

CITIES

New York Is Too Crowded for Airbnb



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By [Justin Fox](#)

Airbnb Inc. is all about progress and efficiency and win-win economic outcomes, right? Underused real estate is transformed into lodging for visitors. The owners of the real estate gain, the visitors gain, the local economy gains and Airbnb's shareholders gain.

Sure, hotel owners and employees have some reason to gripe as they lose business to largely unregulated competitors. But hey, isn't it *progress* when people develop new, technology-enabled ways to connect supply and demand and ensure quality, without relying on big institutions and clunky bureaucracy? Plus, in a city such as New York, where the [average hotel room costs \\$300 a night](#) and [hotel rooms are being converted into luxury condominiums](#), there is a chronic need for more-affordable lodging.

It seems to follow, then, that the New York state legislation penalizing those who advertise whole apartments for short-term rentals [1](#) -- [signed into law by Governor Andrew Cuomo last week](#) -- is a terrible step backward. And yeah, it definitely is a step *backward*. It's also bit draconian. But it may not be terrible.

I should admit that, while I more or less believe everything I wrote in the first two paragraphs, I deliberately put it in over-the-top Silicon-Valley-utopian terms. Still, I really do think enabling people to rent out their dwellings when they're not in them is a positive thing. There just happen to be two major complications in New York City. One is that most New Yorkers live in buildings with lots of other New Yorkers; the

other is that New York doesn't have enough apartments for the people who want to live here, let alone visitors.

First, the part about people living in buildings with other people: Of the 3.1 million occupied housing units that the Census Bureau [counted in New York City in 2014](#), 73 percent were in buildings of three units or more, and 56 percent in buildings of 10 units or more. Renting out an apartment to someone on Airbnb means allowing a stranger into the building -- which apartment-dwellers generally aren't willing to put up with unless that stranger comes bearing dinner. In a small building, it's easy enough to envision an Airbnb host making arrangements with the neighbors; in a big or even a medium-size one, it's hard to see how that could ever work. I live in a 50-unit cooperative apartment building (like a condo, but with more meetings), and we banned Airbnb and similar short-term rentals a while ago. And though I guess there's something to be said for letting this be determined on a building-by-building basis, there's also something to be said for creating a citywide norm so buildings aren't constantly having to enforce their rules.

Then there's New York's chronic shortage of affordable housing. Somebody who puts their apartment on Airbnb for a few weeks when they're out of town is not reducing the housing supply; somebody who rents their apartment full-time on Airbnb is. The big question is, which of these is typical?

When Airbnb [releases data](#) it tends to focus on the characteristics of the hosts -- most of them in New York aren't rich, most of them rent out their homes or apartments only occasionally, etc. But if you measure things by current listings, as Brooklyn software developer Murray Cox does on his [Inside Airbnb site](#), 57.6 percent in New York are for spaces that are available more than 60 days a year, with an average availability of 157.5 days a year. [2](#) Meanwhile, a [study by commercial brokerage CBRE](#) estimated that 29 percent of Airbnb revenue in New York comes from hosts renting multiple units. That's a lot less than the 62 percent of revenue in Miami and 59 percent in Las Vegas, but it still indicates that a significant part of the business comes from professional hosts as opposed to people with occasionally vacant

apartments.

Now, one could respond that property owners should be able to do what they want with their property. But most New Yorkers are renters (I would guess that many or even most New York Airbnb hosts are, too, although I couldn't find any data on that), and rents in New York are heavily regulated. On balance, that regulation surely reduces housing supply and may increase overall housing costs, but it exists and isn't going away, and lawmakers are understandably opposed to allowing a gaping loophole that mainly benefits one company.

Is there a middle ground? There already is for those who want to rent out just part of an apartment. Such "hosted" rentals are legal in New York, and in the past have accounted for [about a quarter of Airbnb's listings](#) in the city. (That's currently up to 47 percent by Inside Airbnb's calculation, presumably because the new law has scared others into taking listings down.) Perhaps someday there could be a further compromise in which Airbnb agrees to limit hosts to less than 60 days a year, and New York relaxes its ban somewhat.

It may be, though, that Airbnb is just too dependent on year-round hosts to countenance that. [Writes Nicole Gelinis](#), a senior fellow at the Manhattan Institute, a think tank in New York of mostly conservative leanings: **3**

Airbnb is stuck with an impossible problem. The face it presents to the world -- the face of a person with a two-bedroom apartment in Brooklyn who loves renting out her extra bedroom for fun and profit -- is not what garnered it a \$30 billion valuation. But the company's most economically efficient business -- serving as a mass-scale warehouse for entire apartments in dense cities -- is illegal.

No matter how much the company [huffs and puffs](#), this seems likely to stay illegal in New York, Airbnb's biggest market. As [Politico New York's Dana Rubinstein wrote Thursday](#), Airbnb is in an entirely different political situation from Uber. The ride-

hailing service is a boon to all New Yorkers who pay for rides in cabs or cars. Airbnb benefits about 40,000 hosts in the city, but the far-more-numerous guests “come from elsewhere and are therefore politically irrelevant.” There is unlikely to be any kind of political groundswell to back Airbnb up. And maybe there shouldn’t be. More efficient use of real estate is good. But other things matter, too.

- 1. Such rentals had been outlawed by the state legislature back in 2010. The fines for advertising were the new part.*
- 2. The numbers are updated constantly, so if you click through they’ll almost certainly be somewhat different.*
- 3. They’re actually almost entirely conservative, but [Gelin’s opinions](#) are so heterodox that the “mostly” seemed appropriate here.*

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To contact the author of this story:

Justin Fox at justinfox@bloomberg.net

To contact the editor responsible for this story:

Stacey Shick at sshick@bloomberg.net