

Regulating the Sharing Economy: The Impact of Home-Sharing Ordinances on Commercial Airbnb Activity

Andrea Schneider, Jönköping International Business School

Abstract

Airbnb and other home sharing platforms experienced a meteoric rise over the past decade. In recent years, they ran into headwinds though: More and more cities enacted home sharing ordinances (HSOs) that regulate the short-term rental market. Most of the regulations aim to ban commercial short-term renting – that is, hosts who divert residential property to pure short-term rental use. We study the effect of HSOs in leading German cities on the size and the structure of the local short-term rental market. Our estimates suggest that HSOs decrease commercial short-term rental activity – but fail to abolish it: Listing days related to commercial Airbnb properties, on average, drop by 20-32%.

We provide evidence that many commercial hosts remain in the market even if this violates current regulations. Moreover, HSOs (unintentionally) decrease the short-term rental activity of hosts who only occasionally rent out their residence on a short-term basis. Additional analyses show that HSOs have minor effects on long-term residential housing markets. Only relatively few properties are redirected from short-term rental use to the long-term residential market and we find no indication for a drop in long-term rental prices.