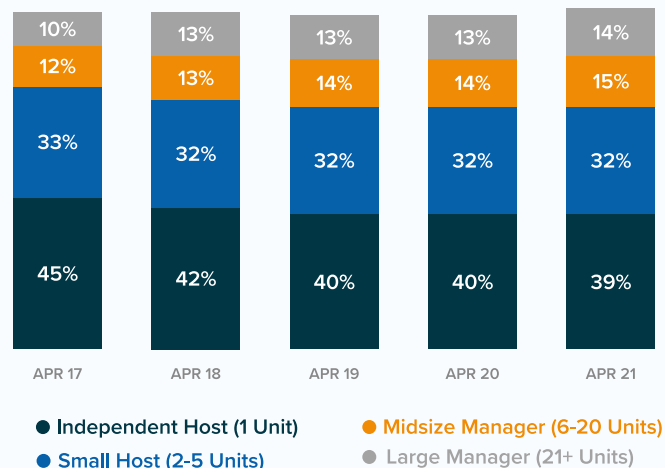


Welcome to the second edition in our series of “Hospitality in Transition” bulletins in 2021, as part of HOTREC’s strategic partnership with TOPOSOPHY. As we are heading towards the third quarter of 2021, there is much to be said both about the changing strategies of major platforms and their ongoing competition in the market of short-term rentals (STR). These are valuable insights because we are now dealing with a different market landscape, where effective design and enforcement of STR regulations will be crucial in ensuring the prosperity of cities and destinations in the post-pandemic world.

For instance, it is absolutely crucial for destination authorities around the world to keep in mind that Airbnb continues to see an increasing share of commercial operators along with a declining share of small and independent hosts. [According to data provided by Airdna](#), the aggregate share of Airbnb units which are managed by medium or large property managers has increased from 22% to 29% over the last four years. The global scale of this trend is a key reason for destination authorities to step up their efforts and render the platforms responsible for facilitating law enforcement and meeting all necessary reporting requirements.

Evaluating the tools that destination authorities have managed to build over the last few years is also a key part of this process. [A report by OECD](#) in May indicates that there are 7 countries in Europe (Greece, Ireland, Iceland, Italy, Norway, Poland and Slovenia) where STR regulations are adopted exclusively at the national level. There are also 5 countries (Austria, Czech Republic, Denmark, France and the Netherlands) that adopt a mix of regulations at different levels of administration as well as Germany together with Israel where STR regulations are adopted exclusively at the local level. Knowledge exchange over the implementation of these different models can shed light on current strengths and weaknesses as well as to highlight future opportunities and challenges for different types of destinations, from the short to the long-term.

Airbnb Units by Ownership Type



Source: [Airdna](#)

Key platforms share different views on the Digital Services Act

Above all, destination authorities must be aware of the lack of consensus among major platforms on the role of the Digital Services Act (DSA) and STR regulations. Early in June, Airbnb issued a [“communication oriented” blog post](#) where they voiced their support for the draft DSA and their willingness to collaborate with governments and help rebalance tourism. However, the key ideas underneath this post have a rather different character. Besides the lack of updates since September 2020 on measurable progress associated with [Airbnb’s City Portal](#), the [position paper of Airbnb on the DSA](#) - which is accessible at the end of the communication post - is a typical statement of their goal to avoid the assumption of clear liabilities and compliance with established rules. What is particularly interesting is their position on DSA’s Article 22 (p.5). Airbnb is criticising the prospect of reinforcing the role of platforms in checking and verifying services offered via an online marketplace, although they often portray themselves as open and flexible to add registration numbers in online listings and help destination authorities identify those properties which are not legally registered.

On its side Booking.com is more open to get involved in verifying law-abiding properties and eliminating illegal properties. [In their own response to the EU Commission’s request for feedback on the draft DSA](#) back in March, they had argued that “where short term vacation rentals are subject to an authorization / registration scheme, platforms should be required to ensure that only properly registered / authorized properties are listed. This is in line with the duty of care incumbent upon platforms”. For Booking.com, besides providing authorities with the powers to order platforms to remove illegal content and share information, the DSA is also important to encourage the use of online databases and API-based regulations that would enable platforms to act proactively and identify illegal listings upon registration. [Booking.com is highly familiar with the use of API-technology](#) so the focus of their suggestion is two-fold: to add pressure on their key competitor and build a long-term relationship with destinations where they already manage a diverse portfolio of accommodation properties.

