
Airbnb in Los Angeles

A case study in housing markets, rental laws, and incentives





Presentation Outline

- I. What is Airbnb? (Or, how should we think about it?)
 - II. Research questions
 - III. Exploratory Analysis
 - A. *Profile of Listings*
 - B. *Profile of Hosts*
 - IV. Airbnb's impact
 - V. Potential solutions
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What is Airbnb?

Or, how should we think about it?

What is Airbnb?

A service that lets property owners (“hosts”) rent out private rooms in shared residences, entire homes/apartments, or hotel rooms



October 2007

Brian and Joe host Airbed & Breakfast's first guests

“When we started Airbnb, it was about more than just travel....

Our guests arrived as strangers, but they left as our friends.”

- Founders’ Letter, news.airbnb.com

“Airbnb’s website and its advertising are both built around stories of personal connection:

of welcoming hosts, of meals taken together, of friendships formed.”

- Author & Airbnb critic Tom Slee

Airbnb, According to Airbnb

- A means of connecting hosts and guests by inviting travelers into locals' homes
- A way for hosts to make a little extra money
- Seamlessly integrates into communities without disrupting them



Research Questions

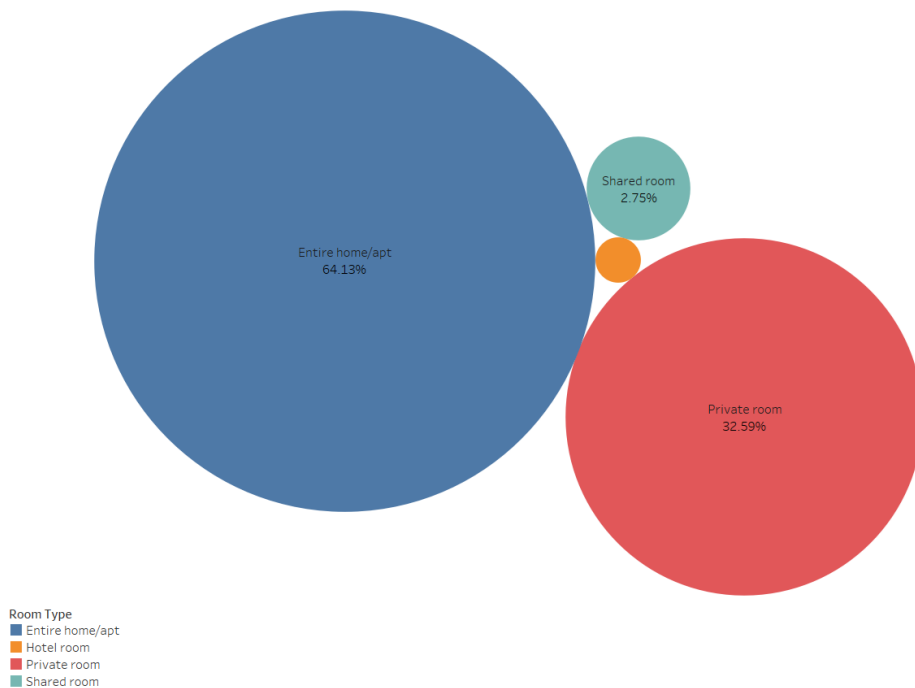
Research Questions

- I. To what extent does Airbnb's preferred narrative of small-scale hosts inviting guests into their homes reflect reality in Los Angeles?
 - II. How do Airbnb rentals interact with the general rental housing market in Los Angeles?
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Exploratory Analysis

