

AIRBNB AND THE HOUSING MARKET IN REYKJAVÍK

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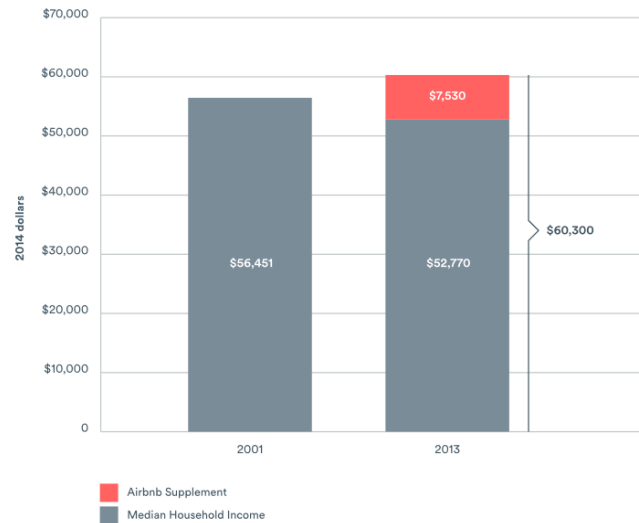
Reykjavík, April 2019



A research aiming at assessing the impact of Airbnb in the city centre of Reykjavík

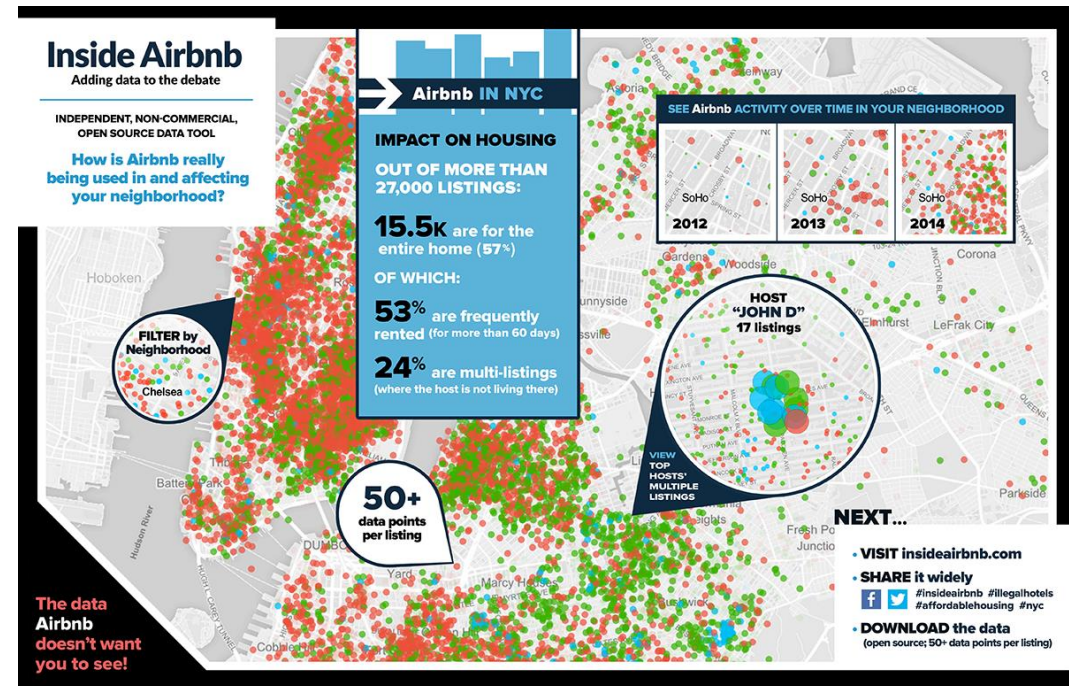
- Airbnb is currently the focus of a heated debate among tourism cities worldwide, especially in Reykjavik
- As part of the 'sharing economy', assessing the impact of Airbnb for local people is delicate :
 - On the one hand, it provides local with supplemental income
 - On the other hand, it increases pressure on local housing market

Figure 4. Median Household Incomes in 2001 and in 2013, with Airbnb Supplement



Source: Census, BLS, and Airbnb

VS



Aims of the research

- Providing an update overview of the Airbnb supply in Reykjavík (how many? Where? What are the main features of the supply?)
- Understanding who the Airbnb hosts are
- Understanding the reasons that push local people to participate in this market
- Eventually, providing a clearer appraisal of the impact of Airbnb on the situation of local people on the housing market

A research design based on quantitative and qualitative data

- Quantitative data :
 - Databases of the Airbnb supply in the Reykjavík capital area (2016, 2017, 2018)
 - Data on the real estate market (Þjóðskrá Íslands)
 - Various data from Staticce

- Qualitative data
 - **33 interviews with Airbnb hosts** (listing in the city centre: 101, 107)
 - **20 interviews with people who had to move out because of Airbnb**
 - 27 interviews with experts in the field

1. An overview of the Airbnb supply in Reykjavík

2. Who are the Airbnb hosts?

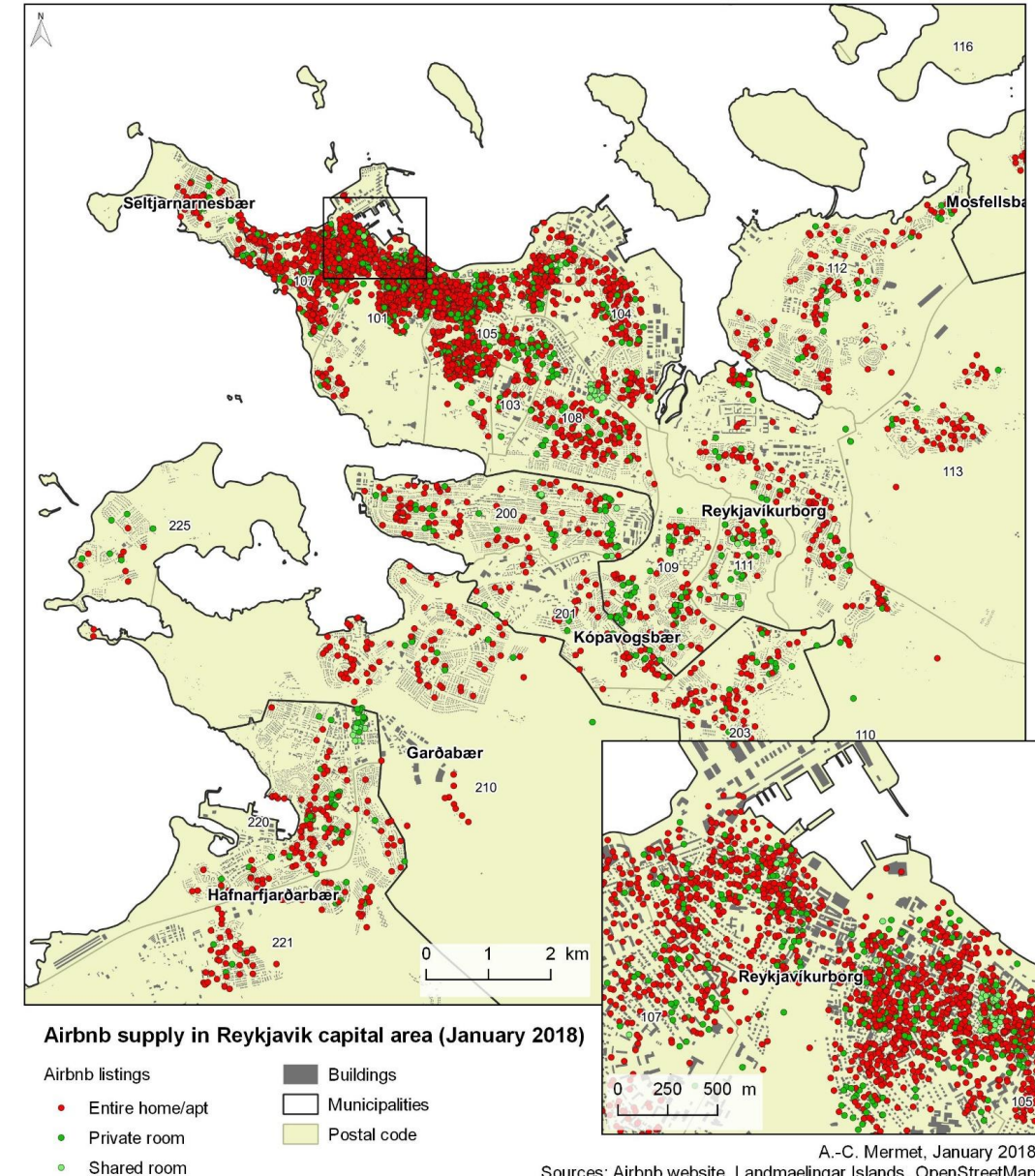
3. What are the reasons that push local people to participate in this market?

4. What are the impacts of Airbnb on the situation of locals on the housing market?

Location of the Airbnb supply in Reykjavík

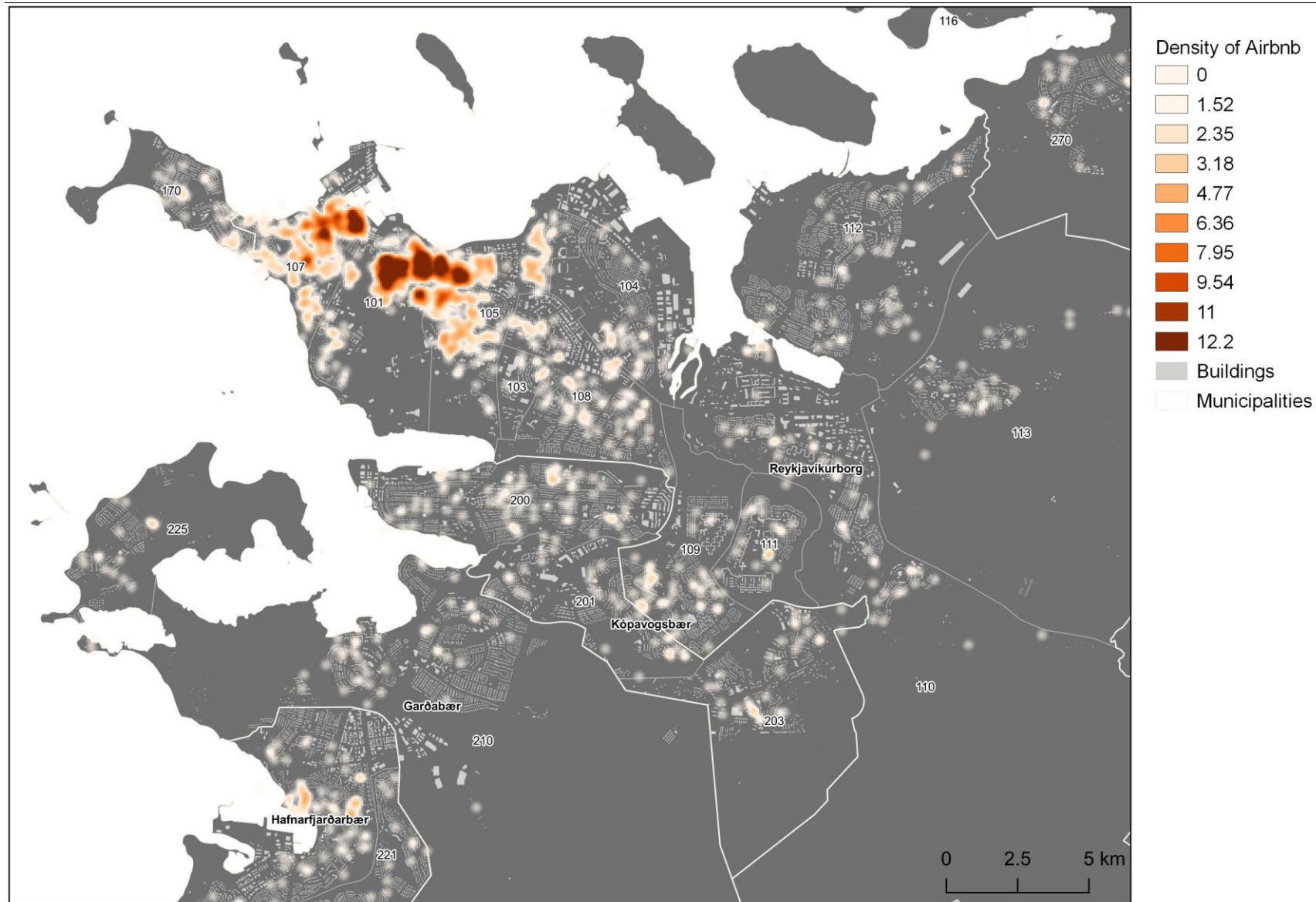
- Boom of tourism and boom of Airbnb : from 600 listings in 2013 to more than 4000 in 2018 (5% of the housing stock)
- A supply highly concentrated in the city centre (60% in 101, 105, 107)

