



# Short-Term Rentals and L.A.'s Lost Housing



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Roy Samaan | 24 August 2015

In March 2015, the Los Angeles Alliance for a New Economy (LAANE) released *Airbnb, Rising Rent, and the Housing Crisis in Los Angeles*. That report, based on data gathered in October 2014, found that Airbnb listings were dominated by commercial operations and were exacerbating the lack of affordable rental units in L.A.'s already tight housing market.<sup>1</sup>

The goal of this reassessment is to determine how the size and scope of the short-term rental (STR) industry has changed over the last nine months. This policy brief examines listing information from a broad range of STR operators alongside new Airbnb data. Combining these data sources allows for an examination of how Airbnb's internal composition has changed over the last nine months and allows for the creation of a more refined snapshot of the Los Angeles STR industry.<sup>2</sup>

### Estimated scope of short-term rental industry has more than doubled

The short-term rental industry is more than twice as big as previously estimated, with a combined 23,268 units spread across 19 different platforms. Airbnb remains the largest player, with 65 percent of all short-term rental units in Los Angeles County. Their 15,031 listings represent a 32 percent increase from October 2014 to July 2015.<sup>3</sup>

Three well-established, national companies make up the next tier of Los Angeles' STR market. Combined, Vacation Rentals by Owner (VRBO), HomeAway, and the Trip Advisor-owned FlipKey advertise an additional 6,295 unique units, representing 27 percent of the Los Angeles STR market. Fifteen other smaller companies have a combined total of 1,941 unique listings, representing eight percent of the market.

Sixteen of the 18 non-Airbnb companies, including the three biggest, aggregate their listings through a website called tripping.com, which functions in much the same way Kayak does for hotels.<sup>4</sup> In recent months, tourist industry websites Expedia and Hotels.com have also begun advertising short-term rentals, another indicator the short-term rental industry has moved beyond leasing out a spare bedroom or couch. These data are summarized in Table 1.

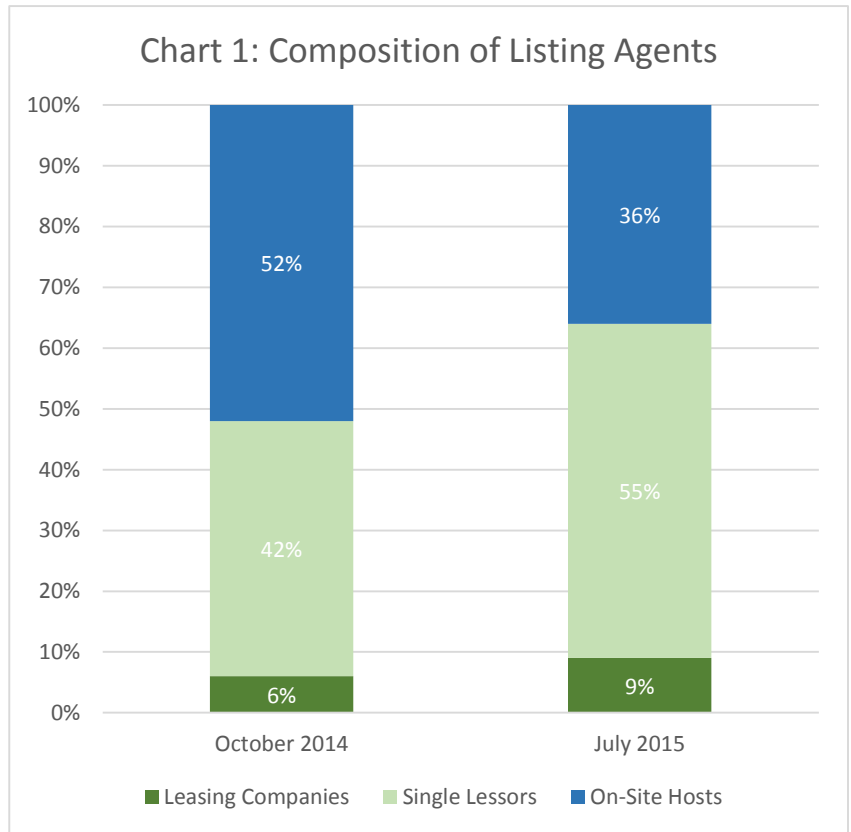
Table 1: Total Unique Listings and Market Share for Los Angeles STR Operators