Profile of Listings

Los Angeles Airbnb Listings by Room Type

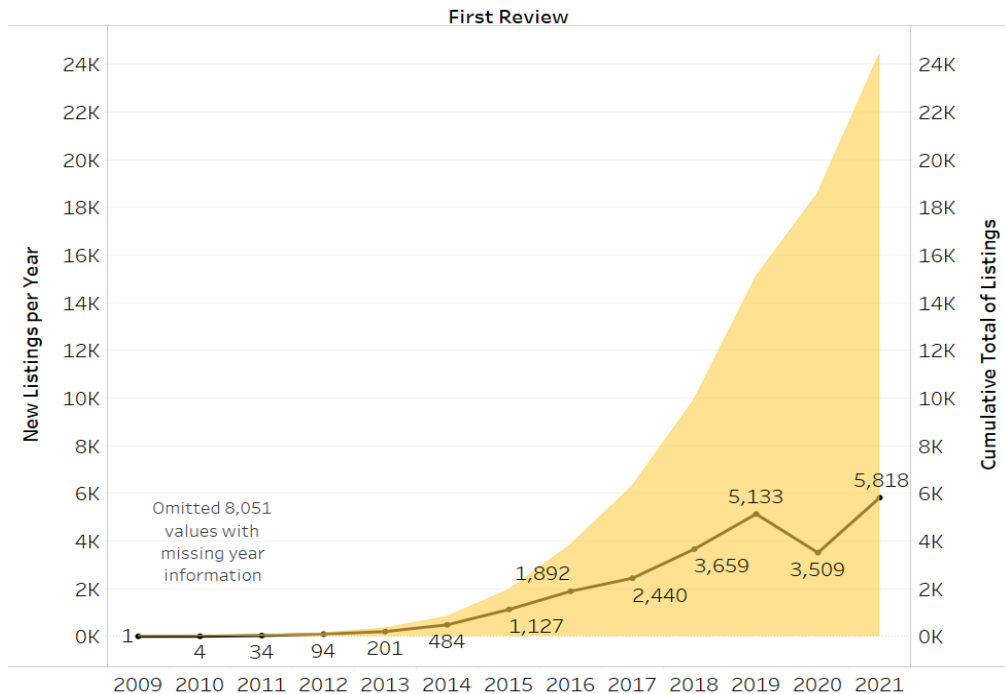


Over 30,000 listings
owned by more than
14,000 hosts

as of 2020

Profile of Listings