Postal Code	Municipality	Number of listings	%	Postal Code	Municipality	Number of listings	%
101	Reykjavík	1480	35,9	170	Seltjarnarnes	67	1,6
103	Reykjavík	19	0,5	200	Kópavogur	133	3,2
104	Reykjavík	176	4,3	201	Kópavogur	64	1,6
105	Reykjavík	707	17,1	203	Kópavogur	0	0
107	Reykjavík	283	6,9	203	Kópavogur	83	2
108	Reykjavík	214	5,2	203	Kópavogur	0	0
109	Reykjavík	100	2,4	210	Garðabær	108	2,6
110	Reykjavík	127	3,1	220	Hafnarfjörður	140	3,4
111	Reykjavík	53	1,3	221	Hafnarfjörður	85	2,1
112	Reykjavík	112	2,7	225	Garðabær	16	0,4
113	Reykjavík	58	1,4	270	Mosfellsbær	76	1,8
116	Reykjavík	7	0,2	271	Mosfellsbær	20	0,5



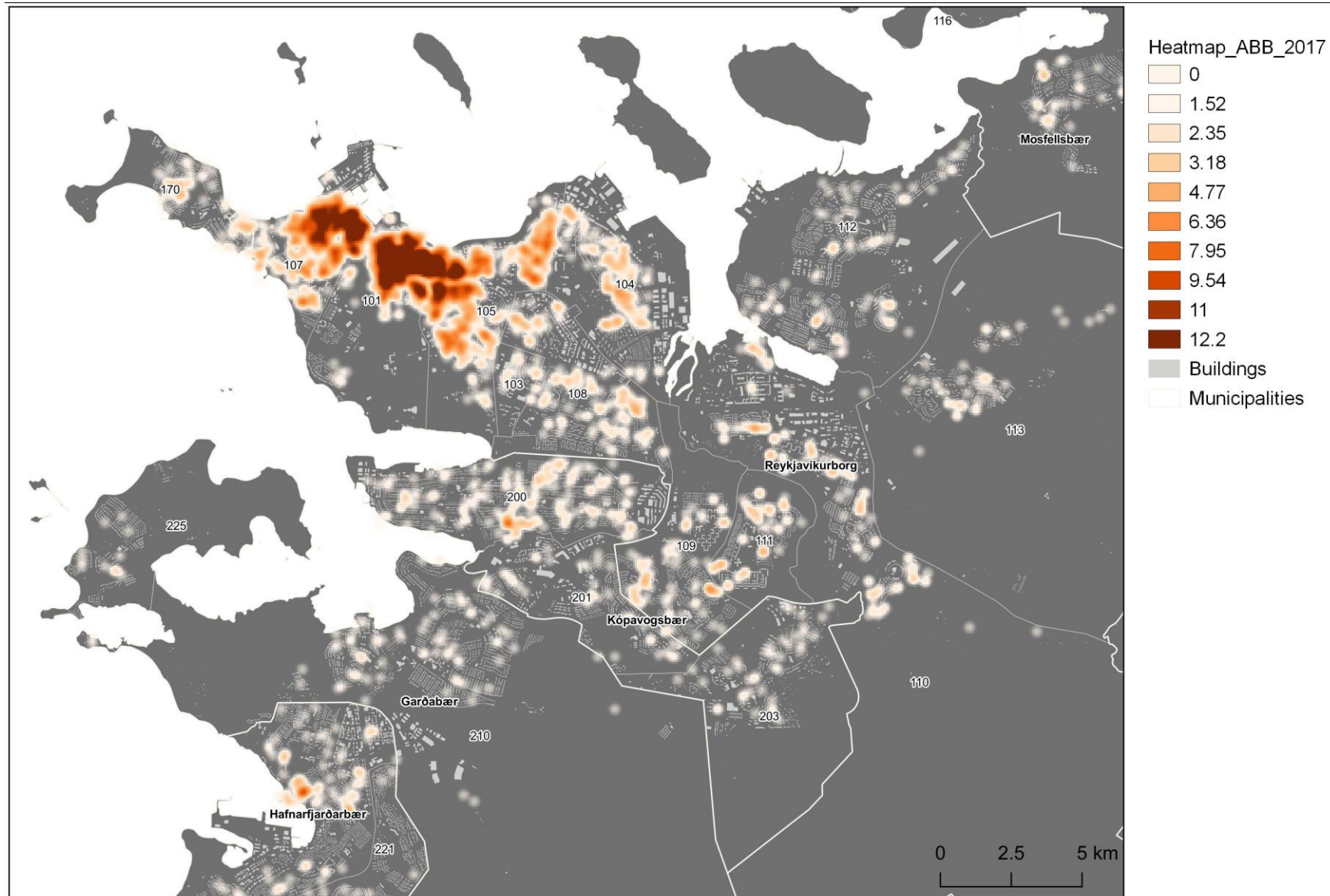
Evolution of the Airbnb supply (heatmap)

2016



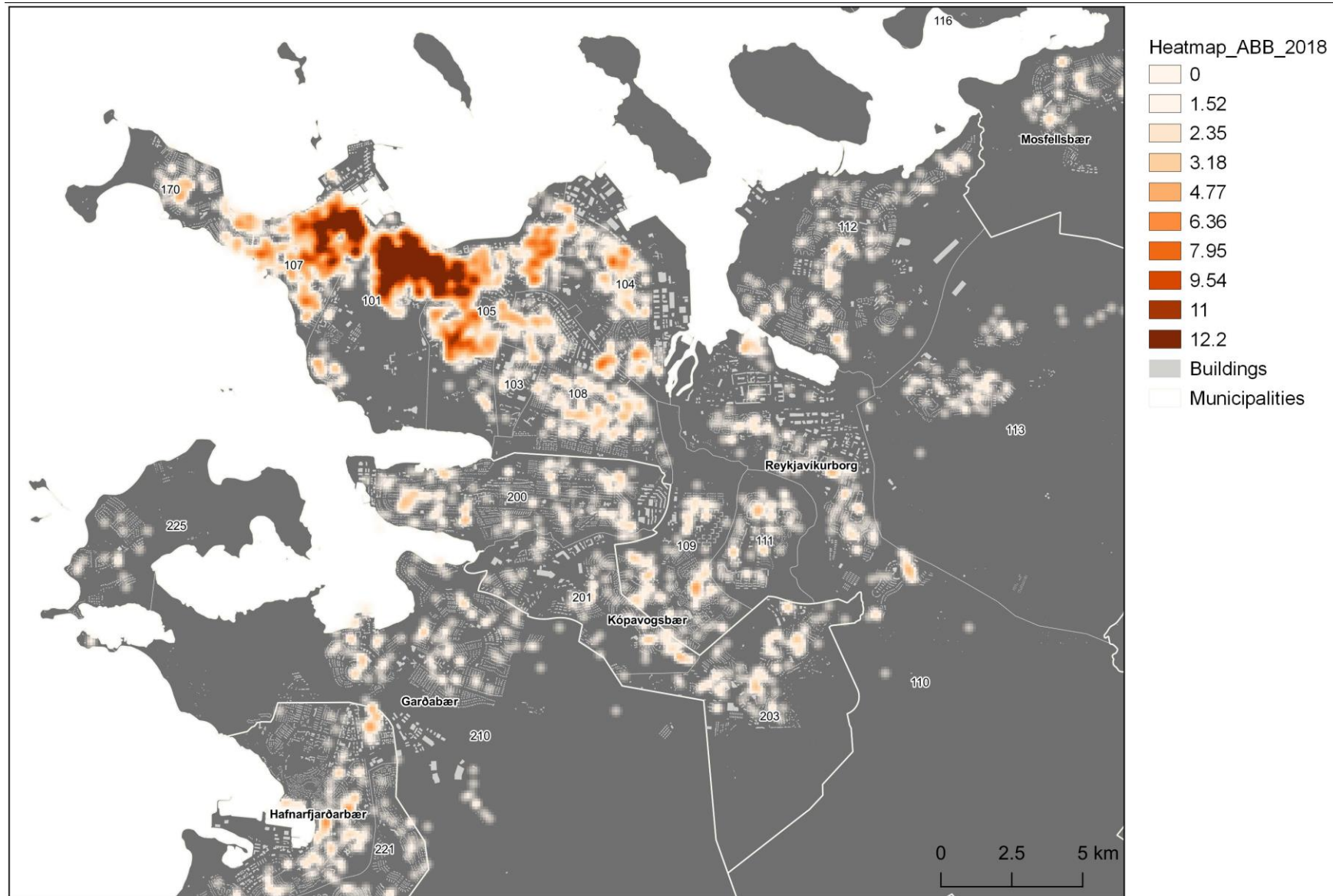
Evolution of the Airbnb supply (heatmap)

2017



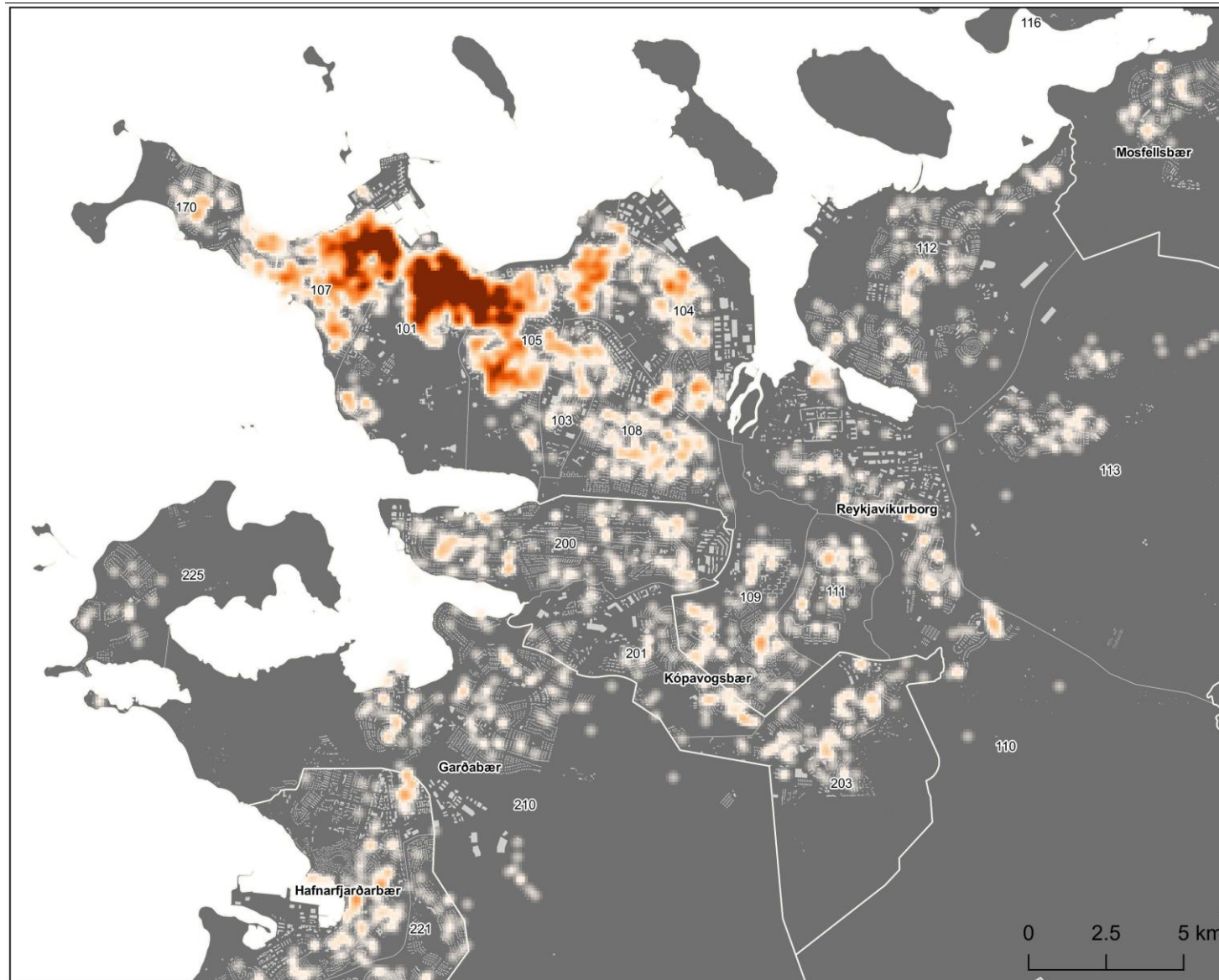
Evolution of the Airbnb supply (heatmap)

2018

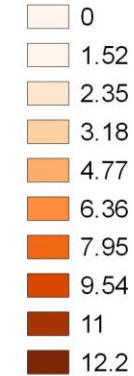


Evolution of the Airbnb supply (heatmap)

