Policy Brief: Airbnb, culture, and hotels

1 Evaluating whether Airbnb's operations should be encouraged in relationship to hotels: A Cultural perspective

1.1 Greater London Authority Briefing: Arts & Culture

1.2 Executive Summary

This brief explores how Airbnb's operations interact with London's cultural infrastructure – such as theatres, museums, music venues, pubs – as well as its hotel industry, to build a holistic picture of Airbnb's short- and long-term impact on culture across Greater London.

It finds that:

1. There is a clear pattern in how Airbnb listings, cultural infrastructure, and hotels cluster together in London – predominantly in the city centre.
2. There are some areas with relatively higher concentrations of Airbnb and cultural infrastructure relative to hotels. These areas may represent emerging economic opportunity, along with an increased risk of gentrification.

These findings are important because:

1. Airbnb's presence in London holds risk for the hotel industry (by taking market share away from existing businesses) and opportunity for cultural activity (by increasing access to culture for tourists).
2. Balancing these risks and opportunities are important for the future of the hospitality industry in London, as well as the city's identity and cultural economy.

It recommends the GLA investigate developing policies to ensure Londoners can benefit from the presence of Airbnb and the hotel industry does not suffer an additional hit as it emerges from pandemic restrictions.

1.3 Background

1.3.1 Role of culture in the city

London's leading cultural status is crucial for its tourist economy and the continued development of neighbourhoods across the city. Four of every five visitors to London marked culture as their main reason for coming to London (Mayor of London, no date), with the wider tourist economy contributing £52 billion to the city annually.

London is unique in the variety and fame of its cultural offerings, including Buckingham Palace, the West End and a range of internationally acclaimed museums. But it is also at the forefront of emergent culture, with its vibrant music scene, night life, and diverse culture making it a hotbed for creativity.

In recent years, the rise of Airbnb has contributed to a greater distribution of travel accommodation outside of central London and into areas of the city formerly overlooked by the tourism industry, but where some of our greatest emergent talent is located.

The growth of Airbnb presents substantial opportunities to the growing tourism sector outside of Zone One. But, with growing concern about impact of short-term lets on housing affordability and community displacement, it is possible that the long-term impacts of Airbnb use may harm these areas' cultural offering.

1.3.2 Airbnb in London

Airbnb allows visitors to stay in periphery of the city for a sense of authenticity in areas that have not been penetrated by the hotel industry (Department for Digital, Culture, Media & Sport, no date). This has encouraged visitors to sprawl out across London, leading to growing tourist spending in areas local to Airbnbs (Henema, 2018).

The food industry can provide an example of the potential of local growth from Airbnb listings. A Texas-based study found a one per cent increase in local Airbnb reviews is associated with a 0.011 per cent increase in restaurant revenue (Basuroy, Kim and Proserpio, 2020). While no comparable study has been produced for London, applying Basuroy's figures to London would see a uniform one per cent increase in Airbnb listings across London associated with a growth of £94 million in annual restaurant turnover alone.

However, the platform has also been heavily criticised for accelerating gentrification. The growth of Airbnb is now largely driven by the professionalisation of the platform, meaning that hosts are increasingly buying or converting additional existing properties into Airbnbs, a factor contributing to shortages in long-term lets and sharp increases in housing costs (Li, Moreno and Zhang, 2015; Wachsmuth and Weisler, 2018; Harris, 2018). This also drives up prices of local goods and services, including rents for local traders, further displacing local communities.

1.3.3 Airbnb and Hotels

Airbnb resulted in a significant disruption of the hotel industry after it entered the market in 2015. However, they also provide a more flexible complement to the hotel industry, where the lengthy and costly process of building hotels is not yet economically viable for developers in emergent tourist destinations.

Presenting an alternative to hotels – one of traditionally few options for temporary accommodation – the platform has grown rapidly in the last eight years by providing a wide variety of dwelling types, cheaper rental prices and a sense of authenticity. Some studies have found the hotel industry experiences an average 0.04 per cent decrease in hotel revenue for every one per cent in Airbnb listings (Zervas, Proserpio and Byers, 2017).

This brief starts the process of looking for a balanced solution, where London is able to reap the significant economic benefits of the sharing economy, without displacing local residents and undermining their significant cultural contribution to the city.