Listings Over Time

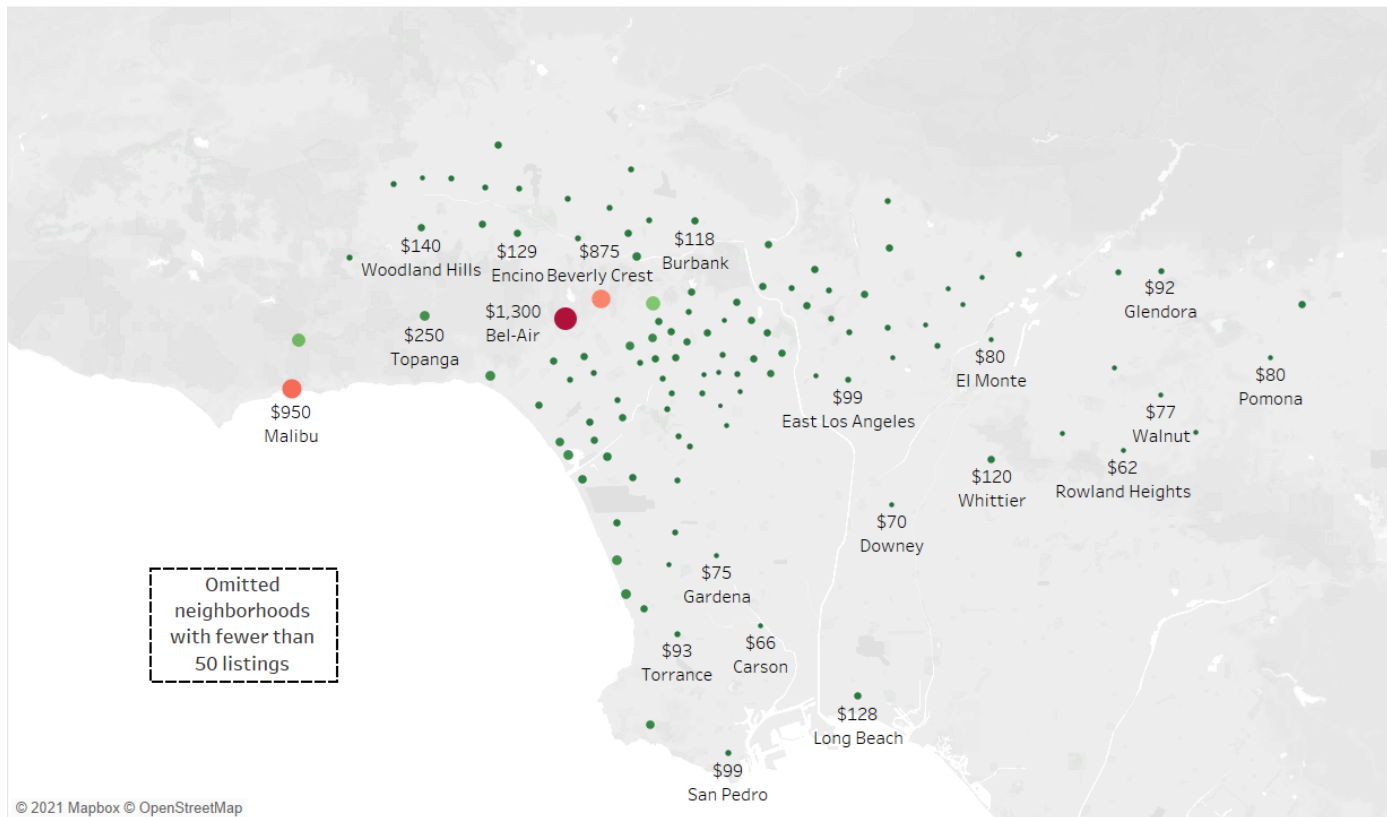


With the exception of 2020, Airbnb has seen rapid growth

- Over 3,300% growth since 2014

Profile of Listings

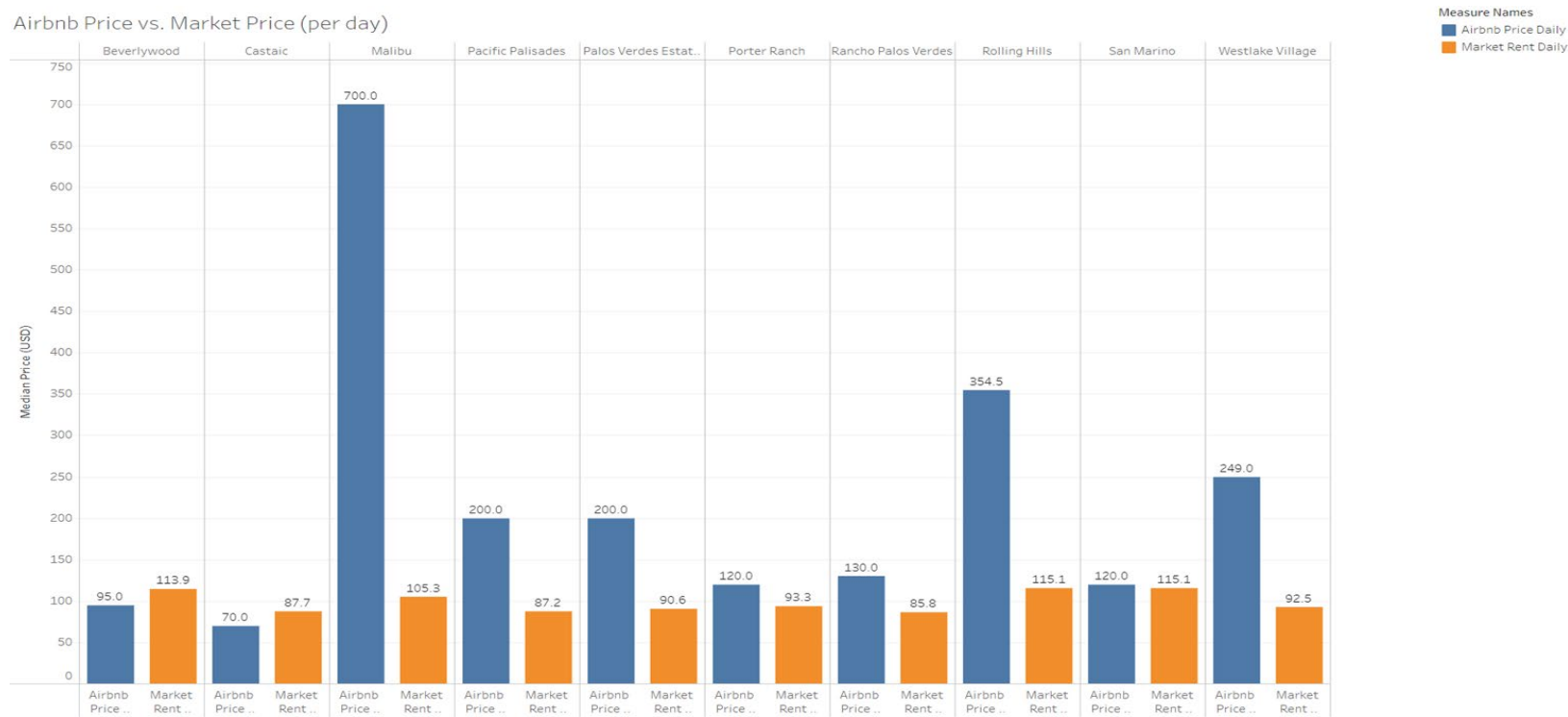