STR Company	Unique Listings	Share of L.A.'s STR Market
<b>Airbnb</b>	<b>15,031</b>	<b>64.6%</b>
<b>Major Competitors</b>	<b>6,295</b>	<b>27.1%</b>
<i>VRBO</i>	2,286	9.8%
<i>HomeAway</i>	2,275	9.8%
<i>FlipKey</i>	1,734	7.5%
<b>Tourist Industry Sites</b>	<b>449</b>	<b>1.9%</b>
<i>Expedia</i>	355	1.5%
<i>Hotels.com</i>	94	0.4%
<b>Other Sites</b>	<b>1,492</b>	<b>6.4%</b>
<i>Roomorama</i>	355	1.5%
<i>Booking</i>	349	1.5%
<i>Wimdu</i>	190	0.8%
<i>9Flats</i>	129	0.6%
<i>TravelMob</i>	117	0.5%
<i>HomeStay</i>	112	0.5%
<i>Perfect Places</i>	95	0.4%
<i>Cities Reference</i>	56	0.2%
<i>VacationRentalPeople</i>	39	0.2%
<i>StopSleepGo</i>	34	0.2%
<i>Bed Y Casa</i>	16	0.2%
<i>Migoa</i>	-	-
<i>Way to Stay</i>	-	-
<b>Total STR Listings</b>	<b>23,268</b>	<b>100%</b>

## Commercial lessors continue to dominate Airbnb revenue generation

The March analysis of October Airbnb data identified three categories of hosts (listing agents): leasing companies, with two or more whole units; single lessors, who rent out whole units; and on-site hosts, with shared space. At the time, we found that six percent of Airbnb listing agents were leasing companies, responsible for generating 35 percent of Airbnb’s Los Angeles revenue, while 48 percent of listing agents (single lessors and leasing companies) generated 89 percent of Airbnb revenue.<sup>5</sup>

Since March, leasing companies have come under increased scrutiny. In April 2015, activists staged a protest in front of the offices of the largest identified operator, Globe Homes and Condos. Following this protest, Airbnb removed many of the largest commercial lessors from the site, Globe included.<sup>6</sup> As Sebastian de Kleer, Globe Homes’ founder, speculated to the Los Angeles Times, “[i]t doesn't match their PR story to have professionals on their platform.”<sup>7</sup> Notwithstanding the high profile purge, the number of leasing companies on Airbnb actually grew from six to nine percent of all listing agents and from 35 to 37 percent of all revenue between October 2014 and July 2015.



The percentage of on-site hosts has also declined sharply between October 2014 and July 2015. Airbnb regularly implies that the majority of its listings are shared spaces. In October, this claim was consistent with the data (52 percent of hosts

were on-site), though misleading (they generated just 11 percent of Los Angeles revenue). That is no longer true. As of July 2015 just 36 percent of listing agents were on-site, and only 16 percent of Airbnb revenue derives from these listings.

**JACK ERICKSON**

*"After going through an ugly eviction process with my last long-term tenant, I realized that it wasn't worth the risk. Working with Abbot Pacific has allowed me to retain control of my property while still being able to generate consistent income."*

VENICE BEACH, CA

In some ways, commercial lessors have become more brazen. Under the pseudonym “Shawn and Sal,” Abbot Pacific advertises nine commercial units on Airbnb.<sup>8</sup> On their website, Abbot writes “[y]our income property is just that – yours. Our system allows you to block out time to enjoy your asset. **You are not restricted by tenant friendly housing laws,** forcing owners to give up property rights to their homes when renting... Regain control of your property with Abbot Pacific.”<sup>9</sup> Abbot’s site addresses the role of evictions as part of the shift to the STR market. The company’s testimonial page features landlord Jack Erickson who notes that “[a]fter going through an ugly eviction process with my last long-term

tenant, I realized that it wasn't worth the risk. Working with Abbot Pacific has allowed me to retain control of my property while still being able to generate consistent income."<sup>10</sup>

### **Commercial Airbnb activity costs Los Angeles renters more than \$464 million annually**

Airbnb and its supporters have argued “the Airbnb platform can offer middle-class households help in overcoming a significant portion of the squeeze caused by stagnant incomes.”<sup>11</sup> In June 2015, the company released a study that purported to quantify this effect. The argument is a real one, though the report is flawed. The report claims the “typical” Airbnb host in Los Angeles earns \$7,920 per year through home sharing. They derive this number by lumping all listings together and taking an average.

