

4

Local Host Rentals: What Governments Need to Know

“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

Change 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.

KEEPING POLICY IN SYNC WITH INNOVATION

Local 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.”³ 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.”⁴

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.”⁶ 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.”⁷

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.

In many communities, emerging frameworks for regulating local host rentals are not black and white.

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

We'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."⁸ 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 2018,¹¹ 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

	 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 options¹⁹ 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

At 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”²¹ 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”²³ 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.”²⁴ 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

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

As 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

“Competitiveness is the key business driver of sustainability.”

—UNWTO and UNDP

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

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 shopping.³⁹ 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."⁴¹ 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

Short-term rentals increase local businesses' revenues.

—Singapore Tourism Board

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 high-demand 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 lower-cost 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

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."⁵⁶ 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

For every 30 new tourists brought to a destination, 1 new job is created.

—World Economic Forum



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

As 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.⁶⁰ User-generated 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.”⁶²

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

Online 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

As 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.”⁶⁸ 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;⁶⁹ guests in Chicago have to be provided with evacuation diagrams on the “inside entrance door of each vacation rental;”⁷⁰ and hosts in Denver must provide safety information to guests.⁷¹ 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\$500,000.⁷²

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.”⁷⁵

Other areas have seen tenant eviction rates rise, sometimes in correlation with the growth of short-term rentals.⁷⁶ 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.⁷⁷ 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.⁷⁸ In the previous year, 89 percent of Airbnb's revenue in Los Angeles was from “whole-unit” rentals “without on-site hosts.”⁷⁹

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.⁸² 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 2017.⁸³ 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.”⁸⁴

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.⁸⁵ StayUncle’s motto is “Couples need a room, not a judgement,”⁸⁶ 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.”⁸⁷

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.”⁹⁰

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.”⁹² 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.”⁹³ 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.”⁹⁴ 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.

GUIDING PRINCIPLES 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

Travelers 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).⁹⁷ 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.¹⁰³ Others question whether the 180-day limitation will properly address the acute accommodation shortage in popular parts of Japan.¹⁰⁴ The *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.¹⁰⁵ No law is perfect, of course, and the Japanese government is constantly working with the industry to create improvements.¹⁰⁶

"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 multi-language 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."¹¹⁶ As part of this effort, the company is cooperating with Evolvable Asia to offer, on a specialized website, upscale Japanese inns and hotels that boast "unique architectural and service features."¹¹⁷ 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.¹¹⁸

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.¹¹⁹ This simplifies the check-in process greatly for hosts, especially hosts who do not live on the premises, as the law requires “absentee landlords”¹²⁰ 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.¹²¹ The service, called, “Convenience Front Desk 24” launched in June 2018, in coordination with the new *minpaku* law.¹²²

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.”¹²⁵ 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.”¹²⁷ 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.¹²⁸ 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.”¹³² 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.



Caution:
Regulation
that is too
burdensome
or punitive
may have
unintended
consequences.

**Regulators
must balance
the interests of
stakeholders;
keeping in mind
that needs change
over time.**

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.

If regulations are too complex to implement or follow, they will not achieve their goals.



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.”¹⁴² 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.¹⁴³ 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.”¹⁴⁵ 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 2017.¹⁴⁶ 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.¹⁵⁰ As of May 2017, Airbnb reported that it has directly collected and remitted more than US\$240 million in hotel and tourism taxes worldwide.¹⁵¹

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 It 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.

Governments can channel local host rental tax revenues.



Remember: With local host rentals, residential properties can also be commercial. Tax laws should take this into account.

Four Effective Local Host Rental Policy Recommendations

Taking 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.



Establish flexible limits, not bans

page 250



Streamline licensing and registration requirements

page 251



Make taxation simple and fair

page 252



Build partnerships with local host service providers

page 252



Policy recommendation 1: Establish flexible limits, not bans.