Price by Los Angeles Neighborhood



Profile of Listings

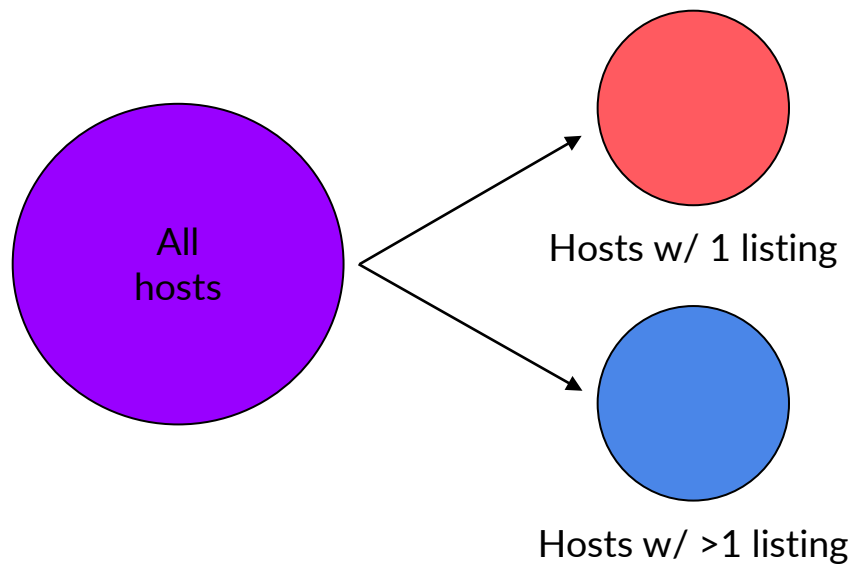
Airbnb as an alternative to market rentals

Airbnb Price vs. Market Price (per day)



