

Airbnb and San Francisco

Airbnb has recently been attacked by San Francisco politicians for driving up the price of housing in the city. San Francisco has tried, and will continue to try, to ban Airbnb in various ways. Last week, [this excellent post](#) was published on Prop F—"the Airbnb law".

I recently reached out to Brian Chesky, the CEO of Airbnb, to learn more about this. I am decidedly a non-expert on this topic, but here are some thoughts from a layperson.

I met Brian in 2008, when he started Airbedandbreakfast as...an affordable housing company. He couldn't afford to pay his rent in 10 days and his credit cards were maxed out. He looked around and realized that he did have one asset he could monetize—his extra space. And eventually, Airbnb was born and the sharing economy began.

Unfortunately, a lot of other people have problems paying their rent or mortgage. 75% of Airbnb hosts in San Francisco say that their income from Airbnb helps them stay in their homes, and 60% of the Airbnb income goes to rent/mortgage and other housing expenses. Making it harder to use Airbnb in San Francisco may make it impossible for some of these hosts to afford to stay in their homes and in this city.

In 2014 (the most recent year with available data) there were about 387,000 housing units in SF. About 38% were owner-occupied, and the remaining 62% or 240,000 were rental units. About 33,000 of these were vacant, generally as a side effect of rent control laws. (I don't honestly know if rent control is a net good or bad thing—I assume more good than bad—but it certainly keeps units off the market.) [1]

In the past year, only about 340 units in SF were rented on Airbnb more than 211 nights, which is what Airbnb has calculated as the break-even point compared to long-term rental. This is less than one out of every thousand units of housing in SF. Looking at it another way, it's just over 1.1% of all *unoccupied* units.

There have been about 10,700 SF units that have rented on Airbnb in the last year (obviously a much lower number of units are actively listed at any particular time). The median number of trips per unit was 5, and mean was 13.3. The mean revenue per host was about \$13,000 per year. More than 90 percent of Airbnb hosts in SF are listing their primary residence, and making money with an extra room or their entire place when they are out of town.

The whole magic of the sharing economy is better asset utilization and thus lower prices for everyone. Home sharing makes better utilization out of a fixed asset, and by more optimally filling space it means the same number of people can use less supply. In fact, Airbnb worked with economist Tom Davidoff of the University of British Columbia and found that Airbnb has affected the price of housing in SF by less than 1% either up or down.

But in the last 5 years, the cost of housing in the city has about doubled.

The reason for this is a lot more people want to live in SF than we have housing for, and the city has been slow to approve new construction. Who is to blame for this? The same politicians that are trying to distract you with Airbnb's 340 "professionally rented" units.

What should the politicians actually be doing about the housing crunch?

The obvious answer would be to support building more housing and fixing the supply side of the equation. But instead they're doing the opposite (e.g. a moratorium on new construction in the Mission) and trying to turn Airbnb into a scapegoat.

I love San Francisco. I wish housing here were much cheaper. This is a special city and more people are going to want to live here, and more are going to want to come visit and do business with people here. Instead of trying to ban the future, we should be making it easier for middle class families to stay in the city. We can do this by building more units to push the market price of housing down and by making it easier for San Franciscans to share their homes.

[1] Selected Housing Characteristics, 2014 American Community Survey 1-Year Estimates

Disclosure: I own a significant amount of Airbnb stock.