

Airbnb and the housing crisis

Murray Cox is examining the impact of the homestay company on gentrification and vacancy rates

BY AMANDA WALDROUPE
STAFF WRITER

Murray Cox was teaching children in Brooklyn, N.Y., about maps and statistics related to gentrification when he began to think about how Airbnb might be contributing to rising rents in his area.

He wrote some code to get data for his Brooklyn neighborhood and was surprised by the large number of entire residences being rented out frequently, as opposed to single rooms within occupied homes as Airbnb marketing suggests.

That was two years ago, and today Murray Cox is the founder of Inside Airbnb, an organization that gathers data about Airbnb's rentals and listings in cities around the world, making tools available to the public so anyone can see how Airbnb is playing out in their community.

By examining this information, his organization seeks to understand how the homestay network affects cities and neighborhoods

and how the lack of regulation of Airbnb listings contributes to displacement and tight housing markets throughout the U.S.

Street Roots recently spoke with Cox to find out how Airbnb is contributing to low vacancy rates and how some cities are fighting back.

Amanda Waldroupe: *What impact does it have for someone to rent out their entire home?*

Murray Cox: If someone is renting out their house, there's a chance that they're removing that house from housing stock. There is a financial incentive to rent it out permanently. Gentrification has been around in most neighborhoods for quite some time. Airbnb is definitely part of that same problem of real estate speculation and gentrification. Airbnb is about tourism and no residents living there. It's changing the face of the neighborhood.

A.W.: *How so?*

M.C.: In Bedford-Stuyvesant, the

neighborhood I live in, I estimate that there are 500 apartments taken off the market and rented to tourists. You see people walking around with suitcases. You see businesses changing to cater for tourists. It causes neighborhoods to change. Desirable neighborhoods where there's a large amount of Airbnb rentals would be changing to cater for the influx of tourists. It might not be beneficial to the existing residents.

A.W.: *Could you give some examples?*

M.C.: There might be a lot of businesses like supermarkets, schools, the barber shop and a lot of long-term businesses that aren't trendy bars, coffee shops or wine stores. Tourists don't spend their money (at those businesses). Tourists are looking for entertainment. They'll probably go into the city. Compared to a family or residents Airbnb is displacing, tourists are spending their money widely.

A.W.: *The popularity of using Airbnb seemed to explode over the past five years. How responsible do you think the Great Recession was for creating Airbnb, which allows people to supplement their income?*

M.C.: I can speculate. The founders of Airbnb said they created it in response to the recession. I think people usually have an interest in making more income, through whatever means, through a second job or tax breaks or whatever.

Just to focus on the recession and incomes, I think, is an incomplete picture. In New York City, Airbnb recently released statistics that said about 75 percent of their community are "middle class." When you look at the data and the fine print, it says "middle income." Middle income, according to the Airbnb definition, was up to 200 percent of the area median family income (MFI), which for a single person was \$125,000 a year. That's quite a good income for a single person. So, you have to ask: Who is it benefiting? Is it benefiting homeowners? People who have resources already? If people are being displaced and people are evicting tenants, that's impacting other residents in that neighborhood who are also trying to find housing.

A.W.: *Airbnb touts itself as being part of the "sharing economy," but oftentimes, hosts will charge far more per night than market rent, which makes listing on Airbnb profitable. The data you've analyzed show, according to your website, that the "majority of*

Airbnb listings in most cities are entire homes, many of which are rented all year round – disrupting housing and communities."

M.C.: Any city needs to define what the acceptable use (of Airbnb) is. There is no way to do that because Airbnb is not transparent. There is a culture of deceit about who's using it, where they are and how they're using it. They don't want to share any data. They don't want to take any accountability. Airbnb will post listings without permits. The hosts are hidden behind Airbnb.

Even renting out private rooms can be problematic. What's stopping someone from splitting an entire apartment into multiple rooms? You turn the apartment into hotel rooms. That's important in cities that require student housing, places for young people to live. So like subleases, young people – maybe they need to live with someone who has a spare room. Most cities that are populous have very low vacancy rates. Even in places like Portland, where there are ADUs (accessible dwelling units), it's my understanding that they were built to provide housing without increasing the apartment buildings. If the homeowner suddenly turns around and wants to rent it out to tourists instead, it's not how it was intended to be used. If you allow that type of use, what's stopping someone from going further?

A.W.: *Should the rooms or homes rented out to Airbnb be considered akin to hotel rooms? Or renting a house?*

M.C.: I think they should be treated as hotel rooms, as commercial hotel rooms. That makes it very clear whether we allow this commercial activity in a neighborhood. It needs to be as commercial businesses, but regulated as residential areas. The zoning hasn't changed in that neighborhood unless cities go through that process.

A.W.: *What should cities be doing to regulate Airbnb? Which cities are doing it right?*

M.C.: I think we are in a period of deregulation right now. I think we'll move toward effective regulation in the future. The cities that are doing a better job are places like San Francisco – the Board of Supervisors came up with an ordinance a couple months ago that made it illegal to rent units without permits. It's arguable whether that's having an impact on Airbnb. For cities that agree to collect hospitality taxes and don't do anything else, the tax really just levels the playing field between the hotel industry and Airbnb. It doesn't address the disrupting of the

neighborhood, or the loss of housing and affordable housing.

A.W.: *What about placing caps on how long people can stay in a unit or how much a person is charged per night, to something close to fair-market rent if the room were on the market?*

M.C.: But how do you know when (a host has) reached the cap? The only way most cities have a route right now is having a team of data analysts responding to complaints, as well as subpoenaing Airbnb through a judge for that information. Hotels are required to share data with the regulators. I think that model is appropriate for Airbnb. These people are running a public business that should be regulated to protect consumers.

A.W.: *Portland has a vacancy rate estimated to be close to zero percent. Recently, a building was built and touted to address the crisis by offering affordable housing. Yet the entire top floor has been rented through Airbnb. What do you think is wrong with this picture?*

M.C.: Well, if there is no regulation or no enforcement that could easily happen – building new housing for housing residents and (then) the owner or even the tenant just flips it onto Airbnb (instead). If there's enough demand for tourism and people can charge more to tourists, that's what's going to happen. People are smart; they're good at making money. They'll rent out to tourists rather than residents. On Oct. 21, New York's governor signed a new law, which made it illegal to advertise entire homes if the homeowner wasn't present. That should have drastically cut those listings. I checked the data last week. It had dropped from 20,000 to 19,000. That's nothing. My conclusion is that people are trying to hide from the law. Most people don't care that this new law is in effect, even though they could be fined \$7,500. That's an example of the flouting the law, a lack of compliance and the difficulty in enforcing the laws. Landlords don't want to rent to long-term tenants, regardless of whether that's based on their own experience or the myth of the "awful tenant." To have that type of sentiment is devastating for communities.