Profile of Hosts

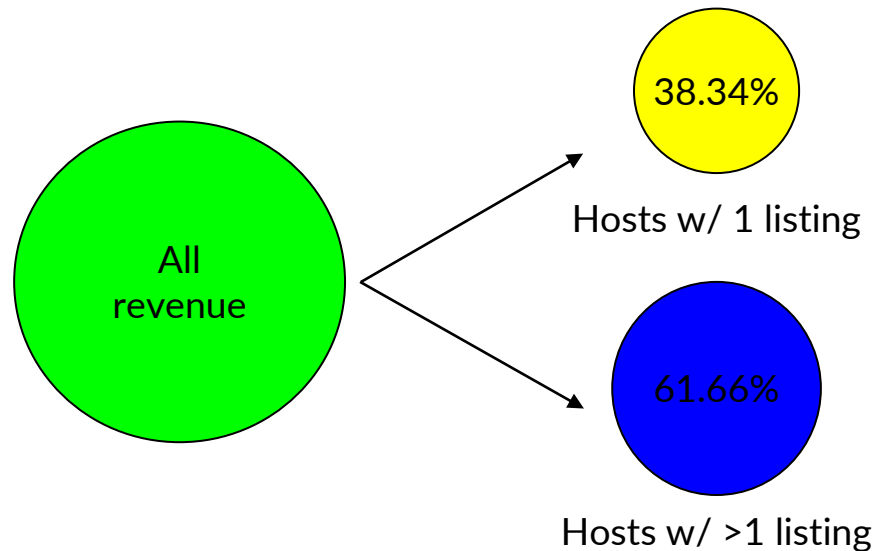
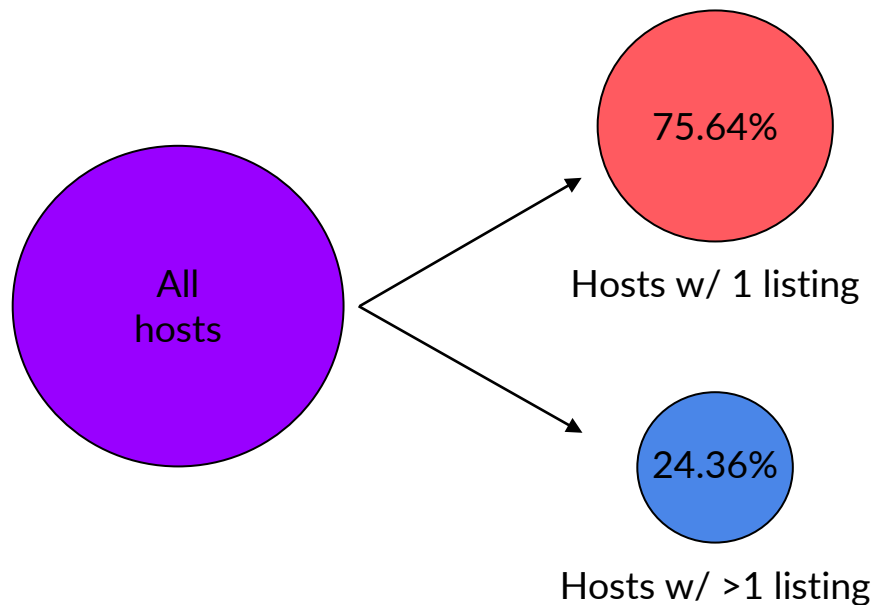
Host Type (group)	% of all Hosts	% of Total Revenue (estimated)	% of Total Listings in LA
Hosts w/ Single Listing	75.64%	38.34%	53.86%
Hosts w/ Multiple Listings	24.36%	61.66%	46.14%



Profile of Hosts

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Estimated Annual Revenue = (Price per Night) * (# of Nights Available per Year)



Profile of Hosts

Conclusion: Property owners face a strong financial incentive to rent their units on Airbnb rather than on the long-term market.

Airbnb vs Rent: City of Los Angeles

Median Contract Rent via American Community Survey (2010-2014)

