

TOKYO AIRBNB DATA ANALYSIS

Luis Alejandro Vargas Ramos

Business Problem

Rental platforms like Airbnb in Japan are hoping for a boost from a new law that will take effect next month before the expected surge in demand for the 2020 Tokyo Olympics, experts warn that it could actually hamper businesses from short term.

Currently, anyone who rents a room runs the risk of "breaking the law", short-term rentals will be legalized on June 15, clearing a legal gray area. The new law also introduces new restrictions, discouraging many who rent rooms to tourists through Airbnb or similar platforms.

People who rent their houses or apartments will have to register their accommodation with the local authorities, the new law limits total overnight stays to 180 days per year. The new legislation also allows local authorities to impose their own restrictions.

The city of Kyoto, for example, has said it will only allow rentals in residential areas between mid-January and mid-March, the lowest season of the year. Jake Wilczynski, Airbnb spokesman for Asia-Pacific, told AFP that the new laws are a "clear sign that Japan is welcoming the idea of short-term rentals for individuals." Many hosts have canceled reservations or simply removed their accommodations from the platform.

The Opportunity

Despite the new restrictions, there is a large potential market for short-term rentals as the country prepares for Tokyo 2020 and the Rugby World Cup in 2019.

Airbnb rents have skyrocketed in recent years, driven by a surge in tourism and a surprising lack of hotel infrastructure. With around 60,000 houses and apartments, Airbnb dominates the vacation rental market in Japan, even though it lags far behind many countries in Europe - France, for example, has 450,000 listings.

Demand is poised to rise, as Japan is targeting an influx of 40 million visitors in 2020 when it hosts the Summer Olympics, up from 29 million last year.