2018



Heatmap_ABB_2018



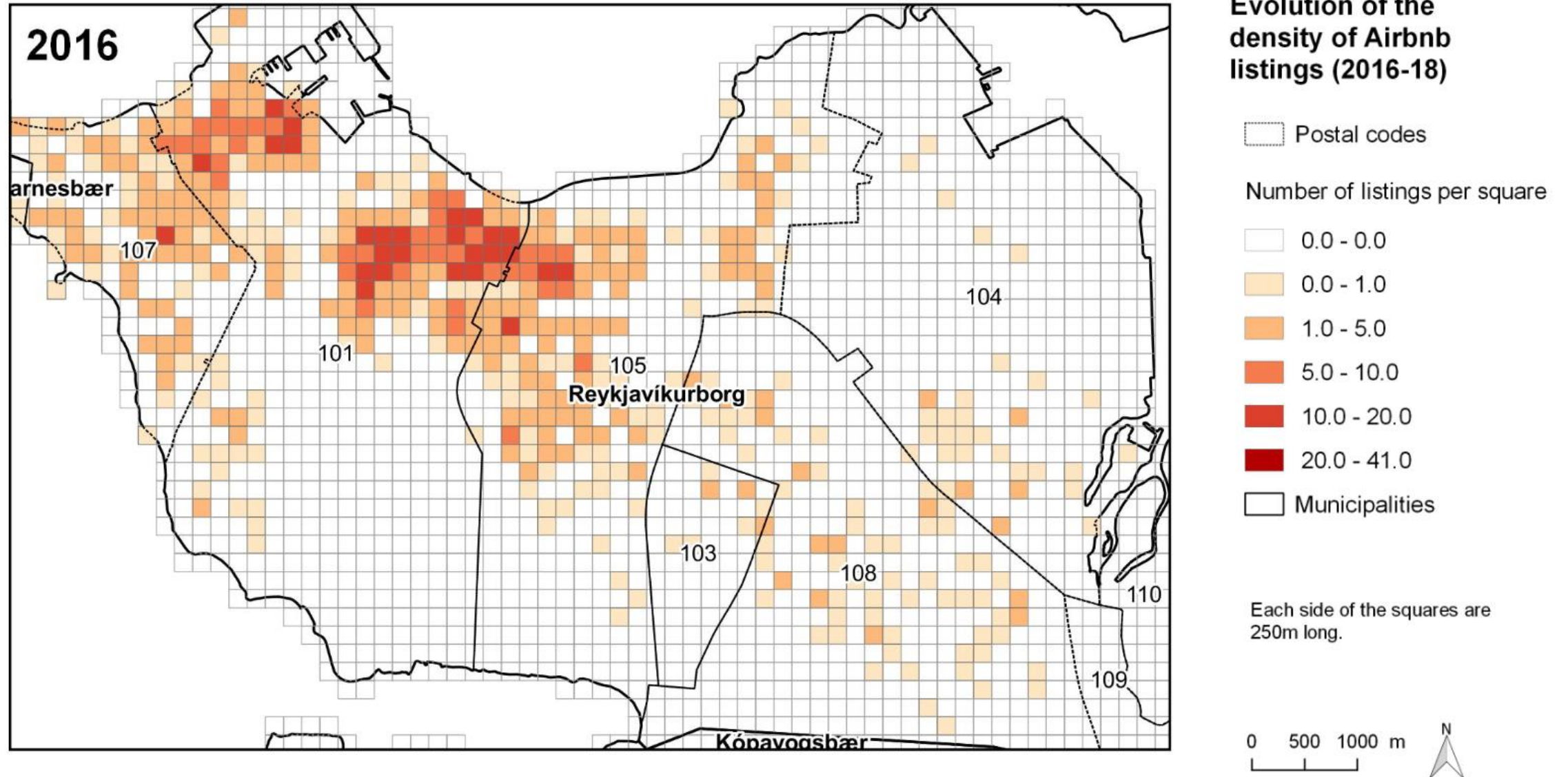
Buildings
Municipalities

→ Very strong development between 2016 and 2017

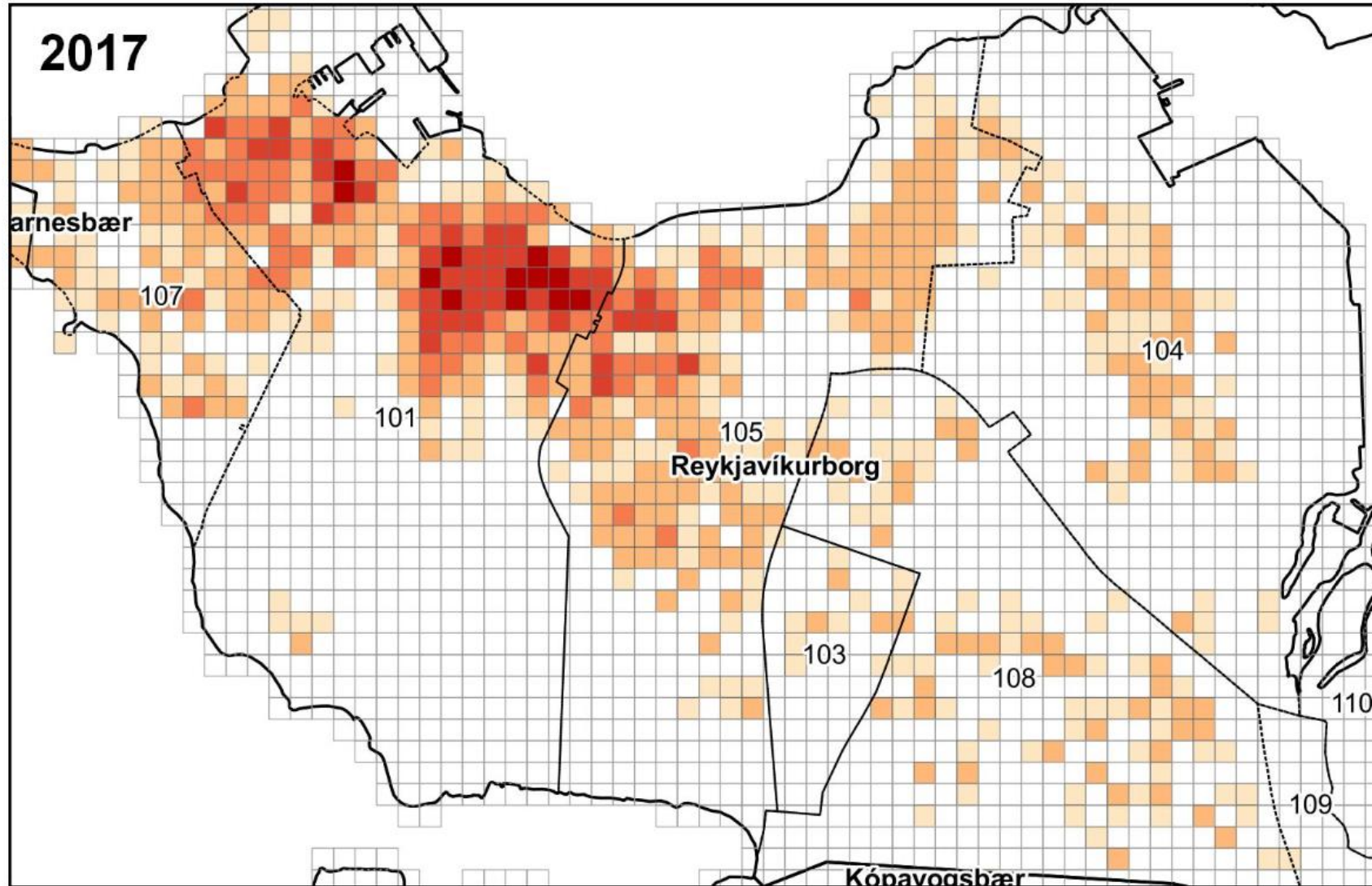
→ Saturation of the supply

→ The distribution of the supply does not witness a significant spreading outside the city centre

Evolution of the Airbnb supply (gridmap)



Evolution of the Airbnb supply (gridmap)



Evolution of the density of Airbnb listings (2016-18)

Postal codes

Number of listings per square

0.0 - 0.0

0.0 - 1.0

1.0 - 5.0

5.0 - 10.0

10.0 - 20.0

20.0 - 41.0

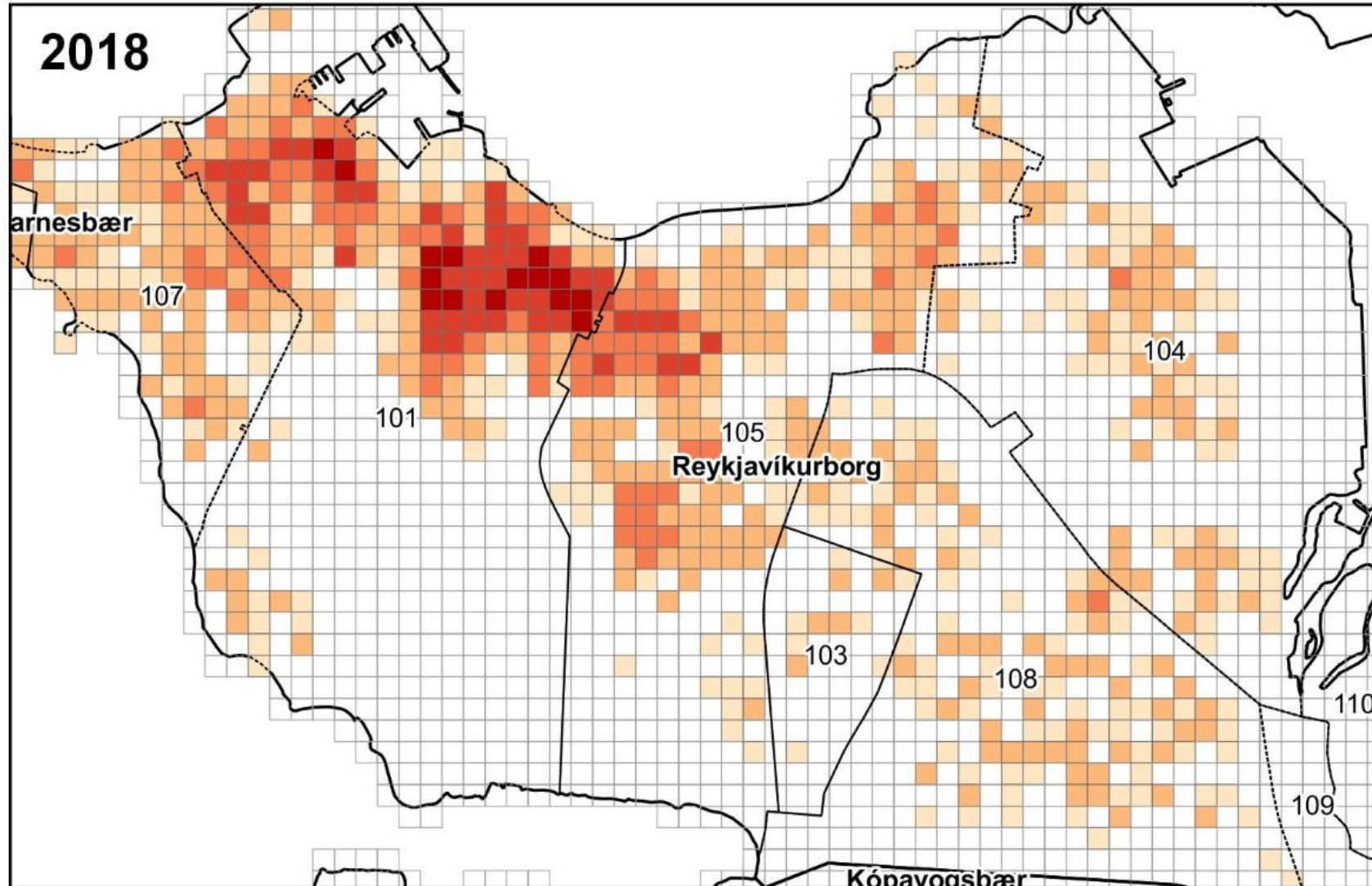
Municipalities

Each side of the squares are 250m long.