*The \$64 million in revenue generated by commercial Airbnb operators this year has cost L.A. renters more than \$464 million.*

After separating out commercial operations, there are 3,896 on-site hosts who are doing what might be described as home sharing. Over a 12 month period they will generate an estimated \$12.6 million in revenue, or \$3,244 each per year.<sup>12</sup> This is a true benefit to home sharers, though far less than Airbnb claims. Airbnb's per-host revenue figure may be more than double this estimate because it includes the \$64 million generated by commercial operators. These revenues do not accrue to home sharers, but to commercial lessors. Their gains depend on removing housing from the rental market, and therefore must be weighed against the increased rental costs every other Los Angeles renter must bear.

A different Airbnb-commissioned analysis helps evaluate those costs. University of British Columbia Professor Thomas Davidoff analyzed data provided by Airbnb and found that the company removed sufficient housing stock from the San Francisco housing market to add between \$19 and \$76 to the average monthly rent.<sup>13</sup> In news articles, Airbnb noted this study showed the company's effect on rental rates was slight, and indeed, our March report suggested the costs were much greater. Nonetheless, even this “slight” increase may have a major effect on the city's economy. If we apply the median rent increase set forth in Davidoff's study to the 814,305 renter-occupied households in the City of Los Angeles, we find that the \$64.1 million in revenue generated by commercial Airbnb lessors this year has cost Los Angeles renters more than \$464 million.<sup>14</sup>

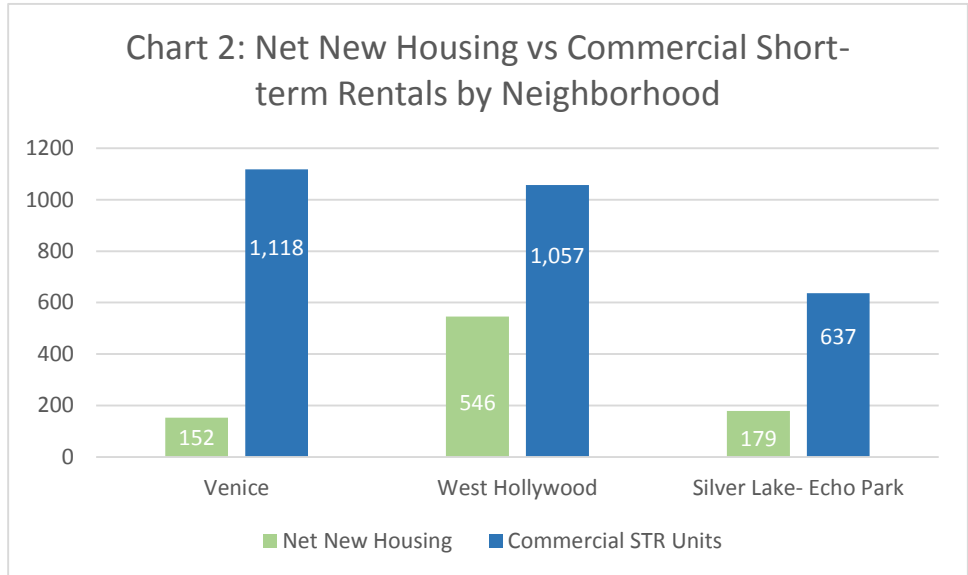
### **Short-term rentals cost L.A. renters 11 units per day, account for 63 percent of new housing construction**

The March report noted the increase in rental rates across the region, and especially in Airbnb's top neighborhoods. This new time-series analysis makes it possible to quantify the lost housing supply that is likely contributing to the increase in rental prices in Los Angeles. By examining only the commercial listings (whole units) added to the market over the past nine months, we estimate that short-term rental listings have cost Los Angeles 11 units of housing per day.<sup>15</sup>

Adding new housing stock to the market is an essential part of solving the housing crisis, and housing construction is up throughout Southern California. However, the number of new housing units added to the Los Angeles housing market over the past four years barely keeps up with the housing removed from the market by short-term rental companies.

