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Airbnb, Housing, and the City of Toronto

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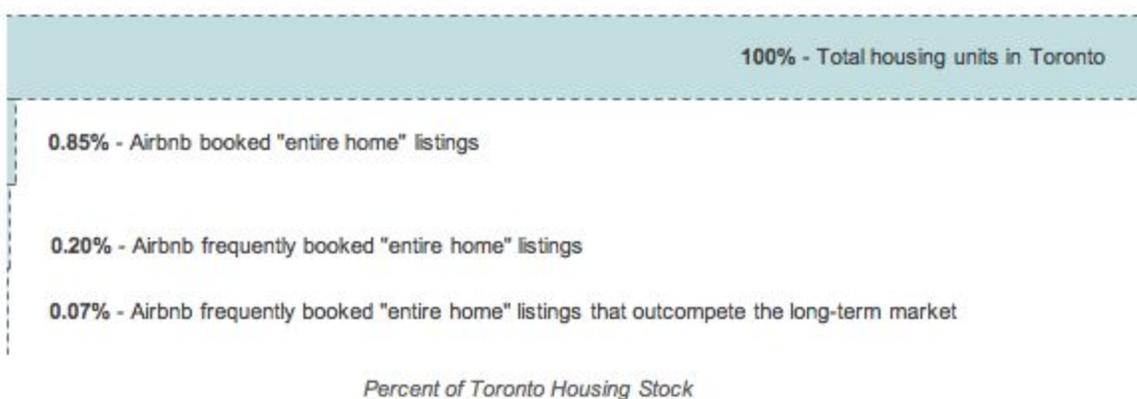
1. Introduction

This memorandum presents data on how Airbnb hosts in Toronto share their homes, how often they are doing it, and the impact that it has on housing in the city of Toronto.

2. Key Findings

- **Airbnb booked “entire home” listings represent a tiny fraction (0.85%) of Toronto housing units.** *Frequently* booked entire home listings represent 0.20% of Toronto’s housing units.¹ *Frequently* booked entire home listings that out-compete the long-term market represent 0.07% of Toronto housing units.

FIGURE 1: Airbnb Booked Listings Compared to Toronto Housing Stock



- **Most entire home listings are shared only occasionally:** 46% of entire home listings in Toronto last year were short-term rented for fewer than 30 nights, and nearly 90% were rented for fewer than 180 nights. The hosting patterns suggest that most hosts are homesharing on a small scale, renting space that would likely not be available on the long-term rental market.
- **Most entire home listings in Toronto earn modest income from sharing their homes,** typically about \$6,560CAD annually. Only 760 listings homeshare frequently enough to financially out-compete a long-term tenant, equivalent to 0.07% of Toronto housing units.

¹ Frequently booked listings are defined as listings that hosted at least 180 short-term nights during the year ending October 1, 2016. If an entire home listing has not been available on Airbnb.com for a complete year, it is considered “full-time” if it short-term hosted over 50% of the nights since the listing was activated. Short-term rentals are defined as stays of fewer than 30 consecutive nights. Long-term stays of a month or more are excluded.

3. Analysis

3.a Airbnb “entire home” listings are a tiny fraction of Toronto housing.

When determining any impact that Airbnb may have on housing in the city of Toronto, it’s important to remember the scale of Airbnb. In the past year (October 1, 2015 through October 1, 2016), 9,500 entire home listings in Toronto hosted at least one trip, which represents 0.85% of Toronto’s 1,107,851 housing units. Only 14,000 entire home listings in Toronto have ever hosted a trip, which still represents only about 1.3% of Toronto housing units. Currently, there are 8,200 active entire home listings in Toronto, which represents 0.7% of Toronto housing units.² All of these proportions are overestimates, since the most recent census count of housing units is from 2011, and during the past five years Toronto has built significant additional housing.³ These proportions also overstate the scale of Airbnb because they do not consider the frequency of Airbnb activity, the subject of the following section.

TABLE 1: Airbnb Entire Home Listings in Toronto as Percent of Toronto Housing Stock

	Number of units or entire home listings	Number of entire home listings as percent of Toronto housing units
Total housing units in Toronto (2011) ⁴	1,107,851	100%
Airbnb entire home listings in Toronto that...		
Have hosted a trip in the past year (October 1, 2015 through October 1, 2016)	9,500	0.85%
Have ever hosted a trip	14,000	1.3%
Have ever been displayed on Airbnb.com, even for a day	22,100	2.0%
Are currently active on Airbnb.com	8,200	0.7%

2.b Most “entire home” listings are only shared occasionally.

Table 2 shows how frequently entire home listings in Toronto hosted guests during the past year (October 1, 2015 through October 1, 2016). To ensure that annual hosting activity is not deflated by newly activated listings, Table 2 shows the annual short-term hosting patterns for all listings that were first active on or before October 1, 2015 and therefore have a year’s worth of

² Active listings are listings that are displayed on Airbnb.com, regardless of whether the listing hosts a trip, has availability, or is subsequently removed from the website.

