



Policy Briefing:

## **Post-Covid-19 Tourism Recovery: Opportunities and Challenges for the Airbnb Market**

### **Executive Summary**

The main purpose of this report is for the Mayor of the Greater London Authority to provide exposition about the opportunities and challenges of the London Airbnb market based on the post-Covid-19 Tourism Recovery background. The market has been proved to have some operation trends. According to Airbnb status and relationship with nearby tourist attractions, we can reasonably describe some of the reasons why they vary in popularity, and analyse the opportunities and challenges. The quantitative analysis of the explanation of relevant tourism indicators, combined with the qualitative analysis of relevant information, will bring a more comprehensive reproducible analysis. This report finds that historical reviews still heavily impact the current properties' popularity. Meanwhile, although the density of surrounding tourist attractions does contribute to Airbnb's popularity, this effect is limited and does not result in greater popularity due to proximity to tourist attractions or more visitors there. In general, opportunities are presented as economic stimulus, sustainable housing options and improving function, while challenges are mentioned as information inequalities, slow recovery and regulation to be adopted.

# 1 Introduction

This report conveys the key arguments and policy advice on the development of the London Airbnb market in the post-Covid-recovery period in an effective way. It briefs on the tourism background and current Airbnb market conditions, analysis and discuss operation trend of Airbnb's popularity being affected. Then, opportunities and challenge's outlook are profiled accordingly. They are based on how cities can be better planned and developed, i.e. the key stakeholder perspective favoured is that of the city's planners and policymakers.

## 2 Recovery background

The UK officially eased the Covid rules in January 2022 (Walker et al, 2022), and announced the emergency pandemic since March 2020 reached its end, the whole country is preparing for a stage of comprehensive recovery.

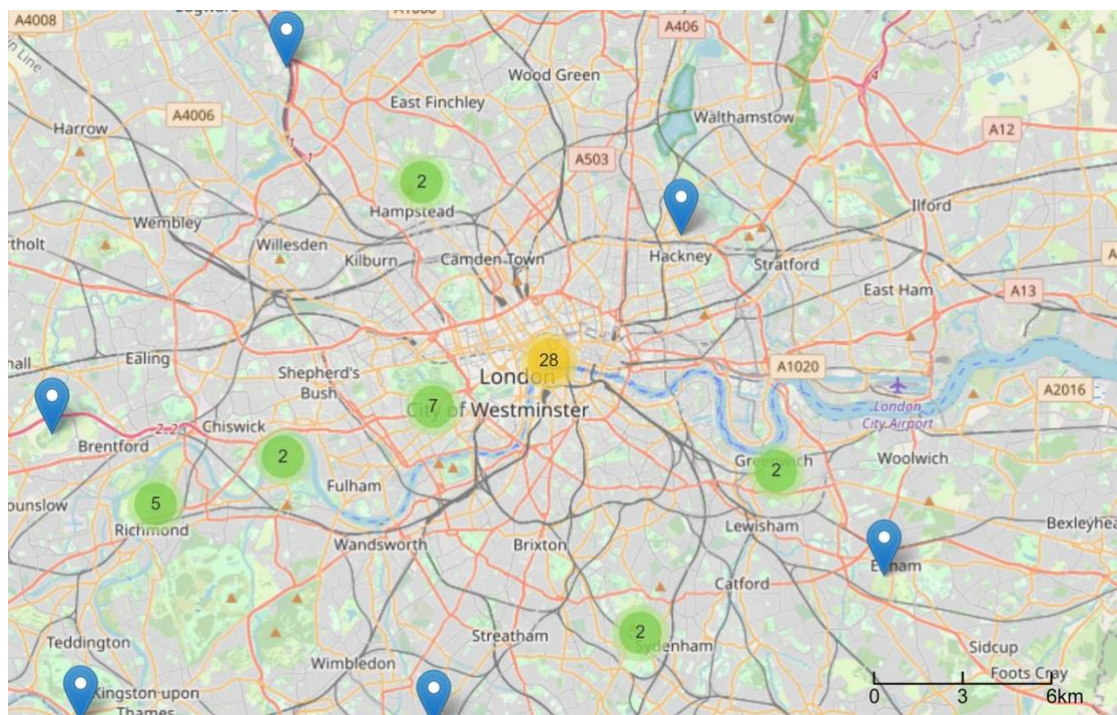
A growing interest in tourism after elimination of year-long travel restrictions is predictable. The report from Jones Lang LaSalle (2022) indicates leisure demand's resilience in the post-pandemic period plays an important role in pushing the tourism economy recovery. Even under the long-lasting slowdown of the global economy in 2022, hotel occupancy and average daily rate (ADR) presents a fast-growing trend across the world.

