

HOME SHARING

RE seminar URP 590

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Feb 22th 2018

What is HOME SHARING?

Home sharing is renting out all or part of your home for a short, often using an app or a website.

Open your door, hand in the keys to strangers, and let them use your living room, your kitchen, your bed and your toilet.

Why does people want to share? For example:

- Rent out the guest room to get extra income
- Rent out the entire home when you're out of town
- Rent out the spare place to meet interesting people



How does home sharing start?

Growth Story of Airbnb

In 2007, designers Brian Chesky and Joe Gebbia couldn't afford the rent on their San Francisco apartment

There was a design conference coming to town and hotel space was limited, so they set up a simple website with pictures of their three air mattresses loft and the promise of a home-cooked breakfast. Then they got their first 3 renters.



Growth Story of Airbnb

- **2008-Start with cereal**

They bought a ton of cereal and designed special edition election-themed boxes—Obama O's and Cap'n McCain's, which they sold at convention parties for \$40 a box. They sold 500 boxes of each cereal, helping them to raise around \$30k.

- **2009-Early investment**

Airbed & Breakfast soon joined Y Combinator's 2009 winter class, receiving another \$20,000 in funding. They renamed the business Airbnb, and soon received another \$600k in a seed round from Sequoia Capital and Y Ventures.



Growth Story of Airbnb

- **2010-Craigslist Poaching**

To take advantage of the massive user base of Craigslist, Airbnb recommended the hosts to repost the listing on Craigslist. It also sent emails to who posted listing on Craigslist to use Airbnb. It definitely constituted spam but certainly helped Airbnb to grow quickly with nearly no cost.

- **2010-“Designers Change the world”**

In early 2010, Airbnb wasn't gaining much traction in New York, they figured out the problem is Craigslist-quality pictures. They rented a \$5,000 camera and went door to door, taking professional pictures of as many New York listings as possible. This approach led to two to three times as many bookings on New York listings, and by the end of the month Airbnb's revenue in the city had doubled. This led to the Airbnb photography program. After that, Airbnb experienced a rapid growth.

Post "A couch in the mission " to Craigslist

Airbnb to me show details 9:07 AM (3 hours ago) [Reply](#)

Hi Rishi,

Re-posting your listing from Airbnb to Craigslist **increases your earnings by \$500/month** on average.

[Click here to re-post "A couch in the mission " in 1 click.](#)

By re-posting your listing to Craigslist you'll get the benefit of more demand, while still being able to use Airbnb to manage and moderate your inquiries.

Best,
Airbnb Support Team

Re: \$700 / 1br - Lake Tahoe - Lakefront Condo - Sleeps 4 (Tahoe City, CA) [Airbnb](#)

from jill demi jilldem17@gmail.com
to hous-gn8qb-1442756926@craigslist.org
date Sun, Nov 8, 2009 at 8:14 PM
subject Re: \$700 / 1br - Lake Tahoe - Lakefront Condo - Sleeps 4 (Tahoe City, CA)
** CRAIGSLIST ADVISORY --- AVOID SCAMS BY DEALING LOCALLY
** Avoid: [wiring money](#), [cross-border deals](#), [work-at-home](#)
** Beware: [cashier checks](#), [money orders](#), [escrow](#), [shipping](#)
** More Info: <http://www.craigslist.org/about/scams.html>

Hello,
I am emailing you because you have one of the nicest listings in Craigslist in the Tahoe area, and I want to recommend you feature it to one of the largest vacation rental marketplaces on the web, Airbnb. The site already has 3,000,000 page views a month! Check it out here: <http://www.airbnb.com>