³ The Canadian Mortgage and Housing Corporation (CMHC) reports that the city of Toronto has added more than 80,400 housing units since 2011 (“Completions”), not including units currently under construction (“Starts” and “Under Construction”). Accessed October 17, 2016 at <https://www03.cmhc-schl.gc.ca/hmiportal/en/#October>.

⁴ Source: Census Profile - Age, Sex, Marital Status, Families, Households, Dwellings and Language for Canada, Provinces, Territories and Health Regions (December 2013), 2011 Census. Accessed at <http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CSD&Code1=3520005&Geo2=PR&Code2=01&Data=Count&SearchText=Toronto&SearchType=Begin&SearchPR=01&B1=All&Custom=&TABID=1>

hosting behaviour.⁵ More than 60% of the entire home listings that hosted guests in Toronto last year were rented for fewer than 60 nights during the entire year; almost 90% were hosted for less than half the year. About 3% of entire home listings hosted more than 270 nights last year.

TABLE 2: Typical Annual Hosting Frequency for Entire Home Listings on Airbnb in Toronto⁶

Number of nights hosted [Annually]	Percent of entire home Airbnb listings in Toronto [noncumulative]	Percent of entire home Airbnb listings in Toronto [cumulative]
1–30	46%	46%
31–60	17%	63%
61–90	10%	73%
91–120	6%	80%
121–180	10%	89%
181–270	7%	97%
271+	3%	-

While we cannot know for certain why hosts are hosting only occasionally, we can hypothesize that, in most cases, the entire home listing is a primary home being rented while the resident is traveling for work or vacation, or otherwise away from home. The hosting pattern suggests that the vast majority of hosts share their homes occasionally; and, even without Airbnb, these homes would likely not be available on the long-term rental market. Additionally, it’s worth noting that many accessory units, like a small bedroom over a garage, or a portion of a dwelling with a separate entrance, can be listed as an “entire home.”⁷ This type of space often lacks a kitchen or other facilities, and, with or without Airbnb, would not be available to a long-term tenant as a dwelling unit.

2.c Most Toronto hosts make modest but meaningful income from sharing their homes. However, they don’t homeshare frequently enough to financially out-compete a long-term tenant.

When comparing the average long-term rental income with Airbnb earnings, we see that most hosts make less money hosting on Airbnb than they could renting to a tenant month-to-month.

⁵ To best represent annual hosting patterns, listings without at least a year’s worth of hosting behaviour are excluded from the analysis. Excluding newly activated listings avoids artificially inflating the lower end of the histogram for number of nights hosted.

⁶ Based on Airbnb bookings data for the City of Toronto in the year period between October 1, 2015 and October 1, 2016. Analysis includes only short-term rentals (rentals for fewer than 30 consecutive nights). Long-term rentals (rentals for longer than 30 consecutive nights) are excluded.

⁷ Classification of listings as either entire home/apartment, private room, or shared room is self-reported by hosts.

The typical entire home listing in Toronto earned \$6,560CAD in the past year⁸, which amounts to about \$550CAD per month. In comparison, average monthly rent in Toronto is \$1,339CAD. That is, renting to a long-term tenant tends to be more lucrative than hosting guests on Airbnb. Only about 760 entire home listings in Toronto that hosted in the past year—equivalent to 0.07% of Toronto housing—earned enough to out-compete the long-term market.

TABLE 3: Comparison of typical Airbnb income per listing versus average long-term rental income per housing unit

	Average annual rent in Toronto ⁹	Typical annual Airbnb income for entire home listing in Toronto	Number of Airbnb listings rented above break-even threshold	Units as % of all housing units
Entire City, All Bedrooms	\$1,339CAD x 12 months = \$16,100CAD	\$6,560CAD	760	0.07%

The bulk of listings that host part-time for less money than a tenant are more likely to be occupied homes or primary residences, whose homesharing behaviour does not affect the housing market. Again, we cannot know for certain why hosts do not rent on Airbnb enough to earn more than long-term renting, but we can hypothesize that, in most cases, the entire home listing is a primary home being rented while the resident is traveling for work or vacation, or otherwise away from home. Without homesharing, these homes wouldn't become available for long-term renters, but the homeowners would lose an important source of supplemental income in an increasingly expensive city.

Occasional or part-time homesharing of a primary residence does not add or remove a housing unit from the housing stock. The minority of listings—760 entire home listings—that homeshare frequently enough to earn more money than renting to a tenant are the units most likely to have a potential effect on the Toronto housing market. Some of these units may be pre-existing vacation rentals that now list on Airbnb; some may be a portion of a home, like a renovated basement, that would not otherwise be available to a long-term tenant; some may be pieds-à-terre that the owner occupies only for a month or two of the year but would not be rented to a long-term tenant. Nonetheless, if we assumed that all 760 listings are units off the market, the effect of adding them back to the rental stock is negligible. As shown in Table 4, if all 760 units entered the rental market and tenants occupied them (complete absorption), the vacancy rate would remain the same, at 1.6%. If all 760 listings were added and remained empty (an unlikely scenario), the vacancy rate would increase from 1.6% to 1.76%. Therefore, in the “best-case” scenario, adding a few hundred Airbnb listings to the long-term market hardly

⁸ The annual earnings per typical listing are calculated as the median earnings across all entire home listings that hosted at least one trip in the past year (October 1, 2015 through October 1, 2016). To avoid deflating the median by newly created listings, only listings that were active at the beginning of the study period (October 1, 2015) are included, to best represent the typical annual earnings. (Without controlling for newly-created listings, the median annual earnings per entire home listing is \$3,990CAD). The median is taken instead of the average because the distribution of host earnings is not normally distributed, but heavily right-tailed. With a right-tailed distribution, the median is a better measure of central tendency than the mean (average). The average is skewed upwards by the right tail (to about \$11,420CAD).