0 500 1000 m



Evolution of the Airbnb supply (gridmap)



Evolution of the density of Airbnb listings (2016-18)

Postal codes

Number of listings per square

0.0 - 0.0

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1.0 - 5.0

5.0 - 10.0

10.0 - 20.0

20.0 - 41.0

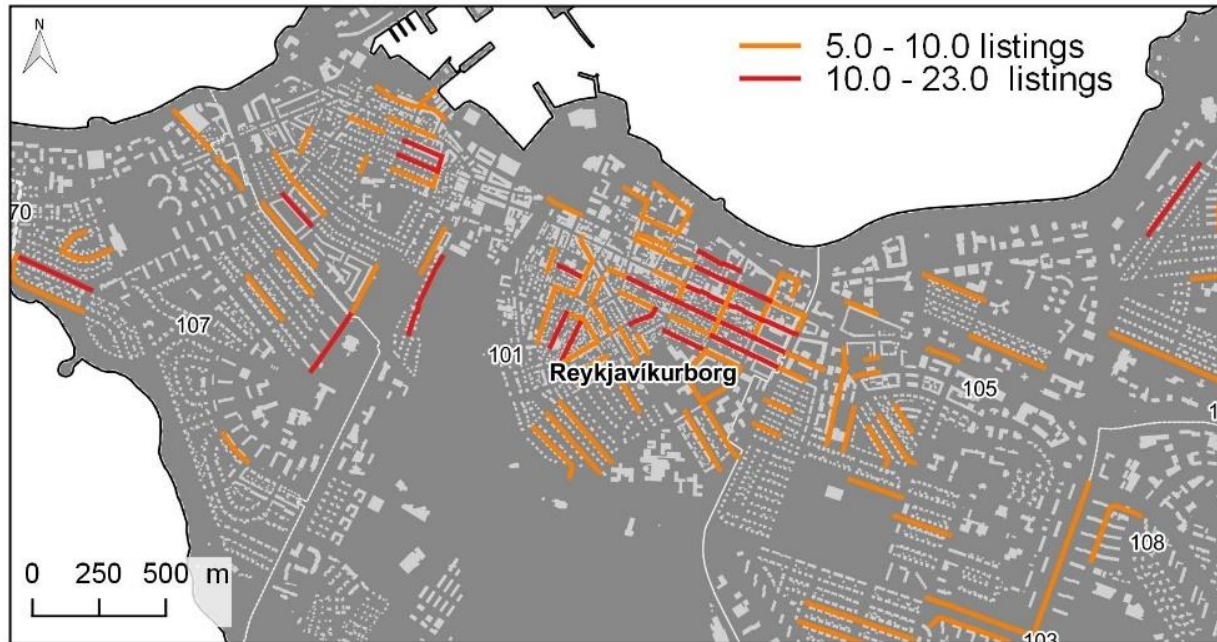
Municipalities

Each side of the squares are 250m long.

0 500 1000 m



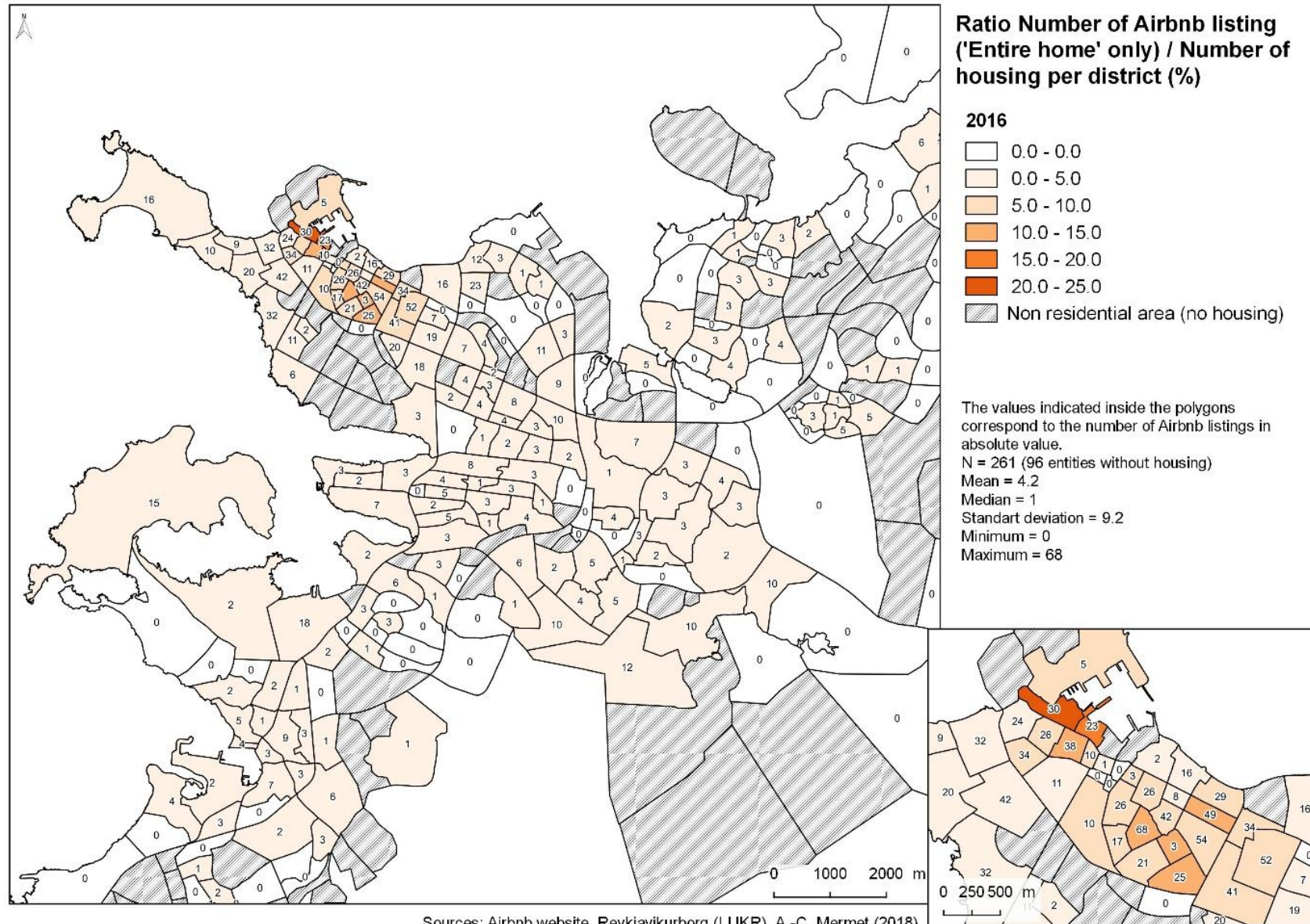
Streets that are the most affected by Airbnb



	“Hot spots”	Secondary spots	Other significant spots
2016	<ul style="list-style-type: none"> The area located between Hverfisgata, Frakkastigur, Hallgrimskirkja and Snorrabraut (including Grettisgata and Njálsgata) Þingholt as a whole, especially: Baldursgata, Spítalastigur, Óðinsgata, Bjargarstigur, Bragagata, Hellusund, Skálholtstigur, Bergstaðastræti Very eastern part of Vesturbær: East of Ránargata, Bárugata and Öldugata 	<ul style="list-style-type: none"> Other streets of Austurbær Eastern part of Vesturbær (+ the streets close to Vesturbæjarlaug): Hávallagata, Holtsgata, Drafnarstigur, Öldugata, Ásvallagata, Ránargata, Hofsvallagata, Bræðraborgarstigur, Vesturgata, Framnesvegur, Vesturvallagata, Bárugata, Ásvallagata, Ánanaust, Brekkustigur, Unnarstigur, Marargata, Sólvallagata, Seljavegur 	<ul style="list-style-type: none"> Hlemmur Hlíðar The other streets of Vesturbær
2017	<p>Intensification of the Airbnb expansion in the three areas previously identified +</p> <ul style="list-style-type: none"> All the streets of Austurbær All the streets of the eastern part of Vesturbær identified as secondary spots for 2016 	<ul style="list-style-type: none"> Hlemmur Hlíðar The other streets of Vesturbær 	<ul style="list-style-type: none"> Laugardalur
2018	<p>Intensification of the Airbnb expansion in all the streets of Austurbær and of Eastern Vesturbær +</p> <ul style="list-style-type: none"> Hlemmur 	<p>Intensification of the progression in Hlíðar and in the other streets of Vesturbær</p> <ul style="list-style-type: none"> Around Laugardalslaug 	<ul style="list-style-type: none"> Laugardalur

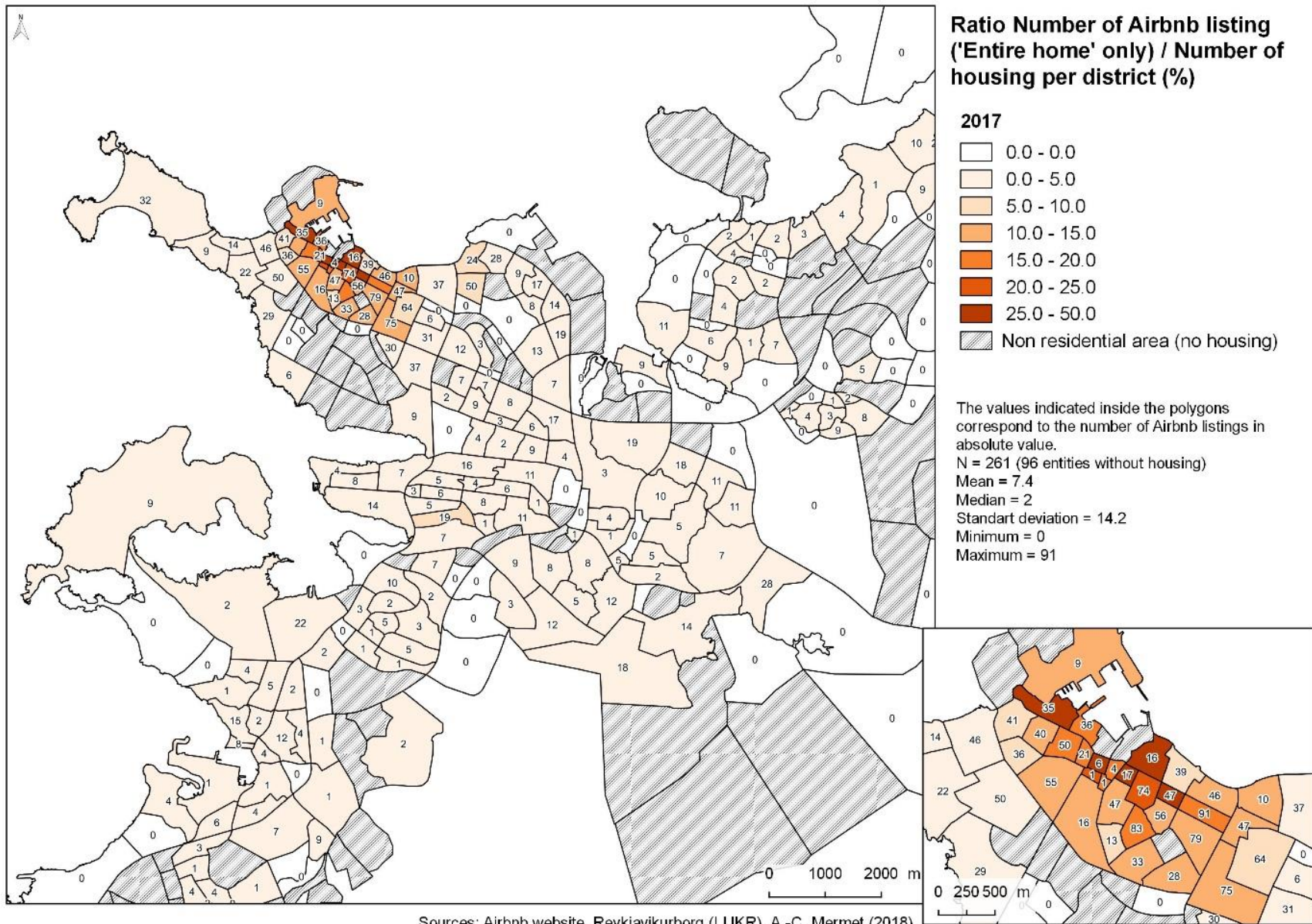
The Airbnb supply compared to the housing stock