Jill D

10 million

8 million

6 million

4 million

2 million

Photographers

2008 2009 2010 2011 2012

Friday, November 9, 12

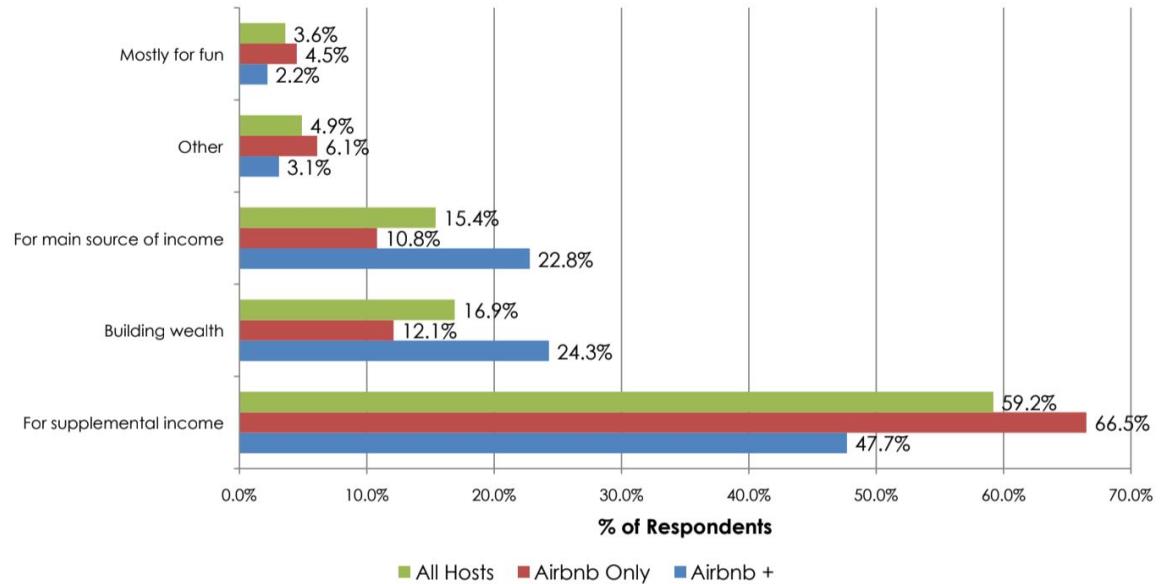
Why it become popular?

For the hosts:

- Easy
- Money
- Fun

For the guests:

- Affordable
- Location
- Local experience



For both:

Build trust between strangers: photographs, reviews, social connection on Facebook

How does it work?

LearnAribnb.com provides a financial calculator

learnairbnb

How much can you earn hosting on Airbnb? Find out using our custom calculator!

Our Airbnb Host Calculator Is A Powerful Financial Model

[Get FREE Calculator](#)

RETURNS

Paid Back in	15	Months									
Breakeven in	1	Month									
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 30px;"></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>Monthly Yield</td> <td style="text-align: center;">\$ 339</td> <td style="text-align: center;">7.8%</td> </tr> <tr> <td>Annual Yield</td> <td style="text-align: center;">\$ 4,067</td> <td style="text-align: center;">93.4%</td> </tr> </tbody> </table>				\$	%	Monthly Yield	\$ 339	7.8%	Annual Yield	\$ 4,067	93.4%
	\$	%									
Monthly Yield	\$ 339	7.8%									
Annual Yield	\$ 4,067	93.4%									
Stabilized Monthly Cashflow	\$ 338.94										
Host Effective Rate per Hour	\$ 12.55										

Assumptions		
(Assumes 30 day avg month)		
Costs		
Startup Costs		
Furniture	\$ 2,250	Major furniture items like, bed & mattress, couch, coffee table, dining, etc...
Appliances	\$ 500	Major appliances like TV, fridge, washer/dryer, work station, game console, etc...
Security deposit	\$ -	- Per leasing requirement
Bedroom (non furniture)	\$ 150	e.g. sets of sheets, curtains, décor, etc...
Bath (non furniture)	\$ 75	e.g. towel sets, basic disposable toiletries, mats, shower curtains, etc...
Kitchen (non furniture)	\$ 75	e.g. plates, utensils, coffee, décor, etc...
Rent contingency	\$ 1,103	e.g. Cost of rent before first rental
Internet Setup	\$ 200	Modem, Router & Install
Misc2	\$ -	- Any other startup costs not covered above
Misc3	\$ -	- Any other startup costs not covered above
Misc4	\$ -	- Any other startup costs not covered above
Total Startup Cost	\$ 4,353	<small>0.75 Number of Months</small>
Recurring Costs (Monthly)		
Monthly lease	\$ 1,471	Gross lease you pay for unit
Utilities	\$ 100	/month
Internet/cable/etc..	\$ 50	/month
Parking	\$ -	/month
Laundry	\$ 0	/month
Insurance	\$ 70	Any other monthly recurring costs not covered above
Business Optimization	\$ 23	SmartBnB: \$15/m Yourwelcome: \$8/m
Total Recurring (Monthly)	\$ 1,714	
Recurring Costs (per Stay)		
Maid Services (Your Cost)	\$ 50	/stay
Consumables	\$ 15	/stay
Per Stay Misc 1	\$ -	- Any other per stay recurring costs not covered above
Per Stay Misc 2	\$ -	- Any other per stay recurring costs not covered above
Total Recurring (per Stay)	\$ 65	
Income		
Revenue Assumptions		
Avg days leased per month	22	Days
Avg daily lease rate	\$ 125.82	/Night
Avg nights per stay	2	Nights/Stay
Airbnb Hosting Fee	3%	of gross rents
Cleaning Fee Charged/Stay	\$ 50	/stay
Tax Reserve	14%	set aside for future hotel taxes
Airbnb Unit Rates		
Weekday Rate	\$ 110	
Weekend Rate	\$ 165	
Ramp - Up Pricing Assumptions		
Months to Ramp up	2	months before reaching full market rate
Initial Discount off Price	25%	starting, then ramp up to normal pricing
Time		
Hosting Assumptions		
Hours Spent/Booking	2.0	hours (e.g. communicating, coordinating, check-in, check-out, etc...)
Admin Hours/Month	5.0	hours/month of admin
Total Hosting Related Hours	27.00	hours per month

