

Project Description

This work of journalism is a translation of Barron, Kung and Proserpio's 2018 paper “The Sharing Economy and Housing Affordability: Evidence from Airbnb” for The Economist Magazine (US Edition). The writing below follows the conventions outlined in the magazines official Style Guide (Wroe, 2018). Notable writing norms include a strong preference towards using short words, cliché aversion, a preference towards clarity over political correctness, and a distrust of political language. Rules concerning the use of repeated proper nouns, especially acronyms and names, are observed.

The choice to include this journalism translation in the authors portfolio reflects an interest in conveying an ability to communicate quantitative research results to potentially non-expert-audiences.

Up in The Air

Online solution Airbnb Disrupts more than just the hotel industry

The tech companies at the core of the "sharing economy," wherein individual suppliers meet individual demanders, are noted for jostling their competitors and upsetting their would-be regulators. Beneath the scandals that engulf it, Uber, a ride-sharing company, has stoked concerns about congestion and driver qualification. Relative newcomer Bird Inc, which provides scooter rentals, has received flak for the way its rides litter walkways and for its aversion to safety equipment. Yet, for investors and policymakers, the bulk of the sharing economy disruption occurs under the hood. Uber's rise has tanked the value of taxi medallions, once the crown jewels of many retirement funds. Bird's dockless devices, by obviating the need for bricks and mortar, help the firm avoid paying local property taxes - to the dismay of the local governments who rely on property taxes and to the firm's bulkier, less nimble competitors. The roads have been in regulators sightline; now the houses that line them are shaping up to be a new arena for disruption.

Since its inception in 2008, Airbnb, a platform for booking overnight stays in other peoples' homes, has made its mark without owning any of its over 800,000 real estate listings. Like most other sharing economy firms, Airbnb generates its revenue by charging a brokerage fee for connecting travelers to hosts. Homeowners seem happy to turn guest bedrooms into revenue streams. Consumers, meanwhile, can now find lodging without dealing with stuffy hotel receptionists, and often at lower costs. Airbnb, like many of its sharing economy brethren, has faced explosive growth.

Critics spend the bulk of their time arguing that the firm's growth has largely stemmed from the same kind of difficulties regulators face when dealing with other sharing economy services, especially when compared to the relative ease with which government might regulate traditional firms (see "New York deflates Airbnb", October 2016 edition). Yet while much hubbub has been made by hoteliers about the regulatory gaps Airbnb exploits, less has been made about the much less salient, yet potentially much more disruptive effects of Airbnb on housing markets. A group of academics at the National

Bureau of Economic Research (NBER) have shown that more listings drive higher rents and home prices. The implications for regulators are serious.

A rising tide lifts all homes

Using data from Airbnb, Zillow (an online real estate database), and the US Census Bureau, the researchers connected listings to nearby home values from 2012 to 2016, during which Airbnb presence skyrocketed. The researchers then used a simple predictive model, a least squares regression, to find relationships between Airbnb listings and housing prices. To exclude the theory that some outside shock might connect both Airbnb demand growth and that of housing markets, the researchers controlled for the rise in Airbnb popularity comparing growth in listings to growth in Google searches for Airbnb.

On average, neighborhoods who saw a 10% increase in the number of Airbnb listings could expect an 0.76% increase in house prices, according to the researchers' model. The researchers ground their explanations in basic economics, arguing that the increased attractiveness and cost effectiveness of leasing out Airbnb leads some landlords and homeowners to move their property from the long-term rental market to the short-term Airbnb market. Fewer available long-term leases drive up prices for surrounding rentals and homes. Moreover, landlords convey the potential income from supplying Airbnb rentals directly into the value of the home, propping home values even higher.

A regulatory conundrum

Concerns about rising housing costs should be taken with a grain of salt, however. While the NBER's researchers find a statistically significant relationship, and despite Airbnb's muscular inventory of listings, the overall effect of Airbnb on housing markets has been limited. Ultimately, the firm's growth explains only 0.47% of total growth in housing prices in the US, indicating that policymakers concerned with rising rents should perhaps look elsewhere to address concerns. In areas with particularly high adoption of Airbnb, however, designing policy to address rising costs may be of critical importance. By one estimate, residents of New York City, where Airbnb has nearly 50,000 listings, have experienced annual rent increases of nearly \$400 due to the firm's growth.

Regulators already struggle to discern the best response in light of the rise of Airbnb. The knowledge that growing home-sharing rates drive up home prices will undoubtedly influence their decisions on restrictions. The paper's authors themselves argue that limits on the reallocation of housing stock between short and long term rental markets may be a reasonable response to Airbnb's growth. Josh Bivens, director of research at the Economic Policy Institute, believes it is time for the firm to face more scrutiny. He argues that the presence of Airbnb overwhelmingly benefits disproportionately white, high-wealth households while inducing little to no tourism benefits to offset the increased costs born by poorer renters. Mr Bivens believes, correctly, that most of the increase in costs of housing are directly passed onto poor and middle-class households. Airbnb has succeeded so far by disrupting existing markets and by creating opportunities for homeowners and would be travelers. But governments and regulators should take steps to ensure that Airbnb behaves like a good neighbor.

TO: DAVID FISHER, INSTRUCTOR.
FROM: DAVID ALMONTE, SCIENCE WRITER.
SUBJECT: TRANSLATION PROJECT PROPOSAL
DATE: JANUARY 30, 2019

I've chosen to translate a 2018 article by Barron, Kung and Proserpio titled "The Sharing Economy and Housing Affordability: Evidence from Airbnb." Despite expecting to face some challenges using this particular outlet, I've chosen to have my translation appear in the soonest available edition of *The Economist*. The topic choice reflects both an academic interest in housing affordability issues, and the fact that my itinerary for 2019 already includes multiple Airbnb bookings. I respect the quality of the analysis put forth by Barron et al., and sincerely hope that I can convey the results to an audience for whom the issues might have policy relevance.

I initially intended to write about a newly published report by Bivens of the Economic Policy Institute, which summarizes the results of nearly 30 distinct works analyzing Airbnb and its effects on a range of economic and social indicators (Bivens, 2019). The report's lack of quantitative methods, however, made it inappropriate for the translation project. Instead of using Bivens work, I looked into the various cited works. One of Bivens' central arguments, that Airbnb concentration in a region reduces housing affordability, leans heavily on quantitative analysis conducted by Barron et al.

From a writing perspective, its consistently witty and whimsical rhetoric makes *The Economist* an appealing outlet. The availability of a comprehensive style guide (Wroe, 2018) unique to it should make faithful translation simple. Yet, in addition to high quality, the magazine is high impact. According to ABC, a media consultancy, the *North American Edition* alone boasts average weekly circulation of over 700,000 magazines, 533,000 of which are print. Covering the article in such a high readership setting may energize discussions around Airbnb, and may promote better, smarter policy. Peer-to-peer markets, often dubbed the "sharing economy" appear frequently in the magazine, with numerous Airbnb mentions (see "New York deflates Airbnb", October 2016 edition), indicating a good fit between the research and its proposed journalistic outlet.

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