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,”¹⁶⁰ 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	 Hosts	 Community
Stakeholder needs	Consumer choice	Earn income	Voice in local issues
	Access to local communities	Ability to innovate and meet tourism demand	Investment
	Fair prices	Community buy-in	Safety and security
	Safety		
Regulatory priorities	Clarity on local host rental legality	Freedom to operate legal business	Local host rental guidelines tailored to local culture
	Non-discrimination policies	Clear, transparent laws tailored to private owners	Clear process for community input
	Safety and consumer protection	Easy-to-follow registration/tax/licensing rules	Taxes from local host rentals earmarked for public services and affordable housing
	Fair competition		
Benefits	Guests choose safe, cost-effective local host rentals and feel welcomed in communities	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

To 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 cross-cultural 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

- 1 Streitfield, “Companies Built on Sharing.”
- 2 Karabell, “The Sharing Economy.”
- 3 He, “Risks and Regulations.”
- 4 Sundararajan, “Why the Government.”
- 5 Nickelsburg, “Seattle Approves New.”
- 6 Aron, “Taking So Long.”
- 7 Aron.
- 8 Stephany, *The Business of Sharing*.
- 9 Varma et al., “Airbnb: Exciting Innovation.” In accommodations, these problems include the need for greater flexibility, greater variety, and more local experiences.
- 10 Isaacson, “How Uber and Airbnb.”
- 11 Montali, Bujarski, and Skift Team, *State of the Global Vacation Rental Market*.
- 12 Business Wire, “Global Vacation Rental Market.”
- 13 Hedrick-Wong and Choong, “Global Destination Cities.”
- 14 OECD, *OECD Tourism Trends*.
- 15 Lin, “Rental Law is Key”; see also Yeo Sam Jo’s rather questionably titled, “Home Sharing Still up in the Airbnb.”
- 16 Artunian, “Regulating Short-Term Rentals.”
- 17 Martinez, “Airbnb Growth Explodes.”
- 18 Harrison et al., “Airbnb’s Global Support.”
- 19 As discussed in other chapters, local host rentals are gaining popularity with business travelers. Airbnb has rebranded its corporate program as “Airbnb for Work” and Booking.com has launched “Make the World Your Workplace,” <https://www.booking.com/business.en-gb.html>.
- 20 Rohrer, “House Votes to Kill.”
- 21 World Tourism Organization (WTO), “WTD and Engine.”
- 22 World Tourism Organization (WTO).
- 23 Midgett et al., “The Sharing Economy.”
- 24 Midgett et al.
- 25 World Tourism Organization, *Sustainable Development Goals*.
- 26 Home Depot, “The Ideal Vacation Rental.”
- 27 Saiidi, “Millennials are Prioritizing.”
- 28 Stone, “Wealthy Americans.”
- 29 Stephany, *The Business of Sharing*.
- 30 Airbnb, “Airbnb Economic Impact.”
- 31 Varma et al., “Airbnb: Exciting Innovation.”
- 32 Yaraghi and Ravi, “The Current and Future State.”
- 33 United States of America Federal Trade Commission, “Re: Proposed Ordinance.”
- 34 Castrodale, “Why an Older Woman.”
- 35 Stephany, *The Business of Sharing*; NBC 4 New York, “Typical NYC Household.”
- 36 Canadian Press, “More Than Half.”
- 37 Hinz, “Typical Chicago Host.”
- 38 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 39 Singapore Tourism Board, “Tourism Sector Performance.” See breakdown of Singapore 2016 tourism receipts: 23% for shopping; 12% for food and beverage; 18% for sightseeing, entertainment, and gambling; and 23% for other components. Only 24% was spent on lodging.