How does it work?

Created by LearnAirbnb.com

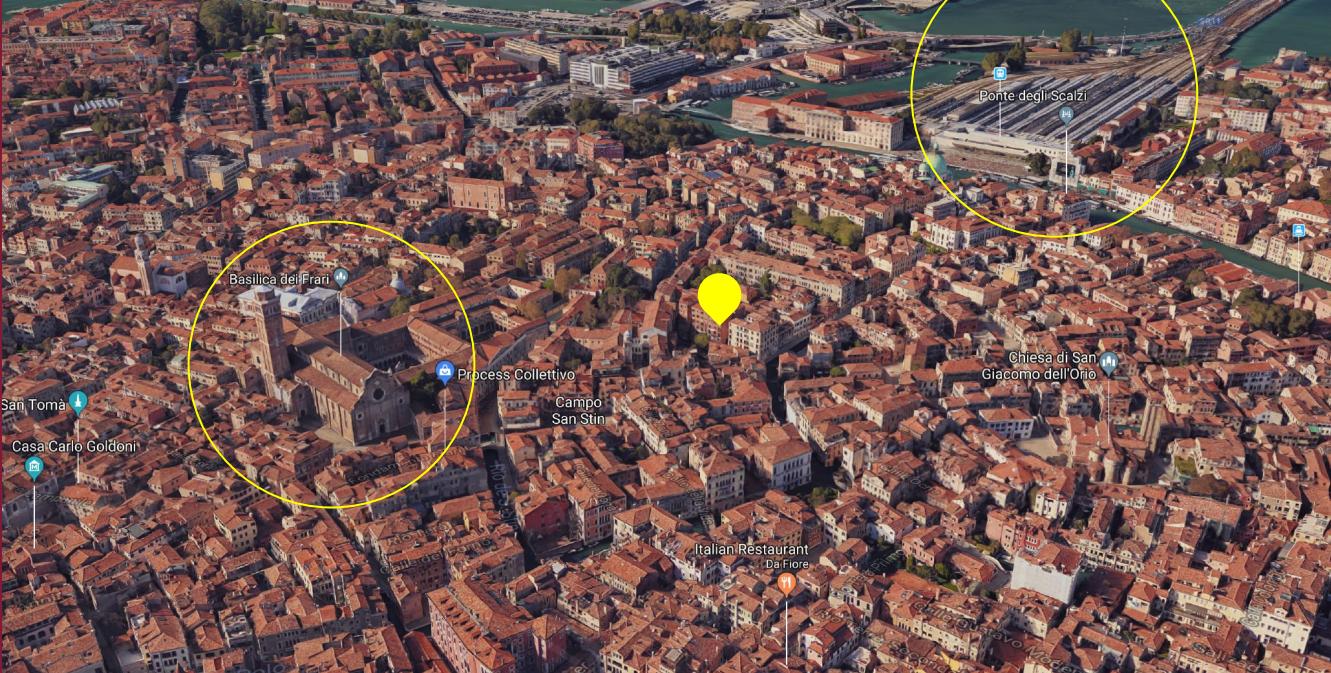
Month	Investment	Year 1												13	14	15
		1	2	3	4	5	6	7	8	9	10	11	12			
Ramp Up Pricing Schedule		75%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Rental Revenue	(\$4,353)	\$ 2,831	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775	\$ 3,775
Cleaning Fee Collected		\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550	\$ 550
Vacancy		(\$75)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)	(\$1,007)
Airbnb Hosting Fee (3%)		(\$79)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)
Adjusted Gross Revenue		\$ 2,547	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219	\$ 3,219
Expenses																
Monthly lease		(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)	(\$1,471)
Utilities		(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)	(\$100)
Internet/cable/etc..		(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)	(\$50)
Parking		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Laundry		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Maid Services		(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)	(\$550)
Consummables		(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)	(\$165)
Insurance		(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)	(\$70)
Business Optimization		(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)
Per Stay Misc 1		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Per Stay Misc 2		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenses		(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)	(\$2,429)
Net Rents		\$ 118	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790	\$ 790
Tax Reserve (14%)		(\$357)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)	(\$451)
Net Rents Post Tax		\$ (238)	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339
Yield on Investment		-5.5%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Cashflow	(\$4,353)	\$ (238)	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339	\$ 339
Investment Payback Balance	-4353.25	\$ (4,353)	\$ (4,014)	\$ (3,675)	\$ (3,336)	\$ (2,997)	\$ (2,659)	\$ (2,320)	\$ (1,981)	\$ (1,642)	\$ (1,303)	\$ (964)	\$ (625)	\$ (286)	\$ 53	-