1.4 Objectives

1.4.0.1 Establish where there are overlaps and disconnects between Airbnb's operations, hotel density, and cultural infrastructure

1.4.0.2 Understand what these patterns mean for local socioeconomic contexts, given the known benefits and challenges associated with each sector

1.4.0.3 Build an evidence base that will support later policy interventions that strike a balance between regulation and support of Airbnb's operations, with the following second-order objectives:

- Stimulate opportunity for the hotel industry
- Allow local residents to experience the benefits of Airbnb's operations without its negative consequences
- Nurture and foster the symbiotic relationship between Airbnb and local culture

1.5 Summary of Approach

Clustering analysis was used to identify broad characteristics of neighnbourhoods (LSOAs) across Greater London. The following three variables were used:

- Hotel Density
- Airbnb Density
- Cultural Density

The individual distributions are shown in Figure 1:

The analysis meant finding the density of each activity per neighbourhood, examining its distribution throughout London, and mapping how these distributions relate to the other activities. For example, areas with high densities of all three activities

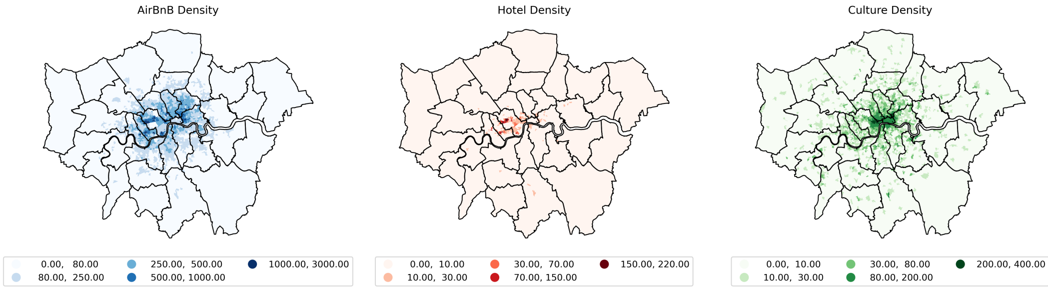

Figure 1: Figure 1: Spatial distributions of the three variables

would form one cluster, while areas with low densities of all three would form another. Five categories were identified through this approach, providing insight into how Airbnb, culture, and the hotel industry interact throughout London.

Airbnb data was obtained From Inside Airbnb (InsideAirbnb, no date). Cultural infrastructure data was obtained from the London Datastore (London Datastore, 2019). Hotel data was obtained from OpenStreetMap (OpenStreetMap, no date).

1.6 Extended Results/Policy Discussion

Initial analysis found distinct spatial patterns among the location of Airbnb listings, hotels, and instances of cultural infrastructure. As anticipated, the distribution of Airbnb listings is very similar to instances of cultural infrastructure, with the highest density of listings in the centre of the city and a gradual sprawl outward towards Zone 2. This supports the prediction that Airbnb listings cluster around areas with many cultural offerings in the city. This is distinct from patterns in the hotel industry; 50% of hotels are listed in the Westminster and Kensington and Chelsea alone. The hotel industry loosely follows the distribution of cultural infrastructure in central London, with fair proximity to more established and well-known cultural spaces. However, there is a clear disconnect between hotel supply and cultural offerings beyond Zone 1. Indeed, the hotel industry is much more rigid in operations due to the higher barriers to market entry (investment, planning permission and overheads). The slower adjustments in hotel supply therefore provide an opening in the market for Airbnbs, which are able to react quickly to market trends, responding to growing areas of demand with greater flexibility than hotels.

On a more granular scale, the analysis identified 5 distinct groups of hotel, Airbnb and cultural infrastructure agglomeration, as illustrated in Figure 2. Areas with relatively low hotel density, and medium cultural and Airbnb density (orange) illustrate Airbnb's advantage as a flexible method of accommodation that can meet the demand of areas with many cultural amenities. Areas with these Airbnb-hotel-culture market proportions, which dominate most of central London and its surrounds, raise concerns about the potential reduction in housing stock and displacement of incumbent residents.

1.6.1 Case Study: Westminster - what counts as culture?

The borough of Westminster contains some counterintuitive results results. It contains areas matching all five classifications - ranging from blue (low in all three categories) to red (medium-to-high in all three categories). This could either be