- 40 See, for example, Yeoh, “When in Japan.”
- 41 Stephany, *The Business of Sharing*.
- 42 Farronato and Fradkin, “The Welfare Effects.”
- 43 Farronato and Fradkin, 30.
- 44 Farronato and Fradkin, 29.
- 45 Farronato and Fradkin, 30.
- 46 OECD, *OECD Tourism Trends*.
- 47 Furuyama, “Japan’s Airbnb Boom.”
- 48 Airbnb, *Helping Travel Grow Greener*.
- 49 “Chuo Ward is now the world’s hottest minpaku area. It topped the ranking of the 16 Neighborhoods to Visit in 2016 by Airbnb.” Furuyama, “Japan’s Airbnb Boom.”
- 50 Airbnb, “Airbnb Economic Impact.”
- 51 Airbnb Citizen, “Community’s Impact in Montreal.”
- 52 HomeAway, “2017 Trend Report.”
- 53 Airbnb, *Airbnb Policy Tool Chest*.
- 54 Ritter, “Home Sharing Can Boost.”
- 55 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 56 World Economic Forum, *Travel & Tourism Competitiveness Report*.
- 57 Ellin, “New York’s Housecleaners.”
- 58 Zeithaml, “Consumer Perceptions.”
- 59 “Honest (and Verified) Reviews from Travelers like You,” Starwood Preferred Guest, http://reviews.starwoodpromos.com/spg/?language=en_US.
- 60 Guttentag, “Airbnb: Disruptive Innovation.”
- 61 Varma et al., “Airbnb: Exciting Innovation.”
- 62 Stephany, *The Business of Sharing*.
- 63 Jamasi, “Regulating Airbnb.”
- 64 Wegmann and Jiao, “Taming Airbnb.”
- 65 Jamasi, “Regulating Airbnb.”
- 66 Jamasi.
- 67 Lee, “Short-Term Rentals Exacerbate.”
- 68 Jamasi, “Regulating Airbnb.”
- 69 Airbnb, *Airbnb Policy Tool Chest*.
- 70 City of Chicago Small Business Center, “Vacation Rentals in Chicago.”
- 71 Jamasi, “Regulating Airbnb.”
- 72 Jamasi.
- 73 Jamasi.
- 74 “Relevant Laws and Regulations in Japan,” Travelling Help, Airbnb, <https://www.airbnb.com.sg/help/article/920/relevant-laws-and-regulations-in-japan>.
- 75 Slee, “Facing an Existential Expansion Problem.”
- 76 Barragan, “Mass Rent-Control Evictions.”
- 77 Lee, “Short-Term Rentals Exacerbate.”
- 78 Inside Airbnb, “Sydney.”
- 79 Lee, “Short-Term Rentals Exacerbate.”
- 80 Lee.
- 81 Levi Sumagaysay, “Fined for Canceling Asian-American’s Reservation.”
- 82 Sumagaysay.
- 83 Fox News, “Airbnb Bans White Supremacist.”
- 84 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 85 Bhattacharya, “Married Couples Only.”
- 86 “Couples Need a Room, Not a Judgement.” Stay Uncle (homepage), <https://stayuncle.com/>.
- 87 Digital Startup, “Startup of the Week.”
- 88 Tuahene, “New York Hoteliers.”
- 89 “Airbnb is operating a lodging industry, but it is not playing by the same rules,” Troy Flanagan, the American Hotel and Lodging Association’s vice president for state and local government affairs, said in an interview. Benner, “Inside the Hotel Industry’s Plan.”
- 90 Michael Petricone, cited in Stephany, *The Business of Sharing*.
- 91 Garza and Hooton, “A Comprehensive Look.”
- 92 World Travel & Tourism Council, *Travel & Tourism*.
- 93 World Travel & Tourism Council.
- 94 Sundararajan, “Zipcar to the Sharing Economy.”
- 95 Morita, “Foreign Visitor Numbers.”
- 96 *Japan Times*, “Increasing Inbound Tourism.”
- 97 *Japan Times*, “New Rules.”
- 98 *Nikkei Asian Review*, “Airbnb to Help Hosts.”
- 99 Airbnb Citizen, “Airbnb Boosts Japan Economy.”
- 100 Bloomberg “Japan’s Home-Sharing Law.”
- 101 Finn, “How Legal Is It.”
- 102 Martin, “Japan’s Recruit Holdings.”
- 103 Fujita, “Out in the Cold.”
- 104 Jordan, “Airbnb Gets to Extend.”
- 105 *Nikkei Asian Review*, “Airbnb Removes 80%”; *Japan Times*, “Airbnb ‘Still Removing’ Unregistered Lodgings.”
- 106 Japan Tourism Agency, in communication with authors, October 2018.
