



**Economics and Industry Standing Committee
Legislative Assembly of Western Australia**

Inquiry into Short-Stay Accommodation

Airbnb Submission

Thank you for the opportunity to comment on the Inquiry into Short-Stay Accommodation.

Executive Summary

- Airbnb's community continues to support the growth of the visitor economy in Western Australia, providing more choice of accommodation for consumers in more locations across a variety of price points.
- In the past twelve months to 1st January 2019, our Homes community welcomed over 594,000 guests across the state — both domestic and international travellers.
- Airbnb's community is an important contributor to the Western Australian economy. The latest research shows that in one year alone, Airbnb guests who stayed in Western Australia spent \$155.1 million, which supported 780 jobs and contributed \$99.7 million to Gross State Product.
- Airbnb supports an overhaul of the planning framework for home sharing in Western Australia, with preference given to a clear, consistent statewide rules.
- Airbnb supports a bifurcated approach that provides little or no regulatory impacts, such as planning approvals, on a host's primary place of residence and provides a light-touch regulatory approach to non-primary places of residence, such as a holiday home.
- Airbnb supports an innovative model for how to regulate home sharing in strata communities and strike the right

balance between managing behavioural and amenity concerns and supporting hosts to share their homes responsibly and respectfully.

- Airbnb supports the development of an industry-wide Code of Conduct in Western Australia that is fair, reasonable, and representative to ensure best practice and community standards.

About Airbnb

Founded in 2008, Airbnb's mission is to create a world where people can belong through healthy travel that is local, authentic, diverse, inclusive and sustainable. Airbnb uniquely leverages technology to economically empower millions of people around the world to unlock and monetise their spaces, passions and talents to become hospitality entrepreneurs. Airbnb's accommodation marketplace provides access to 5+ million unique places to stay in more than 81,000 cities and 191 countries. With Experiences, Airbnb offers unprecedented access to local communities and interests through 20,000 unique, handcrafted activities run by hosts across 1,000+ markets around the world. Airbnb's people-to-people platform benefits all its stakeholders, including hosts, guests, employees and the communities in which it operates.

The Airbnb community in Western Australia

Airbnb has continued to grow into a significant presence in Western Australia, and it plays an increasingly vital role in the visitor economy. The Airbnb Homes platform is used by a broad spectrum of hosts, ranging from people who make extra income from sharing space in their own homes, to the long established holiday letting industry, and even to traditional accommodation providers who increasingly list their businesses on our platform. The Airbnb Experiences platform is used by hosts who are creatives, artisans, and small businesses as an online platform to share their passion with the world and unlock their time and potential to create new economic activity.

We have a large community of people across Western Australia for whom sharing their home is now part of their lifestyle. The sharing

economy helps to build resilient communities where locals can create supplemental income, and robust economies that are supported by increased visitation and spending by Airbnb guests — often in areas that do not traditionally benefit from the tourism dollar. This is especially important in regional communities which may not have adequate traditional accommodation infrastructure to support the visitor economy, or may not be able to attract investment to build new accommodation to grow the visitor economy.

In the past twelve months to 1st January 2019, our Homes community welcomed over 594,000 guests across the state — both domestic and international travellers. There are currently 12,500 active Airbnb listings in Western Australia, and over the past twelve months a typical Airbnb host in Western Australia earned \$7,600 from sharing their spare space for less than 50 nights per year, supporting hosts with supplemental income. 67 per cent of hosts in Western Australia are women and the average host age is 49, with more than 23 per cent of hosts aged 60 or older.

According to Airbnb's 2017 host community impact survey, 49 per cent of hosts in Western Australia report that hosting helps to afford staying in their home, with 31 per cent reporting that host earnings go towards paying the cost of housing (mortgage or rent payments).

Airbnb's contribution to the Western Australian economy

The growth and mainstream adoption of the sharing economy is leading to fundamental changes in how people travel and experience destinations, opening up possibilities to build a robust and resilient visitor economy. These trends are resulting in increased travel, increased spending, and increased engagement with different parts of cities and the regions than visitors have typically visited historically, and in the process supporting cafes, restaurants, hotels, retail and other small businesses. In Western Australia, approximately two-thirds of all listings are outside Perth and 72 per cent of all inbound guest arrivals occurred outside the state's capital.

Airbnb's community is an important contributor to the Western Australian economy. A recent report by Deloitte Access Economics — Economic Effects of Airbnb in Australia : Western Australia — found that in 2015-2016 Airbnb guests who stayed in Western Australia spent \$155.1 million, which supported 780 jobs, including 180 jobs in areas outside Perth, in brick-and-mortar businesses such as cafes, restaurants, and retailers, and contributed \$99.7 million to Gross State Product.¹ Restaurants and retail are far and away the biggest employers in the local tourism industry. In 2016-17 they employed more than 29,800 employees in Western Australia, or 42% of all tourism jobs, and nearly three times more than those employed in accommodation.² Airbnb guests spending alone on food and shopping in 2015-2016 equated to more than \$82.8 million, with 53 cents out of every dollar an Airbnb guest spends going directly into local cafes, restaurants, pubs, and shops. We expect these contributions to the Western Australian economy to have increased since the publication of the report by Deloitte Access Economics.

In addition to visitor spending, the home sharing economy is supporting the growth of ancillary services — such as domestic cleaning and property management — facilitated by Airbnb hosts who prefer to engage professional services to manage their listings and bookings.

Airbnb supporting Western Australian Government policy

At a time when tourism is struggling in Western Australia, Airbnb can help grow and future-proof the industry as evidenced by other experience of other states — such as South Australia and Tasmania — which have adopted innovative home sharing rules which are detailed below in this submission.

¹ Deloitte Access Economics 2017, Economic Effects of Airbnb in Australia, pp. 55-57.

² <https://www.tourism.wa.gov.au/Publications%20Library/Research%20and%20reports/Economic%20Contribution%20of%20Tourism%20to%20Western%20Australia%202016-17.pdf>, p.5.

Airbnb and our host community are strongly positioned to support the Western Australian Government's policy objectives and support the vision set out in Tourism Western Australia's Two-Year Action Plan to "drive increased share of leisure and business events markets for Western Australia". The focus on "promoting Perth as an affordable, vibrant destination close to Nature" aligns with Airbnb's ability to offer accommodation variety across a diverse range of price points available to travellers, especially for families who often desire a broad range of amenities available in a host's home. According to Airbnb's 2016 guest community impact survey, nearly 1 in 3 (28 per cent) guests who stayed with a host in Western Australia reported that they would not have traveled or not have stayed as long without Airbnb. Moreover, 100 per cent of guests reported that the amenities provided by Airbnb hosts was an important factor in choosing to stay in an Airbnb, helping to meet consumer demand for home sharing and the accommodation options provided by Airbnb hosts.

The ambition to attract "more people to regional Western Australia" is an area where Airbnb's community of hosts and our technology provide opportunity to support the Government's policy of aims of "promoting Western Australia's unique and compelling regions" and "promoting, hosting and developing regional events". Airbnb's proven track record in providing accommodation for major events supports the Government's aims to attract events across the state. Without the cost or delay of having to build new accommodation, Airbnb supports the visitor economy in cities and regional communities to better manage significant surges in demand for accommodation, such as during major construction or infrastructure projects or during major events.

Airbnb provides an online tool for event organisers³ to provide more accommodation options in more locations for event participants, which can help both event organisers and towns and cities manage influxes of visitors during those times. Already, Airbnb has partnered with major events across Australia, including the Sydney Festival and the Adelaide

³ <https://www.airbnb.com.au/events>.

Fringe Festival, to provide accommodation during significant surges in demand. An example of this elastic supply of accommodation is the 2016 Olympic Games held in Rio de Janeiro. The World Economic Forum found that Rio de Janeiro would have needed to have built more than 257 hotels to accommodate the 85,000 visitors who stayed with Airbnb during the 2016 Olympics. The report found that the “‘elastic supply’ that home sharing can provide offers significant benefits not only in terms of accommodation for visitors, but also in terms of material and emissions savings”.⁴ Harnessing under-utilised space in homes can help build resilient cities that are more responsive to change and which promote sustainable tourism.

The forms and regulatory status of short-stay accommodation providers in regional and metropolitan Western Australia, including existing powers available to local government authorities.

Currently, the regulatory framework for home sharing is a confusing and outdated patchwork of rules that vary from local government area to local government area, and there is a clear need for reform to provide clarity and consistency across Western Australia. These complex rules have not kept pace with innovation, the way people want to travel and use their homes today, and the growth of the digital economy, and as such pose a significant barrier to the future growth of home sharing and the benefits that it brings to hosts, consumers, and the economic value and jobs supported in communities across the state.

The current regulatory framework presents challenges for everyday people and families who wish to share their homes. Anecdotal evidence supports the confusion Airbnb hosts experience with onerous and complex regulatory expectations from local councils or roadblocks from owners corporations. Media reporting of these issues provide examples of hosts who have been threatened with fines whilst others have turned to hiring lawyers costing thousands of dollars to defend their right to share their home against overreach by their strata bodies.

⁴ World Economic Forum 2016, Understanding the Sharing Economy, p.5.

Airbnb recommends that the Committee consider an overhaul of the planning framework for home sharing in Western Australia, with preference given to a clear, consistent statewide regulatory framework. Such an approach would be consistent with the modern, innovative reforms enacted in South Australia, Tasmania, Victoria, and New South Wales to create fit-for-purpose regulatory frameworks that protect the right for people to responsibly and respectfully share their homes.

Airbnb recommends that the Committee consider the policy benefits of a bifurcated approach that provides little or no regulatory hurdles to home sharing for a host's primary place of residence, and provides a light-touch regulatory approach to non-primary places of residence, such as a holiday home, to allow West Australians to continue to enjoy the benefits of holidaying up and down the coast in holiday homes — as they have for decades. The opportunities presented by the growing home sharing economy, supported by a regulatory framework that embraces innovation and the home sharing economy, can play a significant role in building accommodation supply to support the visitor economy of the future whilst developing a stronger, more robust tourism sector.

With regards to strata properties, Airbnb understands the need to address the local nuances of strata communities. What is also clear is that our hosting community in Western Australia rely upon their ability to share their home as an economic lifeline, irrespective of whether that home is a house, an apartment, or a townhouse.

As such, Airbnb strongly believes that the power for an owners corporation to blanket ban short-stay accommodation would be unfair. A clear framework that enshrines the right to share your home responsibly and respectfully — whether that be a house, apartment, or townhouse — would ensure that the benefits of innovation and the home sharing economy can be maximised and realised by all citizens of Western Australia.

At the same time, a framework that empowers strata communities to address amenity issues — whether those be managing the behaviour of guests or revenue sharing — would ensure that local nuances are respected and the benefits of home sharing preserved and magnified. Whether the person is an owner-occupier, tenant, or guest, by-laws that set expectations around behaviour should be respected and enforced. Airbnb has developed the Friendly Buildings Program (FBP)⁵ based on the principles of increased transparency and greater control to provide an organised way to manage home sharing. The FBP is designed to help communities in apartment buildings or with shared common-areas, such as strata properties, to manage home sharing by being able to set clear expectations and rules for hosts and guests, understand the home sharing activity in their building, and provide avenues for dealing with instances of behaviour.

We believe that home sharers should also be good neighbours and we take the issues of managing bad actors seriously. This is why we are eager to work with governments and communities on policies that address amenity concerns, and have supported frameworks that deal with irresponsible behaviour and bad actors on a “three-strikes-and-you’re-out” basis through a transparent process which is fair for all parties. Airbnb is supportive of a targeted approach to address behavioural issues, as well as continuing our educational initiatives which encourage responsible hosting.

For example, in Victoria Airbnb has supported legislation introduced by the Victorian Government in 2016⁶ and passed by the Parliament of Victoria in 2018 to address community and amenity concerns and establish a “three-strikes-and-you’re-out” compliance framework to punish bad actors.⁷ Further, we have actively partnered with the

⁵ <https://multifamily.withairbnb.com/buildings/friendly-buildings-program.html>.

⁶ <https://www.airbnbcitizen.com/airbnb-welcomes-new-rules-in-victoria-to-stamp-out-party-houses/>.

⁷ <https://www.airbnbcitizen.com/airbnb-welcomes-the-passage-of-the-victorian-governments-fair-home-sharing-rules/>.

Victorian Government to promote awareness of this legislation with our community through host information events and electronic communications.

Airbnb has also supported moves by the NSW Government to establish an industry-wide, mandatory Code of Conduct framework to manage complaints and behavioural issues. This Code of Conduct aims to ensure high community standards are met with a “two-strikes-and-you’re-out for five years” compliance framework designed to take action where required against bad actors whose actions are detrimental to communities.

In both NSW and Victoria, these frameworks are designed to preserve the rights of hosts to share their homes responsibly and respectfully, whilst also providing recourse for the community who may be affected by isolated instances of bad behaviour. Airbnb recommends that the Committee investigate the development of an industry-wide Code of Conduct in Western Australia that is fair, reasonable, and representative to ensure best practice and community standards. The Committee could consider the strata reforms enacted by the NSW Government as a model for how to innovatively regulate home sharing in strata communities and strike the right balance between managing behavioural and amenity concerns and supporting hosts to share their homes responsibly and respectfully. Airbnb would be supportive of similar measures in Western Australia that set clear, industry-wide standards that address amenity concerns attentive to the nuances of strata communities, and which do not extend to the power for an owners corporation to outright prohibit short-stay accommodation.

Put simply, by harnessing the power of innovation and embracing the home sharing economy through a fair and progressive regulatory framework the Western Australian Government can future-proof accommodation supply to support the visitor economy and the jobs that depend upon tourism and events. At the same time, empowering individuals to respectfully and responsibly participate in the home sharing economy with clarity and certainty provides an opportunity to

support more people to achieve greater levels of financial security. For example, Airbnb can be a real lifeline for individuals in the face of job insecurity or loss of employment, or to support urgent household expenses.

The changing market and social dynamics in the short-stay accommodation sector

As noted above, home sharing helps to build resilient communities where locals can make supplemental income and robust economies that are supported by increased visitation and spending by Airbnb guests in areas that do not traditionally benefit from the tourism dollar.

Around the world, wages are stagnating and other technologies, namely robotics and artificial intelligence, threaten to limit opportunity for millions of people and further pressure local tax bases. In sharp contrast, Airbnb is empowering individuals, neighbourhoods and governments by seeking to align their interests in creating economic opportunity. Further, Airbnb is distributing the benefits of tourism in the accommodation sector to communities that have not traditionally benefited from spending in the visitor economy, and providing more choice in more locations to consumers. In regional areas for example, Airbnb's report — *Beyond Cities: How Airbnb supports rural revitalisation* — found our community's growth was driving the revitalisation of regional communities without the cost or delay of having to build any new accommodation, attractions, or amenity. Throughout Australia, a majority of unique Airbnb listings and a majority of guest arrivals are in regional areas. Airbnb hosts in regional Australia earned \$287 million in income in 2016 and welcomed more than 1.7 million guests into their homes. In 2016, 50 per cent of all unique Airbnb listings in Australia were located in the country, up from 47 per cent in 2015, and year-over-year growth in listings in the countryside was 79 per cent.

In Western Australian, annual seasonally adjusted wage increases in both the public and private sectors have risen by just 1.5 per cent to

September 2018.⁸ Of all states and territories, Western Australia ranks as the lowest wage price index figure for the period.⁹ For many hosts, sharing their space and making extra income is an economic lifeline — 49 per cent of Airbnb hosts in Western Australia say that hosting helps them afford to stay in their homes, and 52 per cent of hosts report that host earnings go towards paying the cost of housing (31 per cent) or to paying everyday household expenses (21 per cent). Whether host earnings go towards paying off the mortgage, keeping up with the cost of living, or allowing them to more fully participate in their community — hosting is important for building economic resilience for individuals. Significantly, only 25 per cent of hosts in Western Australia are employed full-time, with 29 per cent of hosts reporting they are engaged in freelancing work, 22 per cent retired, and 19 per cent employed part-time.

We appreciate that Airbnb's guests and hosts will come into contact with neighbours and other local residents, which is why we place great emphasis on the importance of responsible hosting. Information on the standards that we and our community of travellers expect is published on our website.¹⁰

Airbnb seeks to lead industry on best practice for industry-led oversight and regulation. To give hosts the extra peace of mind that they need to open their homes to visitors, Airbnb has developed its Host Guarantee Program¹¹ and Host Protection Insurance¹² to help protect Australian hosts. Each trip booked on Airbnb in Australia is covered by these two programs.

⁸ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0/>.

⁹ Excluding the NT private sector, where the annual seasonally adjusted index rose by 1.4 per cent.

¹⁰ <https://www.airbnb.com.au/help/article/1377/responsible-hosting-in-australia>.

¹¹ <https://www.airbnb.com.au/guarantee>.

¹² <https://www.airbnb.com.au/host-protection-insurance>.

Core to the experience of travelling on Airbnb is a system of reviews — where host and guest rate each other after a stay. Both hosts and guests therefore build up their own reputation, which is visible to other users of the Airbnb site, creating trust for our online community. Potential guests can see reviews of a host’s home to identify both positive and negative feedback, and hosts can look at similar assessments of any potential guests. Our hosts are provided with information and guidance on how to welcome guests to their homes in the most hospitable and neighbourly way and we have established a hospitality program based on seven core standards that we encourage all hosts to meet.¹³ Our hosting standards encourage plenty of communication prior to a booking, so that both host and guest can be comfortable that they are a good match.

Airbnb encourages hosts to take extra steps to ensure that their homes are safe.¹⁴ The number of incidents we see is incredibly low which is a demonstration of the efficacy of Airbnb’s Trust & Safety team, tools, and programs.

In addition to the trust and safety measures referenced above, hosts are strongly encouraged to help their guests to understand any rules and restrictions which apply to their building, or to their immediate area. We encourage guests to be mindful of neighbours and keep noise and disruption to an absolute minimum.

As an industry leader, Airbnb has launched an online tool — the Neighbour Tool¹⁵ — where any resident around the world can file a complaint against irresponsible behaviour. We follow up directly, and, where appropriate, punish or remove bad actors. We will take action directly against hosts if they repeatedly violate our standards and expectations, and will not hesitate to remove hosts from our platform where there are repeated breaches of Airbnb’s standards.

¹³ <https://www.airbnb.com.au/hospitality>.

¹⁴ <https://www.airbnb.com.au/help/article/231/i-m-a-host--what-are-some-safety-tips-i-can-follow>.

¹⁵ <https://www.airbnb.com.au/neighbors>.

Airbnb's sophisticated technology allows real time and up-to-date communication directly with guests and hosts who might be affected by a natural disaster, including bushfires. Airbnb has pioneered initiatives across the world and in partnership with a growing network of government and relief agencies, we provide disaster and emergency preparedness educational materials to Airbnb hosts, help arrange community emergency preparedness trainings with local experts, and use Airbnb communication channels to notify hosts and guests about significant emergencies. Locally, Airbnb has established partnerships in Australia with Emergency Management Victoria and the Australian Red Cross on disaster response programs and training, and we would be interested in developing similar partnerships with the Western Australian Government and its agencies to ensure the safety of our host and guest community in partnership with emergency services, as well supporting the broader community in times of natural disaster or crisis.

We are excited to continue innovating with governments around the world to optimise the social value proposition of home sharing as an economic solution that empowers people to earn, expands and enriches travel for consumers, and strengthens communities through sustainable tourism that supports jobs, promotes neighbourhoods and generates new revenue.

Issues in the short-stay accommodation sector, particularly associated with emerging business models utilising online booking platforms

Airbnb provides a trusted and secure online marketplace for people with spare space to share their space with travellers from around the world. Our platform empowers ordinary West Australians to share their homes with travellers from around the world, providing more choice in more locations for travellers. This is especially important for major events, with Airbnb hosts providing extra accommodation capacity for visitors during peak times, and for areas where there is little or no traditional accommodation available.

Increasingly, hospitality micro-entrepreneurs including niche B&Bs and boutique hotels have turned to listing their inventory on the Airbnb platform to offer the kind of local, unique and authentic travel experiences that Airbnb is known for. This provides traditional accommodation providers with global exposure, which is especially important for regional accommodation providers who can now access a global community of travellers.

The traditional accommodation sector is also moving towards diversifying and investing in short-stay accommodation. For example, Accor¹⁶ and Marriott International¹⁷ have both established themselves in the short-stay accommodation space with the industry continuing to evolve to better reflect consumer demand for and expectations of accommodation choice in the marketplace.

At the same time the Committee is considering issues in the short-stay accommodation sector and the rise of digital platforms which provide consumers with more choice, it is worthwhile considering the un-level playing created by direct and indirect government welfare. From concessional taxation and planning incentives right through to direct handouts, the hotel sector enjoys a myriad of taxpayer-funded government protection. These incentives are often not extended to smaller, local and regional accommodation providers and could potentially have a negative impact on them.

In 2011, the Western Australian Government announced a package of incentives for hotels including the release of Crown Land for hotel development, discount Crown Land values for hotel developments, considering leasing Crown Land for hotel use at a peppercorn rate and

¹⁶ <https://www.afr.com/real-estate/commercial/hotels-and-leisure/accor-takes-on-rampant-airbnb-in-australia-with-onefinestay-20180502-h0zinu>.

¹⁷ <http://news.marriott.com/2018/10/marriott-international-expands-homesharing-pilot/>.

allocate funds for the provision of infrastructure upgrades to facilitate hotel accommodation.¹⁸

The Westin Perth, which opened in 2018, was the first “incentivised” hotel in Perth. A West Australian investigation revealed it cost taxpayers approximately \$24 million.

In Parliament in 2015, Minister Hames revealed “other government agencies have facilitated hotel developments including the Ritz-Carlton at Elizabeth Quay, a hotel at Perth City Link, the Treasury Precinct Hotel, and Crown Tower. Furthermore, a number of privately owned hotel developments currently planned have applied for the City of Perth’s Plot Ratio Bonus”.¹⁹

Approaches within Australian and international jurisdictions to ensure the appropriate regulation of short-stay accommodation

Over recent years across Australia there has been considerable investigation, discussion, and debate on reforming legislation and planning policies to better reflect how people are using their homes in the twenty-first century. This has resulted in a range of regulatory responses to address planning and land use considerations and community amenity. The broad trend of these reforms has seen state governments provide clarity and consistency for communities at a statewide level.

The first state government to introduce statewide planning reform was South Australia, which issued a Planning Advisory Notice in 2016 that provides clarity for hosts to share their home. In South Australia hosts are allowed to share their homes without caps or limits, there is no requirement to pay fees and there is no registration or licensing system, allowing the home sharing economy to thrive. Since introducing these reforms, the Australian Accommodation Monitor 2017-2018 — which

¹⁸ <https://www.mediastatements.wa.gov.au/Pages/Barnett/2011/10/Hotel-development-incentives-released.aspx>.

¹⁹ Parliament of Western Australia 5th May 2015, *Tourism – Hotel Incentive Scheme*.

measures and tracks the performance of the Australian accommodation industry — shows 1.3 per cent growth in occupancy and increased RevPar.²⁰ The latest figures from Tourism Research Australia also show strong increases in domestic visitors and spending, with increases of 7 per cent and 9 per cent respectively in the year ending September 2018.²¹ South Australia has also experienced strong increases in international visitors and spending, both increasing by 4 per cent in the year ending September 2018.²²

In 2017, the Tasmanian Government introduced reforms to modernise the planning framework. These reforms introduced a clear, statewide regulatory framework which supports our host community sharing their own homes without the need for burdensome red tape such as approvals, costly or cumbersome registrations, or caps, and a streamlined approach for non-principal places of residences, such as holiday homes. Since enacting these reforms, and in the context of Airbnb's continued growth in Tasmania, the broader tourism sector continues to prosper and grow. Airbnb is growing alongside — not at the expense of — traditional tourism operators. Tourism Research Australia's (TRA) latest State of the Industry 2016-17 report shows that Tasmania leads the country in terms of growth in both overnight trips and spending by domestic visitors. In 2016-17, there was 16 per cent growth in domestic overnight trips and an incredible 30 per cent increase in spending in Tasmania.²³ The latest figures from Tourism Research Australia also show strong increases in domestic visitors and spending, with increases of 11 per cent and 8 per cent respectively in the year ending September 2018.²⁴ Tasmania has also experienced strong

²⁰ <https://www.tra.gov.au/Economic-analysis/australian-accommodation-monitor>.

²¹ <https://www.tra.gov.au/Domestic/domestic-tourism-results>.

²² <https://www.tra.gov.au/International/international-tourism-results>.

²³ https://www.tra.gov.au/tra/soi/2017/TRA_State%20of%20the%20Industry%202017.pdf/, p.11.

²⁴ <https://www.tra.gov.au/Domestic/domestic-tourism-results>.

increases in international visitors and spending, increasing by 15 per cent and 13 per cent respectively in the year ending September 2018.²⁵

The most thorough and in-depth consideration of home sharing and short-stay accommodation in Australia has been undertaken in New South Wales. The Inquiry into the Adequacy of the regulation of short-term holiday letting in New South Wales by the NSW Legislative Assembly Committee on Environment and Planning made a series of recommendations to provide clarity and certainty for home sharing throughout NSW.

The Committee's bipartisan recommendations (supported by all Labor, Liberal, National and Greens members of the Committee) included: Amendments to establish a statewide planning instrument that is simple and easy to understand, and which supports the home sharing economy and host community.

Amendments to strata regulations to protect hosts from bans in strata buildings, but which give owners corporations avenues to address to adverse behaviour resulting from short-term letting in their buildings.

The establishment of an industry-wide Code of Conduct that is fit for purpose and representative to guide the management of the sector and address adverse behaviour.

The NSW Government supported each of these recommendations and developed an Options Paper to further consider regulatory reform. Following further community consultation, in 2018 the NSW Government enacted a whole-of-government approach to introduce new planning rules and establish a Code of Conduct which protects the rights of hosts to share their homes — whether that be a house, a unit, or a townhouse — responsibly and respectfully.

²⁵ <https://www.tra.gov.au/International/international-tourism-results>.

The new rules adopted by the NSW Government include:

- The creation of a new mandatory Code of Conduct for all industry participants, which will include a “two-strikes and you’re out for 5 years” policy.
- Allowing short-term rental accommodation as exempt development 365 days per year when the host is present.
- When the host is not present, a limit for hosts to share properties via short-term rental accommodation of 180 days in Greater Sydney, with 365 days allowed in all other areas of New South Wales (local councils will be able to reduce this down to 180 days if they choose).
- Protecting the rights of people living in strata buildings to share their own homes responsibly.
- Giving owners corporations the power to adopt a by-law in strata buildings, by special resolution – 75 percent vote – to prohibit short-term rental accommodation for people sharing non-primary places of residence.

Both the Tasmanian and NSW Governments have adopted approaches which provide some level of distinction between broadly two different ways in which people share their homes. This is consistent with how governments around the world have considered these issues and the broad classification of home sharing in one of two ways:

1. Amateur activity: everyday people occasionally using the home in which they live to more fully leverage what is typically their greatest expense in order to generate supplemental income.
2. Vacation rentals activity: the historic, long-standing use of properties as vacation rental homes.

With respect to amateur activity, Airbnb recommends that the Committee consider this form of home sharing be free from compulsory registration or planning controls which in any way limit what a host can do with their primary place of residence.

With respect to vacation rentals activity, such as for a non-primary place of residence or holiday home, Airbnb recommends an approach that allows for this kind of short-stay accommodation activity, dependent on appropriate thresholds. This approach should stipulate provisions that are not onerous or overly complex to meet, and at the same time should provide clear direction on the safety and planning requirements to avoid confusion. An example of this approach is in Tasmania, which has recently established a statewide planning framework, where provisions that apply to properties considered permitted-use mean hosts are required to complete a clear, straight-forward form which is then lodged with the appropriate local government authority.

The appendix to this submission provides a short summary of approaches to short-stay accommodation in Australian and international jurisdictions. Attached to this submission for the Committee's information is the Airbnb Policy Tool Chest 2.0, which has been developed by Airbnb to help support innovative approaches to home sharing rules by providing tools to help achieve the desired policy outcomes.

Recommendations and Conclusion

Airbnb's policy recommendations are quite simple:

- The Western Australian Government should establish a statewide planning framework which makes it clear that individuals are allowed to rent out the homes they live in without the need for any burdensome approvals or licenses.
- The Western Australian Government should establish a transparent and fair framework for managing, reporting, and monitoring of complaints through an industry-wide, mandatory Code of Conduct.
- There should be no powers granted to owners corporations to outright prohibit short-stay accommodation in strata communities, but rather powers should be granted which allow owners corporations to enact by-laws to manage guest

behaviour and share in the revenue of home sharing activity. Airbnb recommends that the Committee consider the strata reforms enacted by the NSW Government as a model for how to innovatively regulate home sharing in strata communities and strike the right balance between managing behavioural and amenity concerns and supporting hosts to share their homes responsibly and respectfully.

- There should be no restrictions on home sharing for the principal places of residence.
- In relation to non-principal places of residence, any registration system should be quick, simple, and cost-effective to ensure there continues to be maximum investment in Western Australia's economy and tourism industry, and there should be no restriction on the number of nights hosted.
- There should not be any restriction in relation to the maximum size of a residence which can be used for visitor accommodation, to ensure a maximum number of people in Western Australia can share their homes, and maximise the benefits of home sharing to the Western Australian visitor economy.

Finally, there has been recent calls by the Australian Hotels Association (WA) to introduce a regressive regulatory framework for home sharing in Western Australia. If such a regulatory framework were introduced, our modelling shows there would be devastating consequences for the local community and small businesses. Our community would be cut by more than a third and local hosts — mums and dads, and seniors — will lose more than \$25 million in income. Under such an extreme plan, approximately 95 per cent of trips on Airbnb in Western Australia would be banned and it would cost the local visitor economy more than half a million guest arrivals and more than \$111.3 million a year in Airbnb guest spending.

