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WHAT AIRBNB DOES TO THE HOUSING MARKET

When your neighbours made their property available for short-term accommodation through Airbnb, will you see an increase in your house price or rent? Dr Beatriz Benítez-Aurioles, SHTM Visiting Scholar (2019), and **Prof Iis Tussyadiah** delved into Airbnb and housing data in London to assess whether the presence of short-term rental drives property and rental prices up for residents, ultimately displacing residents from city centres to peripheries.

WHAT AIRBNB DOES TO THE HOUSING MARKET

PROF IIS TUSSYADIAH

It has been long debated that the provision of short-term rentals to cater to tourists' demand will have an impact on the housing market, in that an increase in short-term rental provision will cause an increase in prices of houses and (long-term) rents for residents. As a result, properties in touristic areas become increasingly unaffordable to local residents, ultimately driving residents away from city centres to the peripheries. However, very few research has offered empirical evidence to support or reject this notion.

This research investigates the impact of Airbnb on housing and rental prices, utilising an econometric model to analyse data sourced from *AirDNA* (Airbnb listings), *City Hall's London Datastore* (rents) and *Land Registry website* (property prices) in London, UK. The study estimated the effects of Airbnb listings on six categories of private gross monthly rent paid (i.e. for room, studio, 1 bedroom, 2 bedrooms, 3 bedrooms, & 4+ bedrooms) and property price in London as dependent variables in GMM regression.



FURTHER READING:

Benítez-Aurioles, B., Tussyadiah, I. (2020). What Airbnb does to the housing market. *Annals of Tourism Research*.

Link: bit.ly/39RhQQV

It was found that the presence of Airbnb in London increases house prices and affects long-term rents, albeit with less significance and generality compared to that on house prices. The effect on house prices is stronger because the more homeowners supply their home for tourists, the scarcer and more expensive the supply is for residents. Also, when an area has more Airbnb listings, it hints to the profitability of short-term rentals, and eventually raises the value of properties there. While the effects of Airbnb on rents were negligible, the effects on cost of living for residents come through house prices and thus mortgages.

These findings support the need for public regulation and control on short-term rentals (e.g. by incentivising long-term rentals in the local market), especially in areas where the effect is stark on rents.