

Airbnb in New York: Economical With the Truth

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The Dispute

- ▶ October 7: The New York State Attorney General subpoenaed data from Airbnb “to recover millions of dollars in unpaid taxes, and to stop the abuse of Airbnb’s site by operators of illegal hotels”. Airbnb refused, claiming the subpoena is “too broad” and “a fishing expedition”.
- ▶ October 22: Airbnb announced a study with “quantitative evidence that New York hosts are good for the community”. It later published the study on its web site.
- ▶ November 8: the Internet Association filed a brief on Airbnb’s behalf. The Attorney General’s office responded that Airbnb is exaggerating what the company has been asked to hand over.

What is Airbnb?

The dispute raises questions about Airbnb.

- ▶ Is it an idealistic **community** of “regular people” that is “creating a door to an open world—where everyone’s at home and can belong, anywhere”?
- ▶ Is it a business that is encouraging individuals to set up illegal hotels?

Scouring Public Data

Interested in Airbnb's business, I downloaded information about all the New York listings I could find from the Airbnb web site; pages like [this one](#). I found 9527 listings offered by 7112 hosts.

I posted the results [here](#) in mid October, before Airbnb posted its own study.

With all the interest about Airbnb's New York business, I thought I should restate my main findings more clearly in the light of the Airbnb study. Hence this presentation.

Conclusions

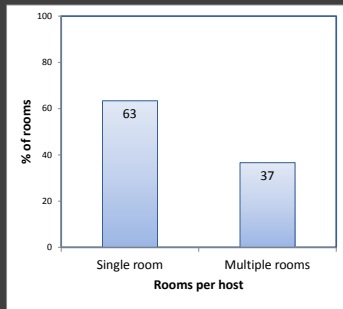
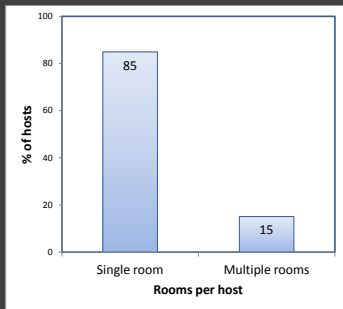
My main conclusions:

- ▶ In their report and in their public statements, Airbnb is being economical with the truth.
- ▶ Almost half of Airbnb's business comes from people with multiple listings.
- ▶ Almost three quarters of Airbnb's business comes from rentals where the host is absent during the rental period.

What is Airbnb's Business?

Airbnb says 87% of hosts rent their own apartment. In my sample, 85% of hosts have a single listing.

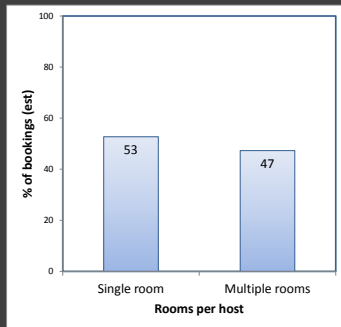
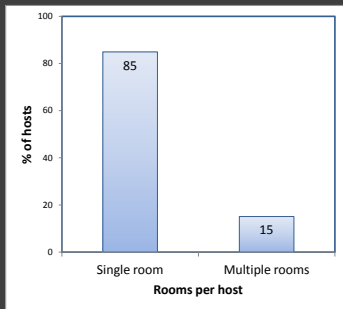
But let's count by room instead of by host. In my sample, only 63% of rooms are offered by single-listing hosts.



What is Airbnb's Business?

And what about *bookings*, where Airbnb makes its money? For comparison, here is Airbnb's count-by-host view again.

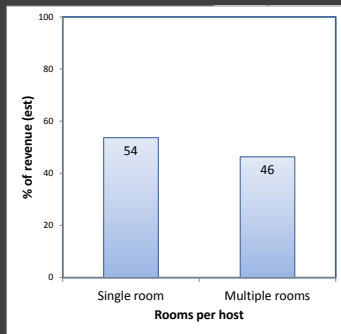
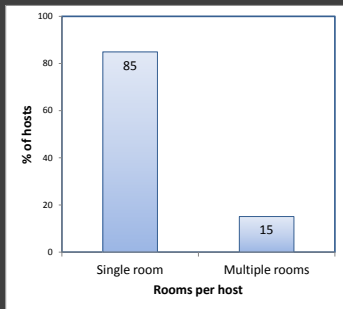
Using guest reviews as a proxy for bookings, almost half of Airbnb bookings in the sample are offered by multiple-listing hosts.



What is Airbnb's Business?

The best available estimate for revenue is to multiply per-night price by number of reviews. Here is Airbnb's view again.

And here is the view by estimated revenue, assuming that the average stay length is the same across the categories.