Zip Code	Area	# Entire Home Listings	Average Nightly Airbnb Price	Median Contract Monthly Rent	Yearly Rent	Number of Nights Needed to Earn More on Airbnb than Renting Long Term	Incentive to Long-Term Rent vs Airbnb with Yearly Cap of:				
							30	60	90	120	180
90291	Venice	1,110	238	\$ 1,637	\$19,644	83	\$ 12,504	\$ 5,364	-\$ 1,776	-\$ 8,916	-\$ 23,196
90028	Hollywood	614	151	\$ 1,081	\$12,972	86	\$ 8,442	\$ 3,912	-\$ 618	-\$ 5,148	-\$ 14,208
90026	Echo Park/Silverlake	558	150	\$ 983	\$11,796	79	\$ 7,296	\$ 2,796	-\$ 1,704	-\$ 6,204	-\$ 15,204
90046	Mount Olympus	457	269	\$ 1,328	\$15,936	59	\$ 7,866	-\$ 204	-\$ 8,274	-\$ 16,344	-\$ 32,484
90068	Hollywood	410	218	\$ 1,371	\$16,452	75	\$ 9,912	\$ 3,372	-\$ 3,168	-\$ 9,708	-\$ 22,788
90036	Park La Brea	352	202	\$ 1,730	\$20,760	103	\$ 14,700	\$ 8,640	-\$ 2,580	-\$ 3,480	-\$ 15,600
90027	Griffith Park/Los Feliz	298	172	\$ 1,135	\$13,620	79	\$ 8,460	\$ 3,300	-\$ 1,860	-\$ 7,020	-\$ 17,340
90066	Mar Vista	255	165	\$ 1,358	\$16,296	99	\$ 11,346	\$ 6,396	\$ 1,446	-\$ 3,504	-\$ 13,404
90025	Sawtelle/West Los Angeles	206	155	\$ 1,509	\$18,108	117	\$ 13,458	\$ 8,808	\$ 4,158	-\$ 492	-\$ 9,792
90038	Hollywood	206	144	\$ 972	\$11,664	81	\$ 7,344	\$ 3,024	-\$ 1,296	-\$ 5,616	-\$ 14,256
90039	Atwater Village	203	178	\$ 1,221	\$14,652	82	\$ 9,312	\$ 3,972	-\$ 1,368	-\$ 6,708	-\$ 17,388
90048	West Beverly	181	256	\$ 1,624	\$19,488	76	\$ 11,808	\$ 4,128	-\$ 3,552	-\$ 11,232	-\$ 26,592
90017	Downtown Los Angeles	180	166	\$ 793	\$ 9,516	57	\$ 4,536	-\$ 444	-\$ 5,424	-\$ 10,404	-\$ 20,364
90292	Marina del Rey	173	269	\$ 2,000+	\$24,000	89	\$ 15,930	\$ 7,860	-\$ 210	-\$ 8,280	-\$ 24,420
90004	Hancock Park	157	152	\$ 983	\$11,796	78	\$ 7,236	\$ 2,676	-\$ 1,884	-\$ 6,444	-\$ 15,564
90029	Downtown Los Angeles	148	126	\$ 922	\$11,064	88	\$ 7,284	\$ 3,504	-\$ 276	-\$ 4,056	-\$ 11,616
90015	Downtown Los Angeles	148	187	\$ 796	\$ 9,552	51	\$ 3,942	-\$ 1,668	-\$ 7,278	-\$ 12,888	-\$ 24,108
90019	Country Club Park/Mid City	147	162	\$ 1,037	\$12,444	77	\$ 7,584	\$ 2,724	-\$ 2,136	-\$ 6,996	-\$ 16,716
90024	Westwood(y)	134	198	\$ 1,810	\$21,720	110	\$ 15,780	\$ 9,840	\$ 3,900	-\$ 2,040	-\$ 13,920
90034	Palms	133	136	\$ 1,331	\$15,972	117	\$ 11,892	\$ 7,812	\$ 3,732	-\$ 348	-\$ 8,508
90035	West Fairfax	122	187	\$ 1,585	\$19,020	102	\$ 13,410	\$ 7,800	\$ 2,190	-\$ 3,420	-\$ 14,640
90042	Highland Park	117	112	\$ 1,005	\$12,060	108	\$ 8,700	\$ 5,340	\$ 1,980	-\$ 1,380	-\$ 8,100
90065	Cypress Park/Glassell Park/Mt. Washin	105	141	\$ 1,006	\$12,072	86	\$ 7,842	\$ 3,612	-\$ 618	-\$ 4,848	-\$ 13,308
91601	North Hollywood	100	141	\$ 1,154	\$13,848	98	\$ 9,618	\$ 5,388	\$ 1,158	-\$ 3,072	-\$ 11,532

“Across all Los Angeles neighborhoods it takes an average of **just 83 nights per year to earn more on Airbnb** than can be earned in a whole year of renting to a long-term renter.”

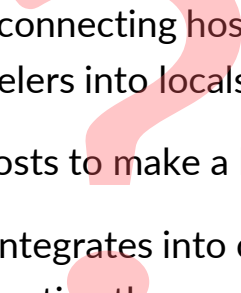
- Murray Cox, Inside Airbnb

Credit: Murray Cox, Inside Airbnb

Recap of Exploratory Analysis

- Most listings are entire homes/apartments where the host often does not live
- About half of hosts are “commercial” hosts who rent out more than one property
- Airbnb incentivizes hosts to take properties off the rental market

Airbnb, According to Airbnb

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- A means of connecting hosts and guests by inviting travelers into locals' homes
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Airbnb's Impact

Airbnb's Impact

Researchers have suggested that Airbnb does, in fact, affect local housing markets:

- In Boston, a one standard deviation increase in Airbnb prices was associated with a 0.4% increase in asking rents (Horn and Merante 2017).
- In NYC, Airbnb was estimated to reduce the supply of rental housing by 10% (BJH Advisors 2016).
- Nationally, a 1% increase in number of Airbnb listings is associated with a 0.018% increase in rents (Barron, Kung, and Proserpio 2018).