We look forward to working with the Economics and Industry Standing Committee and the Western Australian Government in relation to these issues, and would be pleased to engage in discussions and provide

additional information which would be helpful for the Committee's deliberations.

Sincerely,



Brent Thomas

**Head of Public Policy, Australia and New Zealand
Airbnb**

Appendix: Approaches in Other Jurisdictions to Short-Stay Accommodation

New South Wales:

In 2018, the NSW Government enacted a whole-of-government reform package in the short-term rental accommodation industry, which included updating and modernising the planning framework and legislative changes to manage home sharing in strata buildings. The planning changes allow for a host to share their home whilst they are present for 365 days per year with no restrictions or any requirement for planning approvals or registration. When the host is not present, a host will be able to share their home for a maximum of 180 days per year in Greater Sydney, and between 180 to 365 days per year outside Greater Sydney. Councils outside Greater Sydney will have discretion about the caps they can put in place between 180 and 365 days for un-hosted accommodation only. The reform package establishes a Code of Conduct and a “two-strikes-and-you’re-out” framework to address behavioural issues and provides strata committees powers to ban short-term rental accommodation in non-principal places of residence only, but cannot prohibit a host from sharing their primary place of residence (whether that be hosted or un-hosted accommodation).

Victoria:

Victorian courts have ruled that short term rentals are a permissible use of residential units under both the Building Code of Australia²⁶ and Owners Corporation rules.²⁷ In August 2018, the Victorian Parliament passed legislation which protects the right for people in owners corporations to share their homes, whilst highlighting the responsibilities of hosting and addressing isolated incidents of people doing the wrong thing. The legislation will come into effect on 1st February 2019 and seeks to protect residential amenity in strata buildings.²⁸

South Australia:

South Australia has published a Planning Advisory Notice²⁹ which clarifies that short-term letting is legal and does not require permission as no change in use occurs because the premises are let for a short-term, unless there is actual physical alteration to the premise.

Tasmania:

In February 2017, the Tasmanian Premier announced that the Tasmanian Government had decided to deregulate the short-term rental / home sharing industry across Tasmania. As a result, a new Visitor Accommodation Planning Directive (“PD”) came into effect beginning 1st July 2017. The new PD introduces a consistent statewide approach to short-term rentals and makes home sharing entirely legal across the state. The new regime provides either zero process (and fees) or a very

²⁶ Genco v Salter [2013] VSCA 365 (12 December 2013) (<http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/vic/VSCA/2013/365.html>).

²⁷ Owners Corporation PS501391P v Balcombe (Owners Corporations) [2015] VCAT 956 (29 June 2015).

²⁸ <https://www.consumer.vic.gov.au/housing/owners-corporations/rules-and-resolving-disputes/short-stay-accommodation>.

²⁹ http://www.saplanningportal.sa.gov.au/_data/assets/pdf_file/0007/285352/Building-advisory-notice-04-16-Administration-Application-of-the-change-in-use-provisions-dwelling.pdf.

streamlined, low cost, self-assessment process for the vast majority of houses, townhouses, and apartments throughout Tasmania.³⁰

Queensland:

Queensland passed legislation, which Airbnb welcomed, and which provide powers to take stronger action against holiday homes which were being used as “party houses”, but otherwise home sharing is generally permissible in Queensland.³¹

Chicago:

In June 2016, the City of Chicago amended its Municipal Code of Chicago and put forth new rules for short-term rentals. This law includes provisions such as no restrictions on the number of nights that hosts can share a room or their entire house, passthrough registration, and 4-percent tax on each rental to fund services for the homeless. There is a limit on the number of listings in multi-unit buildings to 25 percent of the listings or no more than six units, whichever is less.

Tuscany:

In December 2016, the region of Tuscany introduced new, common sense tourism laws that make it easier for local residents to share their homes. The new move clarifies that Tuscany residents can share their homes and introduces new smart and streamlined regulations. Under the new rules, Tuscany residents are free to share up to two homes with guests from around the world. There is no nightly cap for hosts who share one or two homes and hosts don't need to apply for planning permission to share their space.

Portugal:

Portugal reformed its tourism laws to reduce red-tape and bureaucracy for all sectors of the industry, and to confirm that people are allowed to share their homes (in whole or in part) with guests. Hosts are required to

³⁰ http://planningreform.tas.gov.au/updates/visitor_accommodation_just_got_easier.

³¹ <http://www.dilgp.qld.gov.au/resources/factsheet/planning/regulating-party-houses-fact-sheet.pdf>.

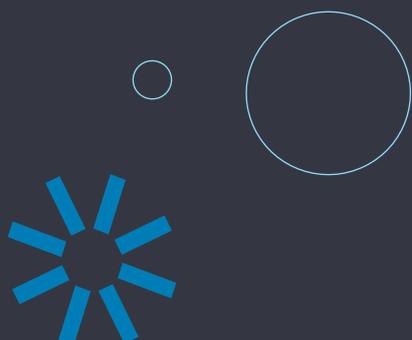
give an online notification for income tax purposes. No approvals or permissions are required. Previous onerous requirements for inspections and certificates have been removed, but municipalities retain the right to inspect properties for safety and basic standards. Subjects all STR to an online notification process. To preserve the new simplified structure, municipalities are not allowed to impose further obligations than specified in the national law.

Attachments

- Deloitte Access Economics 2017, *Economic Effects of Airbnb in Australia : Western Australia*.
- Airbnb 2017, *Beyond Cities: How Airbnb supports rural revitalisation*.
- Airbnb 2017, *Airbnb Policy Tool Chest 2.0*.

Glossary

ABS	Australian Bureau of Statistics
DAE-RIO-M	Deloitte Access Economics' Regional Input-Output Model
DAE-TFM	Deloitte Access Economics' Tourism Forecasting Model
EBITDA	Earnings before interest, tax, depreciation and amortisation
FTE	Full time equivalent
GDP	Gross domestic product
GOS	Gross operating surplus
GSP	Gross state product
IO	Input output
IVS	International Visitor Survey
NVS	National Visitor Survey
TARDIS model	Tourism Accommodation Regional Demand, Investment and Supply model
TRA	Tourism Research Australia



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Executive summary

Key points

- Airbnb has grown in popularity in recent years as part of a broader trend towards the 'sharing economy', where peer to peer platforms directly connect customers and providers. Western Australian Airbnb hosts accommodated 171,500 guests for 292,900 nights in Perth and regional towns across the state.
- Airbnb guests are now a significant driver of the tourism economy, with a total contribution to Western Australia's GSP of \$100 million in 2015-16, supporting 780 jobs in addition to the activities of hosts. An analysis of tourism policies across Australian states and territories finds Airbnb can help contribute to a number of their objectives.
- Platforms like Airbnb increase the supply of guest accommodation in volume and variety terms, so they can both drive growth of the tourism industry and increase competition. There may be costs and impacts for existing operators, but consumers stand to gain
- One of the drivers of Airbnb growth has been creating lower cost accommodation options – we estimate a cost saving of around \$26 million in 2015-16 for guests staying in Sydney who might otherwise have stayed in traditional accommodation
- One of the key non-price differences of Airbnb is location – three-quarters of Airbnb properties in major markets around the world are located outside traditional tourist areas. Other features include bringing people together from other states or countries, home-like facilities in accommodation, and the features of the Airbnb app itself such as the rating system. The non-price benefits are estimated to be worth the equivalent of almost \$50 million in 2015-16 for guests staying in Sydney alone
- The average star rating for Airbnb listings across Western Australia is 4.7 out of 5
- Airbnb hosts in Western Australia earned a median income of \$5,300 in 2015-16 – a fairly modest supplement to a household's main sources of income, but which may nevertheless be handy for living expenses, to pay down debt or to increase savings.

In one year in Western Australia, 171,500
Airbnb guests spent **\$155 million**



supporting **780 jobs** and **\$100 million** in GSP



Airbnb hosts earned a median income of **\$5,300**



On average, guests staying across Western Australia
rated their Airbnb listing **4.7** stars out of 5



Airbnb is a peer to peer platform on which people can list and book accommodation around the world – whether that be a spare bed, a private room or a whole house. Short-stay rentals facilitated by platforms like Airbnb are part of a broader trend: the growth of the ‘sharing economy’, through which consumers are choosing to share assets and services via digital platforms. Airbnb is distinct from traditional tourist accommodation, in that Airbnb does not own any of the property listed on its website – it acts as a platform to connect hosts and guests to book accommodation, publish information about host properties, facilitate payments and collect ratings from hosts and guests.

This report examines the economic impacts of Airbnb, estimating the contribution of guest spending to the Australian and Western Australian economies, the economic benefits enjoyed by guests, and the income earned by hosts. By adding to both the volume and variety of guest accommodation, we find that there are a number of benefits for guests, hosts, and the tourism industry.

The contribution of Airbnb to tourism in Western Australia

Airbnb plays an important role in supporting tourism in Australia, by facilitating accommodation bookings and advertising Australian destinations to consumers around the world. Around 62,100 stays were booked with Airbnb in 2015-16 in Western Australia, with **Airbnb hosts accommodating 171,500 guests for 292,900 nights in Perth and regional towns across the state.** Airbnb has grown rapidly in Australia since its launch in 2012, with its innovative market offering allowing ordinary people to host tourists from around the world. According to Airbnb, over 80 per cent of Airbnb hosts across Australia share the homes in which they live.

Our analysis is based on the tourism expenditure of Airbnb’s guests in Australia. **Airbnb guests spent over \$155 million in Western Australia in 2015-16,** based on Airbnb bookings and survey data from Airbnb and Tourism Research Australia. This includes the amount paid to Airbnb hosts for accommodation, as well as expenditure on items like food, drinks and entertainment, but excluding fees charged by Airbnb. The economic contribution study is based on Input-Output (IO) modelling techniques.

Our analysis found that the **total economic contribution is on average 1.3 times the direct contribution** in Western Australia.

It is estimated that Airbnb guest expenditure is associated **with \$100 million in value add to the Western Australia economy,** and supports 780 full time equivalent (FTE) jobs across the state. This includes \$76.3 million in value add and 599 FTE jobs in the regional Perth economy, and \$23.4 million in value add and 180 jobs in the rest of the state.

While induced effects were not assessed quantitatively in this report, these effects may be locally significant in some regions – especially where tourism plays a significant role in the economy.

Supporting government tourism objectives

Airbnb is aligned to both federal and state government objectives. The key federal objective – *Tourism 2020* – sets stretch targets for Australia’s tourism industry. Short-term private rental services like Airbnb can assist the government in meeting its accommodation supply and tourism expenditure targets.

At the state level, Airbnb generally supports a number of policy goals, including those related to the *State Government Strategy for Tourism in Western Australia 2020*. Relevant focus areas include the Western Australia brand, tourism infrastructure, boosting visitation to regional Western Australia and positioning Western Australia as a recognised events destination.

Consumer effects

Guests who book accommodation through Airbnb benefit from its features and the lower average cost of accommodation on the platform. Airbnb’s innovative platform allows guests to find accommodation outside major hotel districts and enjoy a personal connection with their host and the surrounding community. Airbnb’s bidirectional ratings system also encourages quality service, with listings across Western Australia rated 4.7 stars on average. The features (other than price) of Airbnb are further described in Figure i.

Traditional accommodation providers have also been part of digital innovation trends in recent years, including greater use of comparison websites that increase competition, increased use of guest ratings and easier ways to find accommodation in certain locations. Nevertheless, the features in Figure i, along with competitive prices, have seen Airbnb have a number of effects in the market.

Western Australia

Total contribution (\$m)

99.7

Total employment (FTE)

780

Northern Territory

Total contribution (\$m)

6.5

Total employment (FTE)

55

Queensland

Total contribution (\$m)

217.4

Total employment (FTE)

2,115



New South Wales

Total contribution (\$m)

512.5

Total employment (FTE)

4,452

South Australia

Total contribution (\$m)

38.2

Total employment (FTE)

407



ACT

Total contribution (\$m)

12.6

Total employment (FTE)

99



Victoria

Total contribution (\$m)

412.6

Total employment (FTE)

4,084

Tasmania

Total contribution (\$m)

54.5

Total employment (FTE)

599

Figure i : Features of Airbnb



Firstly, Airbnb facilitates people offering their homes for short term accommodation, which can occur at lower prices than traditional tourist accommodation. These cost savings, as well as the features of Airbnb, encourage some consumers to book Airbnb listings. The lower average prices may also induce price-sensitive consumers who could not otherwise have afforded to travel – thus growing the size of the overall short term accommodation market.

Secondly, Airbnb is adding to the overall variety in the market– listings are available in a variety of locations outside major hotel districts, in differing configurations (from apartments to treehouses) and are provided through a peer to peer platform.

These differences may create extra traveller non-price benefits known as ‘consumer surplus’ – the difference between what consumers are willing to pay for Airbnb accommodation, and what they actually paid. Guests may be willing to pay more for Airbnb accommodation due to the features described.

Airbnb also has a platform for business travellers – Airbnb for Business. Over 200,000 clients have registered and used the Airbnb for Business platform worldwide. In addition to the broader consumer benefits and cost savings for employers, the ability to rent an entire space – such as a whole apartment or house – is particularly useful for businesses wishing to facilitate a retreat or offsite team session.

It is also beneficial for business travellers on an extended stay or preparing for relocation, as the property is more similar to a home than a hotel.

Sydney – a case study

To illustrate these two effects, Deloitte Access Economics examined the Sydney accommodation market as a case study. As we have described throughout the report, many of the features of Airbnb listings and traditional hotels are considerably different. Airbnb listings and hotel rooms are not perfectly substitutable, however they compete in the market for accommodation.

Airbnb listings also typically do not have many of the services which are provided by hotels and expected (and valued) by guests, such as a permanent reception desk, baggage storage or daily housekeeping.

Airbnb bookings data and traditional accommodation bookings data from the Australian Bureau of Statistics showed that **rooms in Airbnb listings are, on average, \$88 cheaper per night compared to traditional accommodation in central Sydney, while this difference is \$50 per night outside central Sydney.** This cost differential excludes Airbnb shared rooms and private rooms within dwellings to provide better comparability to hotels. Using this price differential and an analysis of how Airbnb interacts with the traditional accommodation market, we estimate that **Sydney guests saved \$25.8 million in 2015-16.**

Overall, we estimate that **total consumer surplus for Airbnb trips to Sydney was \$48.4 million in 2015-16.** This is based on the difference between aggregate willingness to pay (derived using elasticities) and the total amount spent on Airbnb accommodation in Sydney in 2015-16.¹ This value indicates how much extra consumers are willing to pay for Airbnb accommodation.

Producer effects

Platforms like Airbnb are adding to accommodation supply and in doing so, are generating competition in the market. There may be costs and impacts for existing operators in the accommodation market due to this competition, particularly given Airbnb's rapid growth. However, Airbnb is also growing the overall size of the market – with consumers induced by Airbnb's lower average prices or its innovative features. Despite the potential impacts on existing operators, consumers stand to gain from competition in the long term through improved quality and reduced prices.

Airbnb hosts benefit from additional income. **Airbnb hosts in Western Australia earned a median income of \$5,300 in 2015-16** – a fairly modest supplement to a household's main sources of income. However it can be used for living expenses, to pay down debt or increase savings. This extra income can also support hosts to explore new business ventures – in 2013, 27 per cent of Sydney Airbnb hosts surveyed were freelancers, entrepreneurs or self-employed.

Airbnb hosts can also enjoy the cultural exchange facilitated by Airbnb. Both the host and guest can experience another culture through Airbnb, whether that be through a conversation, a meal or a guided tour. This can be a learning opportunity for hosts, and can help develop a greater understanding of diversity, culture and community.

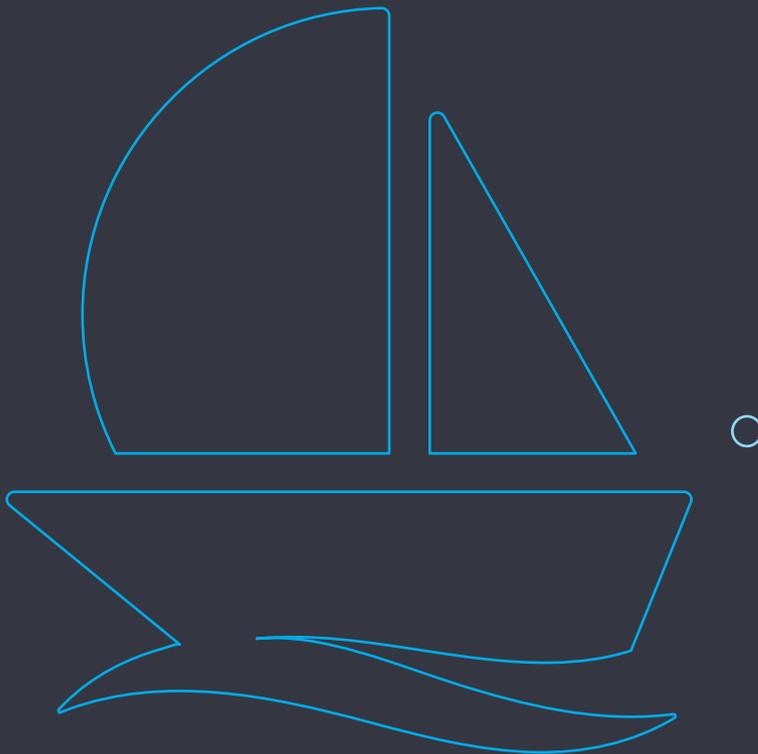
Airbnb can activate local communities by distributing visitors across cities. **74 per cent of Airbnb properties in major markets across the world are located outside the traditional tourist districts** – meaning that both visitors and their spending is dispersed rather than concentrated, helping local businesses outside areas which traditionally benefit from tourism. Public discussion surrounding the potential neighbourhood and amenity impacts of Airbnb continues, and it is acknowledged appropriate regulation could help address these concerns. Airbnb has previously supported legislation to address potential neighbourhood and amenity impacts, such as the amendments to the Owners Corporations Act 2006 (Vic). However, we did not consider regulation in detail as part of this analysis.

1. Introduction

"Our guests are always out and about. Without kitchen facilities in the room, they tend to go out for meals, though we've had a few pizza deliveries!"



Sharon,
host from Perth



1.1 Purpose and scope of report

Since its Australian launch in August 2012, Airbnb has facilitated over 1.3 million short stays in Australian cities. In excess of 150 million guests, including over 2.5 million Australian guests, are currently on the platform.

Airbnb engaged Deloitte Access Economics to assess the economic effects of Airbnb in Australia. This report aims to quantify the economic contribution of Airbnb guest spending to the Australian economy, and evaluate the economic benefits enjoyed by guests, hosts and the wider community. These effects are considered in the remaining chapters of this report:

- The tourism industry in Australia and support for government tourism objectives, described in Chapter 2
- The economic contribution of tourism facilitated by Airbnb, described in Chapter 3
- Benefits for guests, including business travellers, described in Chapter 4
- Producer effects, described in Chapter 5.

Each of these chapters will also consider the impacts in a qualitative fashion.

1.2 What is Airbnb?

Airbnb is a peer to peer platform on which people can list and book accommodation around the world. Established in San Francisco in 2008, Airbnb today has properties listed in over 65,000 cities and towns, including around 800 Australian cities, towns and suburbs. Airbnb has grown rapidly following its Australian launch in 2012, with around 800,000 stays booked in 2015-16 – out of 1.3 million stays since 2012.

Unlike most tourist accommodation, properties on Airbnb are listed by the person in possession of the property. This is in comparison to hotels and serviced apartments – many of which are owned and managed by large private companies. Airbnb enables ordinary people to list their spare rooms, homes and holiday houses as available for short term stays. According to Airbnb, over 80 per cent of Airbnb hosts across Australia share the homes in which they live.

Short-stay rentals facilitated by platforms like Airbnb are part of the sharing economy, through which consumers are choosing to share assets and services via digital platforms. While at its core, Airbnb fills the same role as traditional short-stay accommodation – providing a place to sleep at night – the way in which it delivers this service is different to existing operators. This differentiated service leads to a number of benefits for guests and hosts, as well as positive effects for local communities.

Other platforms exist which provide a similar service to Airbnb. For example, Stayz – on which people can list whole homes and apartments for short-term stays – has been in operation since 2001. Some real estate agents can also list and arrange short-term leases of holiday homes and apartments.

1.2.1 Listing a property on Airbnb

A person who has a space that they would like to list on Airbnb is required to register as a host on Airbnb's website to use the platform. The registration process involves signing up to the platform and completing information about their property, including a description of the space available and uploading photos. The host also provides personal details, and can add a government identification to verify their account.

The person who lists the property is able to set the cost of renting the accommodation, with Airbnb receiving a small percentage fee per booking. The host also decides the availability of the property and booking settings. Hosts on Airbnb have a range of options, for example, whether instant bookings are available, or whether stay requests need to be confirmed by the host. Hosts can also set minimum requirements for guests, including verified identification, profile picture or rating.

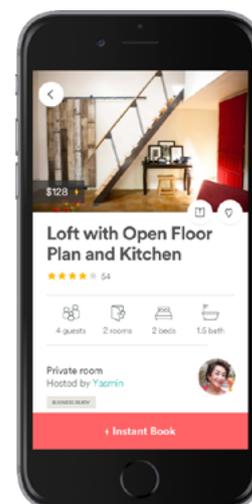
Hosts are protected through Airbnb's host guarantee, which will reimburse eligible hosts for damages up to \$1 million.

1.2.2 Booking a stay on Airbnb

Guests register through the Airbnb platform in a similar manner to hosts. Guests can also verify their account using government identification, and link other online profiles to their Airbnb account.

Guests can book a stay via Airbnb's website or on its mobile application. Guests can search for listings using different criteria, such as by date, city, neighbourhood, price or type of property. A sample listing is shown in Figure 1.1 below.

Figure 1.1: Airbnb listing



Source: Airbnb

Depending on the host's booking settings, a listing may be available for instant booking or the stay may need to be approved by the host. The host will be able to see the guest's profile and any reviews written by other hosts when accepting the reservation request. Similarly, the guest will be able to see other guests' reviews of the listing.

When an instant booking is made or a booking request is accepted, the guest's reservation is automatically confirmed. Hosts and guests agree a check-in time and how the keys to the property will be exchanged. Hosts can also add a security deposit to their listing before the reservation is booked.

Guests are charged for the reservation by Airbnb at the time the booking is confirmed. Airbnb then remits payment to the host 24 hours after check-in. Guests are also charged a guest service fee by Airbnb.

While staying at a property, Airbnb guests are asked to follow house rules set by the host. These may include requests not to smoke, prohibitions against holding parties or dealing with the misuse of common areas. After the stay is completed, both the guest and the host are invited to submit a review on their experience within 14 days of checkout and provide a star rating out of five about their experience.

1.2.3 Other Airbnb services

Airbnb recently expanded its offering to include city tours and activities through Airbnb Experiences. The platform features local experts and guides who have joined Airbnb to share their city and their passion with travellers from around the world. Guests can book these experiences through Airbnb, with the sessions ranging from one-day tours to week-long immersive classes with accommodation included. Experiences are broadly categorised into sports, nature, social impacts, entertainment, food and the arts, with examples including surfing classes in Los Angeles, truffle hunting in Florence and samurai swordplay workshops in Tokyo.

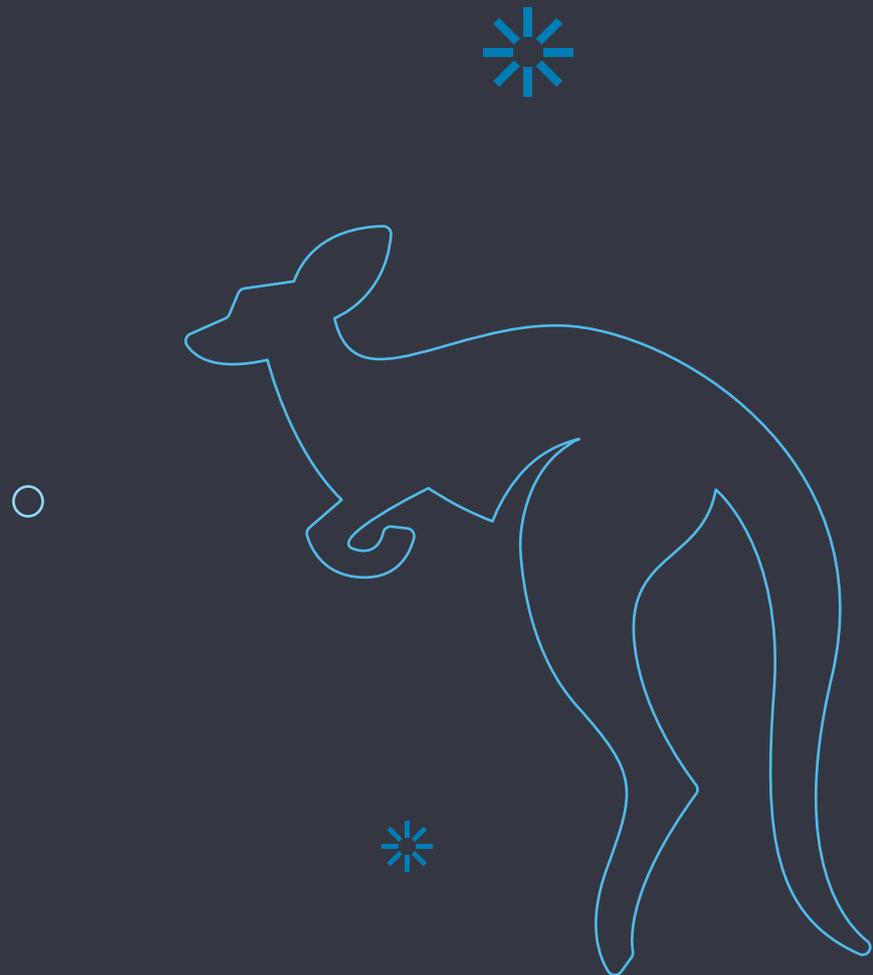
The Airbnb website and mobile application also features a separate section dedicated to places and neighbourhoods. Local hosts share their knowledge to develop guides for travellers exploring different neighbourhoods in each city – such as Fitzroy in Melbourne, or Redfern in Sydney. The guides can not only be used to explore a city, but also to help choose which neighbourhood best suits a guest's needs and interests.

1.3 Other issues not in the scope of this report

It is acknowledged that there are some community issues relating to Airbnb, such as noise levels and strata issues. As this report focuses on the economic benefits of Airbnb, it does not consider these topics in detail. Airbnb listings are, in many cases, located in suburban neighbourhoods – meaning that there is potential for conflicting views. For example, Tourism Accommodation Australia has noted in a submission to the Federal Opposition that there are possible amenity issues associated with short term letting, such as anti-social behaviour, increases in building wear and tear and degrading of amenities and capital values.² Appropriate regulation can help address these concerns to ensure that individual players do not negatively affect neighbours and amenity.

This report does not analyse in detail the drivers of the cost differential between hotel accommodation and Airbnb listings. The regulatory requirements for hotel accommodation and Airbnb listings are different. Airbnb has previously supported legislation to address potential neighbourhood and amenity impacts, such as amendments to the Owners Corporations Act 2006 (Vic). However, this report does not analyse or compare the regulatory arrangements for home sharing or traditional accommodation.

2. Supporting government tourism objectives



Tourism is an important part of the Australian economy, with both levels of government setting objectives to achieve industry potential. Airbnb can help governments achieve these objectives through the expansion of room supply and greater average tourism expenditure.

2.1 The Australian industry context

This section outlines how tourism in Australia is growing, and how the traditional part of the market is also growing in both occupancy and supply terms. Short-term private rentals are growing and represent a modest component of the overall sector.

2.1.1 Tourism in Australia

Tourism was estimated to contribute \$53 billion to Australian Gross Domestic Product (GDP) in 2015-16, representing 3.2 per cent of national income.³ Deloitte Access Economics identified tourism as one of the 'Fantastic Five' sectors driving the next wave of Australian prosperity in its thought leadership report, *Building the Lucky Country – Positioning for Prosperity? Catching the next wave*.

7.4 million international visitors aged 15 years and over visited Australia in the year ending September 2016, increasing by 11 per cent over the period⁴ – the fastest rate of growth since the mid-1990s. At the same time, domestic overnight trips increased by 5 per cent to 89.4 million trips, with overnight spend reaching \$59.8 billion.⁵ Clearly, Australian tourism is bucking domestic and international trends, with total tourism expenditure growing more than three times faster than the overall economy in the past year.