As the core of the British economy, London is facing unprecedented difficulties for economic recovery from pandemic. Among various economic indicators, the resilience and speed of tourism economy recovery are far greater and higher than expected, supported by the data from Office for National Statistics. The data indicates that international visitor nights in London in 2022 Q2, just after the release of Covid rules, had recovered to 90% of their level in 2019 Q2 (Rozario et al, 2022). In addition, the financial report from Heathrow Airport (2022) the revenue of 2022 nearly reached a three-times increase compared to 2021. To be sure, the potential market with the returning tourism industry is foreseeable.

However, as an important component of the tourism economy and the largest company offering short-stays and tourism service, Airbnb has generated more and more opposition. This is mainly due to a misuse of Airbnb squeezing the local housing market is commonly seen in many countries (Shabrina et al 2021). Despite a 90-day limit on Airbnb's entire house leasing has been issued in Greater London since 2017

to prevent hosts overflowing (Houst, 2022), the British government's regulation on Airbnb is still considered controversial and insufficient to alleviate the pressure from Airbnb on the overburdened rental and housing market (Pidd, 2020). Airbnb caused a long-lasting conflict between locals in tourist areas and wealthy second-home owners, such as Cornwall accounts for only 1% of the population of England but with 17% of the country's second homes (Carr & May, 2022). As a global tourism city, the phenomenon that 'outside' investors plunder local properties to convert them into holiday lets is much more serious in London.

It is undeniable that for those whose income salaries have been significantly reduced during the pandemic, leasing their own houses through Airbnb has become the main livelihood of them (Property Reporter, 2022). Airbnb is a double-edged sword with obvious downsides and benefits. With China's movement to ease Covid-19 travel restriction (Foreign Brief, 2023), a new wave of global tourism is coming. Hence in pace with the rapid recovery of the tourism industry, how to properly regulate Airbnb has become an essential and urgent issue.



**Figure 1: Tourist attractions in London**

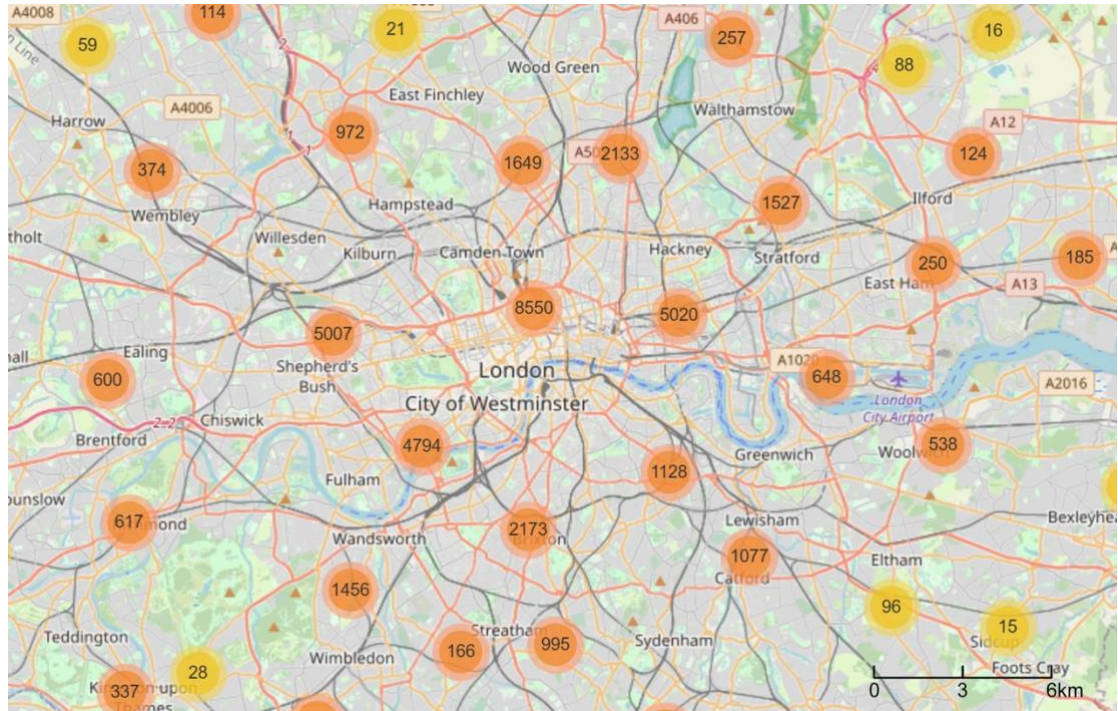
### **3 Airbnb market operation trend**

After the Covid-19 period, the Airbnb Market can be met with a complex impact of the recovery of tourism, which has had the most direct effect of bringing in a larger group of consumers. This has made the market more diverse and complex. This has led to a more diverse and complex market, and receiving more attention from stakeholders. The operation trend can be monitored and regulated in a way that helps to ensure the livelihood of both local and foreign residents.