2016



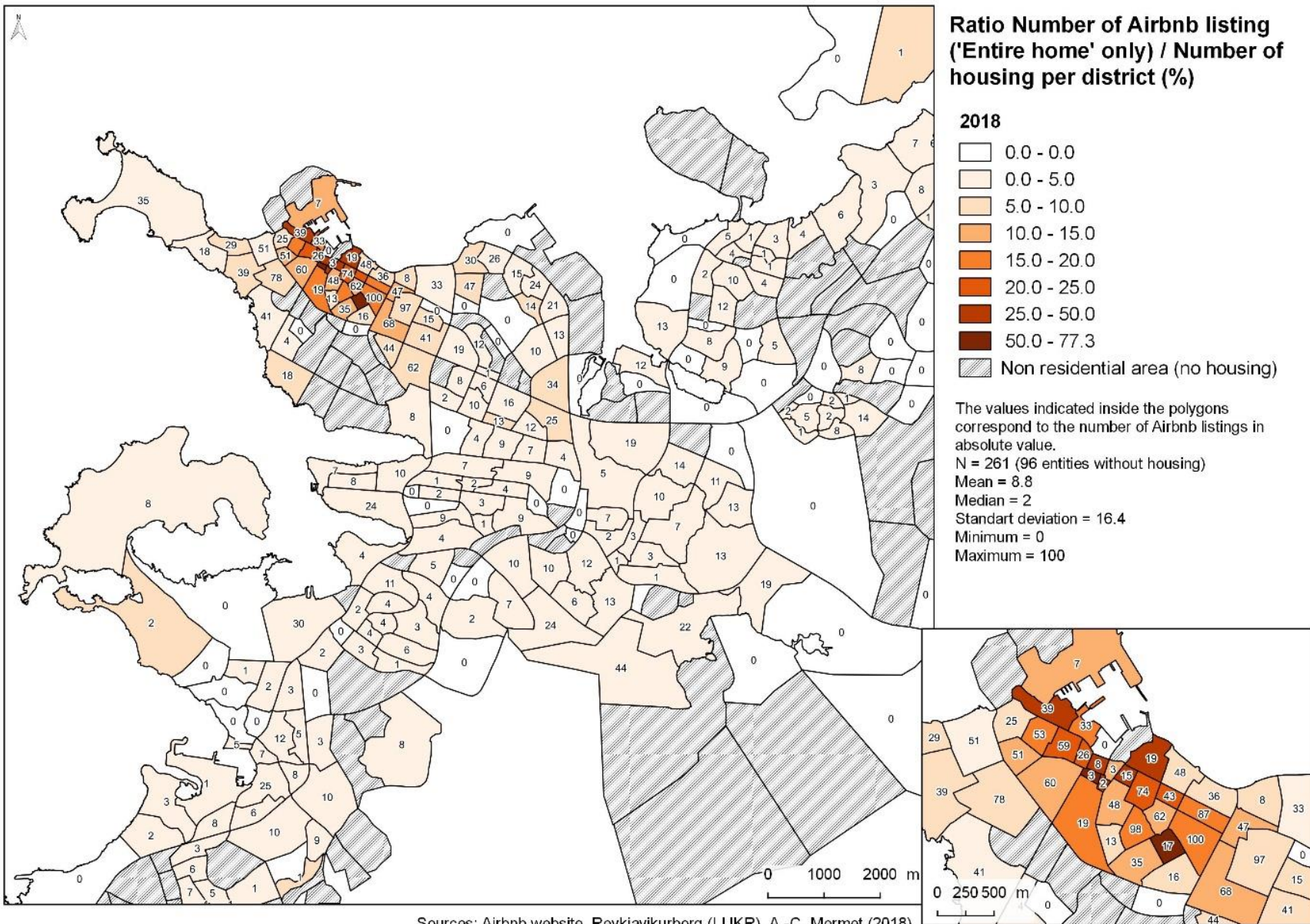
The Airbnb supply compared to the housing stock

2017



The Airbnb supply compared to the housing stock

2018



How many are illegal?

Reykjavík only (situation in April 2019)

Number of Airbnb listings	2657
Number of official license to operate as a professional tourism accommodation	567
<i>Flokkur 1</i>	159
<i>Flokkur 2</i>	270
<i>Flokkur 3</i>	46
<i>Flokkur 4</i>	33
<i>Flokkur 5</i>	59
Number of 'Heimagisting' permits	551
Flokkur 1 + Flokkur 2 + 'Heimagisting' permit	1118

Today, 42%
have a license

58 % of the
current supply
can therefore be
considered as
illegal

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About the data

- ‘Scraping’ of the host profile text
- Information available: host ID, number of listings... but also a text which often provides useful information regarding the age, job and family status of the host



Verified info

Hey, I'm Nanna!

Reykjavík, Iceland · Joined in December 2017

 Report this user

I am a 32 year old mother of one. I am currently studying physio therapy. I am renting out my apartment while I am finishing my studies.



Superhost

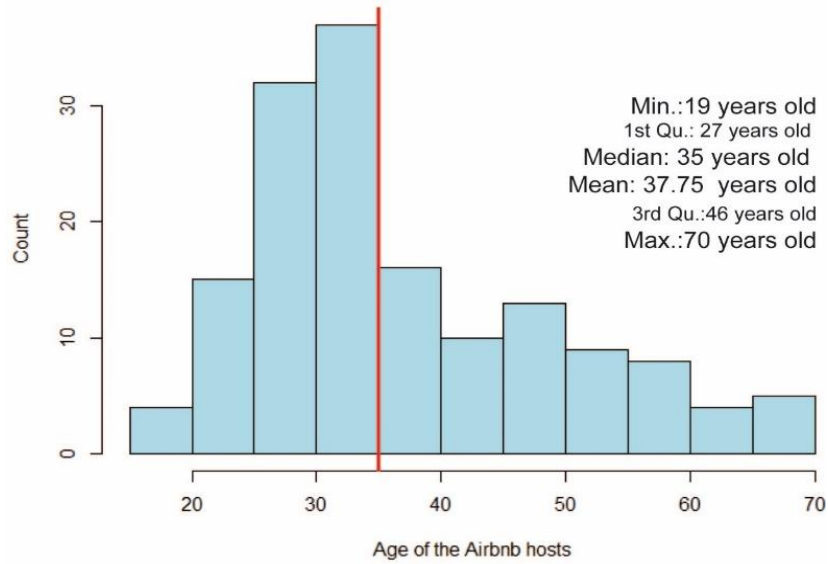
69

Reviews

→ **Is Airbnb benefiting fragile (*i.e.* young, unemployed, irregular income) segments of the population? Or is it benefiting already well-off households?**

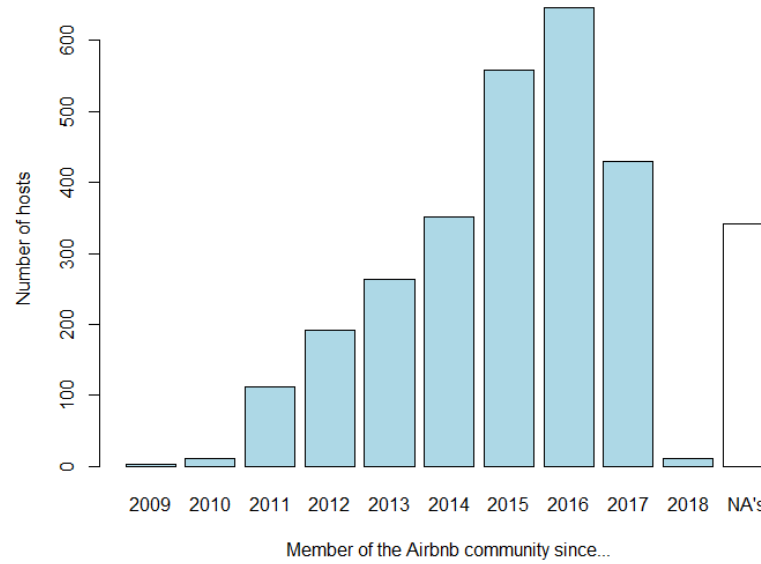
General information on the Airbnb host

Age of the Airbnb hosts sample



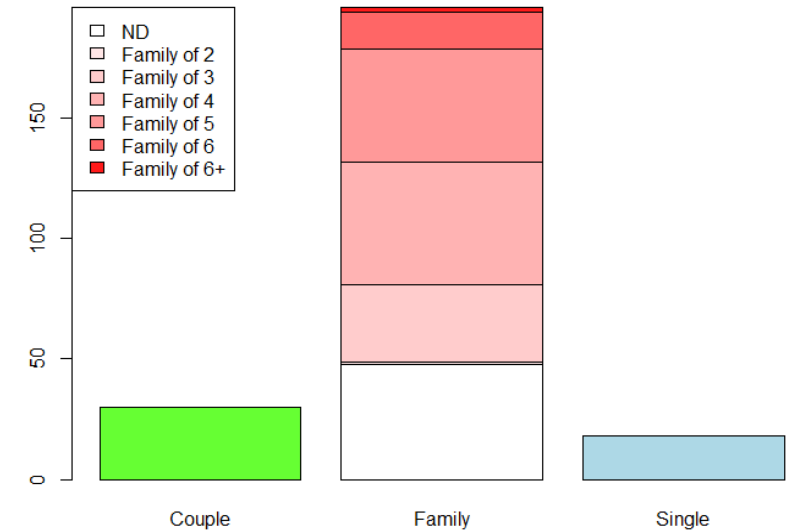
Average Age: 37 years old

Since when the Airbnb hosts have been part of the Airbnb community?



Most of them have created their Airbnb profile recently

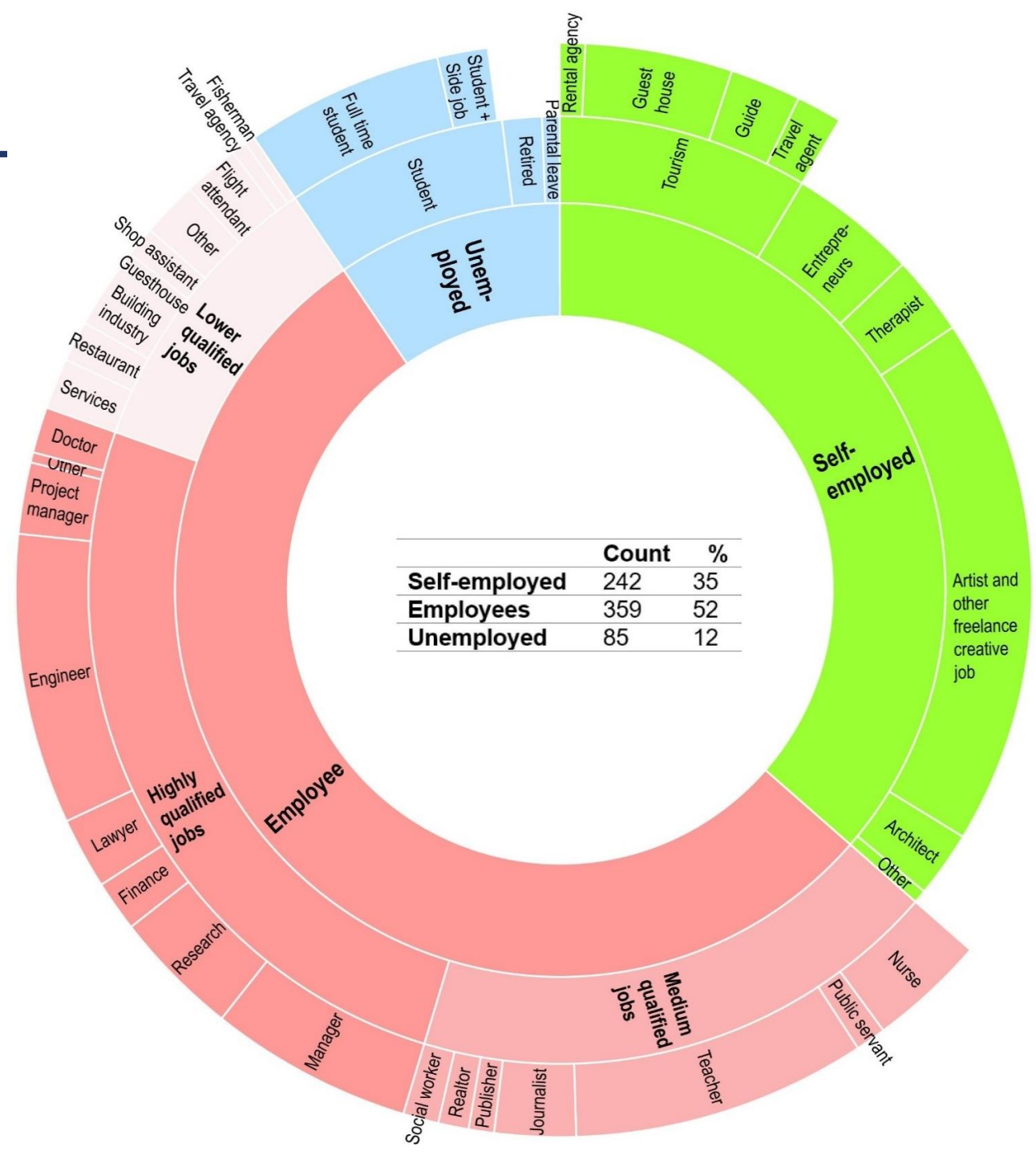
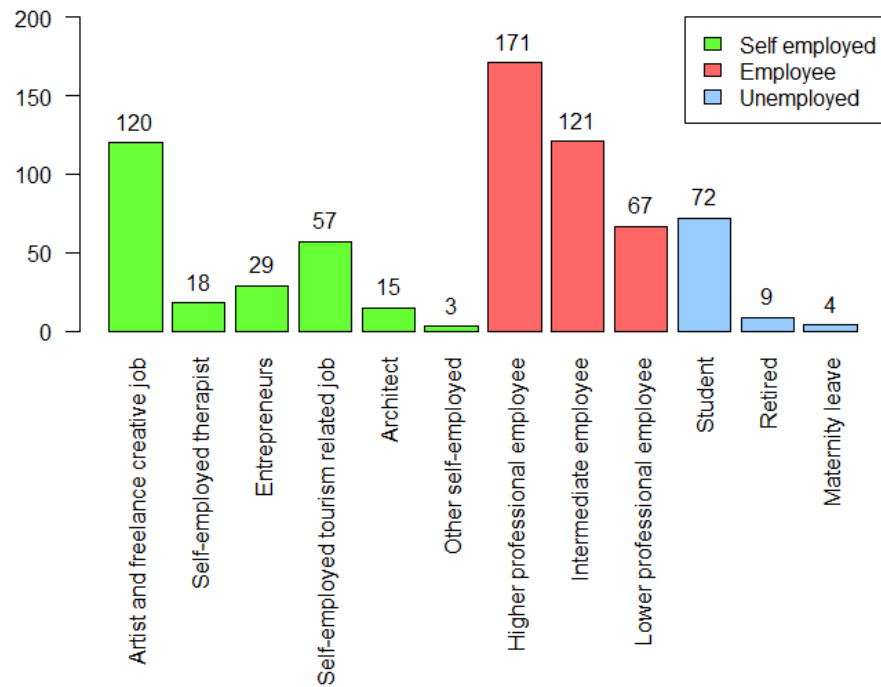
Family status of the Airbnb hosts



Most of them have a family

What is the job of Airbnb hosts?