Competition between online platforms heats up in the post-pandemic world

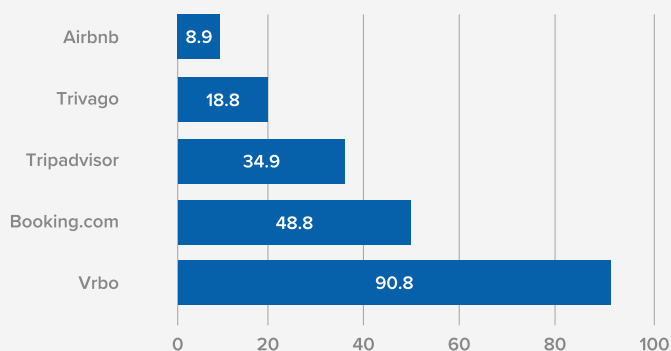
The Covid-19 pandemic forced travelers to explore domestic travel options including nearby and longterm stays as well as stays in less densely populated areas. Investing in these areas [Airbnb registered a 51.5% in gross bookings](#), climbing from \$6.8 billion in Q1 2020 to \$10.3 billion in Q1 2021. These areas will continue to be a key part of Airbnb's strategy in various destinations. For instance, [as part of a recent agreement with the City of Milan](#), Airbnb is going to build a dedicated portal that will enable temporary workers and students to identify properties at agreed prices for rentals up to 18 or 36 months.

However, similar initiatives are not expected to minimise pressure from growing competition, especially when Airbnb also reported a loss of \$1.2 billion in Q1 2021 compared with a loss of \$340.6 million in Q1 2020. For [Booking Holdings](#), which saw its net loss decrease from \$699 million in Q1 2020 to \$55 million in Q1 2021, the commitment to expanding the STR portfolio in the US market goes along with the goal to maintain a supply advantage over its competitors. The STR listings are also a key element in the longterm plans of Booking Holdings to build the "connected-trip strategy", including an in-house payments platform that would be integrated with a full-suite of personalized services, from flights and accommodations to ground transportation and tours.

At the same time, the positive performance of both Booking.com and Vrbo so far in 2021 compared to last year is highly likely to be related to steep advertising. [According to a report by Skift late in April](#), Vrbo spent an estimated \$91 million in U.S. advertising in January and February and Booking.com spent more than half of Vrbo's budget, namely \$49 million during the same timespan. Each platform dedicated the largest share of its advertising budget in different areas - Vrbo in online video and Booking.com in search engine marketing - yet both outspent Airbnb which spent no more than an estimated \$9 million.

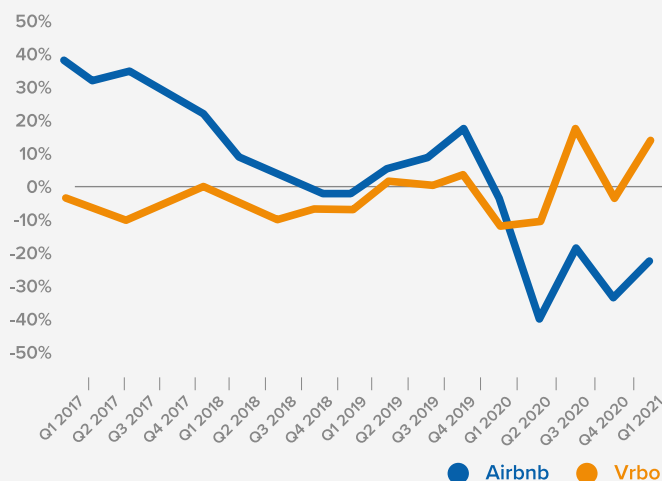
Another key finding by Skift is that Vrbo has also performed better than Airbnb in search traffic. The chart shows that Vrbo's free search traffic in Google increased 15 percent year over year in the first quarter of 2021, while Airbnb's organic traffic was down double digits. Although the advertising budget of Vrbo was 10 times larger than Airbnb's in January-February, it remains to be seen to what extent Vrbo will manage to monetize benefits from steep advertising spending and interpret them into bookings.

