211, 212, 227, 228, 229, 232, 19

Tujia 26, 32, 36, 37, 41, 42, 47, 106, 107, 124, 166, 167, 185, 240, 267, 275, 302

Turnkey 261

Turnkey Vacation Rentals 37

Twitter 68, 75, 95

U

U.K. (United Kingdom) 50, 107, 147, 205, 235, 263, 308, 309, 314
U.S. (United States) 21, 22, 23, 24, 27, 32, 33, 34, 36, 39, 49, 77, 79, 81, 88, 105, 107, 108, 111, 112, 113, 116, 118, 120, 121, 122, 123, 125, 127, 129, 132, 136, 147, 168, 181, 185, 188, 192, 196, 197, 198, 200, 206, 214, 217, 221, 223, 230, 231, 232, 248, 249, 252, 266, 267, 280, 285, 288, 289, 301, 308, 309
U.S. Federal Trade Commission 221

Uber 19, 21, 26, 27, 44, 175, 183, 214, 248, 265, 270, 276, 287 UHERO (The Economic Research Organization at the University of Hawai'i) 50

Umpqua Bank 282

UNDP (United Nations Development Programme) 52, 219
UNEP (United Nations Environment Programme) 193, 263
University of California, Los Angeles 192
University of Southern California, 192
UNWTO (United Nations World Tourism Organization) 40, 43, 51, 52, 219

UN's Sustainable Development Goals 218 Urban Bellhop 174, 226

V

Vancouver 117, 120, 122, 186, 222

Vator 146

Vaughan, Rob 23

Vayable 99

Venice 197, 233, 280

VentureBeat 26

Venture Republic 241

Veritas 281, 282

Vienna 251

Vietnam 27, 97, 138, 139, 276

Virgin Hotels 287

Virgin Islands 248

Vongerichten, Jean-Georges 286

VRBO (Vacation Rental By Owner) 32, 38, 63, 267, 301, 302

VRBookings 132

VRMA (Vacation Rental Management Association) 32, 252, 309

W

Wall Street Journal 21, 42, 192 Walworth County 205 Wanderful 76 Washington, DC 43, 188, 248, 286, 293

Washington Post 187

WeChat 81, 106, 127, 128, 228

WeGrow 291

WeLab 26

WeLive 280, 290, 293

Wellington 44

WeWork 214, 261, 280, 289, 290, 291, 293

Wimdu 32, 38

Wired 212

Withlocals 191, 276

World Cup 126

World Economic Forum 224, 226

WTTC (World Travel and Tourism Council) 7, 35, 42,

43, 114, 187, 236

Wuhan 40

X

Xiaozhu 36, 37, 41, 303, 38 Xi, Jinping 28



Yasuda, BJ 45, 77, 92, 93, 107

Year of Sustainable Tourism for Development 218

Yeoh, Francis S C 260, 264, 284

Yeo, Ming 59, 78

Yilan 205

Yong, Alvan Aiau 44, 272, 274

Yoshino 203

YOTEL 286

Yunfeng Capital 37

Z

Zeel 288

Zhang, Yifan 283

Zhubaijia 129, 280, 303

Zizaike 32, 106, 127, 241, 303