A significant part of the hosts are actually employees with a pretty high level of qualification, and high income, which contradict significantly Airbnb's assumption according to which Airbnb mostly benefit the middle class and that hosts use the platform as a way to secure their financial situation.



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Presentation of the sample

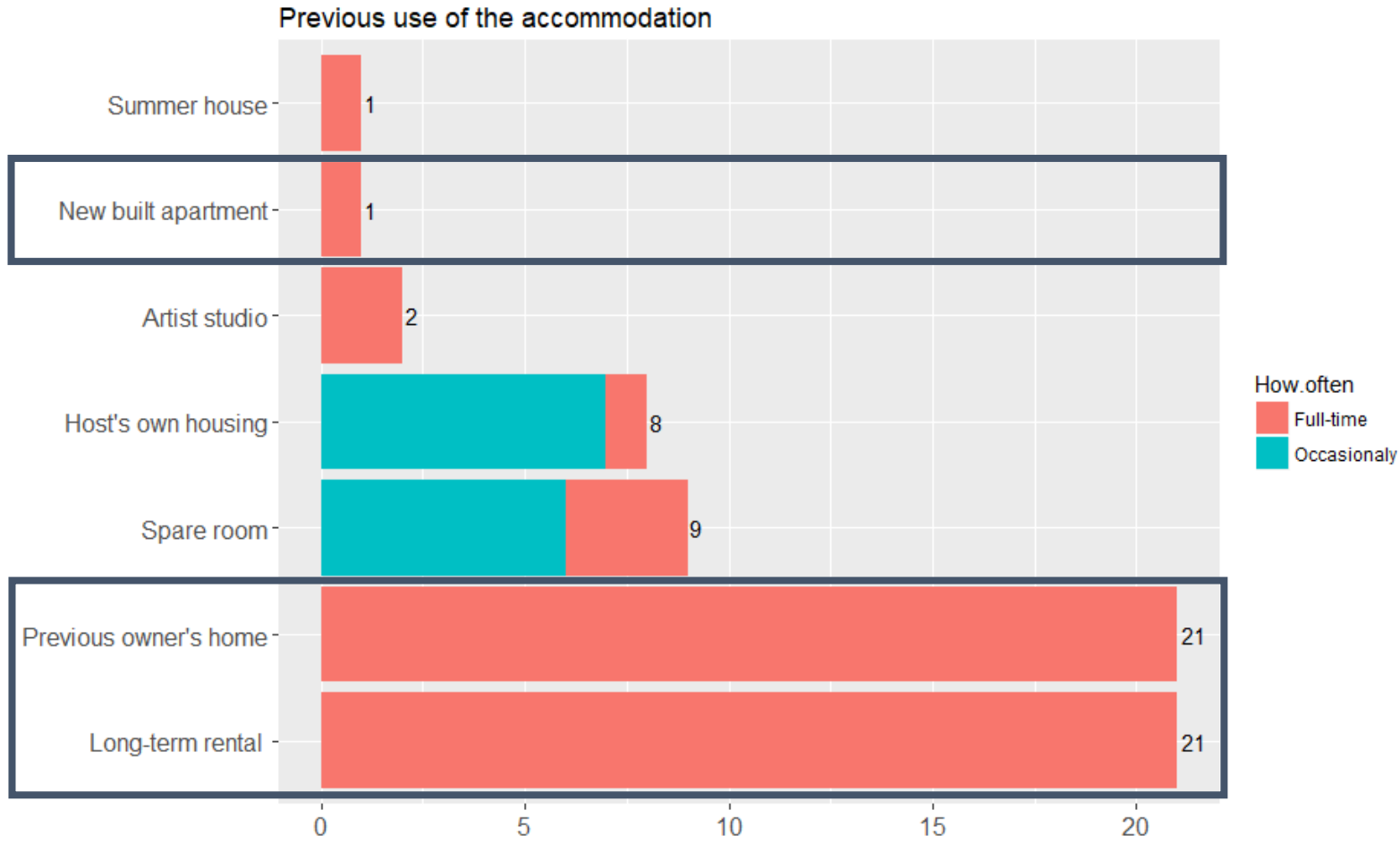
- 33 interviews with Airbnb hosts in the city centre, covering 149 listings

Number of listings	Number of interviewed hosts
1 listing	19
2 listings	5
3 listings	1
4 listings	1
7 listings	1
8 listings	1
10 listings	1
12 listings	1
23 listings	1
32 listings	1
Total	33

Status	Count	Percentage
Homeowner	28	85%
Tenant	2	6%
Service provider	3	9%

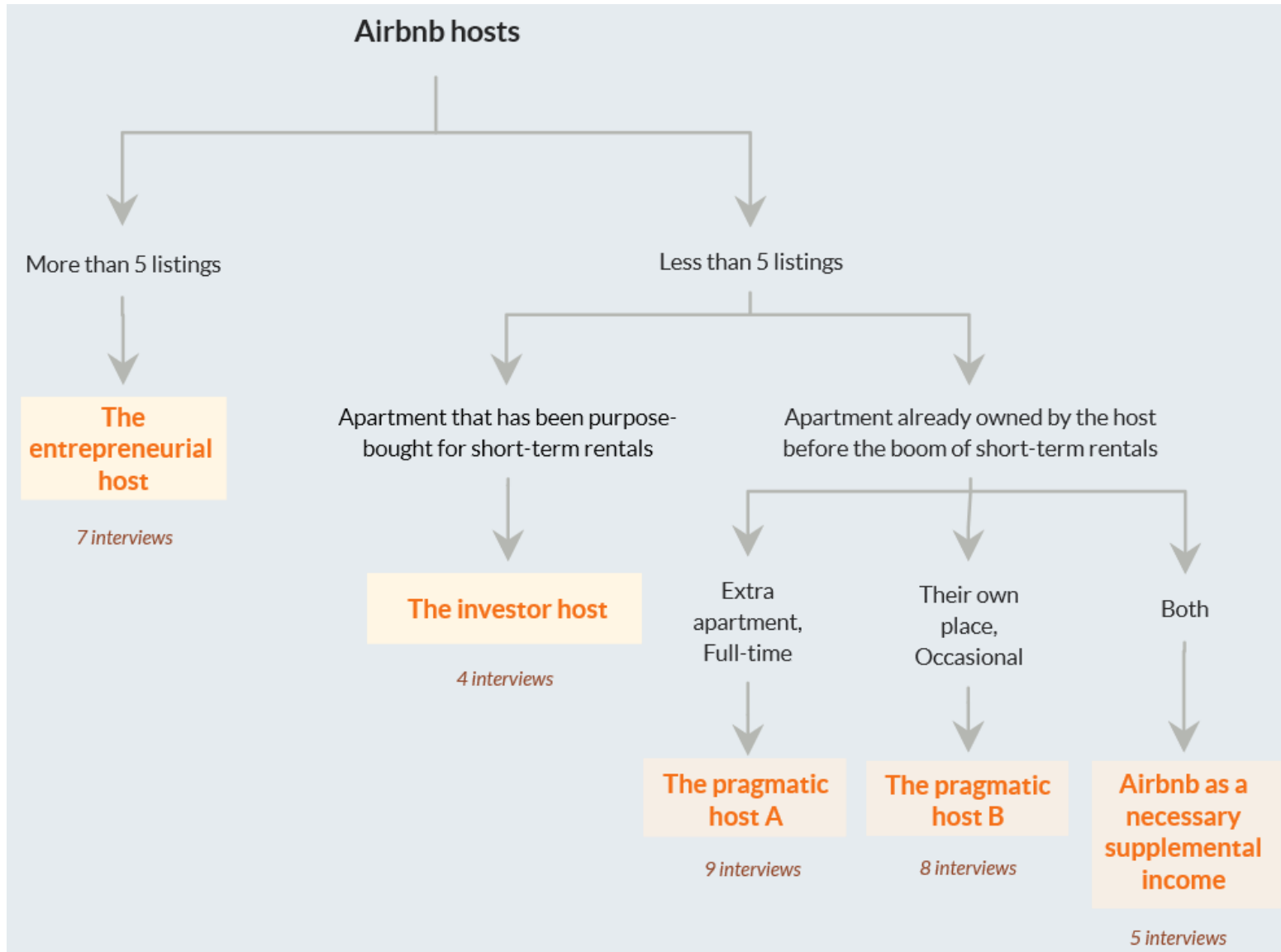
Type of hosts	Number of listings
Service provider	63
Hostel & guesthouse	34
Individual hosts	52
Total	149

What was the previous use of the housings let out on Airbnb?



68% of the listings covered by the survey are actually housings that have been withdrawn from the housing stock, which supports the hypothesis according to which the development of short-term rentals occurred at the expense of regular housings for locals

Towards a classification of Airbnb hosts



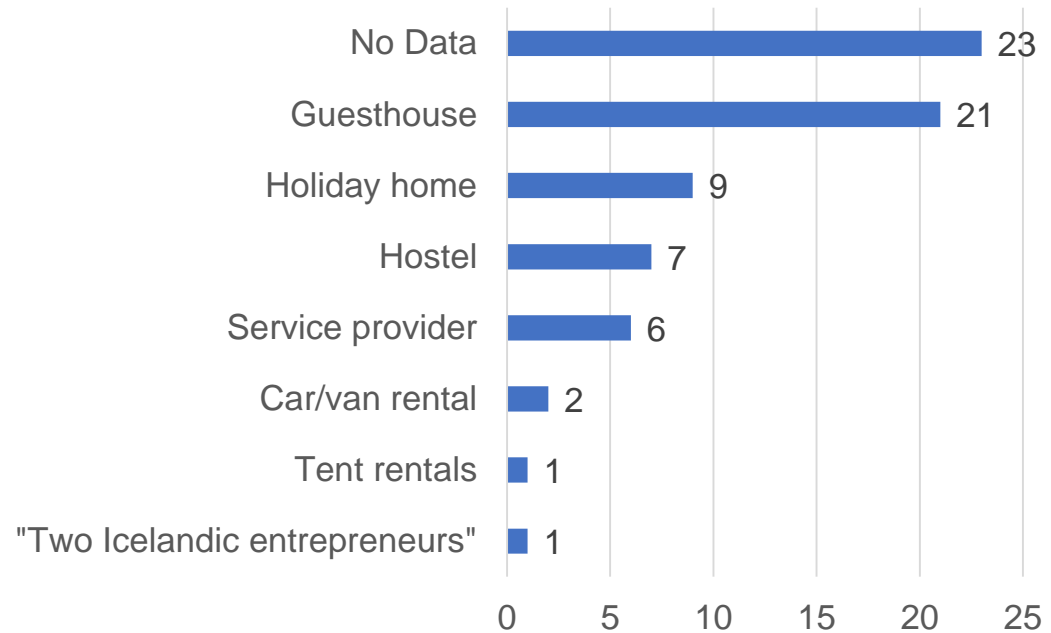
5 types of hosts

- The entrepreneurial host
- The investor host
- The pragmatic host A
- The pragmatic host B
- The host who copes with a difficult financial situation thanks to Airbnb

The entrepreneurial host (7 interviewees)

Number of listings	Type
39	Hostel
37	"Two Icelandic entrepreneurs"
32	Service provider
30	Service provider
24	Guesthouse
23	Service provider
20	Guesthouse
18	Guesthouse
18	?
17	Hostel
17	Service provider
13	Service provider
13	Guesthouse
13	?
12	Car/van rental
12	Hostel
11	Guesthouse
10	Home holidays
10	Guesthouse
10	Hostel
10	Tent rentals
10	Service provider

→ Who are the hosts who advertise more than 5 listings?