In fact, monitoring and regulation of Airbnb has become a necessity in many cities, especially in megacities with large local and foreign populations. Berlin, for example, has once issued a short-term ban on Airbnb years ago and Airbnb hosts to require registration number Spring 2023. The potential regulation of London is partly attributable to the Airbnb's impact to others and partly to whether the development and function of Airbnb in the city is healthy and sustainable. Meanwhile, analysing the effects of external factors will help to capture relevant opportunities and reduce risks more efficiently when regulating.

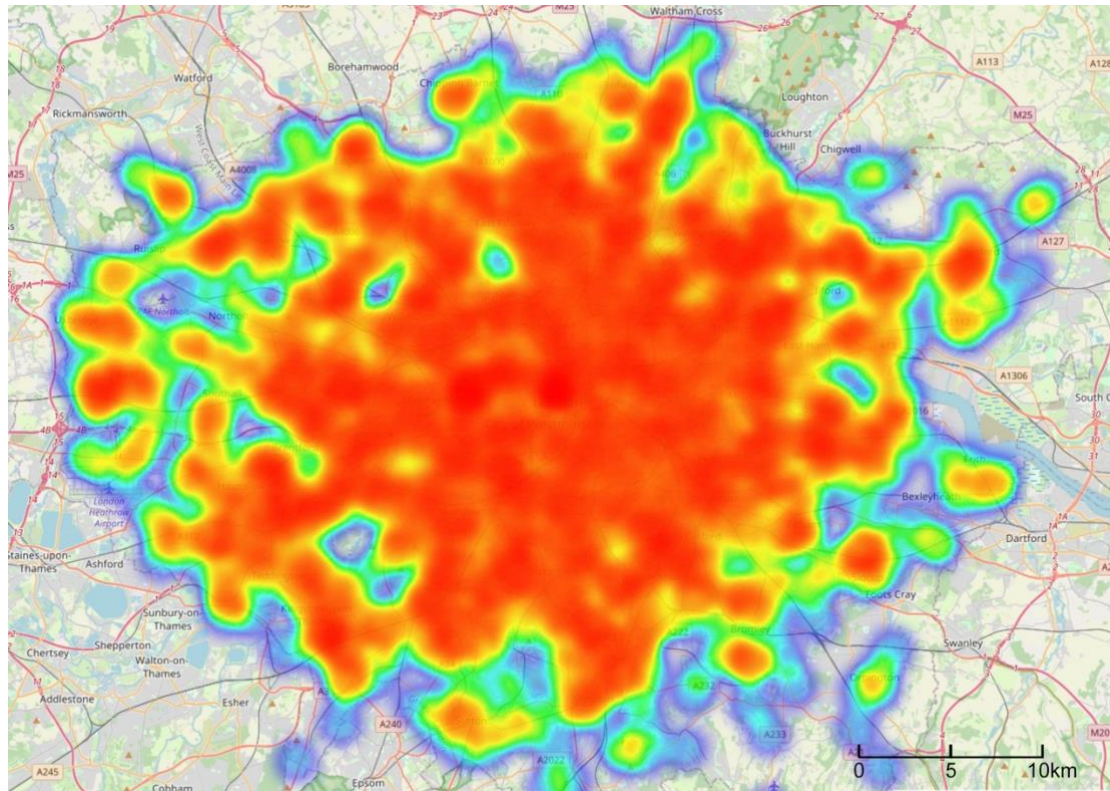
In view of this, we explored the relationship between Airbnb (existing from 2020 to 2022) and nearby tourist attractions in London. We quantitatively analysed the contribution of factors impacting Airbnb's popularity through Ordinary least squares (OLS). The Airbnb reviews in 2022 were indicated as their popularity (figure2). The result (71.6%) shows that, historical reviews heavily impact the current properties' popularity; surrounding tourist attractions counts promote their popularity, while these attractions' distance and the number of visitors means little. In addition, Airbnb popularity of is not very sensitive to its price fluctuations from 2020 to 2022.