Table 2.1: Tourism in Australia, year ending September 2016

Metric	International		Domestic	
Overnight visitors (international) /trips (domestic)	7.4 million	↑ 11%	89.4 million	↑ 5%
Number of nights	251 million	↑ 4%	330 million	↑ 4%
Overnight visitor expenditure	\$38.8 billion	↑ 11%	\$59.8 billion	↑ 5%

Source: Tourism Research Australia⁶

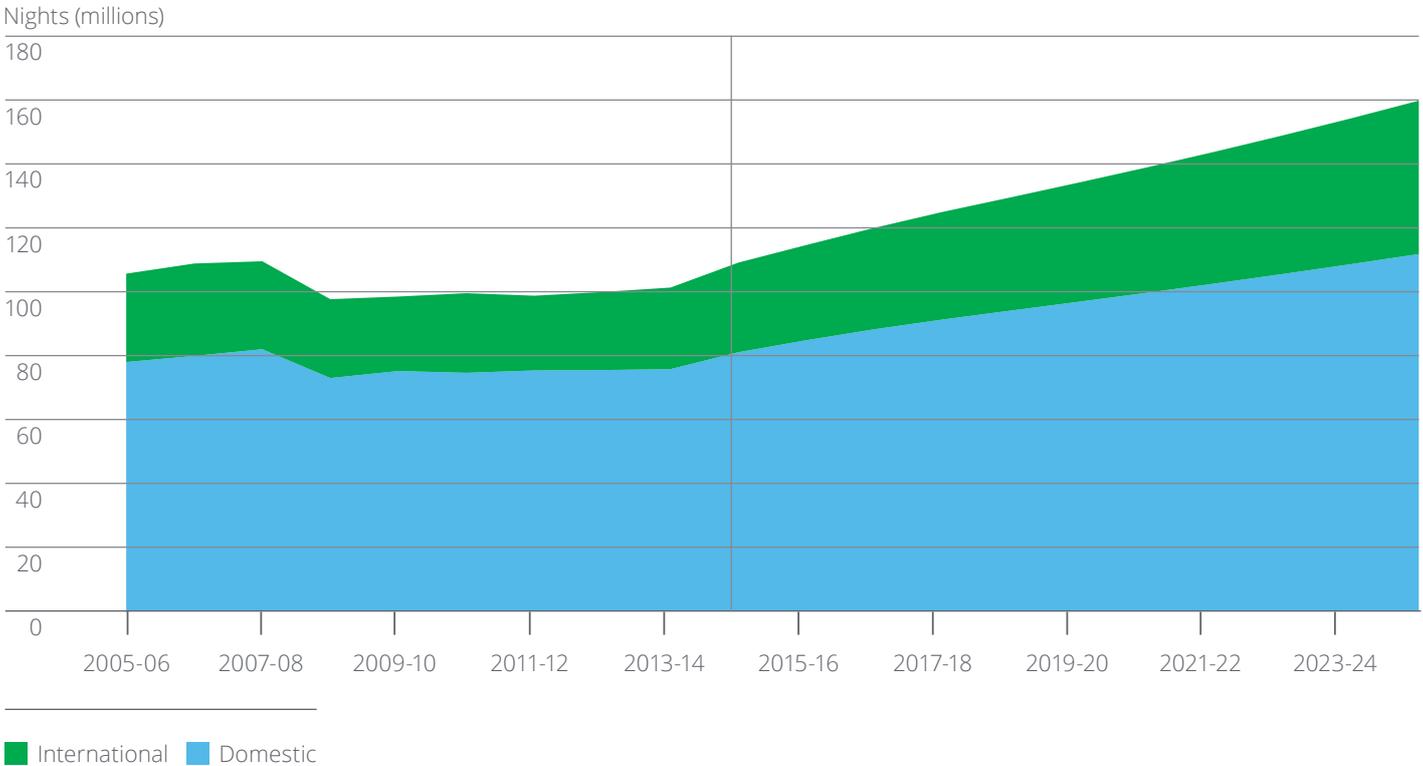
Deloitte Access Economics forecasts international visitor trips to grow by 6.3 per cent per year and visitor nights by 6.2 per cent per year on average over the next three years. This places the aggregate number of international visitors to Australia in 2019 at 9 million, and the total number of nights at 310 million. In terms of domestic travel, Deloitte Access Economics forecasts trips to grow by 3.3 per cent and visitor nights to grow by 3.2 per cent each year on average over the next three years.⁷

2.1.2 Traditional visitor accommodation: growing strongly

Estimates of visitor nights and hotel supply suggest that the most significant part of the market, the traditional hotel market is growing strongly. Traditional visitor accommodation is defined here to include hotels, motels, guesthouses and serviced apartments, consistent with the Australian Bureau of Statistics (ABS) definition of tourist accommodation.⁸

The latest available data shows that domestic tourists stayed 84.1 million nights in traditional visitor accommodation in 2015-16, with international visitors staying 28.7 million nights.⁹ Domestic visitor nights in traditional accommodation are predicted to reach 112.0 million by 2024-25, with international visitor nights forecast to reach 48.1 million.¹⁰ This represents a 10-year average annual growth rate of 3.3 per cent for domestic visitor nights and 5.5 per cent for international visitor nights.

Chart 2.1: International and domestic visitor nights in traditional visitor accommodation, 2005-06 to 2024-25



Source: Tourism Research Australia¹¹

Room occupancy rates in tourist accommodation establishments with 15 or more rooms rose by 1.3 percentage points to 66.6 per cent in trend terms in June 2016.¹² According to STR Global, room occupancies in Australia were 75.7 per cent in 2016 – a figure which includes all hotels, regardless of establishment size. This compares to 72.8 per cent in 2010.¹³

Deloitte Access Economics expects hotel supply in Australia will increase by 15,800 rooms over the period to December 2019. Room nights sold are forecast to grow at 2.7 per cent per year, and room nights available at 2.1 per cent per annum over the next three years – representing a narrowing gap between supply and demand compared to previous forecasts.¹⁴

2.1.3 Short-term private rentals

Aside from Airbnb, other platforms which facilitate short-term private rentals include Stayz, TripAdvisor, FlipKey and Couch Surfing. Some larger platforms do not operate in Australia, including the Expedia-owned HomeAway. However, Stayz was acquired by HomeAway in 2013. Some real estate companies also manage holiday home rentals.

It is difficult to estimate the size of this market, given many of the companies which facilitate private rentals are privately owned. Airbnb has an estimated market share of less than 2.0 per cent.¹⁵ Airbnb shares some similarities with these online booking sites, but features such as bidirectional ratings, fully integrated payments and the predominance of non-traditional accommodation options combine to create a different experience.

2.2 Helping the Federal Government deliver tourism objectives

Tourism 2020 is the key Federal Government objective relevant to Airbnb. *Tourism 2020*, initially launched in 2010, set stretch targets for Australia’s tourism industry. Relevantly, it was identified in 2013 that between 6,000 and 20,000 new capital city rooms (including the Gold Coast and Tropical North Queensland) will be required to meet visitor demand by 2020, assuming occupancy rates of 80 per cent.¹⁶ The most recent data shows that occupancies in commercial accommodation across Australia reached 75.7 per cent in 2016, according to STR Global.¹⁷ As at February 2017, the accommodation sector had progressed 88 per cent towards the upper bound *Tourism 2020* target of 20,000 capital city rooms, with 17,694 rooms added to accommodation supply since the end of 2009.¹⁸ Short-term private rental services like Airbnb can assist the government in meeting these targets.

Importantly, Airbnb properties are distributed across capital cities and regional areas, and between the CBD and metropolitan areas. This may assist in achieving another key area of strategic focus in *Tourism 2020*: improving regional dispersal.¹⁹ Of the 74,400 listings booked in 2015-16 in Australia, 25,900 were outside the greater capital city areas of Australian states. This is particularly important, given regional areas have experienced a decline in accommodation supply in recent years.²⁰

Airbnb can also assist the government in meeting another key objective of *Tourism 2020* – increasing overnight spend to \$140 billion by 2020. As at February 2017, tourism expenditure had tracked 38 per cent towards the upper bound *Tourism 2020* goal.²¹ Airbnb survey data shows that Airbnb guests spend more than the average tourist, with Airbnb guests spending \$237 per night on average, and general overnight visitors spending \$146 per night.²² Higher yielding visitors may assist the government in meeting this upper bound target.

2.3 Helping the Western Australian Government deliver tourism objectives

Each state government around Australia has tourism-related objectives and strategies, many of which are aligned with the national *Tourism 2020* goal. The service provided by Airbnb supports a number of these strategies, and may assist governments in achieving their objectives.

The *State Government Strategy for Tourism in Western Australia 2020* outlines seven focus areas to double the value of tourism in Western Australia to \$12 billion. The strategy outlines a partnership model between government and industry to achieve this goal.

The first focus area relates to the Western Australian brand and how Western Australia can be marketed through a variety of channels. It also recognises that Western Australia's tourist offering must align with this brand promise, with high quality experiences, events and infrastructure forming the centre of the identified government and industry strategies. Given the unique consumer benefits provided by Airbnb, the platform could potentially assist the government in delivering high quality experiences to visitors. Airbnb plays a role both in the provision of tourism infrastructure (accommodation) and the overall visitor experience (host-guest interactions). Further detail about the consumer benefits of Airbnb and how visitors can enjoy quality local experiences is contained in Chapter 4.

Infrastructure is the second focus area of the Western Australian tourism strategy. At the time the strategy was written, Perth faced a significant shortfall in hotel rooms. Since then, however, a number of new hotels and developments have either opened or are planned to open in the next couple of years, with the corresponding increase in room supply potentially meeting demand.

Nevertheless, the provision of Airbnb short-term rentals may help to meet demand for Perth hotels rooms in peak periods where availability might be limited. Airbnb may also help to meet shortfalls in regional areas, particularly those which are less serviced by traditional hotel accommodation. This would also assist the government in meeting its sixth objective, to increase visitors to regional Western Australia. The government recognised in its strategy that extraordinary experiences are key to growing visitors to regional Western Australia, as well as the provision of necessary tourism infrastructure. Given Western Australia's vast size, the caravan, camping and self-drive market segments are also noted as a way to increase regional visitation. Airbnb could also play a role for these market segments.

In a similar way, Airbnb may assist the government in achieving its objective to position Western Australia as a recognised events destination: the fifth priority under the tourism strategy. Airbnb can support events calendars across Western Australia, by expanding accommodation supply in times of peak demand. Interstate, Airbnb has previously partnered with the Sydney Gay and Lesbian Mardi Gras, the Adelaide Fringe and the Australian Masters Games.

Given the strategy aims to increase visitor expenditure to \$12 billion by 2020, the fact that Airbnb guests spend more per night compared to average tourists is an important point to make. Airbnb guest data and TRA survey data show that Perth Airbnb guests spend 46 per cent more per night. These visitor tendencies may assist the government to meet its broad goal.

3. The contribution of Airbnb to tourism in Western Australia



Tourism facilitated by Airbnb contributes \$99.7 million in value added to the Western Australian economy and supports 780 full time equivalent (FTE) jobs

Airbnb plays an important role in supporting tourism in Australia, by facilitating accommodation bookings and advertising Australian destinations to consumers. This chapter details the value added to the Western Australian economy and the employment in Western Australia facilitated by Airbnb through its platform to book accommodation.

3.1 Airbnb in Australia

In 2015-16, over 800,000 stays were booked with Airbnb around Australia. Hosts across the nation accommodated around 2.1 million guests for 3.7 million nights in capital cities and regional towns. On average, each host had 15 bookings over the financial year.

A breakdown of bookings in each jurisdiction is shown in Table 3.1.

Table 3.1: Airbnb bookings, broken down by state or territory, 2015-16

State or Territory	Total bookings	Total guests	Total nights booked
New South Wales	289,600	742,800	1,418,900
Victoria	235,900	651,600	1,134,300
Queensland	133,300	343,800	586,700
Western Australia	62,100	171,500	292,900
Tasmania	46,800	124,500	126,300
South Australia	24,400	64,100	109,000
Australian Capital Territory	9,200	20,000	47,300
Northern Territory	4,200	8,800	18,000
Total	805,500	2,127,100	3,733,300

Source: Airbnb

According to 2015 survey data collected by Airbnb, around 71 per cent of Sydney trips, 66 per cent of Melbourne trips and 63 per cent of Perth trips were for the primary purpose of vacation or leisure. A high proportion of trips were also booked to visit friends or relatives, with 15 per cent of Sydney trips and 22 per cent of Melbourne and Perth trips primarily booked for this purpose. The survey data is detailed in Table 3.2.

Table 3.2: Primary purpose of visit survey results, 2015

Purpose of visit	Sydney	Melbourne	Perth	Rest of Australia
Vacation/leisure	71%	66%	63%	77%
Visiting friends or relatives	15%	22%	22%	12%
Business	11%	6%	8%	7%
Conference/convention	0%	4%	2%	2%
Job search/interview	1%	0%	1%	0%
Study	1%	1%	1%	1%
Short-term housing while relocating	1%	1%	3%	1%

Source: Airbnb

Around 51 per cent of Airbnb bookings in Australia between July 2015 and June 2016 were made by Australian guests. The remaining listings were booked by international guests, with 4 per cent of guests each from the United States and United Kingdom, 3 per cent from Singapore and 2 per cent from China and Germany. In Perth, a smaller proportion of guests were from Australia, while a greater proportion were from Singapore and Malaysia.

Table 3.3: Guest origin for Airbnb trips in Australia, 2015-16

Guest origin	Perth guest arrivals	Australian guest arrivals
Australia	38,069 (35%)	1,077,910 (51%)
United States	15,225 (14%)	71,305 (3%)
United Kingdom	6,826 (6%)	27,582 (1%)
Singapore	4,659 (4%)	77,673 (4%)
China	2,954 (3%)	76,020 (4%)
Germany	1,945 (2%)	35,355 (2%)
France	1,683 (2%)	26,949 (1%)
New Zealand	1,583 (1%)	46,952 (2%)
Canada	854 (1%)	14,231 (1%)
Malaysia	779 (1%)	9,606 (0.5%)
Other countries	34,923 (32%)	663,517 (31%)
Total	109,500	2,127,100

Source: Airbnb

3.2 Methodology

The economic contribution of trips facilitated by Airbnb is a measure of the direct activities of Airbnb guests, as well as their indirect contributions through the supply chain. Airbnb stays are a key part of the tourism sector, with local, interstate and international guests hosted around Australia.

This analysis is based on stays facilitated by Airbnb in Australia. The analysis does not take into account the fact that, in the absence of Airbnb, guests may have still travelled and stayed in alternative accommodation. In addition, this analysis does not consider the economic contribution associated with the Airbnb platform itself. Airbnb profits, revenue and expenditure activities are specifically excluded from the analysis.

The economic contribution analysis is based on data provided by Airbnb on the number of guests and their expenditure in 2015-16. The analysis also draws on publicly available expenditure data from Tourism Research Australia (TRA) and the tourism satellite accounts from the Australian Bureau of Statistics (ABS).

The estimate of economic contribution is driven by the expenditure of Airbnb's guests. In 2015-16, the average Airbnb guest spent 1.6 times more per day than the average tourist in Australia. Expenditure data was provided by Airbnb for guests staying in Sydney, Melbourne and the Australian total, with expenditure estimates for visitors to the other capital cities and the states and territories estimated from TRA data. This is then weighted by the total number of nights attributable to Airbnb customers in each region, to estimate the total level of expenditure in the region.

The pattern of guest expenditure highlights the sectors of the economy that benefit (in revenue and employment terms) from Airbnb's guests, including food service (restaurants, cafes, bars, etc.), shopping, transportation, leisure and groceries being the key categories of expenditure.

Value added is the most appropriate measure of the economic contribution to gross state product (GSP). It is the sum of the returns to the primary factors of production – labour and capital (i.e. wages to workers and profit to shareholders) – and can be calculated by adding the gross operating surplus and wages paid to workers in the tourism sector.

The estimates of the direct and indirect economic contribution are based on Input-Output (IO) modelling techniques. The Australian Bureau of Statistics (ABS) produces IO tables which provide the value added for each sector of the Australian economy, as well as the linkages between sectors. This allows the expenditure by Airbnb guests to be traced through the economy, to estimate the value added at each stage. Deloitte Access Economics' Regional Input-Output Model (DAE-RIO-M) is used to estimate the direct value add and employment for each region. The indirect value add and employment, generated by expenditure on the intermediate inputs is determined based on the cost structure of each industry.

While we have not assessed the value of induced effects quantitatively, in addition to the direct and indirect economic contribution, in some regions tourism expenditure associated with Airbnb would likely result in additional consumption beyond expenditure on intermediate inputs. In areas where tourism is especially important to local industry, these effects could be locally significant.

Appendix A provides further background on the economic contribution modelling framework.

3.3 Contribution to the Australian economy

The total economic contribution associated with the tourism expenditure of Airbnb guests in 2015-16 was \$1.6 billion in value added, with 14,409 full time equivalent (FTE) jobs supported around Australia.

The total tourism expenditure of Airbnb guests in Australia in 2015-16 is estimated to be \$2.041 billion. This figure includes spending on items such as food, shopping and entertainment, as well as the amount paid to Airbnb hosts for accommodation. Table 3.4 shows a breakdown of Airbnb guest expenditure. As the amount spent varies by jurisdiction, these figures are based on state-by-state expenditure estimates.

Table 3.4: Tourism expenditure of Airbnb guests in Australia, 2015-16

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$441.6	22%
Food service (e.g. restaurants)	\$554.1	27%
Groceries	\$185.6	9%
Shopping	\$353.8	17%
Other leisure (e.g. entertainment)	\$245.8	12%
Transportation	\$216.7	11%
Other services	\$43.7	2%
Total	\$2,041.3	100%

Source: Deloitte Access Economics estimates for categories based on Airbnb and TRA²³ survey and other data

It is necessary to consider how the expenditure flows through the economy to estimate the economic contribution associated with Airbnb guest spending.

The amount spent directly by Airbnb guests at local businesses represents revenue for those businesses. Each business employs workers and capital to provide goods or services to the Airbnb guest. The returns to labour (employee wages) and returns on capital (business owner's profits) associated with the Airbnb guests' spending comprise the *direct* economic contribution.

However, some of the revenue earned by those businesses is spent sourcing intermediate inputs and paying other expenses to run the business. For example, a restaurant might source ingredients from a market, and pay for gas, electricity and water. This expenditure generates flow-on economic activity, as supplying businesses will also employ workers and capital to produce goods and services. This additional economic activity comprises the *indirect* economic contribution.

Guests also pay hosts to stay in their Airbnb accommodation. This revenue represents income for hosts, with the profits (or gross operating surplus) from this exchange comprising the direct economic contribution.²⁴ The indirect contribution reflects the purchase of intermediate inputs by hosts to be able to provide Airbnb accommodation. This principally includes intermediate inputs provided by the construction and finance sector required to build and pay for the property. It also includes other intermediate inputs used to provide Airbnb accommodation (such as cleaning services).

The total economic contribution is the sum of the direct and indirect economic contribution. The direct and indirect contribution are calculated by considering the value added to the Australian economy arising from Airbnb guests' visitor expenditure.

Our analysis has found that the total economic contribution is on average 1.6 times the direct contribution.

Visitor expenditure of Airbnb guests is estimated to directly contribute \$1 billion in value added to the Australian economy, with a further indirect contribution of \$602 million in value added. Tourism expenditure of Airbnb guests also supported 14,409 FTE jobs around Australia (see Table 3.5).

Table 3.5: Economic contribution of tourism expenditure associated with Airbnb in Australia, 2015-16

	Direct contribution	Indirect contribution	Total contribution
Expenditure (\$m)	\$2,041.3		
Value added (\$m)	\$1,005.3	\$601.6	\$1,606.9
• Labour income (\$m)	\$449.2	\$307.3	\$756.5
• Gross operating surplus (\$m)	\$556.1	\$294.3	\$850.4
Employment (FTE)	10,025	4,384	14,409

Source: Deloitte Access Economics based on Airbnb, TRA²⁵ and ABS²⁶ data

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb charges). These contributions do not include induced impacts, which is the spending of those who receive additional income.

Table 3.6 provides a breakdown of the economic contribution by state or territory. This highlights that the two largest contributions to value add are in New South Wales and Victoria, which together account for 58 per cent of total value add and 59 per cent of employment. This reflects the higher number of listings in these cities, their higher tourism visitation, and may also reflect the relative cost of accommodation in these states compared to the other states and territories.

The table also reflects that in calculating the economic contribution of tourism expenditure state by state, some indirect activity is excluded as it leaks out of that jurisdiction's economy as imports. However, this interstate activity is accounted for in the national totals.

Table 3.6: Economic contribution of tourism expenditure associated with Airbnb in Australian states and territories, 2015-16

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)	Total employment (FTE)
New South Wales	376.8	135.7	512.5	4,452
Victoria	305.2	107.3	412.6	4,084
Western Australia	76.5	23.2	99.7	780
Queensland	160.5	56.8	217.4	2,115
Tasmania	42.1	12.5	54.5	599
South Australia	29.1	9.1	38.2	407
Northern Territory	5.1	1.3	6.5	55
Australian Capital Territory	9.9	2.7	12.6	99
Interstate indirect activity		252.8	252.8	1,818
Australia	1,005.3	601.6	1,606.9	14,409

Source: Deloitte Access Economics based on Airbnb, TRA²⁷ and ABS²⁸ data

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb charges). These contributions do not include induced impacts, which is the spending of those who receive additional income.

3.4 Contribution to the Western Australian economy

It is estimated that Airbnb guests spent \$155.1 million while visiting Western Australia in 2015-16, generating \$99.7 million in direct and indirect value added and supporting 780 full time equivalent (FTE) jobs. Of this amount, \$76.3 million in value add and 599 FTE jobs are connected to the greater Perth region.

The tourism expenditure of Airbnb guests staying in Western Australia is estimated using survey and booking data provided by Airbnb, and tourism expenditure data provided by TRA. The guest spend in Western Australia is broken down into categories in Table 3.7.

Table 3.7: Tourism expenditure of Airbnb guests in Western Australia, 2015-16

Category	Average spend per guest per day	Total expenditure in WA (\$m)	Share of expenditure
Accommodation	\$47	\$33.9	22%
Food service (e.g. restaurants)	\$58	\$42.0	27%
Groceries	\$19	\$14.1	9%
Shopping	\$37	\$26.8	17%
Other leisure (e.g. entertainment)	\$26	\$18.6	12%
Transportation	\$23	\$16.4	11%
Other services	\$5	\$3.3	2%
Total	\$213	\$155.1	100%

Source: Deloitte Access Economics estimates for categories based on Airbnb and TRA²⁹ survey and other data

Airbnb guest expenditure is estimated to have contributed \$76.3 million in value add to the regional Perth economy and supported 599 FTE jobs in 2015-16. A further breakdown is shown in Table 3.8.

Table 3.8: Economic contribution of Airbnb guests in Perth, 2015-16

	Direct contribution	Indirect contribution	Total contribution
Expenditure (\$m)	\$114.6		
Value added (\$m)	\$56.4	\$20.0	\$76.3
• Labour income (\$m)	\$25.3	\$10.1	\$35.4
• Gross operating surplus (\$m)	\$31.0	\$9.9	\$40.9
Employment (FTE)	476	123	599

Source: Deloitte Access Economics based on Airbnb, TRA³⁰ and ABS³¹ data

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb charges). These contributions do not include induced impacts, which is the spending of those who receive additional income.

Airbnb guests also stay outside the greater Perth region, although to a lesser extent than some other jurisdictions. The economic contribution to these regional economies is estimated to be \$23.4 million in value added, based on the difference between the value added to the Western Australia and greater Perth economies. Airbnb guests in Western Australia spent a total of \$40.5 million outside Perth. The top 4 destinations outside Perth for Airbnb guests were Margaret River, Busselton, Dunsborough and Albany.

Table 3.9: Economic contribution of Airbnb guests outside Perth, 2015-16

	Direct contribution	Indirect contribution	Total contribution
Expenditure (\$m)	\$40.5		
Value added (\$m)	\$20.1	\$3.3	\$23.4
• Labour income (\$m)	\$8.7	\$1.5	\$10.2
• Gross operating surplus (\$m)	\$11.4	\$1.8	\$13.2
Employment (FTE)	162	19	180

Source: Deloitte Access Economics based on Airbnb, TRA³² and ABS³³ data

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb charges). These contributions do not include induced impacts, which is the spending of those who receive additional income.

Overall, it is estimated that Airbnb guest expenditure is associated with \$99.7 million in value add to the Western Australia economy, and supports 780 FTE jobs across the state. Our analysis found that the total economic contribution is on average 1.3 times the direct contribution in Western Australia.

Table 3.10: Economic contribution of Airbnb guests in Western Australia, 2015-16

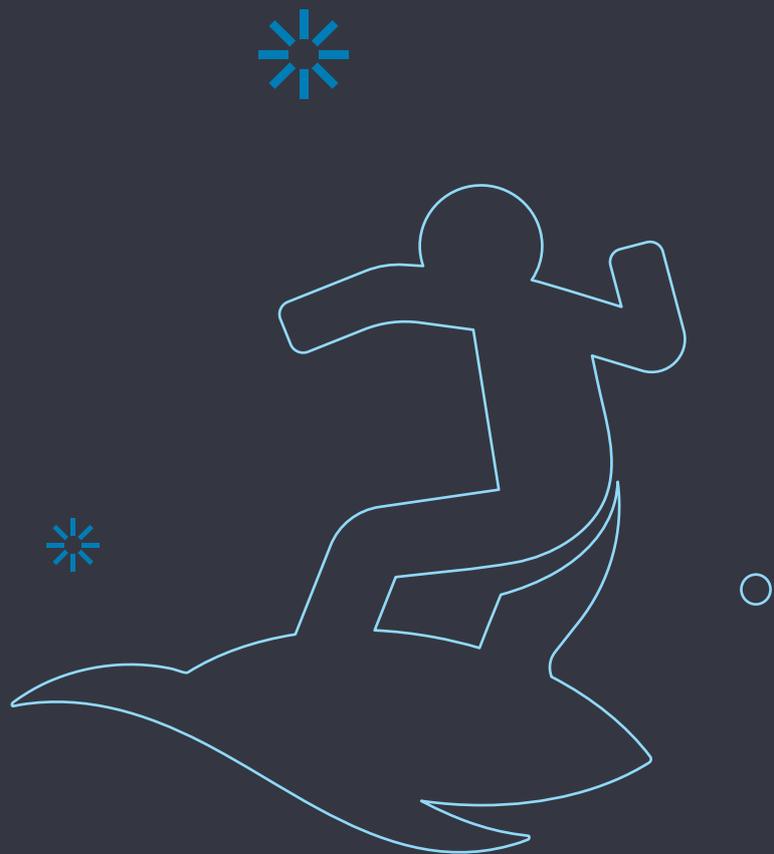
	Direct contribution	Indirect contribution	Total contribution
Expenditure (\$m)	\$155.1		
Value added (\$m)	\$76.5	\$23.2	\$99.7
• Labour income (\$m)	\$34.0	\$11.6	\$45.6
• Gross operating surplus (\$m)	\$42.5	\$11.7	\$54.1
Employment (FTE)	638	142	780

Source: Deloitte Access Economics based on Airbnb, TRA³⁴ and ABS³⁵ data

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb charges). These contributions do not include induced impacts, which is the spending of those who receive additional income.

Although induced effects were not assessed quantitatively as part of this analysis, these effects may be locally significant in some regions – especially where tourism plays a significant role in the economy.

4. Consumer effects



Guests choose to use Airbnb for a range of reasons – sometimes price, but often for a different type of service. The value of these non-price benefits, measured by consumer surplus, is twice the value of cost savings enjoyed by Airbnb guests in Sydney.

Airbnb provides a number of benefits to guests who book stays on the platform. These benefits arise due to the differentiated service provided by Airbnb and the lower average cost of accommodation on the platform.

This chapter outlines the differentiation benefits associated with the Airbnb platform and accommodation booked through Airbnb, as well as additional benefits for business travellers using the Airbnb for Business platform.

It also describes the economic model used to quantify these consumer effects and cost savings, using Sydney as a case study.

4.1 Beyond lower prices: benefits of Airbnb's features

While cost may be a factor in motivating travellers to use Airbnb,³⁶ it's not the only reason. A number of studies have suggested that collaborative consumption is driven by the perceived value and benefits of these transactions.³⁷

These benefits are related to the specific product offered by Airbnb to consumers in the market, and the extent to which it differs from the current traditional offering. These features of Airbnb are summarised in the diagram below.

Figure 4.1: Features of Airbnb



Source: Deloitte Access Economics

These features create additional consumer surplus for travellers using Airbnb. In this context, consumer surplus is defined as the difference between what consumers are willing to pay for Airbnb accommodation, and what they actually paid – in other words, the value individuals receive from their Airbnb over and above what they paid for it. The differentiation benefits described in the diagram may influence the amount consumers are willing to pay for accommodation, and therefore the amount of consumer surplus they receive.

The following sections describe the benefits of Airbnb's features qualitatively, while a case study in Section 4.3 quantifies consumer surplus for people using Airbnb in Sydney.

4.1.2 Location and availability of Airbnb properties

The vast majority of properties listed on Airbnb are located outside the traditional hotel areas of major cities around the world.³⁸ This is in contrast to the location of traditional tourist accommodation, which is generally centred on the CBD and the inner suburbs.

The varied location of Airbnb properties leads to two key benefits.

Firstly, it allows consumers to book accommodation close to their desired location. In providing greater choice, Airbnb is more likely to facilitate a booking which meets the needs of guests. For example, guests may choose to stay outside the CBD if visiting a suburban business, hospital or university.

Secondly, visitors are able to explore areas 'off the beaten track' by staying in an area outside the location of traditional tourist accommodation. Guests can stay in the suburban areas of a city, generating a living experience more similar to a local resident.³⁹ Guests may place value on this differentiated and authentic experience.⁴⁰

Meeting the demand for rooms during Mardi Gras

The Sydney Gay and Lesbian Mardi Gras is an annual event which has its origins in a night of political protest in 1978. Today, it is a two-week festival which celebrates diversity and queer pride. In 2016, over 12,500 members of the queer community and their supporters joined the key event, the Mardi Gras parade, on 178 floats. Around 300,000 people attended the parade as spectators.

Airbnb supported the Mardi Gras as a major partner in 2015 and 2016, and entered a corporate float in the Mardi Gras parade in both years. In 2016, Airbnb's house-float was offered as a prize in a competition. Pink Media Group arranges Mardi Gras' sponsorships and partnerships on their behalf.

Mardi Gras is not only the biggest queer celebration in Australia, but is also Sydney's second most-attended event, following only New Year's Eve. In this context, Pink Media reports that accommodation can be expensive and difficult to come by, with hotels and other lodgings frequently selling out. The availability of Airbnb properties may mean that more interstate and international visitors can attend the event, with around 100,000 attendees coming from the rest of Australia and around 50,000 from overseas. Visitors tend to stay around a week for the event, and according to Pink Media, many continue to travel around Australia.