- 107 Takashi Kawamoto, Regional Manager for Japan, Agoda, in conversation with authors, June 2017.
- 108 Johnston, “Local Governments in Japan”; and Jiji, “JTA Drafts Rules.”
- 109 Johnston, “Local Governments in Japan.”
- 110 Bloomberg, “Airbnb Nears Approval.”
- 111 Martin, “Japan’s Recruit Holdings.”
- 112 Martin, “Beyond Airbnb.”
- 113 *China Daily*, “Tujia Targets Realty.”
- 114 Martin, “Japan’s Recruit Holdings.”
- 115 Demetriou, “Japan’s Buddhist Temples.”
- 116 Martin, “Beyond Airbnb.”
- 117 *Nikkei Asian Review*, “Airbnb to Launch.”
- 118 Ushiba et al., “Japan Online Travel Overview.”
- 119 *Nikkei* staff writers “Seven-Eleven to Serve.”
- 120 Martin, “Beyond Airbnb.”
- 121 *Nikkei* staff writers “Seven-Eleven to Serve.”
- 122 Jiji “Seven-Eleven.”
- 123 Andonian et al., *Future of Japan’s Tourism*.
- 124 Woodward, “What Airbnb Regulations Could Mean.”
- 125 Furthermore, Skift segments rentals by hosts: “hobbyists” with single-listings, “Mom and pop” operators who list a few but multiple properties, and “Hotel 2.0 property managers” who manage large-scale commercial properties. Montali, Bujarski, and Skift Team, *State of the Global Vacation Rental Market*.
- 126 Hunt, “Airbnb a Solution.”
- 127 Benner, “New Orleans Becomes New Model.”
- 128 Keratisuthisathorn, “Operating a Hotel Business.”
- 129 Shan, “Fines Increased.”
- 130 O’Sullivan, “Toughest Anti-Airbnb Laws.”
- 131 Channel NewsAsia, “Singapore Court Fines.”
- 132 Keratisuthisathorn, “Operating a Hotel Business.”
- 133 Giorgio Riello, cited in Stephany, *The Business of Sharing*.
- 134 DutchNews.nl “Amsterdam Slashes Airbnb.”
- 135 Russell, “Japan Passes Law.”
- 136 Mazza, “City of New Orleans.”
- 137 Fred Wilson, Union Square Ventures, as cited in Stephany, *The Business of Sharing*.
- 138 Interian, “Up in the Air.”
- 139 See, for example, Stone, “Living and Dying.”
- 140 In 2017, a hotel fire near Manila left 35 injured and at least 75 dead. MailOnline, “75 Die in Philippine Hotel Fire.”
- 141 Taiwan Tourism Bureau, “Regulations for the Administration of Hotel Enterprises.”
- 142 Shapiro, “Quotes Uncovered.”
- 143 Cfburke and Nguyen, “Don’t Kill the Goose.”
- 144 O’Neal, “Who Ends up Paying.”
- 145 O’Donnell and Griffin, “Hillsborough Reaches Deal.”
- 146 O’Donnell and Griffin.
- 147 Myers, “Collect Hotel Occupancy Tax.”
- 148 Badger, “About to Start Collecting.”
- 149 Lee, “How Airbnb Short-Term Rentals.”
- 150 “In what areas is occupancy tax collection and remittance by Airbnb available?” Travelling Help, Airbnb, <https://www.airbnb.com.sg/help/article/653/in-what-areas-is-occupancy-tax-collection-and-remittance-by-airbnb-available>.
- 151 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 152 Ritter, “Home Sharing Can Boost.”
- 153 Lee, “How Airbnb Short-Term Rentals.”
- 154 Lane, “Sweeping Short-Term Rental Laws.”
- 155 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 156 Jamasi, “Regulating Airbnb.”
- 157 Airbnb, *Airbnb Policy Tool Chest*.
- 158 Airbnb, *Airbnb Policy Tool Chest*; Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 159 Airbnb, “Chicago Home Sharing Registration”; Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 160 Airbnb, *Airbnb Policy Tool Chest 2.0*.
- 161 Asian Trade Centre, *Online Travel Agencies in Asia*.
- 162 Holcomb, “Guide to Best Practices.”
- 163 Short Term Rental Advocacy Center homepage, <http://stradvocacy.org/>.

PHOTOS: Unsplash and Shutterstock.
Additional photo: Patrick Rasenberg/Flickr, page 342.