How does it work?-precedent

My experience as a host in Venice



The Assumption-Titian



How does it work?-Speculative project

Airbnb is teaming up with a local developer to create a large apartment complex in Florida

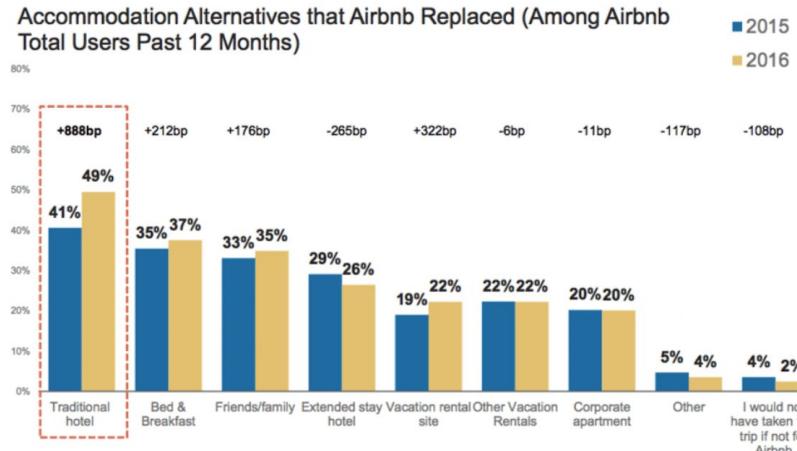
- Niido, the partner of Airbnb, will buy 6 apartment complex specifically designed for home-sharing.
- Brookfield Property Partner LP will invest \$200 million for the whole project, and \$20 million for the first building.
- The first building is located in Kissimmee, near Orlando, having 324 units. It will begin leasing to tenant in the first quarter of 2018.
- Tenants there, who will pay market-rate rents estimated at \$1,300 a month for a one-bedroom, can then lease out their units for as many as 180 days of their year long lease.
- Tenants will keep 75 percent of their profits, after local taxes and fees are paid. The landlord will get the other 25 percent.
- Special design: keyless entry code, Airbnb app to manage calendar and request housekeeping.
- “landlords, developers and Airbnb can work together to create value for everyone”

Why is it controversial?

Disrupting the lodging industry

The Hotel Association of New York City is an organization that represents more than 270 hotels. According to a 2015 study by the association, Airbnb had a **\$2.1 billion negative impact** on New York City's economy and hotel and lodging industry, with **\$450 million in hotel revenue lost**. It says Airbnb caused a loss of **2,800 jobs** and millions of dollars in **tax revenue** for the government.

What accommodations are Airbnb users substituting away from? A variety, but mostly (and increasingly) hotels.



Source: AlphaWise, Morgan Stanley Research



Why is it controversial?

Racial gentrification

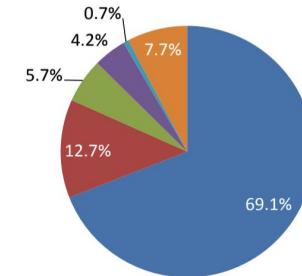
Across all 72 predominantly Black New York City neighborhoods, Airbnb hosts are **5 times more likely to be white**. In those neighborhoods, the Airbnb **host population is 74% white**, while the **white resident population is only 14%**.

White Airbnb hosts in Black neighborhoods earned an estimated **\$160 million**, compared to only **\$48 million** for Black hosts—a 530% disparity.

According LearnAirbnb's report in 2016, only 4.2% of the hosts are black.



Ethnicity



White | Caucasian
Hispanic | Latino
Native American

Asian | Pacific Islander
Black | African American
Other

Why is it controversial?