Airbnb offers an alternative place to stay for Mardi Gras participants, and at a range of price points to suit different budgets. Importantly, many Airbnb listings are located in Surry Hills, Darlinghurst and Newtown – neighbourhoods which are not only nearby to Mardi Gras events, but according to Pink Media Group, also have a high proportion of queer residents in their communities. Given there is limited hotel availability in these suburbs, Airbnb facilitates an enhanced experience for Mardi Gras attendees. Hosts are also able to benefit from the interaction, particularly those who are attending the event.

The other key benefit of Airbnb is its facilitation of expanded accommodation supply. While this point will be discussed further in the following sections, the greater availability of Airbnb properties in a wider area means that it may be easier, on the whole, for a guest to book a short-term stay in a city. This can be particularly so during periods of peak demand, such as special events or long weekends.

4.1.3 Cultural experiences

Consumer preferences for accommodation vary significantly. Preferences may be influenced by personal tastes, purpose of travel, travel party size or a range of other factors. Travellers may look for a number of key attributes when booking accommodation – such as location, the number of beds or rooms, free Wi-Fi or kitchen facilities.⁴¹

Airbnb's platform allows for the listing of a wide variety of property types in varying locations. This means that travellers are more likely to find a listing which meets all of their wants and needs, especially when outside the realm of traditional tourism accommodation. The location of a listing is important to guests who are seeking a particular cultural experience when travelling – such as terrace house in Surry Hills, or a cottage in Fitzroy.

Airbnb also provides certain unique listings that are unavailable in the traditional tourist accommodation market. Airbnb's listings include treehouses, castles and caves; this may suit tourists seeking a more unique experience. Airbnb hosts may be able to facilitate a wider range of requests which are often disallowed in traditional tourist accommodation, such as travelling with pets.

Airbnb properties can also provide additional 'at-home' facilities, such as a laundry and kitchen, or a separate study. These facilities provide additional benefits to travellers, especially in the context of long-term stays.

4.1.4 Bidirectional reviews

Airbnb employs a bidirectional review system, whereby guests and hosts are invited to rate their counterpart following the conclusion of a reservation. Importantly, each party is unaware of their own rating before submitting their response, reducing the prospect of potential retaliation bias.⁴²

Ratings can encourage the provision of better service, as ratings are publicly available on the platform. Reputation can also affect listing prices according to one US study.⁴³ Guests are able to view reviews when searching for accommodation, and may take this into account when choosing a property. Hosts are also able to see a guest's rating when a guest requests a reservation at their property, and may similarly choose whether to approve the stay based on ratings. Hosts can also set a minimum ratings requirement for guests where instant booking of their property is available. TripAdvisor performs a similar role in the traditional accommodation market, although accommodation providers cannot rate guests. Out of all Airbnb reservations in Western Australia between July 2015 and August 2016, listings were rated 4.65 stars on average.

Ratings also support the development of the online Airbnb community. In allowing guests to review the space in which they stayed, rapport is generated between the host and the guest and between others on the platform. While this community is an integral feature of Airbnb, one study has noted that social interactions between hosts and guests can introduce positive bias in reviews. Omitting negative feedback from reviews is said to occur due to the empathy generated in social interactions between hosts and guests.

Sharon – using the vacant part of the house

When Sharon and her family moved into their Perth home two years ago, they soon realised that the lower level of their house wasn't being used, and decided to list the private room on Airbnb after renovating the space.

Sharon's home is located between Perth's city centre and Fremantle, making it convenient for travellers who want easy access to Perth's sights via car. Sharon estimates that around one third of her guests are tourists from Asia, a third are interstate business travellers, and the remainder are from rural and regional parts of Western Australia – often receiving medical treatment at the nearby Fiona Stanley Hospital. Her home is also close to Garden City Shopping Centre, the Swan River and public transport.

"Our guests are always out and about. Without kitchen facilities in the room, they tend to go out for meals, though we've had a few pizza deliveries!"

The income earned from Airbnb is supplementary to Sharon's primary income, though it is particularly welcome while Sharon is on maternity leave. The earnings generally go towards luxuries, including employing a cleaner for the home. As Sharon has a professional background in luxury accommodation, she particularly enjoys that aspect of hosting on Airbnb.

Sharon's guests tend to be independent travellers, but she always greets them in person on arrival. A handy guide in the room provides local recommendations to eat and sightsee, though guests are always welcome to contact Sharon for her local expertise.

One study estimated this effect by assuming that social interactions are more likely to occur where a guest is staying in a private room of a private residence, and less likely to occur where a host has more than three listings. Fradkin et al found that trips to private rooms have a 0.005 star higher rating and trips to hosts with multiple listings have a 0.112 lower rating, holding guest characteristics fixed.⁴⁴ Notably, however, this bias is minimal.

4.1.5 Peer to peer platform

The peer to peer nature of Airbnb may provide additional benefits to guests. In many cases, hosts will greet guests on arrival, and assist their guests in settling in to the accommodation and the local area. This additional service may be valued by guests, as they are able to connect with a local resident in the area.⁴⁵

Airbnb also facilitates hosts to write guides for guests, which are available on the Airbnb platform (as shown in Figure 4.2).

Some guests may also derive value from the peer-to-peer connection facilitated by the platform, with this experience offering value beyond the provision of the good or service purchased. Peer to peer networks like Airbnb allow participants to form friendships and develop and maintain social connections.⁴⁶ Guests and hosts can also share recommendations and personal experiences, allowing tourists to connect with the local community.⁴⁷

Figure 4.2: Host guidebook on Airbnb mobile application



Source: Airbnb

4.2 Cost savings for consumers

The additional room supply facilitated by Airbnb increases competition in the market, while also providing different types of accommodation for consumers. Increased competition and additional supply in the market can have a number of effects, including lower prices for consumers and greater availability during peak periods.

This report does not analyse in detail the drivers of the cost differential between hotel accommodation and Airbnb listings. It is likely there are a number of factors. There is a relatively low marginal cost in letting an empty room in a property or an apartment that would have been empty while the owner was on an extended holiday.

Airbnb listings also typically do not have many of the services which are provided by hotels and expected (and valued) by guests, such as a permanent reception desk, baggage storage or daily housekeeping. Finally, the regulatory requirements for hotel accommodation and Airbnb listings are different. This report does not analyse or compare the regulatory arrangements for home sharing or traditional accommodation.

Lower accommodation prices can have a number of effects. Clearly, for those who are incentivised to switch from using traditional accommodation to Airbnb, there are resulting cost savings. The magnitude of these savings depends on the differential between Airbnb prices and hotel prices.

Importantly, the lower average price of Airbnb listings may encourage people to travel who could otherwise not have afforded hotel prices, or encourage more frequent travel. These new entrants to the accommodation market increase the overall size of the market, and can help boost tourism more broadly. In one study, 67 per cent of respondents agreed that peer to peer accommodation expands their selection of places to travel, with the lower accommodation cost making more destinations affordable. 41 per cent of respondents also agreed that peer to peer accommodation increases the frequency of their travel, mainly due to the social aspects of using peer to peer accommodation.⁴⁸ In a survey undertaken across the United States, United Kingdom, Germany and France, respondents indicated that price was the most important factor in choosing Airbnb. The survey, conducted by Morgan Stanley and AlphaWise in 2016, also showed that 2 per cent of trips would not have been taken if not for Airbnb.⁴⁹

There are also benefits for those who continue to use traditional accommodation. In the longer term, hotels may reduce their prices in order to compete with Airbnb listings – leading to cost savings for this segment of the market. Whether this occurs depends on the extent to which hotels compete with Airbnb listings. However, the location of Airbnb listings in Australia – primarily outside the major hotel districts – may bring into question the extent to which Airbnb and the hotel industry directly compete.

It is important to note that Airbnb listings are not always less expensive than hotels. As shown by CBRE analysis in the United States,⁵⁰ the average daily rate for Airbnb may exceed that of hotels, depending on the type of listing. But the overall effect of Airbnb is to drive competition – with lower prices and differentiation attracting new consumers to the market.

4.3 Sydney – a case study

Deloitte Access Economics quantified the two core consumer effects of Airbnb:

- The cost savings for consumers switching from hotels to Airbnb
- The consumer surplus arising from the quantity and differentiation benefits of Airbnb.

This case study focuses on Sydney to illustrate these two effects. Given the unique market conditions across Australian cities, these results are only applicable to the Sydney area. However, similar results are likely to occur in other cities.

We found that consumers who switched from traditional accommodation to Airbnb homes and apartments saved \$25.8 million in 2015-16. Net consumer surplus enjoyed by all Airbnb guests totalled \$48.4 million.

Appendix B contains further detail about our modelling framework and technical assumptions. For this case study, 'Central Sydney' is defined to include the Sydney CBD, Redfern, Pyrmont, Chippendale, Ultimo, Surry Hills and Potts Point. References to 'hotels' incorporate all traditional accommodation included in the ABS definition, including hotels, motels and serviced apartments with 15 or more rooms. Notably, this analysis excludes other types of accommodation, such as bed and breakfasts, hostels and caravan parks.

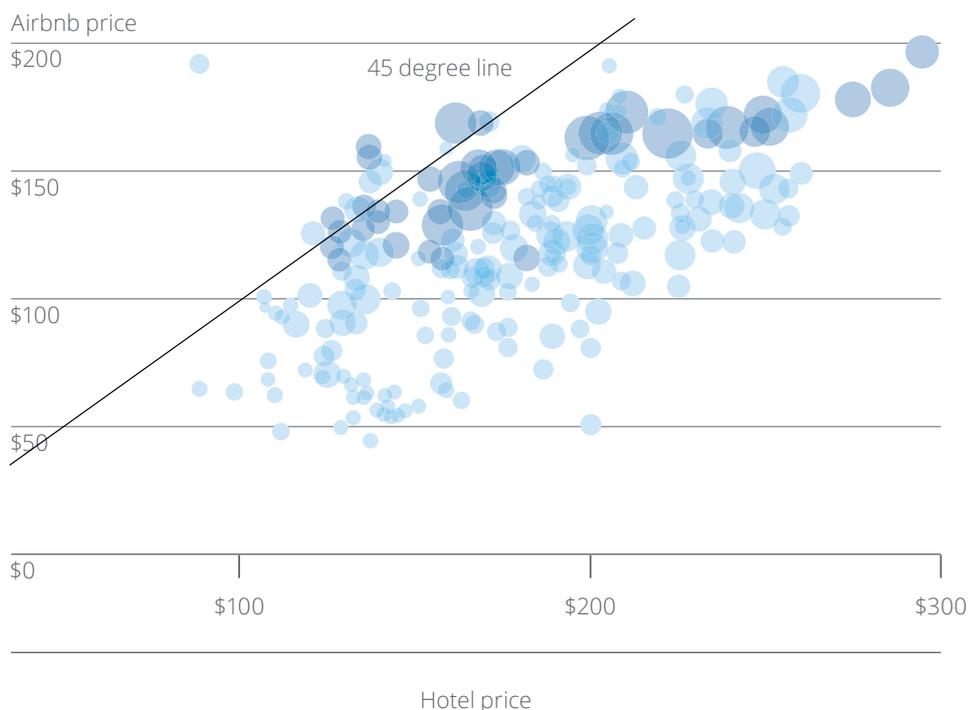
4.3.1 Savings to consumers

Consumers who switch from booking traditional accommodation to staying in Airbnb listings enjoy cost savings on average because, in most cases, Airbnb listings are relatively cheaper.

4.3.1.1 Difference in price between Airbnb and traditional accommodation

Airbnb listings are often – but not always – cheaper than booking traditional accommodation. Chart 4.1 shows a comparison between average nightly prices in Airbnb apartments and homes and hotels in central and greater Sydney. Entries below the line represent that hotels are more expensive on average, while entries above the line show that Airbnb listings are more expensive on average.

Chart 4.1: Comparison of average price per night in hotels and Airbnb listings



Area

● Rest ● Central | the bubble size is scaled based on total nights in each suburb

Source: Deloitte Access Economics, using Airbnb and ABS⁵¹ data.

Note: The comparison between areas is subject to data availability, as postcodes in Airbnb data and Statistical Area 2 areas in ABS data may not perfectly align. Shared rooms and private rooms within dwellings were excluded from Airbnb data to provide better comparability to hotels. Hotel prices are determined by considering total takings from accommodation and room nights occupied. Airbnb prices are determined by considering total takings from accommodation and the number of room nights in occupied listings – i.e. prices are provided per room, not per listing.

Chart 4.2 shows monthly movements in price in central Sydney and the rest of Sydney. It is clear that Airbnb listings are cheaper per room, per night on average. Interestingly, the monthly movements in price are remarkably similar for both Airbnb listings and hotels, suggesting that seasonal factors have an important impact on price. The variation in price is also greater in central Sydney compared to the rest of Sydney, potentially reflecting capacity constraints during peak seasons.

Chart 4.2: Comparison of average nightly room price in Airbnb listings and hotels, 2015-2016



Source: Deloitte Access Economics, using Airbnb and ABS⁵² data.

Note: Shared rooms and private rooms within dwellings were excluded from Airbnb data to provide better comparability to hotels. Hotel prices are determined by considering total takings from accommodation and room nights occupied. Airbnb prices are determined by considering total takings from accommodation and the number of room nights in occupied listings – i.e. prices are provided per room, not per listing.

Table 4.1 shows a comparison of average nightly room prices in Airbnb listings and hotels across 2015-16. In central Sydney, Airbnb properties are on average \$88 cheaper per night, while this difference is \$50 per night outside central Sydney. Note this report does not analyse in detail the drivers of the cost differential between hotel accommodation and Airbnb listings.

Table 4.1: Comparison of average nightly room price in Airbnb listings and hotels in Sydney, 2015-2016

Area of interest	Hotel	Airbnb	Difference	Price ratio
Central Sydney	\$250	\$163	\$88	1.5
Rest of Sydney	\$182	\$132	\$50	1.4

Source: Deloitte Access Economics, using Airbnb and ABS⁵³ data.

Note: Shared rooms and private rooms within dwellings were excluded from Airbnb data to provide better comparability to hotels. Hotel prices are determined by considering total takings from accommodation and room nights occupied. Airbnb prices are determined by considering total takings from accommodation and the number of room nights in occupied listings – i.e. prices are provided per room, not per listing. Difference may not sum due to rounding.

4.3.1.2 Savings arising from cheaper average prices

Deloitte Access Economics used an in-house model to estimate the effect of growth in Airbnb room nights on the number of hotel room nights booked. Although both Airbnb and the traditional accommodation market are growing, the relatively faster growth of Airbnb bookings suggests there may be an associated effect on hotels. Further detail on this analysis is contained in Appendix B.

Using this price differential and an analysis of how Airbnb interacts with the traditional accommodation market, the total savings enjoyed by consumers switching from traditional accommodation to Airbnb was calculated to be \$25.8 million in 2015-16. This is comprised of \$9.1 million in savings to consumers staying in central Sydney and \$16.7 million to consumers staying in the rest of Sydney. Shared rooms and private rooms located in dwellings were excluded from Airbnb bookings data, as these offerings are less similar to traditional accommodation.

Table 4.2: Total consumers savings for consumers switching from hotels to Airbnb accommodation in Sydney, 2015-16

Area of interest	Total nights	Total Airbnb spending	Consumer saving
Central Sydney	162,536	\$33.8 million	\$9.1 million
Rest of Sydney	395,772	\$86.2 million	\$16.7 million
Total	558,308	\$119.9 million	\$25.8 million

Source: Deloitte Access Economics, using Airbnb and ABS⁵⁴ data.

Note: Shared rooms and private rooms within dwellings were excluded from Airbnb data to provide better comparability to hotels.

4.3.2 Benefits other than price

Travellers who book Airbnb accommodation in Sydney enjoy the differentiation benefits provided by Airbnb. These benefits may affect the value consumers place on Airbnb accommodation. If this value is greater than the price paid for accommodation, consumer surplus is created.

Estimating consumer surplus requires an understanding of the demand curve for Airbnb accommodation. The slope of the demand curve is determined by the responsiveness of consumers to changes in price – also known as price elasticity.

Given the wide variety of accommodation offered on the Airbnb platform – across different areas of Sydney and in various forms – Deloitte Access Economics divided Airbnb booking data into five key regions (Sydney CBD, Blue Mountains, eastern suburbs, northern beaches, and other areas) and six accommodation sizes. Each sample was then analysed separately to determine the price elasticity of demand, and therefore the value of consumer surplus.

Deloitte Access Economics used hedonic regression to estimate price elasticities. Hedonic models break down a consumer's value of a good into its constituent parts, such that it is possible to estimate how much each characteristic contributes to willingness to pay. In this context, the price paid for Airbnb accommodation was broken down into elements such as the number of nights booked, the number of guests staying, and the number of days in advance the booking was made. Each of these components contributes to the price a consumer is willing to pay for Airbnb accommodation.

Two different forms of hedonic modelling were used to elicit elasticities, and therefore consumer surplus. The first is a traditional two-stage hedonic model, while the second uses a direct utility estimation approach. These approaches, and further technical assumptions regarding the models, are described in Appendix B. The results of the two approaches were averaged to provide a robust estimate.

Overall, Deloitte Access Economics estimates that total consumer surplus for Airbnb trips to Sydney was \$48.4 million in 2015-16. This is based on the difference between aggregate willingness to pay (derived using elasticities) and the total amount spent on Airbnb accommodation in Sydney in 2015-16.

4.4 Benefits for business travellers

Airbnb provides a specialised service for companies, Airbnb for Business. As its name suggests, this service tailors Airbnb's regular offering for corporate travel. Listings are curated for business features, including 24 hour check in, provision of an entire space (e.g. a whole apartment or house) and extra amenities, such as Wi-Fi and toiletries. Travel managers are able to make bookings on behalf of team members, and Airbnb for Business also integrates with spend management platforms such as International SOS and Concur, with booking data readily available from the Airbnb website.

Over 200,000 clients have registered and used the Airbnb for Business platform worldwide. Notable companies which use Airbnb for Business include Google, Facebook and Morgan Stanley. Around 10 per cent of Australian bookings were business-related in 2016, with the majority of bookings made in Sydney and Melbourne. In the United States, Fast Company estimates that 10 per cent of Airbnb rentals are business travellers.⁵⁵ On average, business travellers rated their stay 4.7 stars, reflecting the amenities and standards required for business-ready listings. 24 per cent of business trips within Australia are made by international travellers, with the remaining 76 per cent being domestic travellers.

The key benefits of Airbnb for Business relate to the different service offering it provides, and are in some cases similar to the broader consumer benefits of Airbnb.

Firstly, Airbnb's business clients have reported to Airbnb that listings are up to 35 per cent less expensive than traditional hotel accommodation. As highlighted in Table 4.3, standard Airbnb listings were around 54 per cent cheaper compared to traditional accommodation in central Sydney. Although it is important to note that these prices may reflect different standards of accommodation, the overall sentiment remains the same – that business travel is, on average, less expensive through Airbnb.

Table 4.3: Comparison of average nightly room price in Airbnb listings and hotels in Sydney, 2015-2016

Area of interest	Hotel	Airbnb	Difference	Price ratio
Central Sydney	\$250	\$163	\$88	1.5
Rest of Sydney	\$182	\$132	\$50	1.4

Source: Deloitte Access Economics, using Airbnb and ABS⁵⁶ data.

Note: Shared rooms and private rooms within dwellings were excluded from Airbnb data to provide better comparability to hotels. Hotel prices are determined by considering total takings from accommodation and room nights occupied. Airbnb prices are determined by considering total takings from accommodation and the number of room nights in occupied listings – i.e. prices are provided per room, not per listing. Difference may not sum due to rounding.

As noted earlier, Airbnb expands accommodation supply, particularly in areas outside of traditional tourist hotspots. This may provide benefits for businesses which require accommodation for employees outside the CBD of capital cities; for example, where a client is based in the inner metro area. Business travellers may also enjoy the opportunity to explore a new area of the city, particularly for an extended stay.

For those requiring accommodation within the CBD, Airbnb can expand supply during peak periods where the availability of traditional tourist accommodation may be limited. This can particularly occur during special events, such as the Mardi Gras Festival in Sydney. Recent statistics show that in 2016, hotel occupancies in the cities of Melbourne and Sydney reached 87 per cent and 88 per cent respectively.⁵⁷ Robyn Johnson, CEO of Meetings & Events Australia, recently stated:⁵⁸

"The conference cycle in Australia often coincides with peak corporate activity and festivals that puts high demand on hotel accommodation. Airbnb could be an option that may be attractive to conference attendees who are looking for a different experience."

The nature of Airbnb properties may also benefit both businesses and travellers. The ability to rent an entire space – such as a whole apartment or house – is particularly useful for businesses wishing to facilitate a retreat or offsite team session. It is also beneficial for business travellers on an extended stay or preparing for relocation, as the property is more similar to a home than a hotel. 67 per cent of Airbnb's business travel bookings are for an entire home or apartment.

As with Airbnb's regular offering, stays booked through Airbnb for Business are protected by a \$1 million host guarantee (covering damages and protecting the guest and host) and \$1 million host protection (providing coverage if a guest is injured). Airbnb also partners with International SOS and iJET such that itinerary data can be integrated into these travel assistance platforms, and provides 24/7 phone support for corporate travellers. Companies can choose a list of pre-approved listings that meet their individual travel policies and requirements.

Aesop – using Airbnb for Business

Aesop is an Australian skincare company headquartered in Melbourne. Aesop has 180 stores worldwide, with global offices in New York, London, Paris, Tokyo and Hong Kong. While the senior leadership team is based in Melbourne, frequent international and interstate travel is required to open and manage stores around the world.

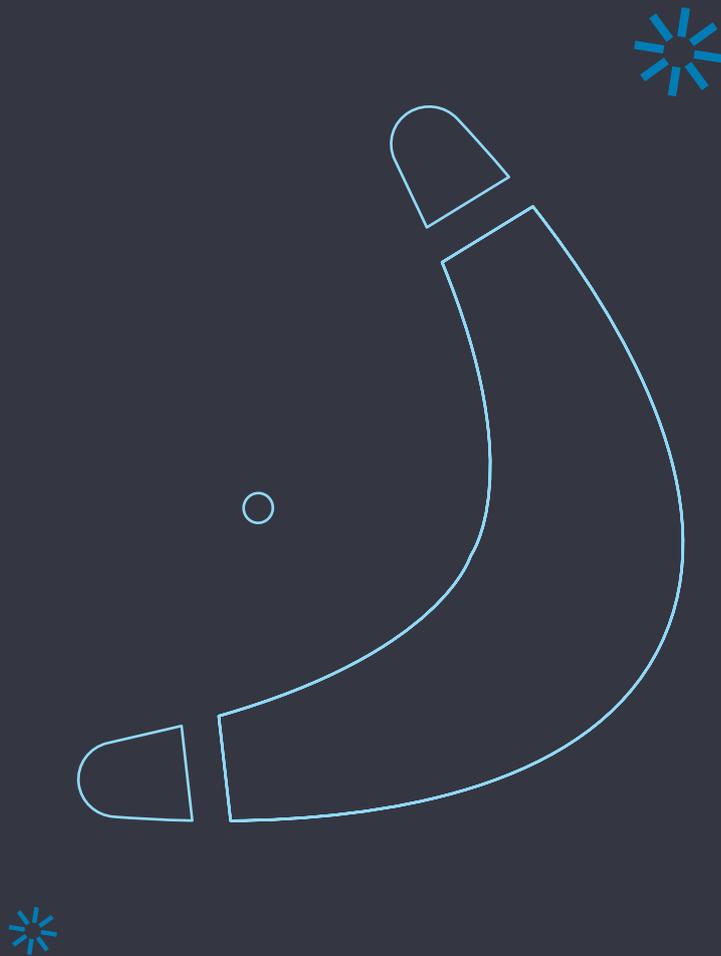
Driven by employee demand, Aesop began using Airbnb for Business for corporate travel. Airbnb complements traditional tourist accommodation and is generally used for different travel purposes. As Aesop stores are frequently established in local neighbourhoods rather than corporate areas, Airbnb is often more convenient for travelling staff. Employees can stay in the neighbourhood near the proposed or established Aesop store, and experience the local culture shaping each location.

Airbnb is ideal for longer-term stays where Aesop employees will be living out of home for an extended period of time. Aesop reported that people who use Airbnb tend to engage more with the local community, as opposed to experiencing their destination at a purely business level. Kitchen and laundry facilities are also useful for extended stays, as they render the living and working environment more similar to home than to a hotel. Pricing can also be more affordable through Airbnb for long term stays.

Hotels are still important in the context of Aesop's corporate travel, especially for shorter stays or long trips with multiple stopovers and complex itineraries. Staff who are travelling to unfamiliar locations may also choose to stay at a hotel where easy airport transfers are available. Airbnb and hotels are alternative options which each have different advantages depending on travel requirements.

The Airbnb for Business platform provides for ease of booking in a corporate environment. Authorised travel organisers can book accommodation on someone else's behalf, which is important for Aesop given the frequency of travel required for some employees and directors. Global applications are increasingly changing how Aesop undertakes corporate travel around the world.

5. Producer effects



Airbnb hosts are rewarded beyond the income they earn – they also enjoy the benefits of cultural exchange. While traditional accommodation may be impacted by Airbnb, competition can drive better quality and the size of the market.

5.1 Benefits for Airbnb hosts

Airbnb hosts enjoy a number of benefits arising from their activities on the platform. These benefits are not limited to the income earned from Airbnb stays – hosts also benefit from the interactions with their guests and the broader community, and can experience new cultures without leaving their hometown.

5.1.1 Income

Airbnb allows ordinary households to have an extra source of income by sharing their existing property, whether that be a spare room or a holiday house. For over 80 per cent of Airbnb hosts across Australia, this property is the home in which they live. Airbnb hosts in Western Australia earned a median income of \$5,300 in 2015-16.

A survey of Sydney Airbnb hosts in 2013 found that 31 per cent rely on their Airbnb income to make ends meet, spending on average 47 per cent of this income on essential living expenses. The remaining income is used as extra spending money, to pay for holidays or contributes to long-term savings.

Beyond comprising an additional source of income, Airbnb can also support hosts to explore new business ventures. In 2013, 27 per cent of Sydney Airbnb hosts surveyed were freelancers, entrepreneurs or self-employed. Airbnb income can help bridge the gap between earnings and expenses during the start-up period, or fund new projects which may otherwise not occur.

5.1.2 Cultural exchange and community benefits

Airbnb hosts can benefit from the cultural exchange facilitated by Airbnb. With over 80 per cent of Australian hosts listing their primary residence on Airbnb, there are ample opportunities to connect with people from different countries and cultures through peer to peer transactions.

Broadly, platforms like Airbnb connect people – with one participant providing accommodation, and the other (or others) requiring accommodation. This personal connection can range from the mere exchange of services, to a conversation or lasting friendship. The ability of Airbnb to facilitate social interactions as well as accommodation is a key benefit of the platform.⁵⁹

These interactions are even more beneficial when it's considered that a substantial proportion of people using Airbnb when travelling are from overseas. Both the host and guest can experience another culture through Airbnb, whether that be through a conversation, a meal or a guided tour. This can be a learning opportunity for hosts who have never travelled, and can help develop a greater understanding of diversity and culture.

Through the interactions between hosts and guests, travellers can connect with local communities and vice versa.⁶⁰ With the majority of Airbnb accommodation situated outside major hotel districts and instead nearby local neighbourhoods, travellers are likely to visit restaurants, bars, attractions and shops in the area – as recommended by their host. In this way, the broader community can also benefit from the cultural exchange facilitated by Airbnb, instead of this effect being more limited to major hotel districts or tourist areas.

5.2 Driving competition and growing the market

Platforms like Airbnb are adding to accommodation supply and in doing so, are growing the overall size of the market. This growth arises as Airbnb's lower prices and features may encourage people to enter the market, or stay longer or more often in tourist accommodation than what they would otherwise.

Airbnb is also increasing competition in the tourism accommodation market, with more rooms and more players in the space overall. There may, however, be costs and impacts for existing operators in the accommodation market. Research undertaken by Zervas, Proserpio and Byers in the US found that Airbnb limited the ability of the hotel industry to raise prices during peak periods, with flexible Airbnb supply positioned to absorb additional demand.⁶¹

CBRE also analysed the impact of Airbnb on the traditional accommodation market in 59 key markets in the US. It concluded that while Airbnb may impact a hotel's ability to raise rates and may lead to hotels lowering rates to stay competitive, it is having a minimal impact outside the top markets. Airbnb generated 2 per cent or more of hotel revenue in only 15 of the 59 markets assessed – and in those 15 markets, the vast percentage of that revenue was generated in downtown.⁶²

Despite the impact on existing operators, consumers stand to gain from competition in the long term. Competition is a good thing – more competitive markets can help deliver greater variety, choice and quality of goods. Competition and choice are also important in the context of the broader economy, supporting productivity and income growth.⁶³

Airbnb has also spurred the development of new jobs, such as Airbnb host coaching. Jodie and Rob, for example, established Guest Ready to provide support and advice on getting started as an Airbnb host. Airbnb also indirectly supports jobs in other industries – for example, some hosts may employ a cleaner, or use a short term rental manager while on holiday. Deloitte Access Economics found that 4,384 FTE jobs are indirectly supported by Airbnb guest expenditure, including the amount paid to hosts and other holiday expenses.

5.3 Supporting local economies

Airbnb can activate local communities by distributing visitors across cities. 74 per cent of Airbnb properties are located outside traditional hotel districts in major markets across the world⁶⁴ – meaning that both visitors and their spending is dispersed rather than concentrated.