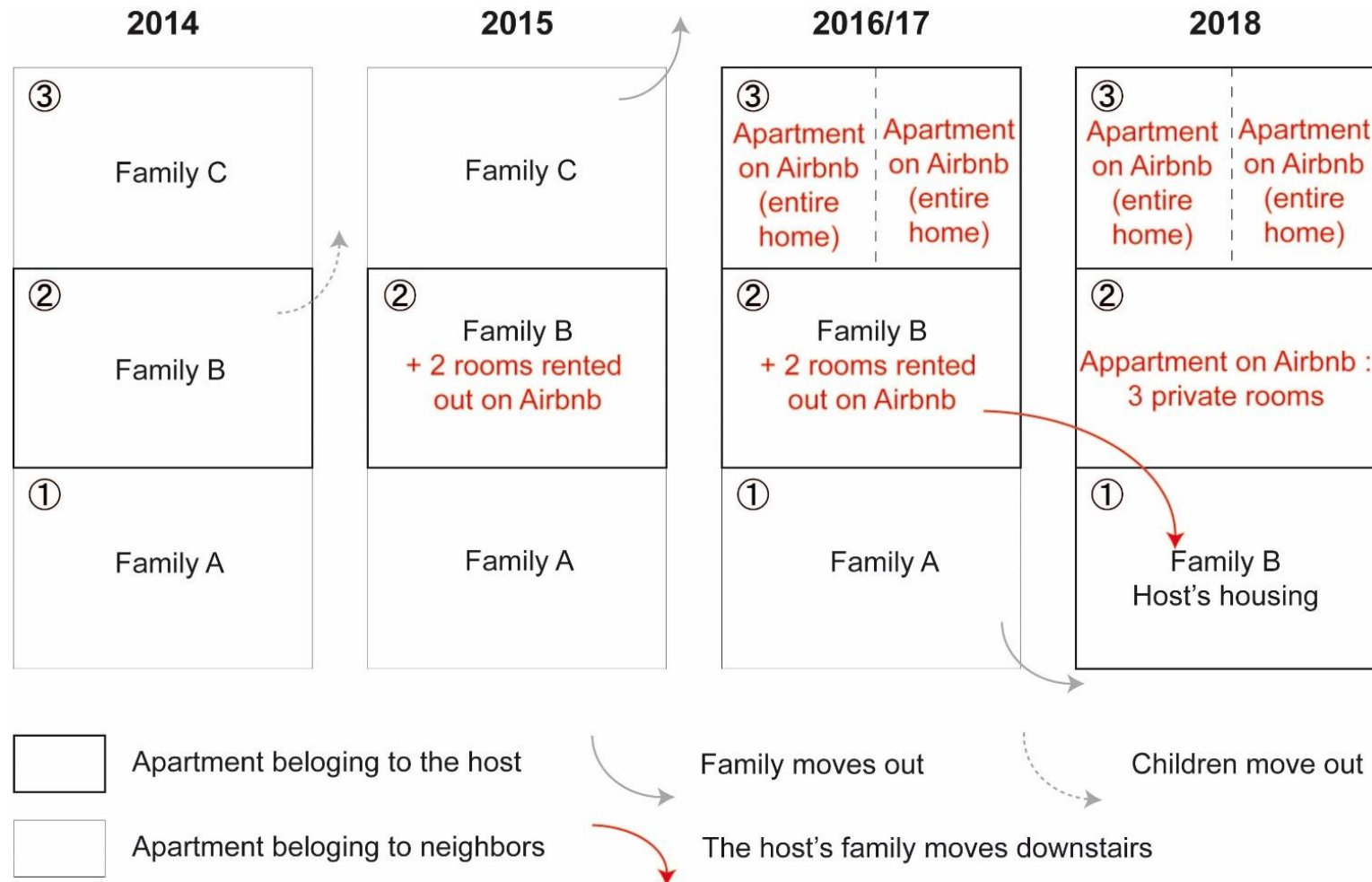
→ The « entrepreneurial host » gathers different types of stakeholders:

- Classic forms of tourism accommodation (guesthouses, hostels)
- New forms of tourism accommodation (holiday homes)
- New forms of companies: service providers

The entrepreneurial host (7 interviewees)

Example : Home holidays, interviewee #28

The transformation of a residential building into a guesthouse



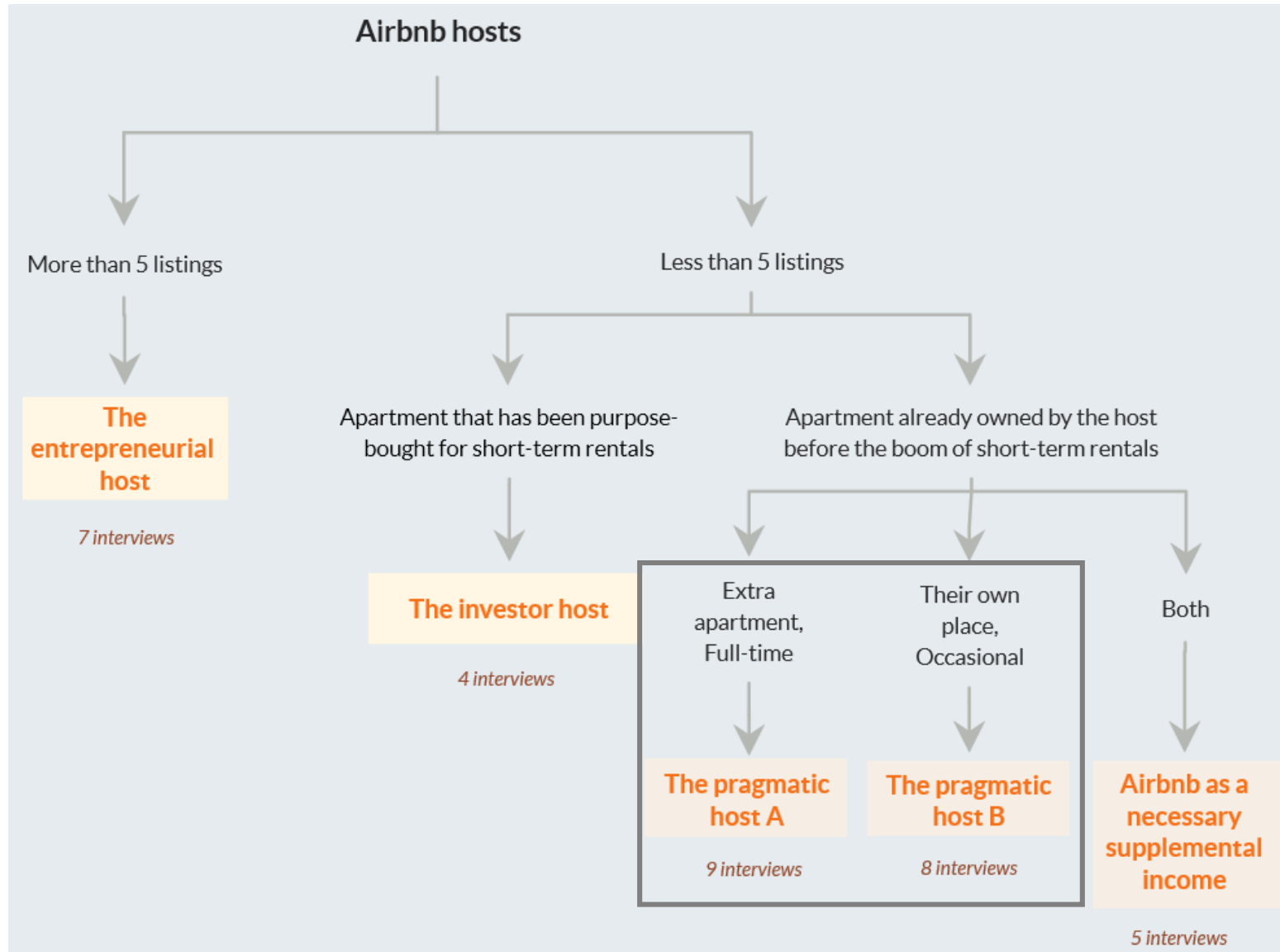
The investor host (4 interviewees)

Examples: interviewee no 14

“Ok, so you bought your own apartment both of you...”

Yes, like when we were in our twenties or something. And we are both over 40 now, so, **we had flats when we met, and it was at the time when flats in Reykjavik cost like 8 million and we both sold them for over 20. So, it was a big rise.** We sold them and bought where we live. **So, we had some money and we just thought ok, we can invest and buy a small apartment** and we live in a different apartment, it's not where we live, that's an Airbnb. We bought it two years ago. We rented it out for two months just to a guy who was going to the university. And then we decide to take a chance and put it on Airbnb. **And instead of me having a normal and our children going to day care...** So, we just decided to try it. So, we started in November 2015, like one and a half year ago [...]. **It is almost full every month.** There are only one, two or three nights a month that are not booked... So, **it is just being going very well,** and I don't know if we are gonna do it forever.”

The pragmatic host (17 interviewees)



The pragmatic host implements opportunistic strategies in order to make the most of an under-utilised property.

2 categories :

- Letting an underutilised property on Airbnb full-time → A
- Letting one's own place on an occasional basis → B

The pragmatic host A (9 interviewees)

Example 1 : Airbnb to work less and have more time for personal projects

Interviewee #5

“- Why did you decide to do that?”

- Actually, I have quite a lot of friends doing Airbnb in Reykjavik. Many of them are people who are active in the culture. **Like me, I have the possibility to earn some income with flexible time**, that is an important positive side. **I can earn some income by this, and then I don't have to teach as much as I used to, and I can have more time for my artistic work.** I think this is interesting for you, because, you know, basically all my friends have done something like this, offering one room or two or the whole apartment when they are somewhere else, maybe exhibiting, or in a residency or something and they can earn a little bit of money to cover the costs of this cultural work. [...]

- And before doing Airbnb, what...

- **We rented it out on the long-term basis.**

- To students or...

- Yes, to students... we had student for some years, and then we had a family for some years, and. Yes, different groups of people. [...] We had long-term contracts, like two years. And then we renewed if people wanted to renew and we were also happy with it. We just renewed for one year or two years, according to circumstances [...].

*- **And financially, I think it is more interesting to rent it on a short-term basis...***

- **Yes. A lot.** that's what we have experienced.”

The pragmatic host A (9 interviewees)

Example 2 : Airbnb to pay off a mortgage. Interviewee #15

[>Question?]: *So, can you tell me your story with Airbnb, since when you have been doing this, and how you decided to be on this market...*

[>R1]: [...] Me and my wife and my family, we bought this house in 2005... We bought it for 37.5 million kronas. And We had 10 million krona that we could put into it as a deposit. So, the loan was 27.5. And those 10 years, we've paid like 12 million. But now we owe like 50 million. [...] You know, **I work as an artist free-lance**, and I've done commercial work and stuff like that, and the pay you are getting is very similar to how it was 15 years ago in a way. **But the prices for rent and housing have skyrocketed**. And when the crisis hit, in 2008, **the amount of the mortgage kind of doubled** in a way. So, it went from 100 thousand something to 200 thousand something every month. **But we had an extra apartment downstairs that we are renting out. It was like a long-term rent.**

[>Question?]: *It was to students?*

[>R1]: No... **it was just like different people, families, you know**, there were a couple from Poland who stayed there for the longest time. [...] And then, we saw the impact of Airbnb and a **lot of demand for accommodation**. And there were a single mother living with her daughter in the apartment, but when she decided to move out, **I decided to rent it out on a short-term basis, instead of having a new long-term tenant.**

[>Question?]: *Why?*

[>R1]: **Because I could make much much more money out of it, you know.**

[>Question?]: *And it helped you to pay off the loan, the fact of changing long-term to short-term?*

[>R1]: Yes, in a way. **And it is helping us just to make our ends meet**, you know. It doesn't mean that I have been able to pay off the loan or anything like that. We still have this loan over us, you know. **But now, we are making, for the first times, a little money out of the property. And it helps us make ends meet.** And the thing is that both me and my wife, we are working like crazy people since we are teenagers. And both in creative activities. She is a designer, and she is now professor at the arts academy here. (...).

The pragmatic host B (8 interviewees)

ID	Age range	Job	Nb listings
ABB2	30-40	Hotel manager	1
ABB4	30-40	Student	1
ABB6	30-40	Unemployed	1
ABB7	40-50	Writer	1
ABB13	40-50	Dressmaker + sewing teacher	1
ABB21	60+	Jewel designer	1
ABB23	40-50	Work for the goverment	1
ABB27	40-50	Urban planner	1

Example: interviewee #4

"I have been told that sometimes you rent your place on Airbnb... Is it the entire apartment ?