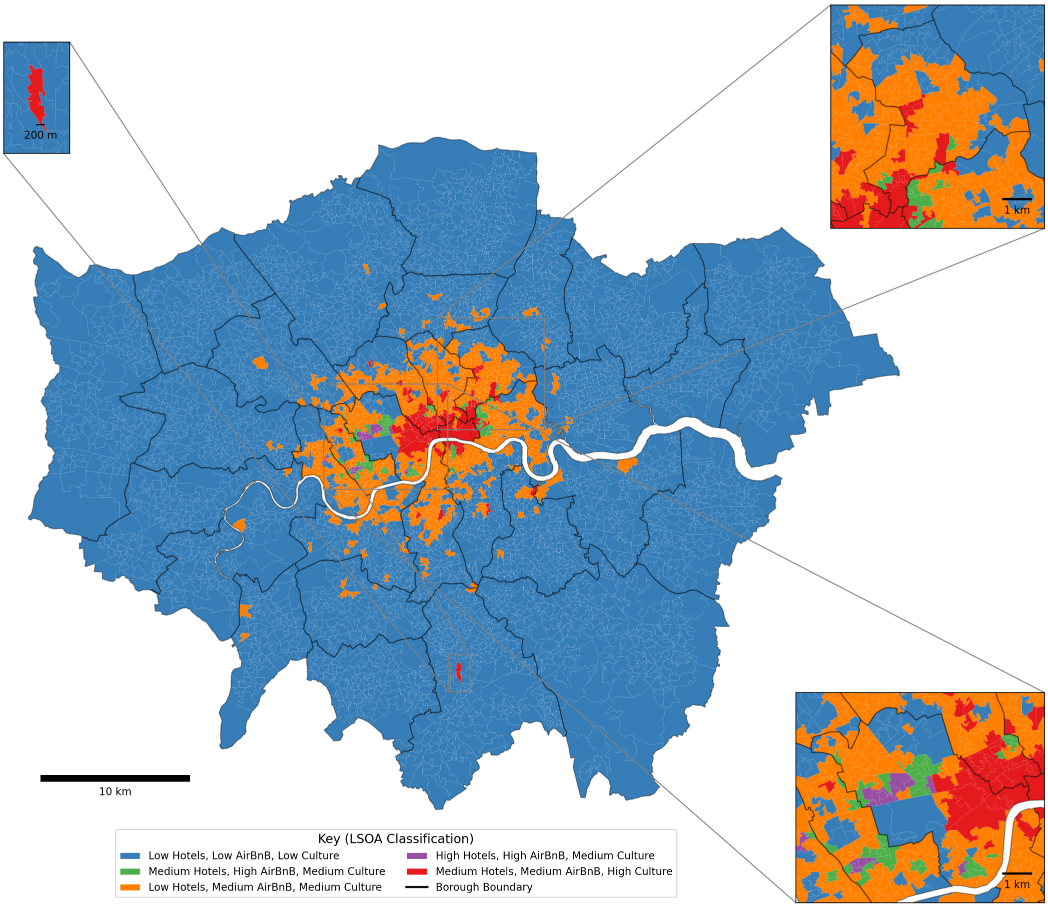

Figure 2: Figure 2: Identified clusters of hotels, Airbnbs, and Cultural venues

due to Westminster's specific character, or to a vulnerability in the underlying data. Given that Westminster contains major tourist attractions such as Hyde Park and Buckingham Palace, as well as parts of London's theatre district, it is unlikely to be the former. This means that interrogating these findings with ground-truthed local knowledge is important to verifying and testing them.

1.6.2 Case Study: Croydon

Airbnb acts as an accelerator for culture, providing accommodation in areas of emerging cultural development that the hotel industry can't immediately accommodate. Croydon is a prime example of this. Located in Zone 5, Croydon has won a £1 million bid in cultural funding, named the London Borough of Culture of 2023 (Mayor of London, 2022). Recognised for its emerging cultural importance within London in particular, Boxpark, Croydon Pride Festival, the prominent black-led Talawa Theatre Company and The Ends music Festival, Croydon serves as a cultural hub for black British culture. Airbnb's flexible operations have encouraged extra-Croydon visitors. However, this rapid cultural growth accelerated by Airbnb's local operation poses a concerns regarding protection of location culture against gentrification.

1.6.3 Case study: East London

In the city centre, the predominance of commercial, cultural and community spaces limits the availability of residential housing which could be converted to Airbnb. This likely contributes to the pattern of 'green' cluster zones (high airbnb in areas of medium culture-medium hotels) in East London neighbourhoods such as Whitechapel and Shadwell, as traditionally cheaper areas with lower cultural capital, adjacent to the inner city, become an attractive location for short-term letting.

Outside of the core cluster in central London, pockets of 'culture dense' neighbourhoods are identified in the borough of Hackney, around Dalston and Bethnal Green. These neighbourhoods are surrounded by 'orange' cluster zones, which may indicate neighbourhoods at risk of further airbnb expansion, and associated risks of accelerated gentrification and loss of housing stock, due to low hotel availability around these culturally desirable areas.

1.7 Conclusion

The spatial distribution of Airbnb listings, in relation to hotels and cultural infrastructure, provides an insight into how patterns of Airbnb activity change across different areas of London. Of the 5 clusters identified, the 'green' and 'orange' zones require greatest policy attention to ensure Airbnb can support burgeoning cultural economies without unnecessary impact upon neighbourhoods, rental price and gentrification.

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