The Integral Link Between Hotels, Real Estate and Proper Airbnb Regulation

Airbnb is a game changer for the hotel industry with many citing it as having dire effects on a property's long-term revenues and overall asset value. While government agencies have been slow to react to the appeals of hospitality lobbyist groups, they have acted far less sluggish with regard to the impact of these alternate lodging providers on the housing market. As a legislative body's primary mandate is to get re-elected, the last thing any regulatory agency would want to do is (excuse the expression) *piss-off* its constituents – that is, the voters who might be negatively affected by unregulated Airbnb lodging usage.

The city of San Francisco offers a clear example where rampant Airbnb hosting combined with a huge demand for short-term leases in and around Silicon Valley has caused rapid inflation of both average monthly rent and average house price. Normally increases in these two metrics would be triumphed as signs of outright urban success, but there have a few lurking downsides that have also come to light. Namely, the marginally tax-free revenues from renting via Airbnb deter people from putting their houses on the market and renovating their properties as a means to increase its asset value, both of which hinder increases in the property tax base. Over the long run, this means fewer changeovers, less overall market supply and urban decay. It's been a lucrative partnership for Golden Gate hosts, but many more are suffering.

Miami is one city that has chosen to learn from its West Coast counterpart's mistakes. The area that we consider as being Greater Miami comprises 11 distinct communities, each with the ability to enact its own ordinances insofar as how homeowners may utilize their dwellings. Under pressure from their constituencies, several of these jurisdictions have enacted by-laws that restrict homeowners from undertaking a rental agreement of less than half a year. Moreover, even advertising the availability of your dwelling (such as on a website) will result in fines that range from $20,000 for the first offense and escalating to $100,000 for the fifth.

These draconian laws immediately put an end to Airbnb in the region, but this overreaction has caused the pendulum to swing too far in the opposite direction. Many locals are suffering once more as they can no longer lease their properties to the typical Christmas to Easter snowbird crowd. This includes travelers from the northeastern states looking for only a few weeks of winter sun as well as Canadians who cannot legally stay longer than six months south of the border without paying US resident taxes. The impact on real estate prices has yet to be fully felt, but initial indications from realtors is worrisome. There will always be a need for week-long and month-long rentals, and such a lengthy minimum prevents many aspects of Miami's tourism revenue engine from kicking in, which in turn hinders overall property growth.

The example of Miami demonstrates the flip side to the San Francisco Airbnb story. Lack of regulation can be disastrous, but so is overregulation.

Over in the Hamptons, the locals are a little less altruistic in their legislative zeal, establishing a floor of no less than 30 days for short-term rentals. At the same time, they added requirements that include a one-time application for an occupancy permit with a nominal fee as well as the publishing of that permit number with any advertisement or listing.

Furthermore, a mandatory inspection prior to granting the lodging permit has created a particular challenge for locals with many quickly discovering that their properties have non-conforming additions such as unauthorized decks. The legal beagles are having a field day as are tax collectors who suddenly find new ways of generating added revenue. I might add that with a permit, all is well, and appropriate taxes are duly filed and collected.

Both Miami and the Hamptons demonstrate that, at the most basic level, municipalities are cognizant of Airbnb's impact on the residential nature of their locales. In effect, if enough tax payers yell loud enough, a response will be forthcoming. Clearly, though, instead of seeking an outright ban on alternate lodging providers – and stopping several other economic wheels from churning in the process – a golden mean of sorts is required that levels the playing field for hotels as well as hosts.

What remains to be seen is whether hotel associations can rally legislatures without the direct support of local homeowners where the motivations and incentives may not always align.

Lobbyists talking about changing the fabric of the neighborhood will not work. We need them to focus on two issues that always ring true – the potential for lost jobs and declining tax revenue. Build a case founded on these two elements with sound forecasting models and you might generate a responsive audience.

Airbnb has announced that they too are lobbying for support. All activism aside, ultimately this is battle of who has the better product, and no change in legislature will save a crummy hotel or resort from superior lodging alternatives. The time to act is at hand, both in terms of seeking proper government action and by making your property as great as possible.

(Article by Larry Mogelonsky, published by Buyer Interactive on August 8, 2016).