Airbnb's Impact

Applying similar logic to Los Angeles, we can estimate the impact of Airbnb:

- There are about 600,000 rental units in LA and a vacancy rate of 3.9%
- There are over 2,000 short-term rental units available on Airbnb (maximum stays of under 30 nights)
- Adding these units to the rental supply would **increase the vacancy rate by 0.3%**
 - Doing the same for medium-term listings (under 90 nights) would lead to a **0.7% increase in vacancy**

Potential Solutions

Potential Solutions - Past Attempts

West Hollywood Thinking About an Outright Ban on Airbnb

By **Bianca Barragan** | Feb 4, 2015, 10:34am PST

Malibu vacation rentals will need city permits starting January 15

Jan 12, 2021 | Jennifer Sokolowsky

Santa Monica Cracks Down On Airbnb, Bans 'Vacation Rentals' Under A Month

May 13, 2015 · 9:38 PM ET



SAM SANDERS



Potential Solutions - Past Attempts

Report: AirBnb, hosts make millions in Santa Monica from illegal listings

Kate Cagle - 4 years ago - No tags

WeHo Having a Tough Time Enforcing Short-Term Rental Restrictions

A new report says nearly two percent of all units in the city are listed on Airbnb

By **Elijah Chiland** | Jul 16, 2016, 6:00pm PDT

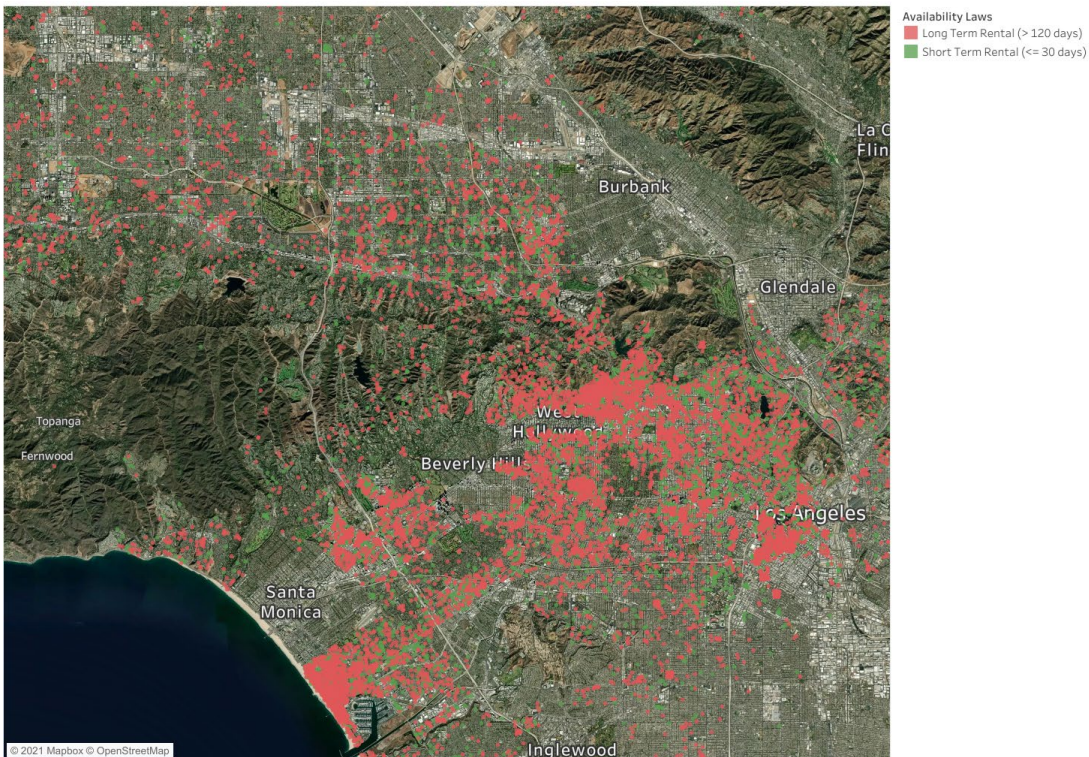
Potential Solutions - Past Attempts

Minimum Night..	Licensed	Not Licensed
<30	32.20%	19.59%
>=30	3.79%	44.42%

Filtered to the 11,989 listings that must be licensed per local regulations

Conclusion: Lack of enforcement of local rental laws allows illegal vacation rentals to persist.

Map of Airbnb Listings in Los Angeles County, Differentiated by Rental Term



Potential Solutions - Suggestions

- I. Enforcement of existing laws
- II. Market solutions

Potential Solutions - Suggestions

I. Enforcement of existing laws

- Follow Paris, Amsterdam, and Berlin's example
 - Limits on short-term rentals, charging hosts "tourist taxes," holding Airbnb liable for not cracking down on illegal listings
 - Potential downside: making it more expensive to host a property on Airbnb limits "mom and pop" hosts' ability to compete with commercial hosts
- Devote more resources to enforcing vacation rental laws and pay for it through a tax on short-term hosts
- Auction off vacation rental permits

Paris court fines Airbnb \$9.6 million for illegal listings

Romain Dillet @romaindillet / 11:07 AM PDT • July 1, 2021

 Comment

Potential Solutions - Suggestions