According to the Los Angeles Department of City Planning's *2014 Growth and Infrastructure Report*, 17,453 net new housing units were added to the L.A. housing market between 2010 and 2014.<sup>16</sup> The 10,934 commercial units advertised by the STR industry represent 63 percent of new housing construction in the entire City of Los Angeles over a four year period, a time span roughly coinciding with the introduction and growth of the Los Angeles short-term rental industry.<sup>17</sup>

A focus on top Airbnb neighborhoods shows that efforts to ameliorate the housing affordability crisis in the hardest hit neighborhoods are nullified by rapid growth in the number of commercial short-term rentals. In the City of West Hollywood, the number of commercial STRs is double the number of net new housing units added.<sup>18</sup> In Silver Lake and Echo Park, the number of commercial STRs is about four times the number of net new housing units added to the market. In Venice, the number of commercial STRs is equal to seven times the number of net new housing units. Building a path out of the housing crisis in Los Angeles is doomed to fail if commercial STR growth continues to undermine new housing construction at these rates.



### Short-term rentals spreading to new neighborhoods

In the October dataset, the top ten STR neighborhoods accounted for more than half of Airbnb’s listings and 75 percent of Airbnb’s revenue in Los Angeles County. Those same neighborhoods remain the top performers for Airbnb in July. However, the industry’s fastest growth has occurred in surrounding neighborhoods. As of July 2015, the number of commercial units in the top 10 neighborhoods grew by 19 percent, below the company’s 32 percent overall regional growth rate.<sup>19</sup> Only two of these neighborhoods surpassed that regional average, while three actually saw a decline in the number of units on the STR market.

Table 2: Commercial Growth in Top Ten Airbnb Neighborhoods

Neighborhood	Commercial STR Units	Percent Change Commercial Units
Venice	1,118	27%
Hollywood	714	11%
Santa Monica	524	-3%
West Hollywood	440	-14%
Hollywood Hills	358	-21%
Silver Lake	354	12%
Downtown	309	15%
Echo Park	283	23%
Mid-Wilshire	257	78%
Los Feliz	218	60%

It appears growth is occurring in areas not yet saturated with short-term listings. As shown in Table 2, the only top 10 neighborhoods to see above average growth were Mid-Wilshire (9<sup>th</sup>) and Los Feliz (10<sup>th</sup>), where commercial units increased by 78 percent and 60 percent, respectively. Other neighborhoods experiencing major growth in commercial STRs include Beverly Grove (+61 percent), Mar Vista (+59 percent), and Studio City (+48 percent). These neighborhoods also happen to be adjacent to the top three Airbnb neighborhoods, Venice, Santa Monica, and Hollywood.

The three neighborhoods that saw declines—West Hollywood, the Hollywood Hills, and Santa Monica—have all been subject to regulation or unusual attention. Santa Monica and West

Hollywood both recently passed regulations on STRs. These declines are small, reflecting incipient enforcement efforts, but the effects of public discussion and political action are likely being felt. The Hollywood Hills also saw a decline, possibly reflecting the negative publicity generated by a high profile press account in which neighbors were “outraged by lewd behavior at [a] Hollywood Hills Airbnb campsite.”<sup>20</sup>

### **Pressing need for intervention**

This updated analysis has shown that the short-term rental industry has grown significantly over the last nine months, that its scope is far larger than previous estimates, and that growth has occurred most quickly in new areas. All this growth has undermined efforts to build new housing to meet current market demand, especially in areas with the highest concentrations of short-term rentals. It is critical to adopt regulations that foster sharing but protect housing from the commercial operations that dominate the STR market.

## Endnotes

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<sup>1</sup> Samaan, Roy. *Airbnb, Rising Rent, and the Affordable Housing Crisis in Los Angeles*. Los Angeles Alliance for a New Economy. 11 March 2015. <http://laane.org/airbnb-report>.

<sup>2</sup> It should be noted that all conclusions drawn throughout this assessment are based on the best-available publicly-accessible data sources. To date, no Los Angeles STR operators have released data that would allow for an independent verification of their claims.

<sup>3</sup> The October data were drawn using publically available code from Airbnb's public-facing site on October 17, 2014. The July data are from July 28, 2015. There were 284 days between October 17, 2014 and July 28, 2015.

<sup>4</sup> These numbers are net of an estimated 22% duplication rate. The total numbers for Tripping are 9,984, and we have adjusted downward based on a check of 65 randomly selected Airbnb listings, 14 of which were found to have also been listed on Tripping-aggregated sites. The numbers in the text and in Table 1 reflect unique listings, after adjusting for 22% duplication between platforms. Our survey found no examples of shared-space Airbnb listings cross-advertised on other platforms.

<sup>5</sup> Samaan, *Airbnb*, 2015.