Actually it depends. Most of the time we only rent a room.

Because you have a spare room?

Yes... actually it is a split-level apartment, a duplex. And, in general, we rent the bedroom that is in the ground floor, and we sleep upstairs in the meantime.

So, you share the kitchen and the bathroom with the guests?

Yes. Or sometimes we rent out the entire apartment, if we go on vacation, or abroad [...]. **But there is obviously a financial interest, we mustn't kid ourselves.** But there is also the fact of meeting people. And in 90%, indeed 95% of the cases, they were very interesting people, we shared nice moments with them [...].

So, you said it was also financially interesting... when you bought the apartment, have you taken into account the fact of having the possibility to rent a room to tourists...

.... not really... we haven't though that way at that time. **It just happened, because we had to fix stuffs in the apartments, and it was very expensive renovation, so, finally, we realized that Airbnb could represent an appreciable supplemental income...**

So, finally, this supplemental income provided by Airbnb allowed you to improve your housing?

Yes, definitely. It allowed us to renovate it, to improve our quality of life [...]. **We could have done the renovation without Airbnb, but we would have had to wait much longer before doing it...** Airbnb allowed us to do it earlier.

The pragmatic host B (8 interviewees)

Example: Using Airbnb as a way to fund a mortgage

“What kind of people come to you to rent their home?”

Well, we get contacted by all sorts of people. Both young couples, maybe they are buying their first property. Like last year we had a young couple with a new baby. They were buying a new home and wanted to rent it out for 90 days. And they didn't want to use their own time, they just wanted to spend time with the baby. And so we just took over, helped them, and it went so well that... At first, they signed only for 50 days, so they have raised enough money to get the down payment for the house. [...] They were staying at one of the... I don't remember if it was the girl or the man's parents. It gives a lot of opportunity for young people. It was in the city centre. [...] But it is expensive for young people to buy an apartment. They have to pay for the loans etc. This is an opportunity for them to use Airbnb to

Does it happen often?

This kind is primarily in the summer time because you can get the highest prices.

Do you have a lot of people in that case?

Yes, we always get a lot in the spring and the summertime... They know that they have friend who are doing this, make some money... It is word of mouth.”

The host who uses Airbnb to cope with a difficult situation

What was the trigger which decided you to rent the garage on Airbnb?

Oh... money! Because my husband, he got sick in 2008, he had a [serious disease], so he didn't work for a long time [...] and Airbnb, it was mainly because of money [...]. Now, I am thinking about renting the house. I am just going to find another apartment to rent...

Because you will earn more money by renting an apartment for you and renting the whole house on Airbnb?

Yes. I am trying to get the finance right, after what happened. [...]

And have you been affected by the crisis?

Yes, a lot. Our loan doubled...

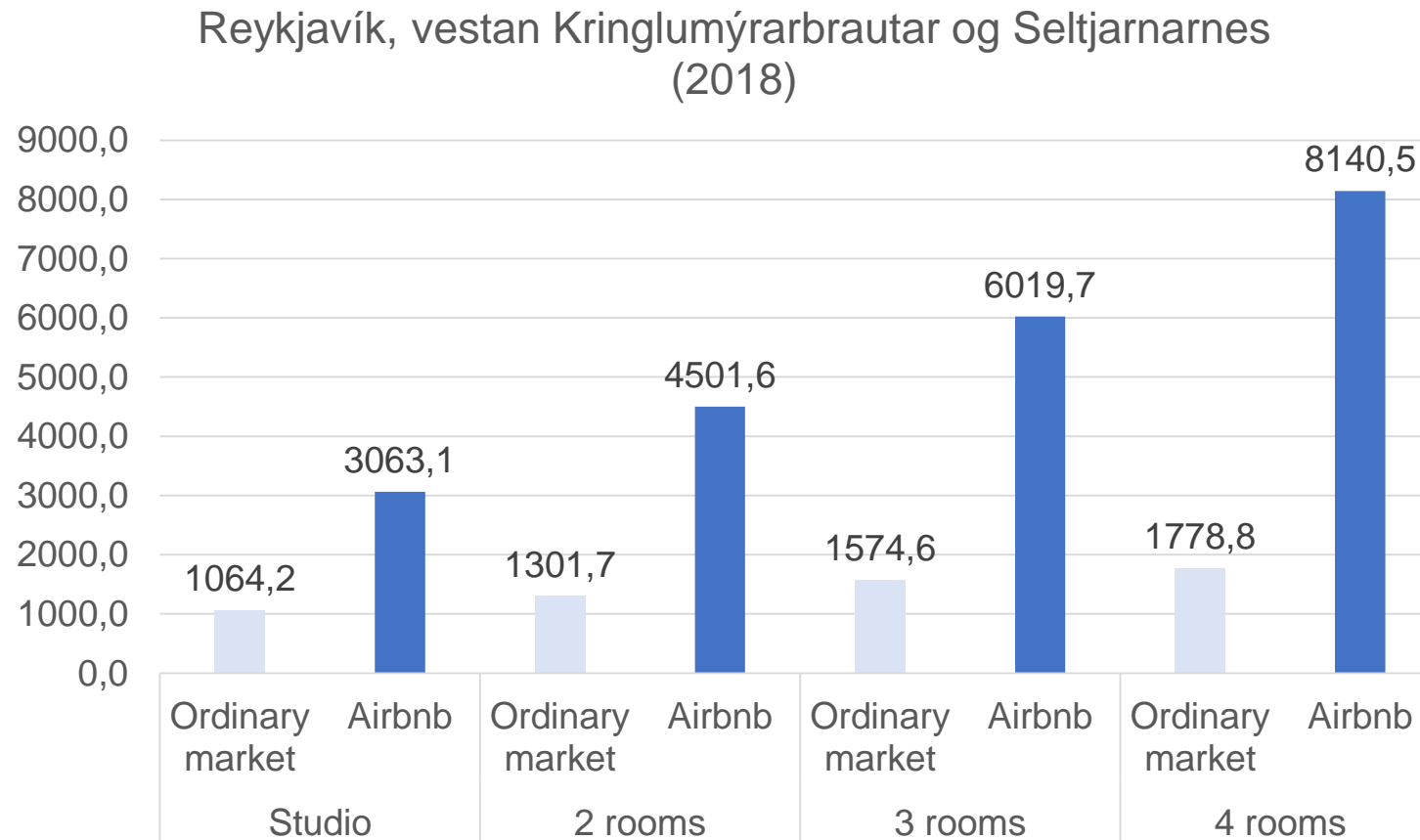
Because you are still paying a mortgage for the house?

Yes, we had a foreign currency loan, and then with the crisis it doubled. And then because he got sick, we had to freeze it for years, and then we have to pay that. So, it is a lot to pay. That is helping us with the mortgage [...]. Yes, we wouldn't be able to live now in this house if I wasn't doing the Airbnb. Financially, you know. If we haven't decided to rent the garage out on Airbnb, we would have to sell the house to buy a small apartment, so... [...]. And I hope it will help us more this summer. If I rent the house."

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4. **What are the impacts of Airbnb on the situation of locals on the housing market?**

Assessing the rent gap between short-term and long term rentals

Gap between long-term and short-term rental values (in €)



Source: Airbnb/ Þjóðskrá Íslands

Different forms of displacement due to Airbnb



Source : Interviews, Landmaelingar Islands. A.-C. Mermet, 2017

4 forms of displacement

- Case n°1: Eviction

“So basically, they came and they said... My contract was already up, and we were just doing like... monthly kind of thing, anyway, and they basically said... I think it might have been April and May [...]. Yes, and they basically said yes, you know, we wanna give you 4 months to move out. I asked why and they we... The story that I got was... that he has lost his job and he wanted to make more money, so he would make a lot more money by renting it out on Airbnb, which is true, and he would make what I was paying in rent in about.... 2 to 3 days with Airbnb”

- Case n°2: temporary displacement

- Case n°3 and 4: indirect forms of displacement

- Initial housing
- Housing after displacement
- Case 1 (eviction)
- Case 2 (4 monts lease)
- Case 3 (indirect displacement, shortage of housing)
- Case 4 (indirect displacement, neighbourhood change)

A concerning form of displacement: temporary displacement

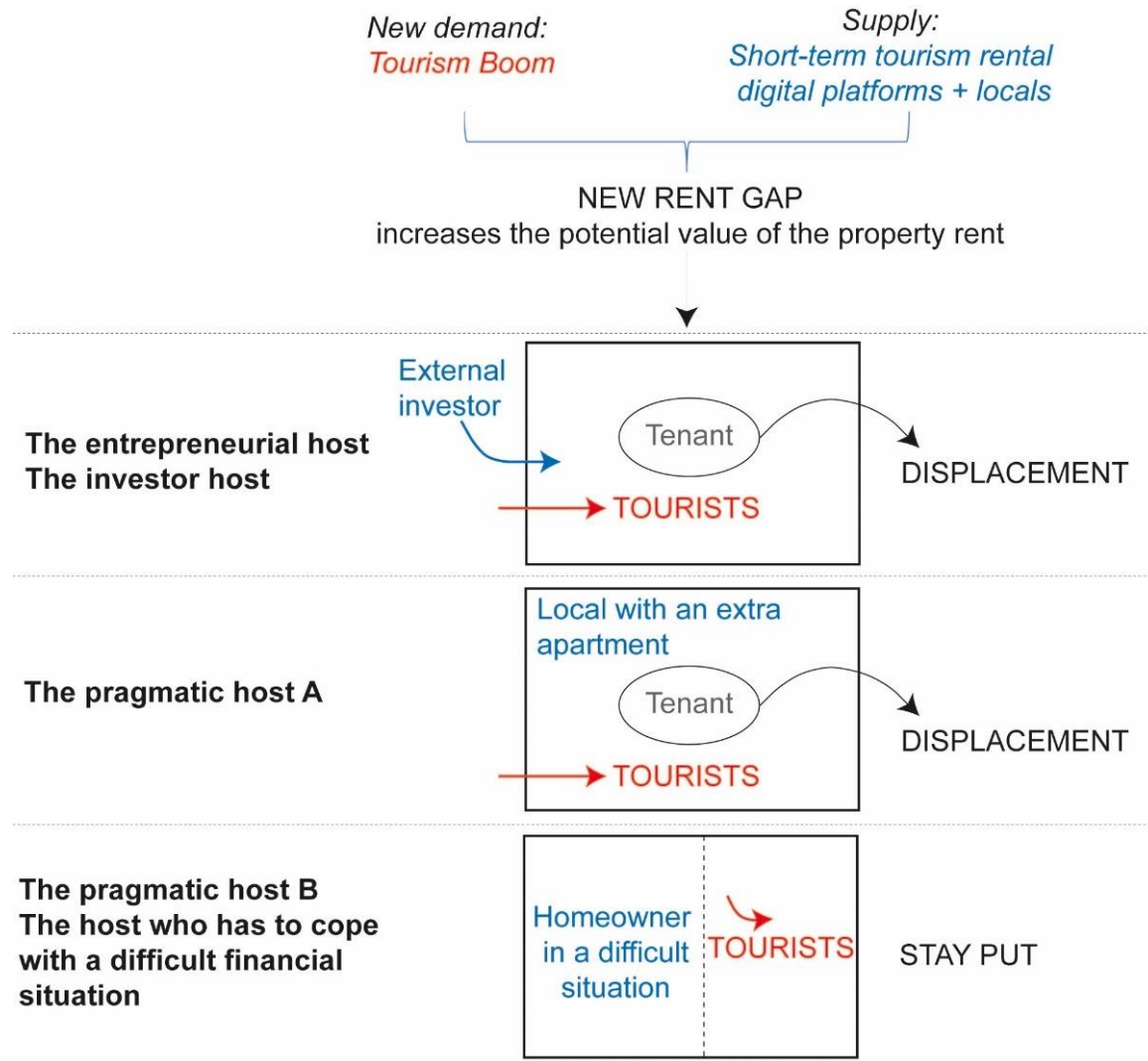
Article 3

Rental period

Lease for a definite period

1. The rental period begins 8th of November 2016 (day, month, year) and the rental period ends 30th of April 2017 (day, month year).
2. A lease for a definite period shall expire on the agreed date without any special notice or announcement being given by the parties. A lease for definite period may not be dissolved by termination during the agreed rental period. It may, however, be agreed that such a lease may be terminated due to special grounds, events or circumstances which are not covered in the Rent Act, in which case they shall then be stated in the lease. Termination of this type shall be made in

Conclusion: The good and the bad Airbnb



Airbnb has a more complicated impact on the situation of local on the housing market

- The entrepreneurial and investor hosts clearly increases the tension on the housing market
- The pragmatic host A's strategies is more difficult to interpret
- For the pragmatic host B and the last category, Airbnb helped them to stay in their housing

THANKS !

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