The dispersal of visitors across cities provides benefits to local communities, as Airbnb guests spend money in the area where they stay, rather than in areas which traditionally benefit from tourism. Airbnb survey data shows that 46 per cent of guest daytime spending is in the suburbs in which they stay, and that 98 per cent of hosts suggest local restaurants, cafes, bars and shops in their neighbourhoods. This expenditure can assist local businesses which generally rely on foot traffic and residents who live in the area.

Local communities may also benefit from the presence of tourists (particularly those from overseas) in the context of cultural exchange. As discussed in Section 5.1.2, residents may be able to benefit from interactions with travellers of different backgrounds.⁶⁵ These exchanges may otherwise not occur, and can introduce locals to people from all over the world.

Appendix A: Economic contribution modelling framework

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry

All direct, indirect and total contributions are reported as gross operating surplus (GOS), labour income, value add and employment, with these terms defined in Table A.1.

Table A.1: Definitions of economic contribution estimates

Estimate	Definition
Gross operating surplus (GOS)	GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation, and amortisation (EBITDA).
Labour income	Labour income is a subcomponent of value add. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.
Value add	Value add measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value add across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value add measure can be thought of as the increased contribution to welfare.
Employment (FTE)	Employment is a fundamentally different measure of activity to those above. It measures the number of workers (measured in full-time equivalent terms) that are employed by the entity, rather than the value of the workers' output.
Direct economic contribution	The direct economic contribution is a representation of the flow from labour and capital committed in the economic activity.
Indirect economic contribution	The indirect contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by economic activity.
Total economic contribution	The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Source: Deloitte Access Economics (2016)

Value added

The measures of economic activity provided by a contribution study are consistent with those provided by the Australian Bureau of Statistics. For example, value added is the contribution the sector makes to total factor income and gross domestic product (GDP) and gross state product (GSP).

There are a number of ways to measure GDP:

- **Expenditure approach** – measures the expenditure of households, on investment, government and net exports
- **Income approach** – measures the income in an economy by measuring the payments of wages and profits to workers and owners.

Below is a discussion measuring the value added by an industry or firm using the income approach.

Measuring the economic contribution – income approach

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution. One measure is value added.

Value added measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.

Value added is the sum of:

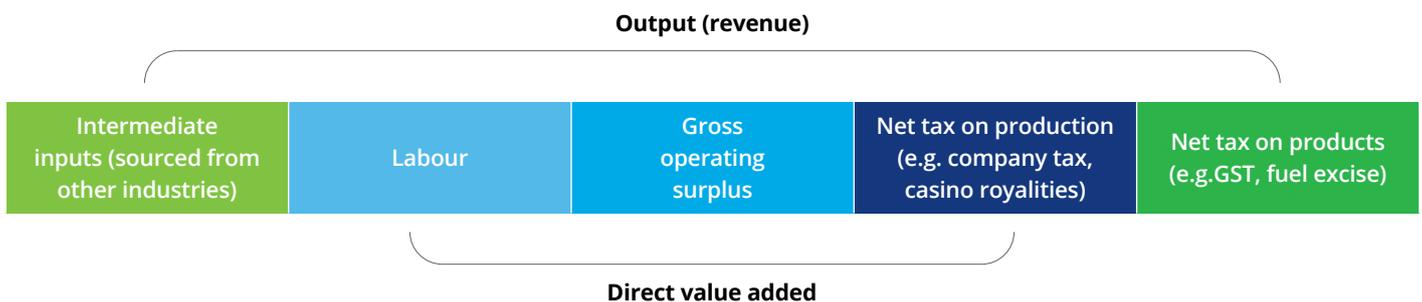
- **Gross operating surplus (GOS)** represents the value of income generated by the entity's capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA)
- **Tax on production less subsidy** provided for production. Note: given the manner in which returns to capital before tax are calculated, company tax is not included or this would double-count that tax. In addition it excludes goods and services tax, which is a tax on consumption (i.e. levied on households)

- **Labour income** is a subcomponent of value added. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.

Figure A.1: shows the accounting framework used to evaluate economic activity, along with the components that make up output. Output is the sum of value added and the value of intermediate inputs used by the firm. Net taxes on products are not included in value added but are included in GDP.

The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factor inputs.

Figure A.1: Economic activity accounting framework



Source: Deloitte Access Economics

Contribution studies generally outline employment generated by a sector. Employment is a fundamentally different measure of activity to those above. It measures the number of workers that are employed by the entity, rather than the value of the workers' output.

Direct and indirect contributions

The **direct** economic contribution is a representation of the flow from labour and capital in the company.

The **indirect** contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by Airbnb-facilitated tourism. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Australian Bureau of Statistics IO tables which report the inputs and outputs of specific sectors of the economy.

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Other measures, such as total revenue or total exports are useful measures of economic activity, but these measures alone cannot account for the contribution made to GDP. Such measures overstate the contribution to value added because they include activity by external firms supplying inputs. In addition, they do not discount the inputs supplied from outside Australia.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

Unless there is unused capacity in the economy (such as unemployed labour) there may not be a strong relationship between a firm's economic contribution as measured by value added (or other static aggregates) and the welfare or living standard of the community.

The use of labour and capital by demand created from the industry comes at an opportunity cost as it may reduce the amount of resources available to spend on other economic activities. This is not to say that the economic contribution, including employment, is not important. As stated by the Productivity Commission in the context of Australia's gambling industries:⁶⁶

"Value added trade and job creation arguments need to be considered in the context of the economy as a whole ... income from trade uses real resources, which could have been employed to generate benefits elsewhere. These arguments do not mean that jobs, trade and activity are unimportant in an economy. To the contrary they are critical to people's well-being. However, any particular industry's contribution to these benefits is much smaller than might at first be thought, because substitute industries could produce similar, though not equal gains."

In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if, or counterfactual inferences – such as 'what would happen to living standards if the firm disappeared?' – should be drawn from them.

The analysis – as discussed in the report – relies on a national IO table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector are produced by factors of production that are located completely within the state or region defined and that income flows do not leak to other states.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

Similarly the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment like a Computerised General Equilibrium (CGE) model.

For guest expenditure on accommodation (i.e., payments to Airbnb hosts), the analysis is based on the ownership of dwelling industry group within the ABS Input-Output tables and it should be noted that the profile of expenditure on intermediate inputs for those providing Airbnb accommodation may differ somewhat from owners of dwelling more generally. Ownership of dwellings is not assumed to create any direct employment in the ABS national accounts but the purchase of intermediate inputs by owners does contribute to indirect employment in the economy.

Input-output analysis

Input-output tables are required to account for the intermediate flows between sectors. These tables measure the direct economic activity of every sector in the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by source. These detailed intermediate flows can be used to derive the total change in economic activity associated with a given direct change in activity for a given sector.

A widely used measure of the spill-over of activity from one sector to another is captured by the ratio of the total to direct change in economic activity. The resulting estimate is typically referred to as 'the multiplier'. A multiplier greater than one implies some indirect activity, with higher multipliers indicating relatively larger indirect and total activity flowing from a given level of direct activity.

The IO matrix used for Australia is derived from the ABS 2012-13 IO tables. The industry classification used for IO tables is based on the Australian and New Zealand Standard Industrial Classification (ANZSIC), with 114 sectors in the modelling framework.

Appendix B: Consumer effects modelling framework

Savings to consumers

Approach

The purpose of this analysis is to investigate the impact of Airbnb on the demand of hotel room nights in central Sydney since 2012. To accomplish this goal, we have developed a dynamic econometric functional model based on Deloitte Access Economics' Tourist Accommodation Regional Demand, Investment and Supply model (TARDIS).

The TARDIS model consists of a system of equations that combines underlying visitor demand forecasts with a hotel accommodation supply pipeline growth profile to develop estimates of key hotel market outcomes. It is a bespoke model of the hotel accommodation market in Australia which has been implemented and updated over 15 years. Coupled with the Deloitte Access Economics Tourism Forecasting Model (DAE-TFM), it forms the core modelling engine behind the Deloitte Tourism and Hotel Market Outlook.

For this analysis, we augmented the TARDIS model with a new equation for Airbnb, for which the dependent variable also enters the demand equation for hotel room nights. The demand and supply system can be collapsed into a system of three simultaneous equations:

$$\begin{aligned} \ln RNO &= \gamma_0 + \gamma_1 \beta_1 \ln \left(TFA \left(1 + k \times \frac{ROR}{1 - ROR} \right) \right) \\ &\quad + \gamma_2 (1 - \beta_1) \ln \left(TFA \times TWI \left(1 + k \times \frac{ROR}{1 - ROR} \right) \right) + \gamma_3 \ln DEM_{DOM} \\ &\quad + \gamma_4 \ln DEM_{INT} + \gamma_5 S2 + \gamma_6 S3 + \gamma_7 S4 + \gamma_8 \ln ABN \\ \ln ABN &= \alpha_0 + \alpha_1 \ln ABL + \alpha_2 ROR + \alpha_3 S2 + \alpha_4 S3 + \alpha_5 S4 \\ \ln TFA &= \delta_0 + \delta_1 ROR + \delta_2 \beta_2 \ln WGE + \delta_3 S2 + \delta_4 S3 + \delta_5 S4 \end{aligned}$$

The first equation captures the relationship between the monthly hotel Room Nights Occupied (RNO) and Takings from Accommodation (TFA). TFA, along with Room Occupancy Rate (ROR) and a congestion parameter k ,⁶⁷ are used to derive the own and competitor price variables (to capture effective takings). The competition between Australian and foreign destinations are captured through the trade weighted exchange rate (TWI) in the competitor price variable. Income effects are captured by DEM_{DOM} and DEM_{INT} . Airbnb enters the competition for hotel room nights via the last variable, $\ln ABN$, which is the log of monthly Airbnb nights booked in the same period. This variable becomes the dependent variable in the second equation which relates Airbnb nights with the total number of unique Airbnb listings (ABL) and Hotel Room Occupancy Rate (ROR). Finally, the third equation captures the supply-side relationship between hotel takings (TFA), index of real wages (WGE) and hotel room occupancy rate (ROR). S2, S3 and S4 are quarterly dummies to adjust for seasonality.

The system of equations has to be solved numerically. Improvements in econometric software make it possible to estimate this highly non-linear system of equations using 'off the shelf' programs such as R.⁶⁸ The system is estimated using a technique known as 'Full Information Maximum Likelihood' (FIML) which maximises the fit of the equations to the data simultaneously.

It should be noted that all of the variables in the model are differenced for the purpose of estimation – as the Augmented Dickey-Fuller Test suggests that the time-series are not stationary in level but stationary in first difference, at 1 per cent statistical significance.

Table B.1 : Augmented Dickey-Fuller Test results

Alternative hypothesis	Variable	Statistic	P value	Variable	Statistic	P value
Stationary	lnRNO	-2.858	0.236	d.lnRNO	-8.872	<0.01
Stationary	lnTFA	-2.919	0.211	d.lnTFA	-7.945	<0.01
Stationary	lnABL	-2.083	0.541	d.lnABL	-14.888	<0.01
Stationary	lnABN	-1.463	0.785	d.lnABN	-9.035	<0.01

Source: Deloitte Access Economics

One simplification of our model is that the two exogenous demand indices derived from the DAE-TFM model do not take into account the potential impact from Airbnb on the total number of visitors to Sydney. As a consequence, although the coefficient on $\ln ABN$, γ_g , can reflect the competition between hotels and Airbnb, the residuals from the model would necessarily capture a combination of new visitors who would not otherwise visit Sydney, and people who would otherwise stay with friends or relatives, etc.

Data

We have compiled our estimation data from three separate sources. Firstly, Airbnb Australia has provided Deloitte Access Economics with the monthly number of Airbnb nights booked (ABN) and total unique Airbnb listings (ABL) in Sydney from January 2012 to June 2015, on a confidential basis. Secondly, we have collected the monthly hotel RNO, TFA and ROR from the tourist accommodation series released annually by the Australia Bureau of Statistics (ABS) for the same period. Finally, the two demand indices and the real wage index are obtained directly DAE-TFM.

Result

Chart B.1 illustrates the relationship between the monthly and quarterly growth rate of Airbnb nights booked and hotel nights occupied during the sampling period. It can be seen that higher growth in Airbnb nights is usually associated with higher growth in hotel nights.

Chart B.1 : Scatter plot of the growth rate of hotel and Airbnb nights



Source: Deloitte Access Economics

Incorporating Airbnb listings and bookings into Deloitte Access Economics' Tourism Accommodation Regional Demand, Investment and Supply (TARDIS) model shows the effect of Airbnb on the number of hotel room nights booked. Applying this relationship to historical Airbnb bookings data reveals the number of booked Airbnb nights which can be attributed to those switching from traditional accommodation, and those which are booked by new entrants to the market. Estimates for the proportion of new entrants each year range between 40 to 62 per cent. We have adopted a midpoint of 51 per cent to calculate the number of Airbnb guests who enjoyed cost savings due to the price differential between Airbnb listings and hotels.

Consumer benefits

Approach

From a microeconomic perspective, the advent of Airbnb has effectively brought down the transaction cost of providing and screening peer to peer short-stay accommodation services. Consequently, consumers are better off with the expanded budget set to reach goods and services that were previously unattainable. Similar to any economic transaction, consumption of Airbnb rooms would happen if and only if the consumer's willingness to pay (WTP) is above the actual price required to secure the accommodation. The difference between total WTP and actual price is called net 'consumer surplus', which is an integral component of consumer benefit.

The purpose of this analysis is to quantify the amount of consumer surplus obtained by Airbnb customers that visited Sydney during 2015-16. To accomplish this goal, we have developed two hedonic price models in the spirit of Rosen⁶⁹ and Bajari and Benkard.⁷⁰ The analysis is performed separately on data for 30 sub-markets, with each sub-market representing a certain type of accommodation⁷¹ in a certain area of Sydney,⁷² to account for product heterogeneity and heteroscedasticity.

The first approach is a two-stage regression similar to that described by Rosen. In the first stage, the total prices of Airbnb bookings are regressed on various booking characteristics:

$$\begin{aligned} \log(\text{Total payment}_i) &= \beta_0 + \beta_1 \log(\text{Nights}) + \beta_2 \log^2(\text{Nights}_i) + \beta_3 \log(\text{Guests}_i) \\ &+ \beta_4 \log(\text{booking_in_advance}) + \beta_5 \log(\text{listing_n_booked}) \\ &+ \text{AirbnbRating} + \text{GuestOrigin}_i + \text{ExchangeRate}_i \\ &+ \text{QuarterlyDummies} + \text{WeekendDummies} \end{aligned}$$

From each of the 30 regressions, we obtain the coefficients β_1 and β_2 , the fitted total payment values and the number of nights from each booking. These estimates can then be used to calculate the marginal willingness to pay for the last consumed night for each observation:

$$\frac{\partial \text{Utility}_i}{\partial \text{Nights}_i} = \frac{\partial \text{Total payment}_i}{\partial \text{Nights}_i} = [\beta_1 + 2\beta_2 \log(\text{Nights}_i)] * \frac{\text{Fitted payment}_i}{\text{Nights}_i} = \text{WTP}_i \quad (*)$$

Where the first equals sign follows from consumers maximising their utilities.⁷³

Compared with the approach described by Rosen,⁷⁴ it is clear that our model has an insufficient number of product characteristics such as room size, neighbourhood environment, distance to public transport, etc. In this respect, equation (*) can only be regarded as an assumed functional form of marginal WTP. Intuitively, it assumes that the marginal enjoyment from an extra night of stay with Airbnb is higher for more expensive listings while become increasingly lower as the period of stay extends.

In the second stage, the log of marginal WTPs are regressed on the log of nights booked, along with other booking characteristics:

$$\begin{aligned} \log(\text{marginal WTP}_i) &= \gamma_0 + \gamma_1 \log(\text{Nights}) + \beta_2 \log(\text{booking_in_advance}) \\ &+ \gamma_3 \log(\text{listing_n_booked}) + \text{GuestOrigin}_i + \text{ExchangeRate}_i \\ &+ \text{QuarterlyDummies} + \text{WeekendDummies} \end{aligned}$$

The elasticity of demand can be calculated as the inverse of the coefficient γ_1 in each of the corresponding regressions for the 30 sub-markets. Consumer surplus can then be calculated based on the estimated elasticity, the total nights booked and weighted average price per night in each sub-market:⁷⁵

$$\text{Surplus}_j = -\frac{P_j * Q_j}{2 * \epsilon_j}, \quad \text{in each sub_market}_j$$

where ϵ_j is the elasticity of demand (negative) in the sub-market.

One limitation of the two-stage hedonic approach is that the second-stage regression has a simultaneity problem because consumers with a higher preference for a longer period of stay would naturally book from hosts that provide long-term contracts. This simultaneity problem causes inconsistent estimates in the second stage.⁷⁶ To address this issue, Bajari and Benkard introduce a different two-stage approach that specifies a functional form of utility and uses Gibbs sampling to simulate the population distribution of consumers' taste coefficients. However, the lack of product characteristics has limited the value in adopting such complicated methodologies. Therefore, we have only estimated consumer surplus based on a simplified log-linear utility function, as a complement to the first approach:

$$\text{Utility}_i = \frac{\text{Fitted payment}_i}{\text{Nights}_i} + \alpha * \log(\text{Nights}_i)$$

where $\alpha = [\beta_1 + 2\beta_2 \log(\text{Nights}_i)] * \text{Fitted payment}_i$

Similar to the two-stage model, this specification assumes utility to increase with total expenditure but at a declining rate as the period of stay extends.

Data

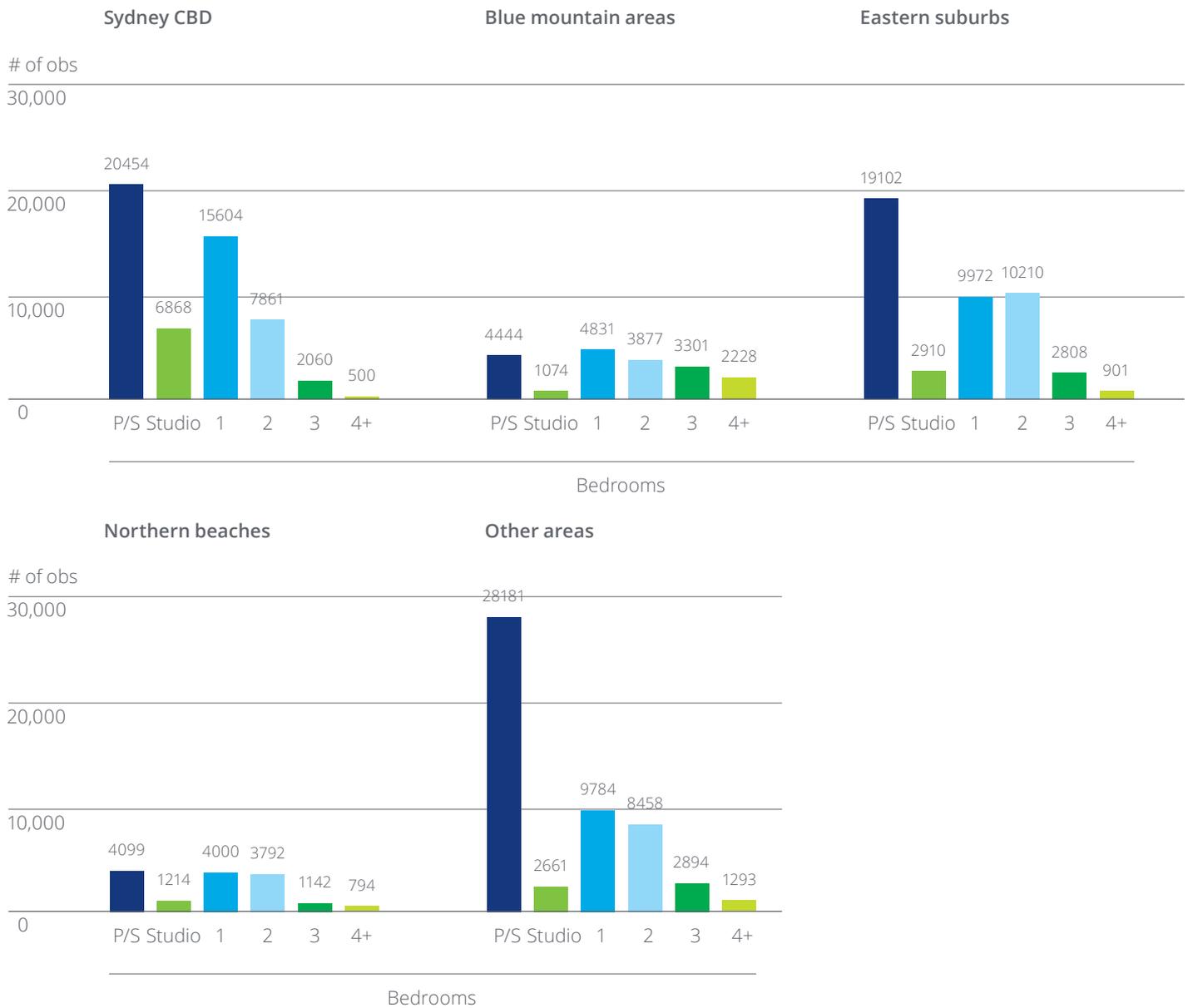
We obtained transaction data for all of the Airbnb bookings to Sydney during July 2015 to June 2016, on a confidential basis. Table B.2 shows the list of variables, along with their transformations, that are used for the analysis.

Table B.2: List of variables supplied from Airbnb

Variable	Description	Transformation
Nights booked	Total nights booked	–
Total guests	Total number of guests	–
Total guest price	Total amount of payment	–
Guest country	The country where the guests are from originally.	Coded as 'AU' or 'Foreigner'.
Listing postcode	The postcode	Used to classify each observation into the five regions in Sydney ⁷⁷
Check-in date	Date of check-in	Used to derive quarterly and weekend dummies
Booking date	Date of booking	Used to derive variable 'booking_in_advance'=number of days between booking and check-in, as a measure of flexibility
Listing type	Whether the listing is a private/shared room or entire house/apartment	Used to split the sample by different accommodation types ⁷⁸ .
Total bedrooms	Total number of bedrooms	
Overall rating	Airbnb rating (integer 1-5)	Coded as 'low' (0-3), 'medium' (4) and 'high' (5)
AUD	Australian dollar exchange rate	Matched with the date of reservation for each observation

Chart B.2 below shows the respective number of observations from the 30 sub-markets. It is not surprising that private/shared rooms comprise a significant share (40 per cent) of the observations. However, they only represents one fifth of the total expenditure due to their relative lower prices.

Chart B.2 : Number of observations for the 30 sub-markets



Source: Deloitte Access Economics

Result

The first stage regression provides a decent fit to the price equations. Chart B.3 below shows the adjusted R-square from the 30 regressions performed. The overall average is 73.5 per cent.

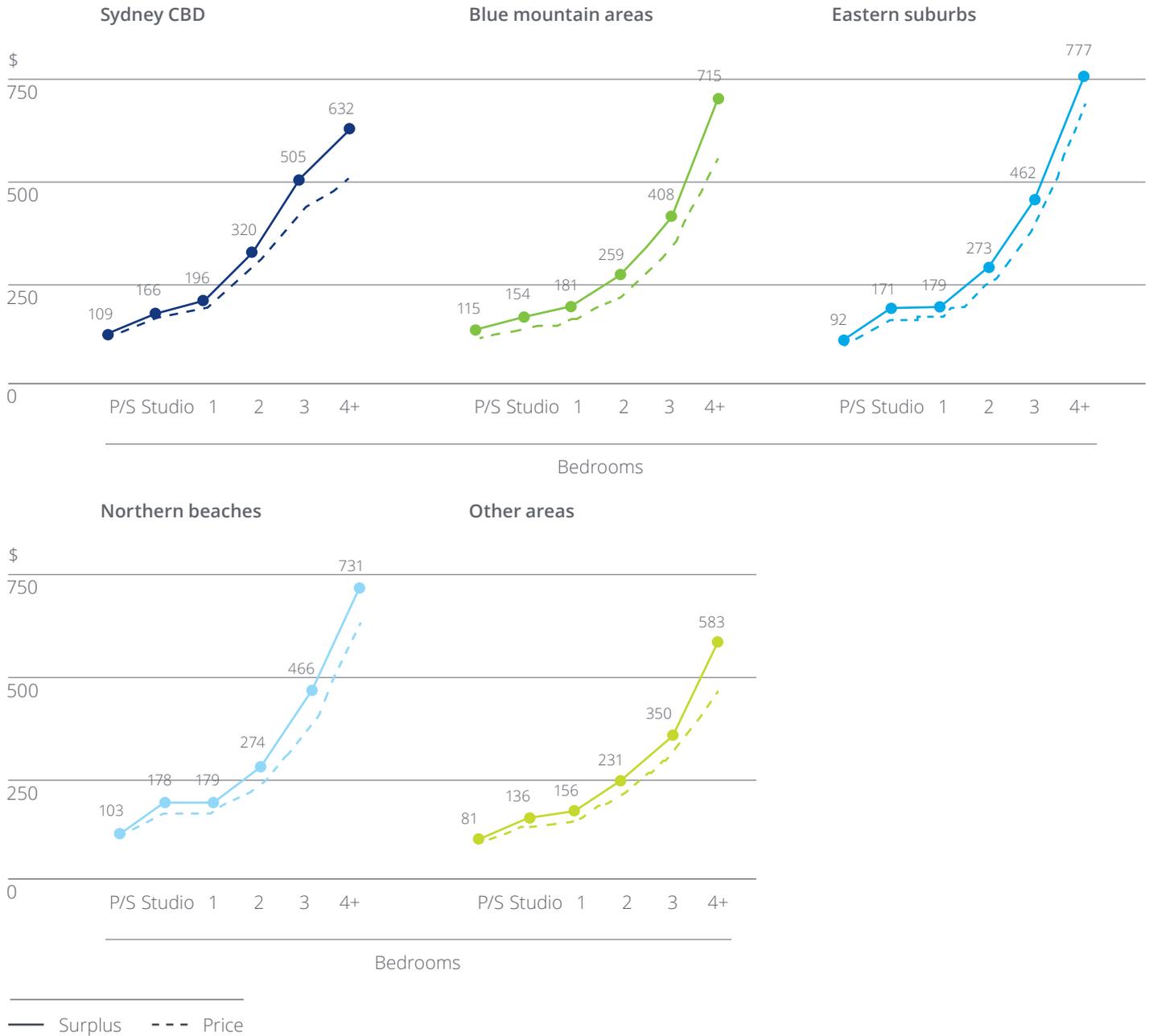
Chart B.3: Adjusted R-square from the first-stage regression



Source: Deloitte Access Economics

Based on results from the second stage regression, Chart B.4 shows the weighted average consumer surplus and price per night in each of the 30 sub-markets. It can be seen that accommodation with higher number of bedrooms are yielding, on average, a higher proportionate surplus. This is because the demand for multi-bedroom accommodation is found to be relatively more inelastic. It is conceivable that consumers that booked for multi-bedroom listings would be less sensitive to prices due to the scarcity of supply and/or the potentially higher demand for quality.

Chart B.4 : Weighted average surplus vs price



Source: Deloitte Access Economics

Table B.3 shows the calculated surplus from the two hedonic approaches. The two approaches are distinct in the specification of consumer preferences. In particular, the first approach assumes linear demand which implies a quadratic utility function while the second approach assumes a log-linear utility function. We believe the average of the two estimates provides a sensible measure of the total consumer surplus.

Table B.3: Consumer surplus created by Airbnb

Method	Aggregate willingness to pay	Total amount paid	Consumer surplus
Two-stage hedonic	\$173.6 million	\$149.2 million	\$24.4 million
Direct utility estimation	\$221.6 million	\$149.2 million	\$72.4 million
Average	\$197.6 million	\$149.2 million	\$48.4 million

Source: Deloitte Access Economics, using Airbnb data.

Footnotes

1. Estimating consumer surplus required an understanding of the demand curve for Airbnb accommodation. The slope of the demand curve is determined by the responsiveness of consumers to changes in price – also known as price elasticity. Deloitte Access Economics used hedonic regression to estimate price elasticities. Hedonic models break down a consumer's value of a good into its constituent parts, such that it is possible to estimate how much each characteristic contributes to willingness to pay
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Beyond cities:

How Airbnb supports
rural revitalization

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Introduction

As interest in travel and tourism grows, passing 10 percent of global GDP in 2017, Airbnb is bringing the economic benefits to communities around the world that haven't shared in these benefits in the past.¹ With 97 percent of the listing price going directly to hosts, and 42 percent of guests' spending occurring within the neighborhoods where they stay, the financial impact of home sharing can be significant for atypical travel destinations.

This is an **especially promising value proposition for the vast parts of the world that start where cities end**. In 1900, 12 cities had populations of 1 million people or more. Today, about 500 do.² **As the balance of the global population has shifted to cities, so have government resources and business capital, causing a widening gap in economic opportunity between urban and rural areas.**

¹ World Travel and Tourism Council, *Travel and Tourism Economic Impact 2017*.

² [Population Reference Bureau](#) and [The Globalist](#), July 30, 2015.

At Airbnb, we believe home sharing can help close this gap by enabling many people beyond cities to benefit directly from the tourism boom, rather than keeping the growing profits in the hands of the traditional hospitality industry. Home sharing creates new economic opportunity where people live, supplements incomes that have stagnated, diversifies incomes that are at risk, and lowers the pressure people may feel to move. Home sharing also helps rural communities welcome more visitors, including for major events that can bring unprecedented infusions of revenue, without having to invest in permanent infrastructure which corporate hotel chains have been disinclined to build in these areas, anyway.

While Airbnb's work in cities receives the most attention, our growth beyond them—including in all 11 countries studied for this report—is outpacing our growth within them as we work with local governments to support rural revitalization. In Latin America, our fastest-growing market, guest arrivals at rural listings in Argentina have quadrupled in the past year and rural listings have tripled. In Japan, guest arrivals outside cities have grown by 267 percent.