<sup>6</sup> Globe Homes did not cease operations. The company maintains its own site and lists 70 STR units in L.A. on VRBO [www.vrbo.com/my/6e7185ab-1322-4463-ab2d-2b3ec2034aa7/usa/california/los-angeles-county](http://www.vrbo.com/my/6e7185ab-1322-4463-ab2d-2b3ec2034aa7/usa/california/los-angeles-county).

<sup>7</sup> Alpert Reyes, Emily, and Tim Logan. "Airbnb cuts ties with vacation-rental firms in Los Angeles." *Los Angeles Times*. 3 April 2015.

<sup>8</sup> Airbnb Host Profile for "Shawn and Sal" <https://www.airbnb.com/users/show/4265938>

<sup>9</sup> Abbot Pacific website, [http://www.abbotpacific.com/?page\\_id=2518](http://www.abbotpacific.com/?page_id=2518) (emphasis added).

<sup>10</sup> Abbot Pacific website, [http://www.abbotpacific.com/?page\\_id=2625](http://www.abbotpacific.com/?page_id=2625).

<sup>11</sup> Sperling, Gene. *How Airbnb Combats Middle Class Income Stagnation*. Airbnb, 21 June 2015.

<sup>12</sup> The marginal difference in revenue generated by Airbnb between October 2014 and July 2015 is \$59.7 million, which leads to current annualized revenue of \$76,787,801. (See March report for detailed methodology on revenue calculation.) The 3,896 on-site hosts account for 16.5% of revenue: \$12,639,272—or \$3,244 per person. (Of course, as with averages, some hosts will make more and some will make less.)

<sup>13</sup> Davidoff analysis as described in Kusisto, Laura. "Airbnb Pushes Up Apartment Rents Slightly, Study Says." *Wall Street Journal*. 20 March 2015. Data and methodology are not publicly available. As reported in the article, the range depends on the percentage of Airbnb's listings assumed to be commercial.

<sup>14</sup> United States Census Bureau. *Housing Characteristics 2010*. October 2011. <https://www.census.gov/prod/cen2010/briefs/c2010br-07.pdf>

<sup>15</sup> From October 2014 to July 2015, whole units advertised on Airbnb grew from 7,316 to 9,054, a 23.8% increase. Over 284 days, the additional 1,738 units is equivalent to 6.1 units of housing daily. Absent an October 2014 baseline for the 18 non-Airbnb platforms, we assume the same rate of growth (as Airbnb) and therefore calculate a marginal increase of 1,298 whole units since October, leading to the July 2015 observation of 6,741 total whole units. This is equivalent to 4.6 units of housing removed daily. Between all platforms, 10.7 units of housing are removed daily. (Although other short-term rental operators do not list as many total units as Airbnb, a higher proportion of their listings are entire homes or apartments.)

<sup>16</sup> Los Angeles Department of City Planning. *2014 Growth and Infrastructure Report*. 7 November 2014. The *2014 Growth and Infrastructure Report* uses the 2010 Census as its baseline and is current through July 1, 2014

[http://planning.lacity.org/PolicyInitiatives/GrowthandInfrastructure/GIReport\\_2014.pdf](http://planning.lacity.org/PolicyInitiatives/GrowthandInfrastructure/GIReport_2014.pdf)

<sup>17</sup> 7,107 whole units (houses and apartments) advertised on Airbnb in July 2015. Assuming Airbnb accounts for 65% of the market, we calculate an additional 3,827 whole units on all other platforms, for a total of 10,934 commercial listings in Los Angeles City. This is a conservative calculation, as the 18 non-Airbnb platforms have a significantly higher percentage of whole unit listings than does Airbnb.

<sup>18</sup> Staff. "WeHo Sees Biggest Population, Housing Increases in Five Years." *Weherville*. 4 May 2015. Web.

<http://www.weherville.com/2015/05/04/weho-sees-biggest-population-housing-increase-in-five-years>. Note that West Hollywood's figures cover a five year rather than four year period, and that non-Airbnb commercial STRs are included in this count. Net new housing indicates newly constructed housing minus newly destroyed housing.

<sup>19</sup> This includes both commercial and shared listings.

<sup>20</sup> Powell, Amy. "Neighbors Outraged by Lewd Behavior at Hollywood Hills Airbnb Campsite." *ABC7 Los Angeles*. 21 August 2015.

<http://abc7.com/news/neighbors-outraged-by-lewd-behavior-at-hollywood-hills-airbnb-campsite-/825159>.