Airbnb …
& the Impact on the Canadian Hotel Industry

June 2016

Introduction

The Canadian lodging industry includes approximately 4,000 individual hotels offering almost 400,000 rooms (counting only hotels with 30 rooms or more). HLT's 2015 Branded Hotel Inventory in Canada Report notes that nationally- and internationally-branded hotels, those with familiar names such as Marriott, Fairmont, Days Inn and Super 8 make up between half and two thirds of the total rooms depending on province.

Lodging is a big industry. Employing thousands of Canadians. Paying millions in taxes to all levels of government. Creating hundreds of construction jobs to build, renovate and expand lodging projects.

But lodging isn't immune to the disruptors entering various aspects of established business practices. OTAs were the disruptive focus of the 2000s. Airbnb (and related sharing economy entities) are the focus of the 2010's.

In conjunction with the Canadian Hotel Investment Conference, the School of Hospitality and Tourism Management at Ryerson University and HLT Advisory joined forces to look at Airbnb and it's impact on Canadian lodging. This report provides some background information on Airbnb, introduces some of the challenges facing this disruptor in Canada and internationally and provides a first-ever look at the revenue impact of Airbnb on Canadian hotels (through the end of 2015).

The report focuses on four large urban markets: Vancouver, Calgary, Toronto, and Ottawa. We plan to update this report following the 2016 summer season as well as expand the focus area beyond these major municipalities.

What is Airbnb?

Airbnb enables listing, searching and booking residential accommodation through the web and mobile application platforms. Providers of accommodation units can offer their entire home or an individual room (among a host of other lodging offerings) for a set price. The entire booking process is handled by Airbnb and the peer-to-peer system is further facilitated by a host/guest verification process as well as a review and rating system. Both the consumer and the accommodation provider are charged a fee by Airbnb.

2008
Launch Date

34,000 **Cities in**
191 **Countries**

$25 billion **(USD)**
Estimated Market Value

2,000,000
Listings

60,000,000
Guests

80,000,000
Room nights booked in 2015

"The hotel industry embraces competition" [however] "…some newer players in the short-term rental arena, such as Airbnb, are facilitating an explosion in growth of commercial, unregulated businesses, where hosts rent multiple units for extended periods of time … and are also avoiding regulatory and tax obligations."
Vanessa Sinders, SVP of Government Affairs for the American Hotel & Lodging Association

"What works for one community may not work for another. To be regulated is to be accepted."
Chip Conley Global Head of Strategy and Hospitality, Airbnb

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Reasons for Using Airbnb?

Leisure travellers have long been identified as the key Airbnb customer however, a recent Phocuswright study found that motivations for using Airbnb can also be applied to business travellers.

Why use Airbnb?

Reason	Percentage
Convenient Location	38%
Overall Value for Money	36%
Home-like Feeling	33%
Found a Beautiful Airbnb, Couldn't Pass Up	33%
Quality of Rooms or Options Available	30%
Recommended by Friends/Family	28%
Most Spacious Among Options	26%
Enjoy Meeting People	26%
Prefer Airbnb	25%
Lowest Price	24%
Traveling Companions Chose Property	22%
All Acceptable Hotels Were Booked	22%

Source: HLT Advisory based on Phocuswright Report: From Hotels to Homes: Opening the Door to the Airbnb Traveler

So, What's All the Fuss About?

A myriad of issues surround Airbnb as global expansion continues. Varying levels of government (local, regional and national) are grappling with how to classify/include Airbnb within regulatory, taxation and legislative structures.

Licensing

In many international cities (and almost all Canadian cities) Airbnb, and individual unit owners, operate in a grey zone. Licensing effectively grants consent and few Canadian cities have "consented" to Airbnb operations, let alone commenced business licensing. Airbnb advises hosts to check and comply with all municipal/regional licensing requirements, but often these requirements simply do not exist.

Zoning

As with licensing, only a few cities have overtly dealt with zoning issues surrounding the commercial rental of residential units through Airbnb. Some cities have unique classifications (e.g., "tourist homes" in Toronto) that permit limited rentals but often this is restricted to single-family or semi-detached dwellings, not apartments and condos (which account for the majority of Airbnb's urban inventory). Some municipalities have introduced specific zoning/ bylaws restricting rental time periods (e.g., no more than 180 days/year) or limit rentals to those units that are owner occupied. In a similar vein, condo corporation and apartment rental agreements are increasingly addressing (either allowing or prohibiting) Airbnb-type rentals.

Insurance

Airbnb's $1 million "Host Guarantee" is intended to cover losses suffered from damages. However, most homeowner insurance policies are unlikely to cover Airbnb activities, potentially leaving the host open to costs and liability.

Taxation

Property taxes are a significant fixed cost. Commercial property taxes (as applied to hotels) are much greater than tax rates applied to apt/condo units rented through Airbnb.

Indicative Property Tax Multiples	
Hotel room versus Studio/Bachelor Condo	
Vancouver	1.8 to 2.0 times
Calgary	1.6 to 2.5 times
Toronto	1.8 to 2.6 times
Ottawa	1.5 to 2.3 times

Estimated based on studio/bachelor condo property tax and average property tax/hotel room (full-service hotel) in downtown core of each city. Indicative multiples only.