\$1.06 billion

2016 income for Airbnb non-urban hosts in the 11 countries studied for this report³

8.5 million

2016 guest arrivals at non-urban listings in the 11 countries studied

Many rural communities around the world have had little investment by corporate hotel chains. In the countrysides of Ireland and France where we are supporting government campaigns to increase tourism, we've been able to watch home sharing transform the traditional tourist season in real time. In Korea and Taiwan, vacation spots known only to locals are leveraging home sharing to enter the global spotlight, while in Japan, home sharing is helping to revitalize areas afflicted by natural disasters and declines in population. In India, rural women are finding new livelihoods through hosting, a few listings at a time. **The majority of Airbnb rural hosts are women in every country studied for this report except for Brazil (where 49 percent of rural hosts are women).**

In other areas that are popular for outdoor recreation, Airbnb expands the economic pie by making travel more accessible for families and others in need of affordable options. In our new partnership with the National Park Foundation, the nonprofit partner to the US National Park Service, Airbnb will work with the Foundation to make it easier for guests to find places to stay around 10 parks across the United States. In Latin America, we are supporting government pushes for eco- and agritourism.

³ Countries studied exclusively for this report include: Argentina, Australia, Brazil, Canada, France, Italy, Japan, Korea, Spain, Taiwan, and the US. Additional content included for Ireland and India.

Of course, in many countries, our non-urban listings are still a small fraction of our overall communities. This is especially true for relatively new host communities in Asia such as Japan, Korea and Taiwan, as well as in Latin America. In Australia, on the other hand, fully half of our available listings and 56 percent of our guest arrivals are outside urban areas. In the US, where nearly one in five active Airbnb listings are rural, rural host income approached \$500 million in just the past year.

Airbnb hosts beyond cities are using home sharing to address challenges that can differ vastly from those faced by our urban hosts. Some of these challenges linger from the Great Recession and other regional or state economic recessions: in some rural areas, a lack of mobility is keeping people in place despite little opportunity; in others, new ways to earn a living are needed to keep young people and families from leaving. Taiwan, where we are helping the government create more opportunity by promoting locally known holiday destinations, is home to the youngest non-urban hosts, with an average age of 39. France, where official concern is growing over its aging rural population, is home to the oldest rural hosts with an average age of 50.

Increasingly, though, rural areas are facing challenges related more to a future made uncertain by technology and climate change than they are tied to the past. Droughts and extreme weather can wreak havoc on the economics of agriculture, but the debts farmers and ranchers undertake to keep going are constant obligations. Automation threatens mining and trucking jobs and the rural economies that depend on them. Support for entrepreneurship is scarce as cities seem to corner the market on investment and technological advances.

Airbnb, on the other hand, is a technology platform dedicated to empowering people, including by working around the blockers preventing most rural areas from seeing the returns of growing tourism. Outside of popular vacation-rental markets, tourism isn't as established an industry as it is in cities and less infrastructure is in place to support travelers. Payment systems can be part of this missing infrastructure. In some areas where Airbnb now operates that are well beyond cities, we've learned to adjust our payment processes to make them fit with local approaches, such as acceptance of India's Permanent Account Number cards for nonprofit organizations, installment plans, and Brazil's Boleto, payable in local banks or post offices.

Availability of data can be another missing piece of infrastructure. Particularly in emerging markets, stronger data collection is needed to assess hosting's economic impact on the communities in which we operate and improve the quality of offerings for guests. Airbnb is thrilled to be partnering with the World Bank Group, a leading international development institution and one of the largest combined finance and technical assistance providers in tourism development, on initiatives including a study on the development impacts of home sharing and pilot projects in areas we jointly identify as emerging tourist destinations.

From our campaigns to help promote the small villages of Italy and towns of France, to our growth in parts of the US that aren't traditional tourist hotspots, to our efforts in Asia to open up their countrysides to more travelers and train new hosts, our work outside the cities with which we are more commonly linked is among the work that make us most proud. For all the doubling and tripling of our growth in some areas, we're overjoyed to be making a difference for an isolated village of six residents in Italy, a group of eight women in rural India, and a city devastated by disaster in Japan.

This report describes through host stories, partnership details and data how we holistically helps benefit the rural communities Airbnb hosts call home and in which our guests increasingly feel they belong.

Europe

FRANCE

Marielle Terouinard, Châtillon-en-Dunois

Marielle is a passionate, 44-year-old host living in the French countryside. She was born in Paris and lived in Australia and Ireland before settling in Châtillon-en-Dunois, where her father has been the mayor for 37 years. Châtillon-en-Dunois is located about two hours' drive from Paris in the center of the country, and she says she would never leave the area for any reason.

Marielle's mission is "to make the countryside great again." That's why, 14 years ago, she founded Agricool, a local organization that aims to make the village more dynamic. She regularly organizes open-air rummage sales, tombolas, local painting exhibitions and sports events. Marielle has always been very engaged in connecting people and building relationships, and loves when people meet and share good times together.

Sharing her home on Airbnb has given Marielle another way to help make connections. "Airbnb is one of the best ways ever for the French villages to be known in France, but also around the world." She sees Airbnb as a movement and a worldwide community, and thinks home sharing enables a new way of getting in contact with a very specific and local way of living. Her next challenge: creating an "Airbnb Open Doors Day" with other hosts!

When Marielle hosts, she shares everything she can, making fresh fruit salad for her guests each morning, providing them with tips for strolls through the area, and always giving her departing guests a jar of homemade jam. "This is my way of saying 'thank you!'" Marielle's Airbnb income helps support the housework and her love of gardening, but she hosts to meet new people and share the beauty of her way of life.

France is one of world's the most popular places to visit, but too many visitors see too little of all that France has to offer. The country has a rich rural history and even today, is home to nearly half a million farms; more than half its land mass is cultivated.⁴ Yet, of the country's 18 regions, the three most popular for tourists—Île-de-France (Paris), Auvergne-Rhône-Alpes (Lyon and the Alps) and Provence-Alpes-Côte d'Azur (Provence, Marseille)—account for more than half of all

⁴ [France Ministry of Agriculture](#), February 1, 2017.

tourism revenue, and the five most popular tourist destinations are concentrated in the greater Paris area.

The terrorist attacks in Paris and Nice and subsequent drop-off in tourism emphasized the need for France to encourage travel to other parts of the country. In 2016, the Foreign Minister called for the country to “reboot tourism.”

Airbnb responded with “Maisons de France by Airbnb,” a marketing campaign to promote travel to all of France’s regions with the goals of drawing visitors beyond Paris, bringing tourism spending to areas that had seen comparably little of it, and providing an outlet for national and regional pride at a time when the French identity was under attack. The campaign included a [nationwide contest](#) to identify the most iconic Airbnb homes and hosts in every region of the country. Hosts on Airbnb nominated their listings, which were studied by a panel of recognized heritage and tourism experts who recommended a short list that was then voted on by the public; 40,000 people cast votes. We also celebrated the winning hosts and listings with events designed to draw further attention to these areas. Throughout 2016, Airbnb also regularly published regional economic impact studies showing how hosts help distribute tourism [across France](#).

Home sharing is creating more economic opportunity at a time when France’s rural areas have been showing real signs of strain. One third of French farmers earn less than €350 per month through farming, and many small farms have gone out of business in the past 20 years.⁵ Young people are decamping for cities and the welfare of the aging rural population is a growing concern.

Annual income for Airbnb hosts in rural France has risen dramatically since 2015, from €49 million that year to €105 million in 2016. Rural listings grew from 25,000 in 2015 to 47,000 in 2016.

88%

**Year-over-year growth
in rural listings**

60%

**Of rural hosts are
women, compared to
57% in cities**

50

**Average age of rural
hosts, the oldest of any
country studied**

A separate January 2017 [study](#) by the French think tank Terra Nova and Google France highlights how Airbnb brings tourism benefits to remote communities. Defining “remote communities” as places where geographies and economies are isolated from urban centers, the

⁵ LesEchos.fr, “[Un agriculteur sur trois gagne moins de 350 euros par mois](#),” October 11, 2016.

report finds that these communities represent 2 percent of France’s population and 10 percent of its villages. In 2015, 4,500 Airbnb hosts spread across 1,170 villages welcomed more than 90,000 guests and earned more than €10 million. According to the report, there are no hotels in two-thirds of the remote communities where Airbnb hosts list their space.

The Terra Nova report also urges policymakers to “support the growth of the collaborative economy in remote communities by offering stable and supportive legal frameworks. This economy improves the utilisation of underutilised shareable goods. The potential positive impacts of its development for these communities deserve specific attention from public authorities.”

IRELAND

Niamh and Richard Marsh, Curraglass, Cork

In Lisnabrin House, a Georgian property in rural East Cork with a 300-year history of warm welcomes, Niamh and Richard Marsh and their children credit Airbnb with the perfect opportunity to open their home and continue this tradition of hospitality.

Over the years, local publicans, restaurateurs, transport providers, talented musicians and neighbors have all helped Niamh and Richard ensure that their guests feel welcome and are immersed in local traditions and activities. According to Niamh and Richard, whether guests are families, newlyweds or someone looking for a tranquil country retreat, the local community is key to ensuring they take a little bit of Ireland home with special memories and new friends.

“We have met wonderful and interesting people from all over the world. With guests arriving back from a day’s fishing with fresh salmon from the Blackwater, participating in the local Vintage Car Rally over the Vee, walks along the coast at Ardmore and through Lismore Castle Gardens, or often joining us for celebrations with family and friends, our lives have been enriched by these experiences. We have forged strong relationships in the community as we all work together to promote this hidden part of Ireland in the Bride Valley.”

As Ireland’s global standing as a technology hub grows, Airbnb is working with Irish officials and NGO partners to help ensure that all of Ireland is lifted by the technological and economic opportunities afforded by the sharing economy.

For many parts of Ireland not served by the traditional hospitality industry, home sharing is giving these communities a way to benefit more from tourism, particularly from visitors who wish to venture beyond Dublin to spend time exploring the countryside. Many rural communities shrink outside of traditional holiday periods as people with country or seaside homes close them up for winter and depart for cities. These latent assets and their unrealized economic potential are now being tapped through short-term holiday rentals, helping to keep these communities vibrant throughout the year. We see evidence of the tourism season lengthening: seasonal businesses operating for longer, new food offerings launching, and greater investment in tourist amenities.

In November 2016, Airbnb released [a study](#) of our economic impact in Ireland with a special focus on its communities beyond Dublin City and County. The findings “clearly illustrate the positive impact which the sharing economy is having on rural Ireland,” Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs, Heather Humphreys TD commented upon the launch. Between September 2015 and August 2016, the dates covered by this study, 6,000 hosts beyond Dublin City and County welcomed 331,000 inbound guests, typically earning about €2,700. The average host age beyond the Dublin area is 47, and far more hosts are women than men: 67 percent of all hosts beyond the Dublin area are women (versus 60 percent of hosts within Dublin). Eight percent of hosts in these outlying areas are retired, and the average number of years they have lived in their hometowns is 20.

€22 million

**Income earned by Airbnb hosts
outside Dublin City and County**

€123 million

**Estimated economic activity
generated by Airbnb outside Dublin
City and County⁶**

We are grateful to Failte Ireland, the country’s National Tourism Development Authority, for the ability to partner with them toward identifying ways in which home sharing can contribute to the success of regional tourism campaigns. Our latest collaboration is on Failte Ireland’s “Ancient East” campaign, highlighting 5,000 years of history, all accessible within just a few days spent outside greater Dublin. Airbnb will launch a digital storytelling campaign profiling local residents and hosts across four of Ireland’s rural counties.

In addition to supporting rural Ireland through home sharing, Airbnb also looks for ways to support Ireland’s national conversation about technology and how to foster more start-ups and entrepreneurship outside of Dublin, such as through our sponsorship of National Digital Week in 2016.

⁶ Study dates September 2015 through August 2016.

ITALY

Faye, Tuscany

Mother of two wonderful girls, Faye and her husband have chosen to live in Italy on the Tuscan hills because she loves nature and was looking for a new beginning after many years spent abroad.

It all started in 1999 when the couple undertook a complete restoration of the Lavacchio Farm, returning it to productivity. Situated on the top of Montefiesole's hill, Lavacchio Farm is just 18 km from Florence and is a typical family business, surrounded by an enchanting series of rolling hills covered with olive groves and vineyards, located between the towns of Sieci and Pontassieve.

Since restoring the farm to productivity, Faye and her family have applied the best traditions to the production of organic wine and olive oil, combining old handcrafted methods with the most modern techniques. In the park of the farm's main house is a centuries-old cedar of Lebanon, which has become the symbol of the farm. Lavacchio Farm has been one of the first to join the programs of organic production, based on the philosophy that Faye has always pursued: to harmonize the farm's activities with the balance set by nature. She is happy to share her passion for organic products and her km0 philosophy with her Airbnb guests.

With more UNESCO World Heritage Sites than almost any other country and thousands of small villages dotting its countryside from north to south, Italy has immense potential to use home sharing to democratize tourism, involving more people and more communities in the tourism industry while at the same time, relieving some the pressure from the increasing flows of tourists to its largest cities. As former mayor of Rome and Airbnb advisor Francesco Rutelli has observed: “You’ve got Rome, you’ve got Florence, you’ve got Venice, but you’ve also got hundreds and hundreds of destinations that are tiny cities that are wonderful places—countryside, seaside, mountains that are absolutely unique in the world. So a sharing approach for the tourism in our county is also very, very positive for the economy.”

74%

Year-over-year growth in guest arrivals in rural areas

€72.3 million

Income earned by rural hosts

Agri-food is incredibly important to Italy's global image and its economy, accounting for around 8 percent of the country's GDP. Italy is the first in Europe for PDO, PGI and TSG products⁷ and is the world's leading wine producer. Through our "Made in Italy" campaign, Airbnb will support the Italian agri-food industry and the unique cultural heritage it represents. Made in Italy will promote genuine Italian food and call out food products that pretend to be Italian. We will customize trips to the country's rural areas and organize visits to the leading producers of authentic Italian food. Guests will speak with local farmers about Italian food growth and production. Our goal for the campaign is to provide tourists with tools to become more conscious consumers of genuine Italian food products, preserving a tradition to help Italy build a better future.

Italy's *agriturismi*, country houses and estates that grow produce or make food or wine, are a major asset as interest in agritourism grows. Airbnb's "Small Villages" campaign is designed to promote tourism beyond Italy's famous cities to these far less populous areas where tourism spending can make a significant difference. Home sharing gives guests a way to linger where they historically have had no accommodations due to an absence of hotels, and provides an infusion of revenue which, even if seasonal, can help sustain a village throughout the year.

One such village, Civita di Bagnoregio in Viterbo Province, is home to just six residents during the wintertime. Known as "the dying city" for its geographic isolation, the small village is connected to the surrounding countryside by a one-kilometer bridge suspended at a height of 70 meters (perhaps emblematic of a challenge facing most rural Italian communities in the form of a lack of efficient transport). In 2016, Airbnb's Italian community collected more than 2,000 signatures to support the village's candidacy as a World Heritage Site, and Civita is now short-listed for this designation.

We are excited about the next round of communities we will be promoting for the Small Villages campaign. The Italian Ministry of Culture declared 2017 the year of Borghi ("small village"), and Airbnb is supporting the effort by investing further in the revitalization of more small villages beyond Civita, as well as designing a nationwide marketing campaign to help promote non-urban travel circuits.

⁷ PDO = Protected designation of origin; PGI = Protected Geographical Indication; and TGS = Traditional Speciality Guaranteed.

As our co-founder and Chief Product Officer Joe Gebbia said at the launch of the Small Villages campaign, the aim “is to celebrate the heritage of these areas through art and design, while providing concrete ways for the towns to sustain their cultures and traditions.” In early 2017, we worked with Civita’s Mayor to transform one of its historic buildings into an artists’ colony and Airbnb listing. “Casa d’Artista” is the first public building to be offered through the Airbnb platform, and Mayor Francesc Bigiotti is the first sitting mayor to become an Airbnb host. Revenue from bookings will help support the building’s maintenance and fund other preservation projects in the village.

SPAIN

Francesc, Palma de Mallorca

Francesc is a freelance web designer who decided to quit the city for rural life and is now living on the outskirts of the municipality of Palma de Mallorca and hosting travelers through Airbnb.

Airbnb opened a door of alternative opportunity for Francesc. While he was living in Berlin three years ago, he discovered the world of sustainable living and decided to go back to his native island of Mallorca to create his own small oasis. His reference for rural life is his great grandfather, who was the last member of his family to work in agriculture.

Francesc bought a piece of land and a house in poor condition and has since rebuilt it with his own hands. He owns a henhouse and a vegetable garden and hopes that one day, his home will be totally self sufficient. At the moment, he lives alone and lists one spare room on Airbnb. □ The income allows him to pursue this dream of a rural life.

At his home, Francesc’s guests find an atmosphere of peace and harmony. For many of them, it is an opportunity to help harvest crops or gather eggs for their meals for the first time! And for Francesc, home sharing is enrichment—a way to create meaningful relationships across cultures and an opportunity to meet travelers of different backgrounds who might also share his own philosophy of life.

Spain’s interior reflects many of the trends afflicting rural areas around the world: agricultural jobs gradually being replaced by automation and dwindling economic opportunities to keep young people and families in the area, sending them to cities to find work and leaving behind an aging population at increasing risk of social exclusion. In Spain, spotty broadband service in many rural areas also complicates efforts to expand tourism beyond cities and leverage it to rejuvenate the countryside.

According to a recent study by the Spanish Federation of Municipalities, half of Spanish rural jurisdictions already are at risk of extinction caused by depopulation: “There are already 2,652 villages that have less than 500 inhabitants. Of these, 1,286 (almost two out of 10 Spanish municipalities) have less than 100 registered residents. This is 48 more than in 2015, and 358 more than in 2000.”⁸ In all, according to the study, nearly 5,000 Spanish towns and villages are suffering the consequence of aging populations and little to no generational change. A few years ago, European and US media covered the trend of whole villages in Spain being put up for sale.⁹ Across Spain, more than 3 million homes are empty.¹⁰

Spanish policymakers have made a priority of developing smart policies that will yield more economic opportunities to bring young people back to rural areas and support older citizens still living there. Rural towns have limited resources to equip and market their destinations, and digital tools and sharing economy platforms can amplify the impact of smart policies. As Francesc’s experience illustrates, home sharing is providing one such opportunity as a stable source of income where such sources otherwise are scarce, while also helping to bring tourism to destinations trying to market themselves to international travelers.

Later this year, Airbnb will begin partnering with our host community, other sharing and digital economy brands, policymakers and rural towns on an initiative to support the sustainable development and promotion of innovative rural destinations. The “Lab de Destinos Rurales” (“Rural Destination Lab”) will aim to develop smart responses to the main challenges confronting Spain’s rural destinations.

€20.2 million

Income earned by rural hosts in 2015

€40.9 million

Income earned by rural hosts in 2016

Spain is home to one of the smaller Airbnb rural communities, but growth has been steady: rural listings have increased 63 percent year-over-year while guest arrivals have grown by 110 percent. A majority of rural Spanish hosts, 54 percent, are women and the average age of rural hosts is 46, versus an average age of 43 for city hosts.

⁸ Spanish Federation of Municipalities, “Rural depopulation in Spain 2016,” February 7, 2017.

⁹ Example, example, example.

¹⁰ The Guardian, “Scandal of Europe’s 11m empty homes,” February 23, 2014.

Asia-Pacific

AUSTRALIA

Sharyn, Upper Lansdowne, New South Wales

Sharyn is a grandmother and aged pensioner living on a peaceful block with scenic views of the volcanic peaks and sandstone escarpment of Coorabakh National Park. She is an author of three published books and has won many awards for her short stories. A nature lover and environmental activist, she also has worked hard to develop this property to be wildlife-friendly, as well as creating vegetable, fruit, and herb gardens, to live in an environmentally responsible way.

Occasionally sharing her home on Airbnb helps Sharyn pay for essential services on the property that she cannot do herself, like slashing (mowing the grass and leaving it as mulch). Without this income, Sharyn would not be able to continue living in the place and community that she loves.

Her guests stay in the main bedroom of her home, sharing her kitchen and living areas and the popular sunny verandah, as if with friends. They come from all over the world, many from city backgrounds, and from the countless conversations, interactions and appreciative reviews, Sharyn knows that Airbnb hosting like this is a unique way for visitors to learn about her country's rural culture, wildlife, and sustainable living.

Across regional and remote Australia, communities are grappling with how best to respond to a series of significant, intertwined challenges. The stubborn gap in income, employment and economic opportunity between the city and the country. The exodus of people, particularly young people, leaving in search of better opportunities and services. The increasing frequency and severity of extreme weather events such as floods and droughts. The dependency of local businesses and economies on volatile commodity markets.

While Sydney is Airbnb's fifth largest market in the world, the Australian countryside is now home to roughly half of our community in the country overall. Last year, 50 percent of all unique Airbnb listings in Australia were located in the country, up from 47 percent in 2015. Year-over-year growth in listings in the countryside was 79 percent.



A majority of all Airbnb guest arrivals in Australia last year, 56 percent, were at listings beyond urban areas, up from 53 percent in 2015. The percentage of total Australian host income now going to hosts in the countryside is likewise approaching the halfway mark: in 2016, it was 49 percent, up from 45 percent in 2015.

Without the cost or delay of having to build any new infrastructure, attractions or amenities, Airbnb is making it easier and more affordable for tourists to explore regional communities—a priority for Australia’s government, whose latest [International Visitors Survey](#) finds that regional Australia has seen a 29 percent increase in international tourist arrivals and spending over the past three years. This democratization of tourism is injecting new revenue and catalyzing growth. A recent Deloitte Access Economics report found that Airbnb contributed \$1.6 billion to Australia’s GDP and supported more than 14,000 jobs.

By creating a new regional revenue stream and boosting tourism in Australia’s countryside, Airbnb also is helping local communities diversify their economies, reducing their exposure to downturns in traditional, volatile sectors such as agriculture and mining.

AUD \$287 million

Total hosting income for rural hosts in 2016

1.7 million

Guest arrivals at non-metro listings in 2016

127%

Year-over-year growth in guest arrivals at non-metro listings

While Airbnb does have a host community in the sparsely populated Australian Outback, most of our non-metro host community extends along the country's coastline: in the east along the Great Barrier Reef, in the southeast stretching from north of Brisbane to west of Melbourne, and in the southwest along the coast extending outward from Perth. We also have a significant non-metro host community in Tasmania. A majority—53 percent—of Airbnb hosts beyond Australia's cities are women.

Australia's Outback is one of the least populated areas in the world, with a handful of major centers (e.g., Alice Springs, Birdsville, Broken Hill and Coober Pedy, among others) that service its three main sectors: pastoralism (running cattle, sheep and other livestock), mining and tourism. Given its remoteness and the great distance between towns, with some roads only accessible by four-wheel drive vehicles, travelers to the Outback often stay in one of these more urban areas before striking out across the desert interior. Airbnb's Outback hosts provide classic Australian hospitality and are quick to give advice on how to enjoy the stark beauty of the landscape and stay safe in the inhospitable deserts of Australia's Red Centre.

INDIA

Maya Patel, Self-Employed Women's Association of India (SEWA)

Maya Patel, one of the SEWA hosts, had a heartwarming response from her very first Airbnb guest, Daniel, who came from Spain. Having little knowledge of English, Maya was worried about her ability to communicate with international guests. But she and Daniel quickly developed their own sign language through hand gestures.

Maya says, “He asked me to wake him up at 10:00 am and he had breakfast with our family. He even helped my mother-in-law grind spices and wheat. He loved our food, especially the tea, so much so that he had tea multiple times a day. I am happy that Daniel bhai (“brother”) liked our home and left us a very gracious review.” As he was leaving, Daniel told Maya that her family’s warm hospitality made him feel at home.

Learning from her first guest experience, Maya is planning to purchase mosquito repellent and make more repairs in her washroom in order to create a more comfortable home for her guests.

Airbnb’s work in India sums up many of the challenges—but also the greatest rewards—that we have encountered in helping areas beyond cities realize the economic benefits of travel. Home sharing is beginning to provide livelihoods in India’s rural communities where women in particular face otherwise extremely limited options to provide for themselves and their children.

In the six months since we formalized our [pilot project](#) with the Self-Employed Women’s Association (SEWA) in late 2016, we have made exciting progress in supporting the economic empowerment of rural women through home sharing. SEWA represents 2 million self-employed women living primarily in India’s rural areas. The focus of this partnership on women’s economic empowerment was the first of its kind for Airbnb, and one we plan to use as a model in other parts of the world.

For the pilot project in the Indian state of Gujarat, the Airbnb team arranged for the local SEWA hosts to gain understanding of best practices through visits with some of our top-rated, most experienced hosts in India. We also arranged hospitality and skills training workshops to support the SEWA hosts in listing their homes on Airbnb.

In addition to language barriers and low levels of technological and financial literacy, payment processes were a key obstacle for which Airbnb, in collaboration with the SEWA hosts, developed workarounds. Airbnb’s payment process needed to be revised to accept Permanent Account Numbers (PAN) for Trusts that Indian organizations like SEWA use for tax

accountability—an example of the nature of initial barriers we are seeing and gradually working through to help travel benefit more people and more communities.

Coinciding with the release of this report, we are pleased to announce that all eight SEWA homes in this pilot project are now listed on Airbnb and accepting bookings, and the SEWA hosts already have welcomed more than 10 guests in the past two months! Encouraged by the experience of current SEWA hosts, 10 more SEWA members have come forwards to list their homes on Airbnb towards the end of this month. We look forward to expanding the initiative beyond the Gujarat pilot to include SEWA members in other parts of India.

Our second collaboration in India, with the state of Andhra Pradesh, also focuses on providing livelihood opportunities, in this case for rural artisans. For artisans who are identified by the state's tourism board as potential hosts, Airbnb arranges training in hospitality standards and offers support in creating truly unique experiences for travelers.

In our newest partnership, Airbnb is thrilled to be working with the World Bank Group, a leading international development institution and one of the largest combined finance and technical assistance providers in tourism development, on initiatives including a study on the development impacts of home sharing, and pilot projects in areas we jointly identify as emerging tourist destinations. Airbnb also will support hospitality skills training for new hosts in the Asia-Pacific region and encourage demand through destination marketing. These joint efforts will focus on both emerging destinations in rural areas and marginalized areas within cities that governments are looking to revitalize. While we have discussed India and Sri Lanka as possible initial project markets, the scope of the partnership is regional with the option to extend it to others.

JAPAN

Keiko's family, Wakayama

Wakayama prefecture is well known for its divine mountains, forestry and fruit farms. Peaches, plums, persimmon, strawberries and other kinds of fruit are grown in the region. Keiko's family mainly farms peaches. Her husband moved to Wakayama about 20 years ago, and after starting with a smaller patch of land, he too has become a successful peach farmer.

Keiko and her family used to accept volunteer workers from all over the world to help on the farm during their peak season, all living together like a family in their home. In 2015, a French couple who were volunteering on the farm introduced them to Airbnb. After taking in guests for years, it seemed natural to Keiko's family to start hosting through Airbnb.

They liked it from the start. Compared to the intensity of hosting volunteer workers, staying together, working together and eating every meal together, the Airbnb relationship between host and guest gives them a more balanced life. Some guests come to their listing just to relax and enjoy the beautiful scenery, while some do like to help with the farming. Keiko's two small children love to play with foreign guests, which their parents believe is good for their education. Hosting on Airbnb also provides Keiko's family with extra income to help them bridge the gap between the investments they have to make for a successful peach harvest and the actual harvest time.

Even when guests stay for a short period, Keiko says, we trust them and they trust us as we open up our home. By doing so, everyone can be like a family and build a sense of belonging that helps make Keiko's family lives more fulfilling.

Over the past year, five million Airbnb guests arrived at all 47 prefectures in Japan, where the National Diet just enacted legislation giving the green light for home sharing, ensuring that Airbnb can continue to help revitalize Japan's rural economies through the benefits of tourism. The focus of our rural revitalization efforts in Japan has been helping local governments rebuild their economies after natural disasters and retain their workforces by providing opportunities residents might otherwise feel compelled to move to cities to find.

A longtime major hub for mining and steel production, Kamaishi City had largely transitioned to the service industry by the late 1980s due to the decline of Japan's steel industry and the closure of the city's foundries. Then in 2011, Kamaishi was devastated by the Great East Japan Earthquake and tsunami. Kamaishi also faces the serious challenges of a declining birthrate, aging population, and as is the case nationwide, a rising number of empty homes; Japan overall

is predicted to have 20 million empty homes within the next two decades.¹¹ Kamaishi's population is projected to decline from 36,078 to 21,503 by 2040.¹² Even so, there have been encouraging developments: imports through Kamaishi's port have increased dramatically, the Hashino blast furnace has been registered as a World Heritage Site, and new roads have opened.

Airbnb is proud to partner with Kamaishi City on its efforts to revitalize its economy through its "Open City Strategy" to increase civic participation and expand the network of those who are connected with the community. We are grateful to play a role in this effort by empowering more people to share their homes and helping Kamaishi scale up its accommodations for the 2019 Rugby World Cup.

Our first act was to arrange for prospective local hosts to meet with experienced hosts from other prefectures to hear directly from them about best practices, especially for home sharing on farms. We also created a Kamaishi City Guidebook in partnership with local high school students. The Guidebook emphasizes the best spots from which to enjoy Kamaishi's natural beauty, the history of the steel industry, and traditional matsuri festivals in which locals take great pride.

Another Airbnb effort to support revitalization of Japan's countryside, our Yoshino Cedar House was constructed in collaboration with the village of Yoshino and respected Tokyo-based architect Go Hasegawa using traditional design techniques and local materials. The listing is managed by the Yoshino community and proceeds support the community.

