



CENTER FOR REGIONAL- OG TURISMEFORSKNING

Airbnb Economic Impact – trends and regional economies

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Literature review

Literature review: relevant articles, such as

Zervas, G., Proserpio, D. & Byers, J. W. (2013): The rise of the sharing economy: estimating the impact of Airbnb on the hotel industry. *Internet publishing*

Parirolo, N. (2015): Assessing the effect of Airbnb on the Washington DC housing market. *Internet publishing*.

Fang, B., Ye, Q. & Law, R. (2016): Effect of sharing economy on tourism industry employment, *Annals of Tourism Research*, 57, 264-267.

The above mentioned articles are based on econometric analysis, not based on the modelling approach.

Quite a number of media articles are collected via online searching referring the issues of Airbnb in Denmark. We find some interesting paradoxes in the argument.

Paradox in the argument for Airbnb

- **Paradox 1:** e.g. hotel organizations: Airbnb is unfair competition, making hotels to lose their market shares. They suggest the government make legislation and restriction on Airbnb; on the other hand, Airbnb do have supplement function when in shortage of supply for hotel rooms.
- **Paradox 2:** local residents: Airbnb helps some residents to rent out their idle houses /rooms to compensate to their expenditures; on the other hand, some other residents might be disturbed by the tourists in the residence areas – issues like public safety, disturb and noise.
- **Paradox 3:** the politicians and decision makers: Airbnb can help local tourism destinations to release the so-called “high-price power” of hotel sector, especially during the tourism’s peak seasons; on the other hand, decision makers worry about the market disorder in house markets, house-renting market; as well as the effects on residents welfare associated with living condition.

Main actors in Airbnb business

- **Tourists:** Existing markets or a new market? Length of stay and party size; leisure or business.
- **Hosts:** Profiles like age education and quality of apartment, listing prices, location and entire apartment or shared rooms.
- **Neighbourhood:** Positive or negative attitude towards Airbnb? Evaluating the social relations.
- **Accommodation organization:** arguing for unfair competition; Restriction, and regulation.
- **Other businesses:** good with extra income and economic growth.
- **Government:** evaluation of impacts of Airbnb; taxation issues, public safety, impacts on house market; social relations;
- **Academics and destination developers:** Arguing positively: idle resource, efficiency, intense competition, agree to regulation and taxation.

Assessing the impacts of Airbnb

- **Social impact analysis:** conducting a interview with the local residents, policy makers and other destination developers to understand social relationships between local communities and Airbnb tourists. This should also include the assessment of Airbnb impact on house prices and relationships between the tourists and residents.
- **Political and environmental impact:** to analyzing the relationship between the different partners: hotel organization, local destination, policy makers and local residents. Hotel branch organizations ask for the equal competition and it requires that the hosts of Airbnb should pay the income taxes from their income, however, it is free from taxes if the Airbnb income is under certain amount; as most of Airbnb hosts are partly renting out their apartments /houses.
- **Economic impact analysis:** evaluating the regional economic impact of this new tourist form; to study which areas (cities versus provinces or coastal regions), which sectors have gained the most?

Summary from previous studies

- From previous analysis, it is found that there is no evidence linking the short renting through Airbnb with **house market**; this means that there is no significant influence on **house price**; This point needs further investigation.
- Airbnb can surely save some **transaction costs**, therefore price for overnight is cheaper at Airbnb than normal hotels;
- Airbnb will increase the **frequency of travel**; it will also increase the **length of stay** at destination; it encourage tourists to be more actively participated into the activities;
- Airbnb tourists tend to **spend more** (in the whole trip at destination), increase not only the spending at overnight, **but on various other consumption categories**, for example, eating at restaurant, visiting museums and other attractions, participating other activities, etc.
- Airbnb is not necessary totally replacement for the hotel tourists, it can be that it create some **new tourist market**, that otherwise these tourists will not come to the destinations. Airbnb **competes only with the low priced hotels**, it will not influence business tourists and tourists who stay in the luxury hotels.

Data collection for Airbnb

Previous presentation regarding:

- Data sources
- Variables in Airbnb datasets:
- Methods for data analysis:
- Estimation of number of bed night at Airbnb

In order to evaluate the economic impact of Airbnb on regional economies, we need to know

Total tourist spending at Airbnb

= number of bed night

× average spending per person per bed night

Airbnb in Copenhagen and Denmark

	Airbnb listing in Copenhagen	Airbnb listing in Denmark
Number of hosts	16,000	21,000
Number of guests (inbound)	320,000	405,000
Average earning for a typical host		13,800
Average length of stay	3.3	4.2
Average group size	2	2.5
Average prices of listing	672 Dkr.	

Method for evaluating the impacts of Airbnb

CRT's LINE tourism model: it is applied by VisitDenmark for evaluating the regional tourism impacts in Denmark.

Structure of the LINE model:

- 1) Region by municipalities = kommuner;
- 2) Social account matrices (SAM) is the model framework;
- 3) 2 by 2 by 2 principles: two plays (producers and households), two markets (labor market and commodity market), and two circuits in the model system;
- 4) Tourism demand is totally integrated in the model system.

Tourism demand is located at place of demand, when there is ***an extra increase in tourism demand***, the production will increase, the employment and income at tourist destination will increase, this gives ***direct, indirect and induced effects*** on the regional economies.

Regional impact of Airbnb in Copenhagen

	Airbnb spending as Hotel-leisure	Airbnb spending as hostel
Number of bed nights (in 1000)	320	320
Estimated daily consumption (kr.)	1150	628
Estimated tourist revenue (mil kr.)	368	201

Note: 320000 bed nights account for 12.4% of leisure hotel tourist nights in Copenhagen. It accounts 10% of leisure hotel income in Copenhagen.

Regional impact of Airbnb in Copenhagen

	Hotel-leisure	Hostel
Direct job creation (number)	362	179
Total job creation	502	253
Direct GVA effects (mil. kr.)	113	59
Total GVA effects (mil. kr.)	203	106
Personal income taxes (mil. kr.)	24	12
VAT and other taxes (mil. kr.)	69	36

Future plan (M5) for the project

Model analysis for Airbnb (as a overnight form) and deliverable results for economic impact

- It will be a co-operative work between VisitDenmark and CRT to obtain and estimate the number of Airbnb bed nights and daily spending data for each municipalities;
- CRT will be responsible for the model calculation;
- Time plan is expected to be during later months in 2017 (depending on the Airbnb data);
- It is agreed with VisitDenmark, that Airbnb project will be a separated report after VisitDenmark's yearly TØBBE report.

Thank you for your attention!

Questions for both of us?

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