In Short

- ▶ Airbnb is being economical with the truth.
- ▶ Airbnb says “Eighty-seven percent of [our hosts] rent the homes in which they live.”
- ▶ Airbnb should also say “Almost half our revenue comes from hosts who offer multiple listings.”

Airbnb Listings

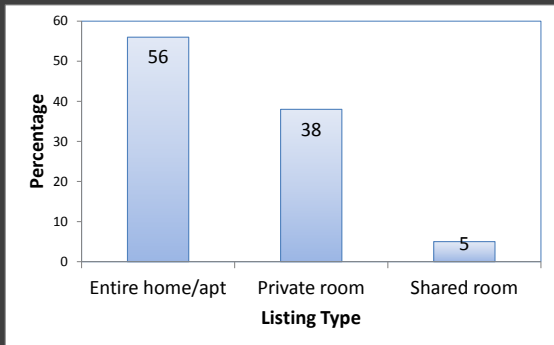
Airbnb builds its image around renting your **extra space**, using stories like **these**.

- ▶ An international design conference was coming to town, and all of the hotels were sold out. So we had an idea: why not turn our place into a bed and breakfast for the conference? We inflated air beds and called it the AirBed & Breakfast.
- ▶ Teya, a student who loves cooking for her guests and will use the money she has earned to buy her apartment in Harlem.
- ▶ Javier, who likes to show off his favorite Latin dance spots to travelers from every corner of the globe.

But what accommodations really make up Airbnb's revenue?

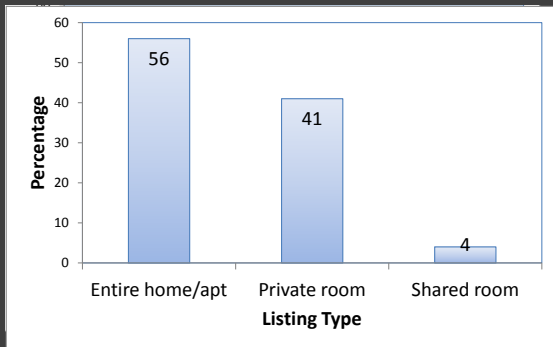
Airbnb Listings

Airbnb listings are *Shared Room*, *Private Room*, or *Entire Home/Apt.* Here is the percentage breakdown by number of listings.



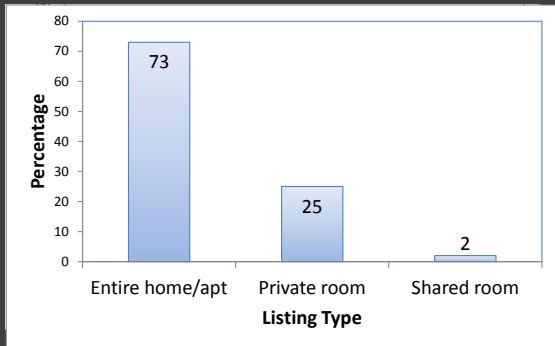
Airbnb Listings

The breakdown by bookings is similar. Each type of listing gets rented out at a similar rate.



Airbnb Listings

The breakdown by revenue is more skewed because entire homes rent for a lot more money than a shared room.



In Short

- ▶ Airbnb is again being economical with the truth.
- ▶ Airbnb paints a picture of people sharing a living space.
- ▶ Airbnb should also say “Almost three quarters of our revenue comes from whole-home rentals, where the host is not present.”

Conclusions

- ▶ Airbnb makes it easy for hosts to offer illegal listings. It even encourages them.
- ▶ The problem lies with Airbnb, not with the hosts.
- ▶ Cautions are hidden in a 10,000 word **terms of service agreement** that would take 30 minutes to read, never mind understand.

What Airbnb Could Do: Part I

If Airbnb wanted to be a good community, here are some steps it could take:

- ▶ Make the rules clear for Airbnb hosts, many of whom are confused about who you think are **amazing people with kind hearts** and who you think are **unscrupulous slumlords [making] a quick buck**. See the comments on **this Airbnb announcement**.
- ▶ I'm happy to be corrected if my numbers are inaccurate, but if you want to convince people you need to publish real statistics, not flimsy 300-word "independent" studies.
- ▶ Pay the taxes for your hosts. You collect a hefty 10% of the rental price: earn your money.

What Airbnb Could Do: Part II

- ▶ Real communities don't have 10,000 word user agreements. Either be a community or drop the talk.
- ▶ If you are concerned about rental rates, work with tenants' associations and other providers.
- ▶ You claim Airbnb renting is about making a little extra money, so enforce it. It's simple: limit the number of rentals or number of bookings, just as Blablacar limits the revenue a driver can get from sharing a ride to make sure it qualifies as "expense sharing".

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