While our host community outside Japan's urban areas still represents a small fraction of our overall community here, their numbers have grown considerably within the past year. Twenty-two hundred non-urban Airbnb listings in 2015 more than doubled to 5,300 in 2016. Guest arrivals more than tripled from 70,200 to 257,500. Host income nearly quadrupled, from ¥666 million to ¥2.5 billion.

141%

Year-over-year growth in non-urban listings

267%

Year-over-year growth in guest arrivals at non-urban listings

Beyond Japan's cities, a majority of Japanese Airbnb hosts—53 percent—are women, a marked difference from Japan's cities in which 56 percent of our hosts are men. The average age of our

¹¹ Bloomberg, "Why 8 Million Homes Lie Empty in Japan," September 20, 2015.

¹² <http://kamaishi.webcrow.jp/>.

non-urban hosts is 42, with 11 percent of our non-urban hosts being age 60 or older, whereas the average age of Airbnb urban hosts in Japan is 38, with just 5.3 percent of urban hosts being age 60 or older.

A recent Urban Land Institute panel of technology and real estate experts in Tokyo "agreed that restoring civic pride to provincial towns and villages and including the population in the benefits of tourism were the crucial factors in bringing life back" to Japan's countryside and coastal areas.¹³ Online booking platforms such as Airbnb, one expert noted, are critical to this effort because the fees are so much smaller, with hosts keeping much more of the income.

KOREA

Airbnb's recently signed memorandum of understanding with Korea's Gangwon-do commits us to helping the province scale up its available accommodations, including accommodations outside its cities, as it prepares to host the PyeongChang 2018 Winter Games. "Through this agreement, I am hopeful that the promotion of [...] Gangwon's tourism marketing, and improving quality of rural lodging facilities gives strength to solving the accommodation shortage for the Olympics and boosting local tourism," State Governor Choi Moon-Soon said at the January signing ceremony.¹⁴

The partnership is the latest of many collaborations between Airbnb and local governments facing the prospect of hosting major events for which they don't have enough places for visitors to stay. Airbnb provides an alternative to building permanent infrastructure—or at least, building as much permanent infrastructure—that can tax local treasuries and the environment, while helping communities take full economic advantage of the hosting opportunity. We work with local governments to help them put their strongest foot forward on the global stage. Gangwon-do already is the leading holiday destination for Koreans, but officials expect 400,000 foreign visitors to attend the 2018 Winter Games.

The agreement builds off our previous work with the province of Chungcheongnam-do to promote non-urban tourism and scale up accommodations for Korea's 97th National Sports Festival. That agreement included cultivating new hosts in the provincial countryside, applying analytics to reviews to help hosts provide better services, and promoting the local culture. For that partnership, Airbnb became the first non-Korean company to receive the Chungnam Governor's Award for Appreciation and Excellence in early 2017.

¹³ Urban Land, [Airbnb, Smaller Hotel Operators Helping to Revive Japan's Hinterlands](#), May 30, 2017.

¹⁴ Official press release [here](#).

106%

**Year-over-year growth in listings
beyond metropolitan areas**

194%

**Year-over-year growth in guest arrivals
at non-metro listings**

Our newest agreement with Gangwon-do also includes the development of a Guidebook to help visitors experience more of the province, and support for our local host and guest community in case of natural disasters.

Other Airbnb partnerships in Korea that look beyond its metropolitan areas include our work with the state Chamber of Commerce and Ministry of Agriculture, which oversees non-urban home sharing and bed-and-breakfasts, to generally increase hospitality options and revitalize the rural economy. We were gratified by the Jeju Governor Won Hee-ryong's recent endorsement of home sharing and Airbnb ("I should list my extra bedrooms on Airbnb"), as Jeju is the leading holiday destination for Korea's city dwellers.¹⁵ Jeju Airbnb hosts welcomed 180,000 guest arrivals in 2016.

Airbnb's hosts beyond Korea's cities take enormous pride in showing visitors their homes and what makes their communities special. Korean women make up a greater share of our non-urban hosts, at 53 percent, which is slightly higher than the percentage of hosts in Korean cities who are women: 51 percent.

¹⁵ Source.

TAIWAN

Steven, Guanxi, Hsinschu County

Steven is an Airbnb Superhost living in the Guanxi area of Taiwan's Hsinschu county. Two years ago, he left his high-paying job in Taipei to return to Hsinchu to take care of his family's home, which he lists on Airbnb. The home is more than 100 years old, overlooks a rice field, and was a private school before it became a family dwelling. "I wanted to build a system to sustain my old house," Steven said. "And so I began using Airbnb."

Steven has since hosted more than 100 guests, all of whom delight in the peaceful, tranquil setting and the kindness of their host. While just about an hour's drive from Taipei, Steven's home is nestled in the Hsinschu countryside among farms, rice fields and historic villages. Since returning there, Steven has dedicated himself to drawing more visitors to the area. He started the Guanxi Art Festival and the Niulan Theater Group to promote the arts in the community. He also plans trips for his guests and other visitors, leading them to vegetable farms to pick fresh produce and exploring the streets of the old villages in the area.

Airbnb is working actively with Taiwanese officials to transform the island's eastern coast into an international tourism destination with the goal of providing new opportunities for residents of coastal communities through increased tourism spending.

We have partnered with the local governments of two beautiful coastal areas, Hualien and Taitung, to promote travel to *minsu* in Hualien and Taitung (*minsu* is the local reference for bed-and-breakfasts). Notably, the Chairman of the Hualien Travel Association was quoted commending Airbnb's efforts in promoting travel to Hualien: "The majority of online travel agencies usually asked (sic) hotels and *minsu* in Hualien to lower the price or inform *minsu* they are going to increase commission. Airbnb is totally different and has a vision. Hualien tourism industry and *minsu* operators are truly appreciated (sic) that Airbnb is willing to invest marketing resources in Hualien and Taitung and present beautiful Eastern Coast to tourists around the world."¹⁶

103%

**Year-over-year growth in listings
beyond metropolitan areas**

116%

**Year-over-year growth in guest arrivals
at non-metro listings**

¹⁶ www.ksnews.com, October 4, 2016.

Total guest arrivals at non-metro listings in Taiwan have jumped from 89,100 in 2015 to 192,400 in 2016. Host income from non-metro listings has more than doubled, year over year, from NT\$101 million in 2015 to NT\$210.8 million in 2016.

Through our partnership with the Taitung and Hsinchu governments, an effort to enhance business competencies among Taiwanese young people and *minsu* operators, we also are designing a series of programs for these groups. In Taiwan's non-metropolitan areas, the average age of Airbnb Taiwanese hosts is 38, making this our youngest non-metropolitan host community of all 11 studied for this report. Women make up the majority of Taiwanese hosts in non-metropolitan areas, at 53 percent.

Americas

CANADA

Laurel, Rocky View County, Alberta

Laurel is the owner of Spirit Winds Ranch, a lifelong horse lover and an Airbnb Superhost. She started hosting on Airbnb as a way to support her life on the farm and to help fund the Spirit Winds Horse Centre. Hosting has allowed her to maintain the farm and dedicate her life to the land and the horses.

Laurel invites her guests to work the horses, on the farm, and take part in her Equine Assisted Learning program, a series of holistic equine and nature programs for children with anxiety, ADHD and sensory processing issues. Her work involves saving and rehabilitating older horses and providing them with a meaningful and peaceful life. She grew up on a ranch, so hosting comes naturally: her family always welcomed and entertained people on their farm. Airbnb has allowed her to continue this tradition as well as share her knowledge.

Airbnb also has become Laurel's retirement plan, and it has given her the freedom to quit her other work and dedicate her life to hosting on the farm and rehabilitating horses. With her income from hosting, Laurel plans to continue enhancing the farm, contributing to her local economy and sharing her life on the ranch with her guests.

As Canada's urban economy becomes more knowledge- and technology-driven, Canada's rural economy remains heavily dependent upon agriculture and natural resources, sectors prone to the effects of climate change, automation and fluctuations in commodity prices. Young adults in rural areas face fewer job prospects and younger, less established farmers face slim profit margins and struggle with the debt required to keep farms running year to year. Many young adults in rural areas simply move to cities, a dynamic Canada's new leadership is now trying to address, often speaking to the goal of helping the country transition between its natural resource economy and its natural "resourcefulness."



The emerging urban-rural age gap may be reflected in Airbnb's host community.¹⁷ The average age of our rural hosts in Canada is 48, whereas the average age of our urban hosts is 40, one of the widest age gaps of the 11 countries studied for this report.

Home sharing is helping the farmers, ranchers and energy- and mining-dependent households of rural Canada lead and sustain the lives they want to live in the communities they love. Fifty-nine percent of rural Canadian Airbnb hosts are women (compared to 56 percent of urban hosts in Canada), the second highest percentage of rural women hosts of any country included in this report after the US.

140%

Year-over-year growth in guest arrivals

93%

Year-over-year growth in rural listings

¹⁷ [Statistics Canada](#), March 3, 2017.

Income earned by Airbnb's rural Canadian hosts also is growing steadily. Rural hosts earned CAD\$66.8 million through Airbnb in 2016, more than double the total from 2015: CAD\$28.4 million. As more evidence points to how home sharing provides more economic opportunity and helps hosts in rural areas diversify their income, our hope is to work with Canada's local governments and NGOs to promote home sharing in the country's more rural areas as we are working with them in Canada's cities.

LATIN AMERICA

Adhara Luz and Daniel, *Altér do Chão, Pará, Brazil*

In 2014, we decided to leave São Paulo for a change of scenery and energy and moved to Alter do Chão, in Pará. It was the best decision we could have made! Adhara was born here and her parents founded the NGO Saúde e Alegria (Health and Joy). She ended up growing up between riverbank communities and the natural life of the forest and the Tapajós River. Daniel was born in São Paulo, near the Tietê River, in a totally urban environment. This contrast between our extremely diverse childhoods has always been very rich for us.

After living together for three years in the city of São Paulo, we decided to travel for eight months, backpacking between Asia and Europe. When we returned, the big city no longer made sense for us. Everything seemed weird and deep down, we knew we needed nature close by in order to be happy and fulfilled.

And so we decided to live in the Amazon! Daniel closed down his film production company and Adhara let go of the freelance gigs she was working on. Adhara already worked in experience trips and tourism, which eased everything during the transition. Airbnb ended up being the perfect complement for our jobs in tourism, because in addition to the itineraries and trips, we were able to start hosting as well, gaining extra income. Our home ended up becoming a reference in the town and we helped out a lot of friends who later joined the platform, as well.

Our work is to create a safe and beautiful bridge between the city life and the forest life, sensitizing people about just how essential it is for nature to be balanced so we as humans can be balanced as well. We like to play in reverse: the city is exotic, not the forest! Humanity has gone through over 10,000 years in nature and only a handful of decades in the cities. So, the city is the exotic one, right?

Rural areas in Latin America and the Caribbean face challenges that are similar to the US but are exacerbated by the staggering regional economy. Many who live in rural areas in the region

depend on informal economic activities; lack infrastructure and access to social services including education and health care; and are disproportionately impacted by natural disasters and climate change. Other challenges for citizens outside Latin America's sprawling cities include a severe lag in access to technology, which represses rural entrepreneurship.

Encompassing Mexico, South America, Central America and the Caribbean (including Cuba), Latin America is Airbnb's fastest-growing market. Our growth in Latin American rural areas is keeping pace with our growth across the region as a whole. In Brazil, for example, rural host income has increased threefold from R\$8.3 million in 2015 to R\$25.2 million in 2016, and guest arrivals in rural areas likewise have more than tripled, from 27,800 in 2015 to 94,400 in 2016. The same is true for Argentina: rural host income has increased threefold from ARS\$8.9 million in 2015 to ARS\$30 million in 2016, while guest arrivals have quadrupled from 5,600 in 2015 to 22,300 in 2016.

220% and 191%

Year-over-year growth in rural listings, Argentina and Brazil

298% and 240%

Year-over-year growth in guest arrivals at rural listings, Argentina and Brazil

Both countries see great opportunity in alternative tourism to their more rural areas, including for their own citizens residing in their cities. In Argentina, the focus is on agricultural tourism, drawing more attention to the country's farms, *estancias* and *fincas* (stock farms and ranches). In Brazil, the focus is on promoting ecological travel, leveraging the country's astonishing natural sights from the world's largest rainforest, to the largest wetlands, to the largest waterfalls system. We have partnered with Brazil's Cataratas Group to ease and promote travel to parklands managed by the Group, which include the famous Iguazu Falls. Airbnb's work with Brazilian officials began when we helped the new city of Palmas and its rural surroundings scale up its accommodations for the first World Indigenous Games in 2015.

Brazil is also the focus of innovative new payment options developed by Airbnb that make it easier for rural hosts to benefit from growing interest in tourism. Because only a small percentage of Brazil's population have internationally accepted credit cards, Airbnb began accepting payments through local credit cards (i.e., in Brazilian Reais), in installments, or

through Boleto Bancário, a coded bank payment form that can be paid in local banks, lottery stores and post offices. Recognizing that we need to keep our approaches consistent with how people are used to living and earning, we are experimenting with ways to accommodate other payment systems that are commonly used in Latin American countries.

Airbnb has an office in Brazil and is excited to be opening new offices in Argentina and Mexico soon, effectively quadrupling our staff in the region within the next two years and increasing our ability to help Latin American governments engage in destination marketing and open their countrysides to travelers.

UNITED STATES

Alan and Dabney Coleman, Tiller, Oregon

When Alan and Dabney built a replica fire lookout tower on private land surrounded by the Umpqua National Forest, they intended it to be a weekend getaway from Portland. Then they decided to quit their jobs and move to the lookout to live off the grid. To their surprise, the couple quickly befriended people living in communities in the South Umpqua Basin.

Alan and Dabney's lookout has become a popular Airbnb [listing](#) booked by more than 150 guests each summer. Modeled after US Forest Service fire lookout towers built in the 1900s and updated with modern features including running water, the listing is located 10 miles outside of the unincorporated town of Tiller, Oregon. The entire town, save for the church, fire station and a couple of private properties, was recently sold to a private buyer.

Alan and Dabney feel strongly that rural tourism can generate jobs, commerce and growth. Their lookout tower is completely booked from May to October, bringing guests from around the US and as far away from South Korea and Guatemala. The listing serves as a launching point for day trips to national and state parks and nearby Oregon communities. Seven couples have gotten engaged at the listing, and those are just the proposals Alan and Dabney know about!

This year, Alan and Dabney are hosting two weekend retreats that will bring dozens of people to camp on the land around the lookout tower and feature cooking, campfire music, yoga and other activities led by area residents. They hope the retreats become a catalyst for tourism in the region. While the physical distance from their neighbors is now much greater than when they lived in Portland, the couple says they know their neighbors far better in rural Oregon.

Airbnb was founded in San Francisco in the midst of the Great Recession as a way for people to turn their greatest expense, their home, into a more fully used asset—a way to cover the household expenses, pay the rent or mortgage, and even avoid eviction or foreclosure. Hosts also use their Airbnb income to support their own travel or entrepreneurship.

Even as rural areas of the US struggle with record-low mobility and other lingering effects of the recession, their technological future seems more fraught than positive as jobs in manufacturing, energy and eventually trucking get automated, while funding for startups and entrepreneurship increasingly flows to cities.¹⁸ Airbnb, in contrast, is a technology platform that empowers people rather than displacing them. In addition to hosts keeping 97 percent of the listing price, up to 50 percent of guest spending in the US occurs in the neighborhoods where they stay. By giving more people and more communities the chance to benefit directly from growing interest in tourism, home sharing can be part of the solution for America's rural areas.

\$494 million

Earned by rural hosts in the past year¹⁹

In every US state, our rural hosts' Airbnb earnings represent a sizable percentage of typical rural household income, ranging from five percent to as high as 20 percent in states such as Hawaii and California (20.3 percent and 20.1 percent, respectively). While many parts of the country beyond cities still lack Airbnb listings, guest demand has risen steadily, suggesting more room for growth: 3.3 million guest arrivals occurred at rural listings in the US over the past year, a year-over-year increase of 138 percent.

Forty-six of the 50 US states have seen at least 100-percent year-over-year growth, and 19 have seen 200-percent growth or higher. While parts of the US known for their resorts and national parks, such as the Mountain West, Northeast and West Virginia, have the highest percentages of Airbnb hosts in rural areas, the states seeing the fastest year-over-year growth are in the Midwest and South: states such as Oklahoma (434 percent year-over-year growth), Illinois (330 percent), Arkansas (309 percent), Missouri (298 percent) and Alabama (288 percent).

In less than 10 years, our growing rural host community has overtaken the presence of corporate hotel chains in rural America and unlike the chains, puts the economic returns of tourism growth directly into people's pockets. The availability of certain types of data in the US allows us to illustrate how rural investment by big hotels compares with the presence of the Airbnb community. Many rural areas have almost no hospitality infrastructure at all, while in

¹⁸ CityLab, February 2, 2017, and Kauffman Foundation, "State of Entrepreneurship 2017."

¹⁹ All Airbnb US data cited in this report, unless otherwise stated, dates to February 1, 2016 to February 1, 2017.

others that are popular for outdoor recreation, Airbnb expands the economic pie by offering more options that make travel more accessible. We are thrilled to be partnering with the National Park Foundation, the official charity of America's national parks and nonprofit partner to the National Park Service. Airbnb will work with the Foundation to make it easier for guests to find accommodations around 10 parks across the country. In 2016, the National Park System hosted a record-setting 331 million visitors, with the Grand Canyon alone seeing almost 6 million visitors.

18.4%



Of active listings are in rural areas

12.5%



Of hotel rooms are in rural areas

In 43 of 50 states, Airbnb's share of supply (i.e., active listings) in rural areas is greater than hotels' share of supply (i.e., rooms). In West Virginia, fully three-fourths of active Airbnb listings are located in rural areas, while just 32.7 percent of West Virginia hotel rooms are—a 42.3 percentage point gap. In New Hampshire, 71.9 percent of active Airbnb listings are located in rural areas, while just 33.1 percent of hotel rooms are. In Montana: 64.1 percent to 28.1 percent. In Wyoming: 65.9 percent to 31.5 percent.

The opportunity we provide our community to leverage growing interest in travel includes demographics that may face fewer traditional opportunities to earn. The average age of an Airbnb rural host in the US is 48; the average age of an Airbnb urban host in the US is 42. In 14 states, the average age of our rural hosts is over 50.

The US is also home to our highest percentage of rural women hosts of the countries studied for this report: 62 percent of all Airbnb hosts in rural America are women, who account for 56 percent of our urban hosts. In eight states, two-thirds or more of rural hosts are women: Wyoming (69 percent); Alaska and Maine (67 percent); and Ohio, Missouri, Maryland, Washington and Montana (66 percent).

Growing our community beyond cities.

Airbnb's rural hosts and guests are a vital and vibrant part of our community, and we look forward to partnering further with local policymakers and NGOs to bring the benefits of home sharing to more households beyond the world's cities. While all Airbnb hosts receive the same company-provided 24/7 support and protections regardless of their location, we are dedicated to making sure our host trainings, best practices, and programming are tailored to suit their individual communities' needs and what makes them special.

Beyond the Airbnb platform, members of our host community in dozens of locations around the world have self-organized into Home Sharing Clubs that meet regularly to discuss hosting best practices, work with local businesses, volunteer in their neighborhoods, and advocate with local policymakers for fair short-term rental rules that allow for responsible home sharing. Of our 168 Home Sharing Clubs launched to date, including 90 in the Americas, 53 in Europe and Africa, and 25 in the Asia Pacific region, a number of them are based near rural areas and positioned to welcome and support rural members—including Clubs in the states of Bahia in Brazil, Maharashtra in India, and Oregon in the US.

As part of our recent commitment to support the establishment of 1,000 Home Sharing Clubs around the world by the end of 2018, we are investing in new online and remote organizing resources to reach more hosts in rural areas and help them connect with each other. Every Home Sharing Club receives our organizing toolkit and a dedicated, hosts-only webpage where Club members can discuss upcoming events, share content, ask for support, and give advice. We also provide branding for each Club and through mentoring, generally support their efforts to realize their vision of impact in their respective communities. But again, we are mindful of the need to tailor our engagement with each Club based on their specific local goals.

Disaster response.

During and after a disaster, temporary housing for the displaced and for relief workers can be hard to find. This is especially true for rural areas with less hospitality and other infrastructure that can accommodate large groups of people; shelters can quickly get overwhelmed.

65

Disaster response activations globally since 2012

Inspired by the generosity of some Airbnb hosts who opened their doors to survivors of Hurricane Sandy in 2012, we launched a Disaster Relief Tool, which makes it simple for hosts to voluntarily open their homes to displaced survivors and relief workers who are deployed to support the response. Since that time, we have built a comprehensive Disaster Response Program that includes the tool and more.

Our travel credit program helps relief organizations quickly secure accommodations. And in partnership with a growing network of local government and relief agencies including the US Federal Emergency Management Agency, we provide disaster and emergency preparedness educational materials to Airbnb hosts, help arrange community emergency preparedness trainings with local experts, and use Airbnb communication channels to notify hosts and guests about significant emergencies. Our [agreement](#) with Kamaishi City in Japan, which was devastated by the 2011 Great East Japan Earthquake and tsunami, includes supporting the local government in disaster response planning.

To date, Airbnb and our host community have responded to 65 disasters including events in rural areas, from flooding in South Louisiana and Typhoon Haiyan in the Philippines, to wildfires in the mountains of western North Carolina, eastern Tennessee and Fort McMurray, Canada.

Conclusion.

At Airbnb, we look forward to working with hosts, policymakers and NGOs to thoughtfully extend the economic and travel opportunities home sharing already is bringing to parts of the world beyond metropolitan areas. Whether by opening up countryside to travelers through accommodations that did not previously exist, or scaling accommodations in rural resort areas so they can welcome more guests, Airbnb helps people and communities benefit from the economics of tourism in ways they historically have not, and likely otherwise would not.

As rural areas grapple with a difficult combination of old and new economic challenges, the opportunities for extra income made available through the Airbnb platform can shore up household budgets and help revitalize whole communities, and these opportunities can never be automated.

Methodology.

Countries studied exclusively for this report include: Argentina, Australia, Brazil, Canada, France, Italy, Japan, Korea, Spain, Taiwan and the US. Previously published data included for Ireland.

EUROPE

France, Italy and Spain. We used ESRI's population density data to define any area outside of major cities with less than 150 people per square kilometer as “rural.”

Ireland. The mentioned analysis was based on all travel to and within Ireland during the one-year period from September 2015 through August 2016.

ASIA PACIFIC

Australia, Japan, Korea and Taiwan. We identified listings outside of major urban tourism markets.

AMERICAS

Canada. We identified listings outside of major Canadian metropolitan areas as “rural.”

Brazil and Argentina: We identified listings outside of major urban tourism markets.

US. US data in this report, including the individual-state breakouts, uses internal Airbnb data covering the period of February 1, 2016 to February 1, 2017. We collected all listings actively available on the Airbnb platform during this period and their latitude and longitude coordinates. Using this information, we assigned each listing to the Census block in which it was situated for the 2010 US Census. We then categorized each listing according to the Census designation of “Rural,” “Urbanized Area,” and “Urban Cluster.” The Census defines an “Urbanized Area” as a location with less than 50,000 residents and an “Urban Cluster” as a location with 2,500 to 50,000 residents.²⁰ For this report, all listings within “Urbanized Areas” and “Urban Clusters” were categorized as “urban” and the rest were categorized as “rural.”

²⁰ <https://www.census.gov/geo/reference/urban-rural.html>

Airbnb Policy Tool Chest 2.0



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COVER NOTE

Hosting itself is centuries old, but hosting through a digital platform at a volume of 1 million guest arrivals per night is new. With travel accounting for 10 percent of global GDP (bigger than the oil industry and growing faster than many other sectors, claiming one in every 10 jobs)¹, hundreds of governments are enacting policies to help their citizens benefit from the economics of tourism in ways that meet their communities' unique needs.

They are acting at a critical time. Around the world, wages are stagnating and other technologies, namely robotics and artificial intelligence, threaten to limit opportunity for millions of people and further pressure local tax bases. In sharp contrast, Airbnb is empowering individuals, neighborhoods and governments by seeking to align their interests in creating economic opportunity.

Over the course of the year, more governments have classified home sharing in one of two ways:

1. **Amateur activity:** everyday people occasionally using the home in which they live to more fully leverage what is typically their greatest expense in order to generate supplemental income.
2. **Vacation rentals activity (VR):** the historic, long-standing use of properties as vacation rental homes.

As epic structural changes reshape our economy and significantly impact the wages and job opportunities of everyday people, governments are generally applying a light regulatory touch to help support those who use home sharing to earn extra income.

In regulating VR activity, some governments seek to optimize for the benefits of travel and tourism as the sector increases its share of the global and local economies. Japan is one example. Other governments look to maintain and modernize their existing regulatory approaches (Chicago, Philadelphia, New Orleans). A few governments aim to modulate the level of tourism in their jurisdictions by applying specific controls for VR (San Francisco, Portland).

¹ [World Travel & Tourism Council, 2017](#)

The Airbnb Policy Tool Chest helps support governments' innovative approach to home sharing rules by providing tools to help achieve the desired outcomes. We believe that because home sharing over a digital platform is new, new rules and tools are needed to help make this work for all stakeholders, and everyone can win.

Airbnb democratizes capitalism. Airbnb helps combat wage stagnation and worsening economic inequality by empowering people to use their homes to earn extra income, fostering entrepreneurship, and supporting increasing numbers of workers. Globally, the typical Airbnb host earns \$3,100 USD sharing their primary home; 49 percent of a typical host's income is used on household expenses like rent and groceries; and 54 percent of hosts say the income has helped them stay in their homes. Women hosts have earned \$10 billion in income through Airbnb, and 50,000 women have used this income to support their own entrepreneurship, as have some of our immigrant hosts. Airbnb also supports a growing number of jobs—an estimated 730,000 in the US alone in 2016, with 1.3 million projected in the US in 2017.

Airbnb democratizes travel. The annual number of global air passengers is approaching 4 billion, increasing by 3 billion in just the past three decades². Airbnb gives more people and more communities the opportunity to benefit from tourism's growth. One-third of Airbnb guests worldwide say they either would not have traveled or would not have stayed as long without Airbnb, and 89 percent say their listing locations were more convenient than hotels. We have partnered with local governments, NGOs and our host community to provide temporary visitor accommodations for major events and innovative tools that promote tourism that benefits entire communities, not just hotel districts and popular sights. Earlier this year, we committed to doubling our host population in majority-minority urban and disadvantaged areas.

Airbnb democratizes revenue. Airbnb generates new tax revenue that governments can dedicate to existing critical services, or governments can work with us to develop funding and tools to support new programs that help their middle-class citizens and address local social challenges. As of May 15, 2017, Airbnb has entered into tax partnerships with more than 275 jurisdictions, and collected and remitted nearly a quarter of a billion dollars in hotel and tourist taxes globally. In the US and some European countries, we have evolved our approaches to collecting and remitting taxes based on existing regulatory structures, to working with governments to identify new pathways to doing so, including in places where no such paths existed.

² [World Economic Forum](#), [World Bank](#), [The Moodie Davitt Report](#)

Importantly, it also has become clear that the real opposition to legalized home sharing is coming from a hotel industry concerned about its ability to price-gouge consumers despite continuing to reap record profits.

At Airbnb, we believe in a win-win-win scenario where our hosts are economically empowered to earn extra income, guests can access affordable travel that enriches their lives by helping them belong anywhere, and communities are strengthened by the kind of sustainable, healthy tourism that benefits everyone. While some established corporate interests cling to a status quo that offers them unchecked power to raise prices and consolidates the economic returns of the growing interest in travel among only a few, we believe in a future where traditional hotels and Airbnb's hundreds of thousands of hosts can succeed side by side.

We are excited to continue innovating with governments around the world to optimize the social value proposition of home sharing as an economic solution that empowers people to earn, expands and enriches travel for consumers, and strengthens communities through sustainable tourism that supports jobs, promotes neighborhoods and generates new revenue. We look forward to continuing to work with local policymakers to help them leverage our platform for the opportunities it can provide.

Christopher Lehane
Global Head of Policy & Public Affairs

INTRODUCTION

Since we published the Policy Tool Chest in December 2016, the following jurisdictions have either entered into agreements with Airbnb to collect and remit taxes, or have otherwise established or reaffirmed smart rules for home sharing:

Andhra Pradesh, Indian state
 Anguilla
 Arkansas State
 Arlington County, Virginia
 Aruba
 Berkeley, California
 Bermuda
 Broward County, Florida
 Campina Grande, Paraíba State, Brazil
 Colima, Mexican state
 Colorado State
 Curaçao
 Flanders region, Belgium
 France, 31 additional jurisdictions
 Hillsborough County, Florida
 Hot Springs, Arkansas
 Jamaica
 Kansas State
 Lazio region of Italy
 Liguria region of Italy
 Lincoln City, Oregon
 Madison, Wisconsin
 Memphis, Tennessee
 Mexico City
 Miami-Dade County, Florida

In December 2016, we released our [Airbnb Policy Tool Chest](#), a resource for governments to consider as they draft or amend rules for home sharing. The Policy Tool Chest compiled a year's worth of concrete lessons learned through partnering with governments under the three principles of: making data available; paying our community's fair share of hotel and tourist taxes; and developing public policy solutions to help governments put in place new rules for this new activity.³

Since we published the Policy Tool Chest in December, we have built significant momentum, forging new partnerships and agreements with governments and other communities around the world:

- **Mexico.** Through intensive work with local officials, we identified a regulatory path enabling us to begin collecting and remitting taxes in Mexico City. We believe this approach will represent a model for use across Latin America. To this end, the May 11 announcement that we will begin collecting and remitting taxes was attended by representatives of other Mexican states that are interested in learning more about the approach.
- **China.** Airbnb has signed a Memorandum of Understanding with the city of Chengdu, in addition to our agreements in Shanghai, Chongqing, Guangzhou and Shenzhen. These agreements with some of China's largest cities will include our promoting inbound travel in ways

³ These principles were laid out in the [Airbnb Community Compact](#) of November 2015.