Advertising spending in \$ millions



Source: Kantar Media (cited by [Skift](#))

YoY Google Traffic



Source: Bernstein Analysis (cited by [Skift](#))

Developing an enforcement system takes time in Portland, audit finds



The City of Portland is still facing challenges in enforcing STR regulations, despite reaching a datasharing and registration agreement with Airbnb in 2019. [According to an audit update that was published early in June](#), the Revenue Division has been using data from different sources (Airbnb, STR registry, publicly available data) over the past two years to determine whether hosts comply with STR regulations and take action against hosts who violate the law. However, a shift of priorities due to the Covid-19 pandemic has disrupted collaboration between different departments. The Bureau of Development Services has not yet developed an application system for registration data along with software that will facilitate the analysis of rental transaction data, while the Housing Bureau has not yet incorporated STR data in their evaluation reports of the housing market.

New York city council bill would tighten regulations on Airbnb



A city council member introduced early in May a bill that would require apartments rented through online platforms to be registered with the city or otherwise they would face heavy penalties. [Listings in NYC would get a registration number](#) that would be displayed on the platform, and the city would be required to maintain an electronic system for online platforms to verify that a unit has been registered. That way the ability of landlords to violate the city law would be minimised, given current challenges in enforcing regulations, under which landlords are required to remain on the premises during the rental period for rentals lasting fewer than 30 days. The Committee on Housing and Buildings is now responsible for deciding on further action over the bill.

Commercial premises are no longer immune to STR regulations in France



As of July 1, 2021, [local authorities in France have extended powers](#) under a new decree that aims to “protect the urban environment and preserve the balance between employment, housing, businesses and services”. In mid-June, Ian Brossat, [Deputy Mayor of Paris](#) for Housing, welcomed the decree that allows the City of France and other city councils to define the rules and conditions, under which ground floor business including offices, local shops and medical offices can obtain official authorisation and operate as STR properties. The City of Paris aims to submit a final draft of these regulations and get them voted by the end of 2021, so they can come into force at the beginning of 2022.

Greece’s national revenue body reaches agreements with all key platforms



As part of the agreement signed between the Greek Independent Authority for Public Revenue (known as AADE) and the likes of Airbnb, VRBO and Booking.com late in April, [hosts in Greece from June 1 are required to include a registration number before they publish a listing](#), and the platforms will work with local authorities to remove any listings that fail to comply. The AADE said that collaboration with the platforms is “an important milestone” that sets out the terms and conditions for legal operation and establishes a clear, simple, transparent and effective compliance process. Another obligation for hosts in Greece is registering clear information for mandatory declaration and risks for non-compliance in a distinct and clearly defined field which the platforms are required to display among listings as of June 1.

Housing minister admits law enforcement is still an issue in Ireland



The [Irish government is planning to further regulate short-term rentals](#) in order to tackle the number of properties being taken from the long-term housing market. In May, the Minister for Housing Darragh O’Brien said there were plans underway for a new set of regulations that would restrict home-owners from advertising their properties on online platforms if they do not have the necessary planning permission. Landlords renting out a second property on a short-term basis are currently required to apply for planning permission on a new or retention basis, but this has been criticised due to lack of surveillance, with many homes being advertised without permission.

Vienna’s lawsuit victory over Airbnb paves the way for more action



The [City of Vienna](#) is planning to present a list of requests for STR regulations to the Economic Committee of the Committee of the Regions on the 22nd of October. Their mandate will be to highlight the need for clear rules for online platforms, especially after winning in May their lawsuit against Airbnb, in a ruling that municipal apartments in the Austrian capital will not be available for subletting. The city’s Housing Municipal Service currently operates around 220,000 public housing units and rents them out to citizens at affordable rates. However, rental agreements between the city and tenants explicitly state that municipal apartments cannot be sublet to anyone else, whether it is through online platforms such as Airbnb or not. The verdict is not yet final, as Airbnb has stated that it would appeal the decision.