

In Search of Peace and Quiet: The heterogeneous impacts of short-term rentals on housing prices

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Abstract

The supply of short-term rental (STR) housing has grown through platforms such as Airbnb leading to contradictory concerns about increasing housing prices and negative externalities. We provide evidence that in some areas, STRs can decrease housing prices. Using a parsimonious model of housing occupancy with externalities, we show the marginal effect of STRs on housing prices depends on the net impact of STRs on local amenities. Using zip-code-level data from Los Angeles County, California, we show heterogeneity in the marginal effects of Airbnb listings on housing prices across localities. We then examine on a 2015 law restricting STRs in Santa Monica – where we estimate a negative relationship between STRs and housing prices. Using a differences-in-differences approach, we show the law increased housing prices, consistent with our theory. Finally, we provide evidence for our mechanism: “party-related” nuisance calls to Santa Monica police decreased after the policy was enacted.

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