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Legal, Illegal or…..

Well….it really depends on the jurisdiction (and, in some cases, a decision about which jurisdiction is appropriate: municipal and/or provincial/state).

International Context

Many cities in Europe (e.g., Amsterdam, London) and the USA (e.g., Louisville, San Diego) have recognized and legalized Airbnb. Legalization has brought a framework for regulation in such areas as zoning, unit capacity (number of guests), limits on rental days per year (usually less than 50% or 180 days), provisions to reduce multi-unit owners as well as tax collection and remittance obligations (among other regulations).

North of the Border

Regulatory adoption has been slower to reach Canada; with only Quebec and PEI having a form of home-sharing related legislation. Discussions with municipal/provincial hotel associations suggest that many Canadian cities have first addressed car sharing services, such as Uber, (taxi licensing is almost always a municipal responsibility) with home-sharing services next up on the docket. The adjacent table summarizes the legal standing of Airbnb across the four Canadian markets reviewed in this report, plus Montreal to add context to legislation that has sought to incorporate home-sharing services.

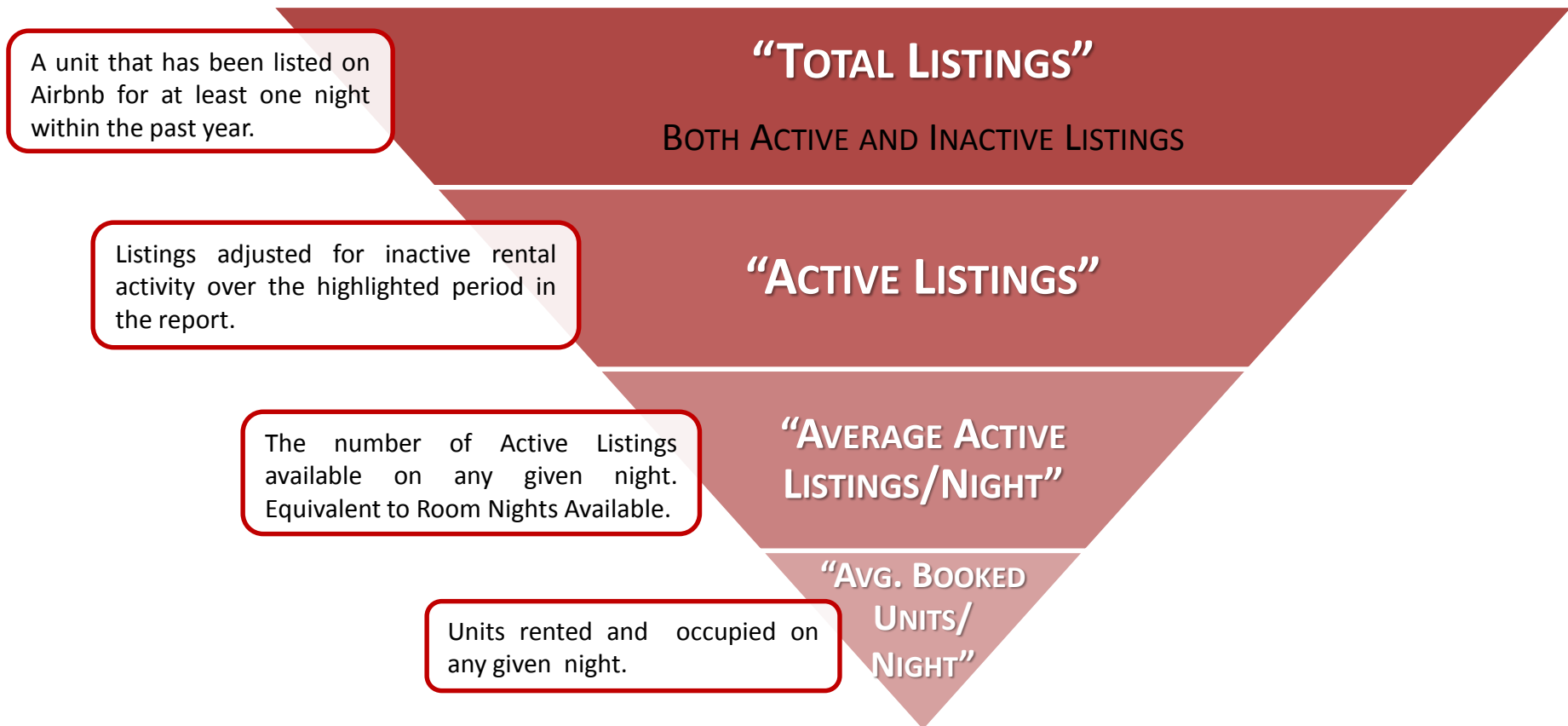| **Legal Status of Home-Sharing Services in Select Canadian Markets**						
City	Legal Status	Lodging Fee	Length of Stay	Zoning	Permit Required	Safety Regulations	Insurance
Vancouver	M	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Calgary	M	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Toronto	P	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Ottawa	P	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Montreal*	Legal	Yes	Yes	Yes	Yes	Yes	n.a.

