

## **Economic Commission for Europe**

### **Committee on Housing and Land Management**

#### **Eightieth session**

Geneva, 2-4 October 2019

Item 2(b) of the provisional agenda

**Review of the implementation of the programme of work 2018-2019**

**Sustainable housing and real estate markets**

### **Study “Sharing Economy in the Housing Sector in the UNECE Region”**

#### **Note by the secretariat**

##### *Summary*

The Real Estate Market Advisory Group is conducting a study on “Sharing Economy in the Housing Sector in the UNECE Region” as part of its programme of work 2019-2020. This note includes information on objectives, content as well as a timeline of the study.

This information will be presented at the eightieth session of the UNECE Committee on Housing and Land Management as part of the report on activities of the Advisory Group since the seventy-ninth Committee session.

The Committee will be invited to take note of the information provided and make recommendations for the continuation of the study.

## I. Introduction

1. Sharing economy is an economy which “focuses on sharing of underutilised assets, monetised or not, in ways that improve efficiency, sustainability and community” (World Economic Forum, 2019)<sup>1</sup>. Three features distinguish the sharing economy from traditional markets or community sharing practices: the use of digital technologies to match buyers and sellers, the capitalization on idle capacity, and trust-verification.<sup>2</sup>

2. Sharing economy in relation to housing comprises short-term homesharing for individuals, which enables private property owners to rent part or all of their apartments to guests. However, these homesharing practices face increasing controversy and scrutiny particularly in regards to their impact on housing prices.<sup>3</sup> There is therefore debate as to whether regulation is required to curb any negative impacts and ensure the continuing provision of affordable sustainable housing.

3. Short-term rental use is growing exponentially in many cities due to the lower and therefore more attractive prices of the accommodation offered through homesharing platforms compared to hotels, and also thanks to the technological advancements of the online platforms which facilitate faster remote bookings of the accommodation.

4. Sharing economy in housing has a strong impact on housing markets. For instance, a concentration of people using short-term rent in cities with major tourist attractions may negatively affect the atmosphere in cities by creating more crowded areas. However, at the same time, it may promote the economic revival of some neighborhoods through the increased demand for restaurants, bars, and other services. The effects of a sharing economy related to housing seem to show both positive and negative effects on a cities’ economy.

5. The decrease in affordability of housing in cities due to the rise on homesharing is a growing concern. Available studies<sup>4</sup> indicate that homesharing may reduce the offer of affordable housing through two mechanisms. The first mechanism is one of “conversion”: each housing unit previously occupied by a dweller that is now included in homesharing platforms’ listings is a unit removed from the long-term rental market and added to the local hotel offer, resulting in an increase in the rental price, in particular in the most central districts of the cities.

6. The “hotelization” is the second mechanism: as long as an owner or tenant has the possibility to rent the room on a homesharing platform at prices lower than those of a hotel room, earning a considerable premium on the residential market, there is a strong incentive to upload housing units to the platform rather than renting to local residents, creating the so-called “hotel cottage” effect. As a consequence, the local population has less access to housing in cities, especially in central areas popular among tourists, contributing to the gentrification of cities.

5. National and especially local authorities have, therefore, started to regulate the short-term sharing-rental market in order to control these negative external effects. Existing regulations use different approaches: some cities attempt to control population movements through registration

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<sup>1</sup> <https://www.weforum.org/agenda/2017/12/when-is-sharing-not-really-sharing/>

<sup>2</sup> [http://www3.weforum.org/docs/White\\_Paper\\_Collaboration\\_in\\_Cities\\_report\\_2017.pdf](http://www3.weforum.org/docs/White_Paper_Collaboration_in_Cities_report_2017.pdf)

<sup>3</sup> <http://www.housingeurope.eu/resource-1228/the-sharing-economy-and-housing-affordability-what-impact-what-solutions>

<sup>4</sup> Lee, D., 2016, “How Airbnb Short-Term Rentals Exacerbate Los Angeles’s Affordable Housing Crisis: Analysis and Policy Recommendations”, in « L. & Pol’y Rev», 10, pp. 229-255.

requirements, including for those people visiting the cities. In other cases, limitations are being established on rent conditions, such as the number of days for which apartments could be rented. For instance, Amsterdam has established a law that limits the short term rental to 30 days and bans renting in the more central neighborhoods.<sup>5</sup> The City Government of Madrid gives permissions for short-term rents only to owners of the apartments which have a direct access to streets.

7. However, while there are publications providing some examples of how national and local governments regulate short-term rental markets, they usually do not contain details on regulations available. A more comprehensive approach is required to compare and assess the various regulatory approaches.

## II. About the study

8. The UNECE study seeks to identify and classify existing and planned regulations of the sharing short-term rental market, as well as to investigate the potential implications of the sharing economy for affordable housing within the UNECE region. This will facilitate assessment of the different regulatory mechanisms, the identification good regulatory practices, and the recommendation of measures to prevent the disturbance of real-estate markets by the sharing economy, and to ensure the continuing provision of affordable sustainable housing.

9. The Committee on Housing and Land Management has addressed the topic of sharing economy in the context of the discussion on housing affordability. The topic was, for instance, discussed at the Committee's "Conference on Sustainable Housing" (12-13 April 2018)<sup>6</sup> which was hosted by the City of Vienna, and at which case studies on sharing economy related to housing in cities were presented.

10. On 22 and 23 November 2018, the Ministry of Regional Development of the Czech Republic organised, in cooperation with the Department of Architecture of the Czech Technical University in Prague and the UNECE, an international conference "European Smart and Sharing Cities"<sup>7</sup> which addressed how digital technologies and platforms have an influence on cities in the UNECE region.

11. Given the importance of the topic vis-à-vis housing affordability, the topic was included in the Committee's Real Estate Market Advisory Board (REM) programme of work 2019-2020 ((ECE/HBP/2018/L.3). The study Leader is Ms. Paloma Taltavull, REM member and Professor of Applied Economics at the University of Alicante, Spain.

12. The study includes desk research and a survey of national and local governments on regulation of shared economy in the housing sector. The study, including the survey, is aimed to identify and classify existing regulations of sharing housing rental markets in countries in the UNECE Region as well as to highlight best practices and formulate policy recommendations on this basis. A questionnaire for the survey was developed by the study leader in consultation with REM members in July 2019.

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<sup>5</sup> Please see other examples in Bernardi, M. The Urban Media Lab. 2018. The impact of AirBnB on our cities: Gentrification and 'disneyfication' 2.0. Available in <https://labgov.city/theurbanmedialab/the-impact-of-airbnb-on-our-cities-gentrification-and-disneyfication-2-0/>

<sup>6</sup> <https://www.unece.org/index.php?id=47857>

<sup>7</sup> <https://www.unece.org/index.php?id=50060>

13. The study planned timeline is as follows:
- Draft and test a questionnaire with several selected representatives – July-August 2019
  - Send the questionnaire to representatives of national and local governments – August-September 2019
  - Conduct an analysis of the survey results and prepare a draft report with its preliminary results – November 2019-March 2020
  - Conduct desk research – November 2019-March 2020
  - Finalize the study and present its outcomes to the 81th session of the Committee – October 2020.