Illegal Listing

- **Two Thirds of Revenue from Likely Illegal Listings** in New York: Entire-home/apartment listings account for 75% (\$490 million) of total Airbnb revenue and represent 51% of total listings. 87% of entire-home reservations are illegal under New York State law, which means that 66% of revenue (\$435 million) and 45% of all New York Airbnb reservations last year were illegal.

Affecting Affordability

- **13,500 Units of Lost Housing:** Airbnb has removed between 7,000 and 13,500 units of housing from New York City's long-term rental market, including 12,200 frequently rented entire-home listings that were available for rent 120 days or more and 5,600 entire-home listings available for rent 240 days or more.
- **\$380 More in Rent:** By reducing housing supply, Airbnb has increased the median long-term rent in New York City by 1.4% over the last three years, resulting in a \$380 rent increase for the median New York tenant looking for an apartment this year. In some Manhattan neighborhoods the increase is more than \$700.

The future of home sharing

In 2016, the company actually told mayors of large cities it wanted to be taxed.

Some cities, such as San Francisco and Portland, Oregon, are already collecting tax revenue from the company.

Other cities still are hesitant to accept it—Santa Barbara banned short-term renting completely.

But by asking the government to tax the company, Airbnb is sending a clear message: It wants to be recognized as a legitimate business.

Airbnb's Biggest Challenge For Top 5 Cities in Survey

	San Francisco	Los Angeles	New York	London	Chicago
Regulation from city councils	43.8%	67.9%	70.4%	22.7%	76.2%
Hotel lobbyists	6.3%	7.1%	14.8%	4.5%	14.3%
Taxation	6.3%	3.6%	7.4%	27.3%	4.8%
Other	18.8%	3.6%	3.7%	18.2%	0.0%
Poor guest experience	9.4%	10.7%	0.0%	22.7%	4.8%
Affordable housing proponents	9.4%	3.6%	3.7%	4.5%	0.0%
Finding enough hosts	6.3%	3.6%	0.0%	0.0%	0.0%
Number of Respondents	32	28	27	22	21

Respondents from New York and Chicago believe that regulation from city councils and hotel lobbyists are the biggest challenges for Airbnb's growth in the future.

Hosts surveyed in London believe that guests having a poor experience and taxes are the biggest issues facing Airbnb.

Surveyed hosts in San Francisco are two to three times more likely to believe that Airbnb will find challenges with affordable housing proponents.

The future of home sharing

October 2016, New York made it illegal to advertise your apartment on Airbnb for less than 30 days.

March 2017, Lena Yelagina, who garnered local acclaim for her 30th-floor apartment rental in Trump Tower, has been fined \$1,000 by the city. The charge is advertising an apartment for rent illegally on Airbnb.

With more and more strict regulation, what is the future of home sharing?

Go public or not?

Airbnb says it will not go public in 2018 as CFO departs



Discussion questions

1. What do you think is the future of home-sharing/Airbnb?
2. If you are a developer, do you want to use Airbnb to collect rent?
Why or why not?
3. Do you think the Airbnb complex in Florida will work?
4. What should the government do about home-sharing? Encourage or crackdown?
5. Is it really disturbing the hotel industry? What should the hotel industry do in future?



Thanks!

Reading list

1. The High Cost of Short-Term Rentals in New York City, A report from the Urban Politics and Governance research group School of Urban Planning McGill University (01/30/2018)
2. Growth study: <https://growthhackers.com/growth-studies/airbnb> (2015)
3. Impact on Hotel industry:
<http://www.bu.edu/bhr/2017/06/07/airbnb-in-boston/> (06/2017)
<https://www.nytimes.com/2017/04/16/technology/inside-the-hotel-industrys-plan-to-combat-airbnb.html> (04/2017)
<https://www.prnewswire.com/news-releases/report-airbnbs-2-billion-negative-impact-on-lodging-industry-and-nyc-economy-300169774.html> (10/2015)
4. Discrimination: <https://www.newyorker.com/business/currency/how-airbnb-makes-it-hard-to-sue-for-discrimination> (10/2016)
5. Affecting affordability:
<https://www.fastcompany.com/40448820/its-very-likely-that-airbnb-is-causing-your-rent-to-go-up-according-to-a-new-study> (08/2017)
6. Impact on Local economy: <https://www.thecultureist.com/2016/04/25/is-airbnb-helping-or-hurting-local-economies/> (04/2016)
7. Government crackdown:
<https://qz.com/816486/new-york-governor-andrew-cuomo-signed-a-law-making-it-illegal-to-advertise-your-apartment-on-airbnb-for-less-than-30-days/> (10/2016)
<https://www.theguardian.com/technology/2017/feb/12/airbnb-hosts-new-york-fines-government-illegal> (02/2017)