**Figure 2 Airbnb reviews in 2022**

In detail, first, heavily impact from historical reviews remind us of the Airbnb's Immoral behaviors (figure3). It is more likely that Airbnb still pushes information for owners in an unequal way to travellers, and this is not limited to the 'favouring' of companies or group operators or the apparent presence of Ghost Hotels.



**Figure 3: Heat map for Airbnb' historical per month review**

Second, more tourist counts within 1km (15mins walking) brings more popularity to the Airbnb. This shows that the location of tourist attractions does contribute to the popularity of Airbnb to some extent. This also indicates that some of Airbnb's renters belong to the "profit-maximising" type of travelers. The position of these Airbnb is more likely to be tourist oriented, with a higher proportion of short-term rental cases expected.

Third, further distances and fewer visitors to the nearest tourist attraction correspond to a positive effect of Airbnb's popularity, which seems an anomalous phenomenon. However, from the perspective of renters, this could be interpreted as an expectation that the place of residence would be more accessible to more tourist attractions, rather than a quest to get close enough to a particular tourist attraction or that the nearest attraction is the most popular in London.

Last, the limited impact of price changes reflects the fact that the popularity of the airbnb market is not very sensitive to price changes. One possible reason for this is that the more general high rents in London (with a larger base) appear to account for less fluctuation in 2020-2022. And the effect might also be reflected on vacancies. A

further point is that just because Airbnb's popularity is insensitive to its price movements does not mean that other property types around it are insensitive to its prices. In Germany, the significantly higher rents for houses around Airbnb have been proven.

In general, inequalities in information tweeting on London Airbnb sites may still need to be regulated. Those Airbnb's that are able to reach more London destinations at the same time are of great interest to the market and they are also more likely to be of interest to stakeholders such as investors during a period of tourism recovery. While the popularity of Airbnb is minimally affected by its price during this period, it still needs to be kept in perspective.

## **4 Opportunities**

Combined with the above background and market analysis, a number of post-Covid-19 tourism recovery period opportunities can be encountered.

First, the most immediate impact of the market area and greater openness is economic. The increase in visitors will undoubtedly lead to a decrease in vacancy rates, an increase in views and an increase in rental income for London Airbnb's, which will stimulate the local economy. Particularly as London is a cosmopolitan city, visitors to London may be more inclined to experience the local living environment, which is more positive news for the London Airbnb market than for hotels.

Second, in post-Covid-19 period, people's choice of where to live may change. For example, people sometimes do not prefer to live in city centres that contain more tourist attractions and business centres to ensure a comfortable housing environment. This could be a future entry point to alleviate the over-focus and inequality of urban space use.

Third, the resumed migration of the population, while having a significant tourist interest, may be more conservative in terms of travel expenditure than before. This is an opportunity to promote affordable rental housing projects that, while meeting the needs of current travelers, also provide a future solution to the city's overpopulation of vagrants.

## **5 Challenges**

In addition to the opportunities, a number of risks and challenges have emerged during this period that still need to be noted or remain to be adjusted.

First, as some of the information inequalities from Airbnb have yet to be addressed, such as its preference of corporate or group owners, it's more likely that those powerful investors earn dividends when a new opportunity arrives. Changes in the shared ownership model could increase the gap between rich and poor locally. People on lower incomes, already suffering from inflation and rising energy costs, could face a greater financial burden.

Second, in post-Covid-19 period, both local and overseas investors have become more conservative in their investment behaviour and the limited cash flow in the market may slow down the attractiveness of the local tourism sector. This means that the recovery is in fact a limited boom, with much of the previous market 'trauma' still to be recovered.

Third, some of Airbnb's previous expansions have had a negative impact on society and economy, so it may be more effective to take early regulatory action to address investment risks than to punish and remedy them later, when it is in a better position to do so. How to facilitate the transformation of Airbnb's function in the city and the shift of profit takers is a challenge that needs to be considered now.

## **6 Conclusion and recommendations**

This report analyses the development characteristics, impact factors and operation trend of the London Airbnb market based on tourism background, describes its opportunities and challenges. According to the analysis above, first, the Airbnb popularity impacted by historical reviews tells the information inequalities, and relevant improvement measures are yet to be implemented. Second, the adaptation of Airbnb's role in the city in this context is expected to bring new solutions for sustainable housing, urban spatial inequalities and reduced displacement. Third, a full recovery of the tourism industry will likely require additional policy stimulus, and the current conservative market, while reducing market risk, is limiting the market's strengths.



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