⁹ Long-term rental rates in Toronto are taken from Rent Jungle. Accessed July 12, 2016 at <https://www.rentjungle.com/average-rent-in-Toronto-rent-trends>.

increases the vacancy rate. In the worst-case scenario, there are too few Airbnb listings to have any perceptible effect on the vacancy rate.

TABLE 4: Effect on vacancy rate if all 760 Airbnb listings were added to the Toronto rental stock

	Total Rental Stock in Toronto ¹⁰	Rental Vacancy in Toronto ¹¹
Without 760 Airbnb listings in the rental stock	476,085	1.6%
If 760 Airbnb listings entered rental stock as vacant units	476,849	1.76%
If 760 Airbnb listings entered rental stock and were absorbed	476,849	1.6%

Albeit simplified, this analysis illustrates that, given the way Toronto residents participate in Airbnb activity, hosting is not typically more lucrative than renting on the long-term market. The few hundred high-frequency, high-income listings are too small of a group to have any material effect on vacancy rates, and most Airbnb hosts are *not* hosting their entire home listings at a rate that incentivizes taking the listing off the market. Most Toronto residents use Airbnb occasionally, earn modest amounts of money, and are not full-time vacation rental operators who are out-competing the long-term rental market.

2.d Entire home listings on Airbnb are not a driver of housing prices.

In Toronto, as elsewhere, rising demand for housing with unmatched growth in supply has driven up housing prices and reduced vacancies. Housing prices, in part, indicate the desirability of the city: desirable cities see increases in housing prices. Zoning policies, employment patterns, public investment, economic health and a number of other underlying factors also contribute to changes in housing prices.

These drivers of housing prices are not particularly responsive to a small-scale, immediate-term resident behaviour like the occasional short-term rental of a handful of units in Toronto. The below 2% of Toronto housing units participating in occasional homesharing are not a material driver of housing prices, particularly when (as demonstrated) the frequency of hosting only rarely generates income greater than that earned from providing a long-term rental.

3. CONCLUSION

Homesharing in Toronto is a relatively small phenomenon as it pertains to the city's housing units, impacting less than 2% of housing units. Toronto hosts tend to rent only occasionally,

¹⁰ Renter households taken from the Household Characteristics of the 2011 National Household Survey (NHS) Profile for Toronto. The rental stock is likely underestimated, since Toronto has added over 80,400 units since 2011, of which a significant portion are rental units. Accessed October 17, 2016 at <http://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CSD&Code1=3520005&Data=Count&SearchText=Toronto&SearchType=Begin&SearchPR=01&A1=All&B1=All&Custom=&TABID=1>.

¹¹ Rental vacancy rates for October 2015 are taken from the CMHC Rental Market Survey. The reported vacancy rate for "Row / Apartment" units was applied to all rental units, including single-family and semi-detached homes. Accessed October 17, 2016 at [https://www03.cmhc-schl.gc.ca/hmiportal/en/#TableMapChart/3520005/4/Toronto%20\(C\)](https://www03.cmhc-schl.gc.ca/hmiportal/en/#TableMapChart/3520005/4/Toronto%20(C)).

earning modest (but to the hosts, meaningful) supplemental income. Hosting patterns, earnings, and census data on housing appear to support the hypothesis that Airbnb hosts in Toronto are not materially impacting the housing market, but rather are a small subset of residents who rent their homes occasionally.

4. APPENDIX

4.a - Additional Notes on Methodology

Host earnings includes the listing price plus the cost of any additional guests and excludes service fees, taxes and cleaning fees. The framework is meant to reflect the total host revenue, which is most comparable to rent collected by landlords.

This analysis focuses on housing units as the unit of potential displacement. Public data, like census counts, are provided at the housing unit level, and measures of housing provision, like vacancy rates, are calculated based on housing units rather than bedrooms. Lease agreements and home sales, too, primarily occur at the unit level, rather than the bedroom level. Also, more generally, city governments tend to voice concerns about housing units in their cities, rather than (spare) bedrooms, and our analysis responds to this concern. The Airbnb data presented include only entire home listings, which are the best Airbnb proxy for housing units, even though not all entire home listings are necessarily housing units that could (legally) accommodate a long-term tenant. Entire home listings represent 65% of listings (based on active listings as of October 1, 2016), with the other 35% consisting of private and shared rooms.

Airbnb bookings data used in the analysis include short-term stays (rentals for fewer than 30 consecutive nights) and excludes long-term stays (rentals for 30 consecutive nights or longer).