New Orleans
 New York State, 12 counties
 Newport, Oregon
 Oklahoma State
 Portland, Maine
 Portland, Oregon
 Sarasota County, Florida
 Schaumburg, Illinois
 Tasmania, Australia
 Texas State
 Walloon region, Belgium

designed to spread the benefits of travel and tourism.

- **Japan.** The Japanese Diet is working toward the passage of a new bill that supports short-term rentals nationwide. Japan is looking to better leverage its existing housing stock and attract its share of travel and tourism heading into the 2020 Olympics in Tokyo.
- **Korea.** Under a new agreement, Airbnb will provide lodging and promotional support to Gangwon Province, which is hosting the PyeongChang 2018 Winter Games. This partnership follows our work with Rio de Janeiro as the official alternative accommodations provider for the 2016 Summer Games, when our hosts welcomed 80,000 visitors who otherwise may not have been able to attend the Games, and who generated \$100 million in economic activity for the city.
- **Australia.** Tasmania has enacted progressive new rules for home sharing, and the New South Wales government is working toward legislation that supports the short-term rental of private rooms, entire homes and certain secondary properties.
- **Caribbean.** Since we published our Policy Tool Chest, Airbnb has entered into six separate Memoranda of Understanding with Anguilla, Bermuda, Bonaire, Curaçao, Jamaica and the Caribbean Tourism Organization.
- **California and New York.** After extended discussions, we are gratified to have reached agreement with our hometown of **San Francisco** and to see thoughtful statewide legislation now being sponsored in **New York**.
- **Texas.** We recently finalized an agreement to collect and remit hotel taxes across Texas, and the legislature is now considering a proposal that would ensure a place for short-term rentals in every community across the state.
- **Florida.** After enacting new tax agreements, we now collect taxes in 38 of Florida's 63 counties with bed taxes, including counties that are home to Miami, Miami Beach, Fort Lauderdale, Tampa, St. Petersburg and Orlando.

These efforts have yielded insights gained and lessons learned for future use, both by us and by policymakers with whom we have yet to work, that are enclosed in this update.

The Airbnb Policy Tool Chest is not a one-size-fits-all policy prescription or model legislation but an adaptable framework.

As this global policy framework for home sharing comes together, so too is a public-private reimagining of how citizens interface with their local governments. Airbnb hosts typically don't have accountants and lawyers to help them comply with burdensome short-term rental regulations, most of which were developed before the internet. Nor do municipalities typically have the engineering and design resources to modernize their implementation. We want to make short-term rental regulations less onerous for our community to follow and for governments to implement.

With every new jurisdiction, we leverage our growing base of knowledge and our world-class engineering capabilities to help all involved realize the benefits of home sharing faster and more easily. We have developed products and tools that relieve citizens of the burdens of complicated tax filings, allow them to register online with local administrators without having to physically visit agencies, and otherwise help them comply with local laws.

The original Policy Tool Chest focused on four sets of policy options for consideration, including tax collection, being good neighbors, accountability, and transparency and privacy. We are pleased to provide this “2.0” update on progress made in several of these areas and others over the past six months:

RAPID EXPANSION OF TAX COLLECTION. As of May 15, Airbnb has entered into tax partnerships with more than 275 jurisdictions, and collected and remitted nearly a quarter of a billion dollars in hotel and tourist taxes globally, increases from about 200 jurisdictions and \$110 million as of December 2016. Our newest agreements, with **Mexico City** and **Memphis**, were signed on May 11 and 12.

21ST-CENTURY ACCOUNTABILITY TOOLS. Airbnb teams including engineers and designers have developed a series of tools that streamline interactions between our hosts and our government partners, make compliance easier for hosts, and make enforcement easier for local administrators. New registration systems are now online, or coming online in a range of US and European cities, as are new products to help with enforcement. We also have introduced new measures to further protect our community from online scammers.

PROMOTING MORE SUSTAINABLE TOURISM. We have worked with local governments, NGOs and our host community to develop strategies that sensitively promote tourism beyond the most popular sights in cities, as well as in rural areas where less tourism infrastructure exists. Examples include our Maisons de **France** campaign

and our promotion of small towns across **Italy**. We have helped governments take full economic advantage of hosting major events without building expensive new infrastructure, from the 2016 Summer Games in **Rio de Janeiro**, where we accommodated guests who would have required the building of 257 new hotels, to the coming St. John's Festival in Brazil's **Campina Grande**, to professional baseball's spring training in **Florida** and countless other events. We were pleased to see the secretary-general of the UN World Tourism Organisation recognize that home sharing "is bringing in new waves of travellers that have not been seen before."

SMART POLICY TOOLS

Rapid expansion of tax collection.

In January 2016, we stood before the assembled mayors at the US Conference of Mayors and said, read our lips: we want to pay our communities' fair share of taxes. Since that statement, Airbnb has sought to walk the walk.

Home sharing democratizes revenue by providing an increasingly valuable source of new funds for governments. By collecting hotel and similar taxes from our community and remitting on their behalf, Airbnb ensures a streamlined process for our hosts and lightens the administrative burden for state and local governments. In most cases, we accomplish this through our Voluntary Collection Agreement (VCA).

As of May 1, Airbnb had entered into VCAs and other tax partnerships with more than 275 jurisdictions and collected and remitted more than \$240 million in hotel and tourist taxes globally.

More than 250 of these jurisdictions are in the US, where we have developed a system to efficiently execute on a plug-and-play approach in many jurisdictions. As of Q1 2017, more than half of our US listings are in communities where we collect and remit taxes, up from about 30 percent for the year 2016, when we collected and remitted taxes on about 30 percent of our US bookings. The increase can be attributed to a jump in statewide collection starting in 2017: We are now collecting and remitting taxes in 20 US states. As of May 1, for example, we are collecting and remitting tourist taxes in **Pennsylvania** and **Connecticut**; **Arkansas**, **Colorado** and **Kansas** came online earlier this year.

At the US county level, we are now collecting and remitting in 12 counties in **New York**. In early April, we reached three major agreements in the state of **Florida**: Sarasota, Miami-Dade, and Broward counties all approved measures allowing Airbnb to collect and remit tourist taxes, which will bring millions of dollars in new revenue.

On May 12, we announced our latest VCA with a US city, **Memphis**, where Mayor Jim Strickland said, "It's important to our administration that government be able to work seamlessly with businesses and residents, and this agreement is evidence of that... The economic impact of Airbnb speaks for itself."

We are actively working to expand our collection-and-remittance program globally as well as further in the US. Our newest agreements in **Mexico City** and **France** illustrate how we are collaborating with governments in other regions to develop approaches that also can be replicated across those regions. In Mexico City, we announced on May 11 that we will be collecting a 3-percent lodging tax on behalf of our hosts and remitting it to the municipal treasury. "We are regulating something that is already working in the city. And this is the first agreement of this kind in Latin America", said the chief of the Mexico City government, Miguel Angel Mancera. "It's a niche that doesn't compete directly with the hotel industry of Mexico City, it's something different. The platform guests are looking for other kinds of experiences and accommodation."

And in France, we began collecting and remitting tourist taxes on behalf of our hosts in 31 additional communities on May 1, amounting to a total of 50 French cities that include covering popular tourist and recreational destinations.

Ontario's new provincial budget grants all municipalities the authority to levy a tax on home sharing activity, with at least part of the revenue going to local destination-marketing organizations. The Ontario budget also expressed the provincial government's commitment to explore a framework for home sharing. Building on a pilot project with Ontario to send tax notices to hosts, we provided our hosts across **Canada** with summaries of their annual earnings and links to government resources during the recent tax season. In partnership with H&R Block, we provided hosts with discounted tax preparation services.

In **Tuscany**, where the regional government recently enacted streamlined rules that allow Airbnb hosts to share up to two homes, while this remains under scrutiny, we are working with the city of **Florence** to begin collecting and remitting tourist taxes even as the new rules are under court review.

The entire list of jurisdictions where Airbnb is collecting and remitting hotel taxes can be found here.

Targeted funding

These tax agreements are a win-win for Airbnb's host community and for local governments. **Boulder's** City Manager Jane Brautigam described our recent agreement with that city as "...a great example of the public-private sector working together in support of community goals." While Airbnb-remitted tax dollars often go to support existing critical services, we're pleased to partner with cities on directing the revenue toward new initiatives. Among the new tax agreements struck by Airbnb with local governments since the December 2016 release of our Policy Tool Chest:

In **Portland**, where 100 percent of lodging taxes from short-term rentals are deposited into the city’s Housing Investment (affordable housing) Fund, the city approved using this revenue to secure bonds to fund land acquisition and long-term financing for affordable housing. In **New Orleans**, \$1 per night, per booking, goes to support the development of affordable housing.

These cities join **Chicago** and **Los Angeles** in directing Airbnb tax revenue toward housing and homelessness programs. In Chicago, a 4-percent tax per stay goes toward aid for the homeless; this summer, the city is using \$1 million in Airbnb tax revenue to house 100 homeless families with school-age children. In Los Angeles, Mayor Eric Garcetti has said the city plans to use some of the revenue to address its serious homelessness problem through affordable and low-income housing initiatives, including for “rapid rehousing” programs for the homeless.

We look forward to working with more city officials to establish programs for collecting and remitting tourist taxes, helping them realize the economic benefits of home sharing and strengthening the cities and communities that Airbnb hosts call home.

21st-century accountability tools.

As the popularity of home sharing grows around the world, we are constantly innovating new policies and tools. Some of these tools are used to keep our hosts and guests safe; others are policies that help local governments make the distinction between Airbnb hosts who occasionally share space, and professional hosts who offer space more frequently. Since December 2016, we have put a range of these sensible policies in place.

“One Host, One Home”

In some cities, housing supply is uniquely constricted due to zoning, land use and other policies curbing development which have been in place for years or even decades. We have worked with these cities to enact a “One Host, One Home” policy limiting hosts from sharing listings at more than one address. (Traditional B&Bs and other traditional hospitality providers are exempted.)

As part of this policy, we have removed more than 1,300 listings in San Francisco and 4,200 listings in New York. In New York, Airbnb recently worked with legislators on both sides of the aisle to introduce comprehensive short-term rental reform in the state legislature that will ensure the rights of homeowners and tenants to share their own homes to make needed extra income while also protecting the permanent housing stock and enabling regulators to target enforcement at truly bad actors.

In **Barcelona** this spring, we introduced automated systems that limit Airbnb hosts in the most congested area of the city, Ciutat Vella, to sharing only one entire-home listing unless they are professional operators and share their business details on their Airbnb profile.

And in **Portland**, we proactively launched One Host, One Home in January 2017 to address unwanted commercial activity on our platform.

Limits on the number of nights

In certain jurisdictions with uniquely constricted housing supply, we have agreed that entire-space listings should only be rented for a certain number of nights per year, or should meet additional requirements when they are shared more frequently.

In late 2016, we announced product changes in **London** and **Amsterdam** that enable us to relieve city officials of having to enforce reasonable limits on entire-home listings. In London, new automated limits now help ensure that entire homes are shared only for the permitted 90 days. In Amsterdam, a new day-counter helps hosts track their activity and adhere to the 60-day cap. These steps will help home sharing grow responsibly and sustainably and strengthen our partnerships with policymakers in these cities.

In **France**, some cities have a limit of 120 days per year, beyond which they require “change of use” permission for hosting in non-primary residences. In **Strasbourg, Lyon, Nice and Marseille**, we are working with city authorities to notify hosts about applicable thresholds, along with information about how to apply for the relevant permissions.

In **Paris**, we have proposed new automated limits to help ensure entire Parisian homes listed on Airbnb are not shared for more than 120 nights a year, unless hosts have the required permission to share their space more often. We have also engaged in conversations on this solution with other major cities in France.

Registration

While we firmly believe that all residents should be able to share their homes without complicated permits or licenses, some thoughtfully targeted and streamlined registration programs have the potential to provide critical information to local governments without creating undue burdens for regular people who share their homes on Airbnb. We have learned that if a jurisdiction decides to enact a registration system, there are ways to ensure it works for both administrators and hosts.

Airbnb’s pass-through registration system, first developed in coordination with the city of **Chicago**, has recently been implemented there as well as in **New Orleans**, and will

soon be put into effect in **San Francisco**. In all three cities, the system enables hosts to register directly through the Airbnb platform, with data remitted directly to local authorities through a secure API. We expect the newly announced San Francisco system to be designed and fully implemented by January 2018.

In **Portland, Oregon**, we have worked with our hosts to help them register, and look forward to working with the city to simplify the currently complex process. **Portland, Maine**'s new home sharing rules include a simple registration process, the fees for which go to support the city's Housing Trust Fund.

In **Belgium**'s Walloon region, hosts now also notify local authorities of their home sharing activity through a simple online process. A simple online notification process is also in place in the Flanders region.

And in **France**, where cities with populations greater than 200,000 now have the option of asking hosts to register, we are monitoring these decisions and working with our host community to keep them updated on whether they are required to do so.

Supporting landlords and property owners

Since December 2016, we have expanded the Airbnb Friendly Buildings Program beyond our pilot markets to cities in the US, **Canada** and **Australia**, and are launching it in **Japan** this month. The Friendly Buildings Program brings building owners and landlords to the table with their tenants, and with us, to enable home sharing on their properties under rules they help create. These rules can address which units in a building can be shared, for how long, and other booking details. In return, owners receive a mutually agreed upon portion of the revenue (typically between 5 percent and 15 percent of their tenant-hosts' earnings through the program). Some buildings choose to use this revenue to lower maintenance or other costs that benefit all tenants.

The program is an option for long-term tenants only and is designed to support only people who share the home in which they live, and within those properties, only for housing units that rent at market rates. About 8,000 eligible units have been enrolled in the program by owners and landlords of buildings of all types and sizes. We will continue our efforts to extend it to more units and more countries.

Fighting discrimination

Discrimination is antithetical to our mission of helping people belong anywhere. Since September 2016, when we introduced a set of new policies to help fight bias on our platform, we have worked quickly to implement a series of initiatives to help prevent discrimination. These efforts include, though are not limited to:

- Everyone who uses Airbnb must agree to the Community Commitment, a pledge to treat everyone in the community with respect and without judgment or bias, regardless of race, religion, national origin, ethnicity, disability, sex, gender identity, sexual orientation or age.
- We have surpassed our goal of making 1 million listings available via Instant Book. Today, we have 1.4 million Instant Book listings available, and 60 percent of all reservations are now booked instantly. Instant Book lets hosts offer their homes for immediate booking without requiring prior approval of a specific guest.
- Under our Open Doors policy announced last fall, if a guest is unable to book a listing and feels that it's due to discrimination, a specially trained team of Airbnb employees, available 24/7, will ensure that the guest finds a place to stay.
- Anyone who violates our policies may be immediately and permanently banned from using Airbnb.
- Last fall, we also engaged a preeminent US expert to help develop trainings for hosts that will help reduce unconscious bias. After launching the training and promoting it to US hosts, we continue to make it available on our website.
- Nearly 100 percent of Airbnb employees have completed anti-bias training, and we have created a permanent team of engineers, data scientists, researchers and designers whose sole purpose is to advance belonging and inclusion, and to root out bias.

Keeping bad actors off the platform

As our global community grows, we remain vigilant about stopping bad actors who are looking to take advantage of the trust our community places in us. Online scammers in particular are constantly adapting and refining their attacks, so we likewise are constantly investing in engineering and other resources to develop new measures to prevent scams from occurring on our platform.

- ***Preventing account takeovers.*** Account takeovers (ATOs) occur when a bad actor gets access to a user's account by stealing their password through various means. Historically, we have defended against ATOs by using machine learning to predict the probability that each login or action on Airbnb is being performed by the true account owner. While this approach is common for online platforms and the model has been effective at stopping most ATOs, we felt that the nature of Airbnb's product and the critical importance of trust within and among our community calls for an even higher bar for security.

In April, Airbnb co-founder and Chief Strategy Officer Nate Blecharczyk announced new steps we're taking to prevent bad actors from taking over an Airbnb account. Using multi-factor authentication, we're requiring additional verification whenever a user logs in from a new device, such as a computer, phone, or tablet—as is often the case for other services such as online banking. We're also improving account alerts, adding SMS in addition to email to the ways in which we alert you, and we have expanded the range of changes about which we'll proactively notify you. We do this in order to let you know these changes have taken place—and so that you can take action to recover your account in the event that you yourself did not make the changes.

- ***Preventing fake listing scams.*** Fake or misrepresented listings have no place in our community, and our Trust and Safety team—comprised of our top product, engineering, data science, design, and fraud and security experts—is constantly innovating ways to prevent fake listings from getting onto the platform in the first place. These approaches have included leveraging machine learning, screening out personal contact information, and safeguarding guest payments.

In April, we added new educational messaging on every listing description page, reminding users to conduct all their transactions and communications with hosts through the Airbnb platform. We also have improved our user flagging capabilities. Users can now flag suspicious listings on their mobile devices. These flags are fed directly into our risk model to reevaluate whether a listing should be automatically removed or manually reviewed.

Fortunately, the vast majority of our hosts and guests never have to deal with fake listings, account takeovers or any other scam. While the recent enhancements add yet another layer of security to our users' accounts, we always want our community to be vigilant and exercise good security practices. We outline some recommended practices around strong passwords, safe payments and other measures on our site [here](#).

Looking beyond online scams, in all of 2016, more than 30 million trips took place at Airbnb listings worldwide. Of those trips, significant property damage claims, meaning claims that were reimbursed under our Host Guarantee program for more than \$1,000, were reported to us only 0.009 percent of the time. At this rate, you could host a new reservation every single day for more than 27 years without expecting to file a significant property damage claim under our Host Guarantee.

Promoting more sustainable tourism.

As we have learned more about how home sharing supports more sustainable travel, we have innovated ways to take this a step further, proactively and sensitively promoting tourism beyond the most popular sights, and creating frameworks that help keep communities strong for travelers and residents alike. By helping local governments scale accommodations when hosting major events, partnering with tourism officials and NGOs, and putting new travel tools in the hands of our community, we're raising guest appreciation for local traditions and observances, treasured cultural institutions, and smaller galleries and businesses. These efforts also provide alternatives to mass-tourism models.

And while Airbnb may be best known for our work with cities, many of these strategies and tools can work even more powerfully in rural areas where little other tourism infrastructure exists. For example, our [agreement](#) with the government of the Indian state of **Andhra Pradesh** includes training hosts, particularly women hosts living in rural areas, on hospitality standards and developing authentic experiences that will be promoted on the platform.

Smart rules for smart travel

Communities around the world are crafting frameworks that promote more sustainable travel and spread the benefits of tourism to more neighborhoods. Cities including **London**, **Philadelphia** and **San Jose** have enacted new rules that allow for occasional home sharing while tying more frequent home sharing and vacation rental operations to pre-existing policy. In **New Orleans**, we worked with policymakers to put rules in place that spread home sharing and the economic benefits of travel beyond traditional tourist districts such as the French Quarter by promoting home sharing in areas not frequently visited by tourists. **Japan** and **Korea** have prepared for major events by embracing home sharing to help manage short-term housing needs.

Guidebooks and travel tools

As part of our ongoing work with the government of **Kamaishi City** in Japan to help the area recover economically from the 2011 earthquake and tsunami, we recently launched an English-language [Guidebook](#) for visiting guests. The Guidebook was developed with the help of local students and the public-private partnership dedicated to the city's reconstruction. Our library of **London Guidebooks**, meant to promote cultural tourism beyond London's well-traveled Zones 1 and 2, are organized by Airbnb hosts with particular expertise and will soon include neighborhood-based guides, as well.

Through our partnership with **Innovate UK**, we are working with one of its grantees, geolocation technology company **Bubbl**, to further develop and provide opportunities for use of their mobile app, **Tourologist**, which better connects users with the local communities they visit. We're excited about the potential **Tourologist** presents as a solution to help guests explore a city's hidden gems and drive revenue for local businesses.

And in **Barcelona**, our strategic partnership with **Barcelona Tech City** connects us to the vibrant local community of start-ups, entrepreneurs and universities with the shared aim of surfacing new innovations in travel and tourism.

Working with tourism offices and organizations

Since December 2016, Airbnb has partnered with the national tourism bureaus of Ireland and Portugal with the shared goal of promoting authentic experiences and “healthy,” sustainable tourism. We joined forces with the **Caribbean Tourism Organization** to promote the region's history and culture and to diversify the area's tourism industry to spread economic benefits to more of its citizens.

In April, we partnered with Cataratas Group, an organization that operates some of the most relevant and iconic natural sites in **Brazil**, including the Christ Redeemer statue in Rio and Iguazu Falls. A primary goal of the partnership is to promote sustainable tourism to these sights.

Scaling accommodations for major events

Airbnb's unique offer to local authorities, the rapid scaling of accommodations to help them capitalize on tourist influxes for major events, is among the most satisfying work we do. By providing temporary housing for thousands of visitors, governments can take fuller economic advantage of these opportunities, which allows governments to maximize the economic benefits of the public expenditures used to attract and support the events. Importantly, home sharing also helps governments avoid having to build permanent infrastructure that can tax their treasuries and the environment. Net environmental benefits include reducing the amount of materials used in construction, their associated emissions, and the ongoing burdens of permanent structures, which are likely to become underutilized as soon as the event is over.

Since our founding in 2008, Airbnb has worked with local policymakers and event organizers to help cities more sustainably scale up accommodations for US presidential nominating conventions, the FIFA World Cup, Pope Francis' visit to **Philadelphia** in 2015 and the 2016 Summer Games in **Rio de Janeiro**, among countless other events.

While research is only just beginning to uncover the full environmental effects of home sharing as a solution to this particular need, a [December 2016 study](#) by the World Economic Forum and the Massachusetts Institute of Technology, using Airbnb data, showed that over the course of the Rio Games, 48,000 Airbnb listings housed 85,000 of the city's estimated 500,000 visitors. Many of these listings were created in the run-up to the Games. The study's authors found that Rio would have needed to build 257 hotels to accommodate that many visitors.

Our new agreement with the city of **Campina Grande**, in the Brazilian state of Paraíba, is designed to help the city maximize the economic impact of their June Festival by enabling guests to stay in the city where the event occurs, rather than outside the city due to its scarce supply of hotel rooms. The Festival usually draws 1 million people during the month of June—Brazil's most popular event after Carnival.

In January, we were pleased to [formalize our partnership](#) with Korea's **Gangwon Province** to boost tourism as the state prepares for the upcoming 2018 Winter Olympics in PyeongChang. Through our agreement with the province, Airbnb will expand our listings through our platform over the coming year.

During professional baseball's 2017 Spring Training, Airbnb helped the [smaller towns](#) around southwest and central **Florida** benefit from the revenue the pre-season brings, and helped make this annual ritual for so many families more affordable. In 10 of the 12 Florida cities that host spring training games, residents of the home team's state [accounted for](#) the majority of Airbnb bookings.

A CLOSING NOTE

At a time when technology is beginning to displace more people and further disrupt the tax bases of already cash-strapped local governments, Airbnb is all about using our platform to create economic opportunity for people, their communities, and their governments through extra income, jobs and new revenue.

For all of us to win, no one has to lose. Hotels will continue to benefit from growing interest in tourism even as Airbnb continues to grow. We look forward to working with more policymakers around the world to help them leverage our platform for the opportunities it can provide.

APPENDIX. Progress in communities around the world: case studies

Hundreds of cities and other jurisdictions around the world have enacted smart, forward-looking rules for home sharing or have updated existing rules. While these policies may not be right for everyone, the following jurisdictions have enacted or updated such rules since December 2016 in ways that can provide guidance for other officials considering how to regulate home sharing today:

Denver, Colorado

London, United Kingdom

New Orleans, Louisiana

Portland, Maine

Tasmania, Australia

Denver, Colorado

In June 2016, Denver adopted reasonable regulations to legalize short-term rentals (STRs). The law went into effect on December 31, 2016. Denver is the first city to have a 100-percent online registration process, and we reached out to hosts to ensure that they followed the city's rules. Our efforts have resulted in a very high compliance rate: the highest in the US within the shortest period of time.

Policy highlights

- No nightly caps on short term rentals, both hosted and unhosted rentals are permitted
- Easy online registration system resulting in high rate of compliance from host community
- Low registration fee of a total of \$75

About Airbnb in Denver

- Active listings: 3,000
- Entire home | Private room: 67% | 30%
- Typical host income (in USD): \$6,500
- Total number of guests since 2008:
- Average length of stay: 3 days

London, United Kingdom

In March 2015, new national legislation was enacted to reform 1970s-era legislation regulating short-term rentals in the capital. Now, Londoners are able to share their homes with guests from all over the world, just as residents in the rest of the United Kingdom are able to do. These reforms help local hosts meet the cost of living in one of the most expensive cities in the world. Airbnb also has announced new automated limits to ensure that entire homes in London are not shared for more than 90 days without permission, to ensure that home sharing grows responsibly and sustainably. The news was widely praised by many organisations, including the Department for Communities and Local Government and the Mayor of London, who has called on other online platforms to follow suit.

Policy highlights

- Hosts in London can share their homes for up to 90 days per year without this being considered a “change of use” requiring planning permission
- Hosts across the UK are able to earn up to £7,500 per year from renting a room in their primary residence without having to pay income taxes on it
- Simple, proportionate fire safety measures apply across the UK

About Airbnb in London

- Active listings: 55,000
- Entire home | Private room: 51% | 47%
- Typical host income (in USD): \$5,200
- Total number of guests since 2008: Over 4,000,000
- Average length of stay: 4.4 nights

New Orleans, Louisiana

In December 2016, the New Orleans City Council voted 5-2 to pass landmark legislation to strengthen home sharing in the city. The ordinance included regulations for short-term rentals in owner-occupied and entire-home listings, a streamlined registration process, tools for enforcement, and funding for affordable housing.

Ordinance highlights

- Legalizes short-term rentals by creating new licenses for hosted rentals, unhosted rentals, and rentals in commercial districts.
- Establishes a streamlined “pass-through” registration system to help hosts comply with city policies and safety regulations.
- Permits platforms like Airbnb to collect and remit taxes on behalf of hosts, simplifying requirements for the host community and ensuring that the city receives the revenue it is owed.
- Establishes no limits on the number of listings per host, nor on the number of nights hosted rentals may be shared. For unhosted rentals (“Type T”), there is a 90-day limit.
- Establishes a \$1 per night fee to support enforcement efforts.

About Airbnb in New Orleans

- Active listings: 5,000
- Entire home | Private room: 75% | 23%
- Typical host income: \$10,200
- Total number of guests in 2016: 342,000
- Average length of stay: 3 nights

Portland, Maine

In September 2016, Airbnb worked with elected officials in Maine's largest city to develop comprehensive regulations to permit short-term rentals, e.g., a unit rented out for less than 30 consecutive days per year. Together with an organized and passionate host community, Airbnb sought a policy that addressed the key issues raised by Portland lawmakers, including affordable housing, public safety, and economic development, while clarifying the legality of short-term rentals under local law. After six months of public hearings and negotiations, the City Council passed comprehensive reform in March 2017, creating a model framework for mid-sized cities that seek to foster responsible home sharing.

Ordinance highlights

- Legalizes home sharing throughout the city, both on the islands and the mainland.
- Creates a simple registration system for owners and/or tenants who wish to engage in short-term rentals (STR).
- Registration fees are on a sliding scale, with owner-occupied STRs costing less than non-owner occupied STRs. Fees are dedicated to support affordable housing via the Portland Housing Trust Fund.
- No nightly cap on STRs. Hosts may register up to five units.
- Allows up to two people per bedroom plus two additional guests, per unit.
- Registration/regulatory requirements for STRs do not apply on Portland's islands. This innovative mechanism acknowledges an area of the community that has traditionally been a vacation-rental market and allows expanded use of STR in those neighborhoods.

About Airbnb in Portland, Maine⁴

- Active listings: 700
- Entire home | Private room: 70% | 30%
- Typical host income: \$9,800
- Total number of guests: 54
- Average length of stay: 2.1 nights

⁴ As of April 1, 2017

Tasmania, Australia

In February 2017, the Tasmanian Premier announced that the Tasmanian Government had decided to deregulate the short-term rental (STR)/home sharing industry across all of Tasmania. As a result, a new statewide planning regime (“Statewide Planning Provisions” or SPP) will come into effect beginning July 1, 2017. The new SPP removes STR policymaking from local councils and makes home sharing entirely legal across the state. The new regime provides either zero process (and fees) or a very streamlined, low cost, self-assessment process for the vast majority of houses, townhouses and apartments throughout Tasmania.

Regulation highlights

- Establishes no caps or other limits on the number of listings per host, nor on the number of nights entire listings may be shared.
- Legalizes short-term rentals for all primary places of residences with four bedrooms or less (no approval processes or fees are required).
- Establishes a streamlined “self-assessment” process for all primary places of residences with five bedrooms or more, and for all non-primary places of residences with four bedrooms or less. A small (\$250 AUD or \$185 USD) once-only fee is likely to apply.
- Requires all non-primary places of residences with five bedrooms or more to seek planning approvals from their local councils.

About Airbnb in Tasmania

- Active listings: 4,000
- Entire home | Private room: 75% | 24%
- Typical host income: \$7,600 AUD (\$5,600 USD)
- Total number of guests in 12 months to May 1, 2017: 218,000
- Average length of stay: 3 nights