- I. Enforcement of existing laws
- II. Market solutions

Potential Solutions - Suggestions

II. Market solutions

- There's plenty of demand for living in and visiting California, but not enough housing supply
 - Common reasons are high cost of living, restrictive zoning, and highly localized influence over new construction
- In this light, the Airbnb problem is a symptom and not the disease

Most and Least Expensive States to Build a Home

f Cameron Huddleston
October 22, 2020 · 14 min read



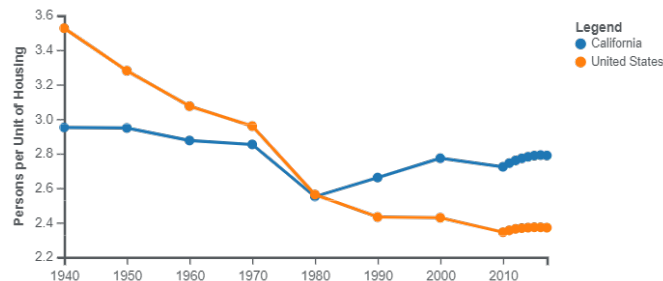
49. California

Estimated cost to build a house: \$259,726

Estimated hourly labor cost: \$21.26

California isn't far behind Hawaii when it comes to the high cost of building a home in the state. It's one of the states facing a real estate bubble, so building or buying a home might be out of reach for many because of rising prices.

Persons per housing unit since 1940



Source: Wikipedia - "California Housing Shortage"

Potential Solutions - Suggestions

II. Market solutions

Governor Newsom Signs Historic Legislation to Boost California's Housing Supply and Fight the Housing Crisis

Published: Sep 16, 2021

Governor Newsom's California Comeback Plan will lead to over 84,000 new housing units and exits from homelessness, including today's announcement of \$1.75 billion in affordable housing funding for the new California Housing Accelerator

Will it be enough?

Conclusions

A photograph of a modern, two-story white house with a swimming pool in the foreground. The house has large glass windows and a balcony. The word "Conclusions" is written in large, bold, red letters across the middle of the image.

Conclusions

- Airbnb in Los Angeles is largely not a “mom and pop” affair, but a revenue generating mechanism for a relatively small number of commercial hosts
- Given how much more profitable it is to rent out properties on Airbnb, it seems that Airbnb decreases the supply of available rental housing and likely increases rents
- Existing vacation rental laws aren’t substantially enforced to make a major difference
- California should leverage the private market to bring housing prices down by increasing supply, stripping Airbnb hosts of their ability to distort the housing market

The bottom line: any solution must balance the preferences and experience of urban planners, economists, Airbnb representatives, and local residents.

Thank you!