M = home-sharing service regulation in discussion at Municipal level

P = home-sharing services are in minor discussion stages at municipal level, however current transient rental ruling shaping at the Provincial level

*The legal status of home-sharing services in Montreal was defined at the Provincial level under Bill 67.

Source: HLT Advisory interviews with Hotel Associations, Media Reports, Bill 67

Bill 67, which passed in Quebec in December 2015, includes requirements for home-sharing hosts to obtain a classification certificate from the Ministry of Tourism, and charge the same lodging tax that hotels are required to.

Home-sharing legislation has been scarce. PEI's long-standing rules under the Tourism Industry Act (requiring home-sharing hosts to register for a license) and Tourism Accommodation Levy Bylaw (requiring hosts to collect and remit 3% of the nightly rental price) are rare Canadian examples of such legislation/regulations.

How do Listings Convert to Room Nights?

Unlike hotels, the supply of Airbnb inventory can vary substantially from day-to-day and season-to-season. Some listings are created once and never made available again (the exception). Active listings include those created by outbound travel (i.e., a unit owner takes a trip and lists his/her vacant unit on Airbnb). Booked units are listed units that have actually been "sold". Below is a progression from "Total Listings" → "Booked Units/Night":

A unit that has been listed on Airbnb for at least one night within the past year.

"TOTAL LISTINGS"

BOTH ACTIVE AND INACTIVE LISTINGS

Listings adjusted for inactive rental activity over the highlighted period in the report.

"ACTIVE LISTINGS"

The number of Active Listings available on any given night. Equivalent to Room Nights Available.

"AVERAGE ACTIVE LISTINGS/NIGHT"

Units rented and occupied on any given night.

"AVG. BOOKED UNITS/ NIGHT"

How do Listings (Units) Relate to Hosts?

Airbnb hosts come in many shapes and sizes. The majority of hosts reside in their units on a full-time basis, renting out the unit only while away (or renting out just a room while still living in the unit).   This model was the genesis of the Airbnb platform. The remainder of the host community uses Airbnb on a more commercial basis. These are professional hosts that: 1) offer units for substantially all of the year (i.e., the host does not reside in the unit) and/or 2) operate multiple Airbnb units. These two categories can, and often do, overlap. Professional hosts have been shown to make up a disproportionate amount of Airbnb revenue.

A Penn State study (funded by American Hotel and Lodging Association) "*From Air Mattresses to Unregulated Business: An Analysis of the Other Side of Airbnb* ", assessed Airbnb's operations in 12 of Americas largest metropolitan statistical areas. As the table shows (revenue in USD), the study concluded that full-time hosts comprised **3.3% of total operators but 28.5% of total revenue** and multi-unit hosts comprised **16.8% of operators but 39% of total revenue**.

Operators Analysis						
	Full-Time Hosts		Total Hosts		Full-Time as % of Total	
Type of Operator	Full-Time Units	Full-Time Revenue	Total Units	Total Revenue	% of Hosts	% of Revenue
1-unit Operator	381	$23,189,136	66,253	$808,880,283	0.6%	2.9%
2-unit Operator	136	$15,806,606	8,067	$191,745,971	1.7%	8.2%
3+-unit Operator	130	$34,622,137	5,320	$325,972,137	2.4%	10.6%
Professional Property Managers*	2,010	$304,555,495	-	-	-	-
Total	2,657	$378,173,374	79,640	$1,326,598,391	**3.3%**	**28.5%**
Multi-Unit Hosts	266	$50,428,743	13,387	$517,718,108	**16.8%**	**39.0%**

*Professional property managers are agents managing units on behalf of the unit owners (this line item comprises an undisclosed combination of 1,2, and 3+ units).

Source: Penn State: From Air Mattresses to Unregulated Business: An Analysis of the Other Side of Airbnb, January 2016

Regulators have sought to address these professional hosts by limiting the time period transient rentals can be offered and in some cases, requiring hosts to be on the premise (living in the property) while operating these short-term rentals.

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Airbnb in a Canadian Context

Much of the reporting and documentation about Airbnb has been focused on the US and other international markets. Given the rapid growth in Canadian Airbnb listings, the time has come to consider the impact on the Canadian hotel industry. Airbnb is, after all, another form of room inventory. Similar to how hotels review their Smith Travel Research reports to understand market performance, it is now time for the industry to look at Airbnb performance in their given markets.

To access information about Airbnb market performance we relied on data compiled by Airdna. Airdna tracks supply and demand for 2,000,000 Airbnb listings around the world. Airdna's data is primarily compiled for and targeted to individuals that own one or more Airbnb units, providing guidance on how to better manage and market their units. However, the value of the data collected has been recognized and used more broadly including hotel and tourism industry associations. Airdna's service has become the trusted source for short-term rental data.

As a starting point to Airbnb analysis in Canada we focused on four major urban markets: **Vancouver, Calgary, Toronto**, and **Ottawa**.

Each market is profiled on the following pages.
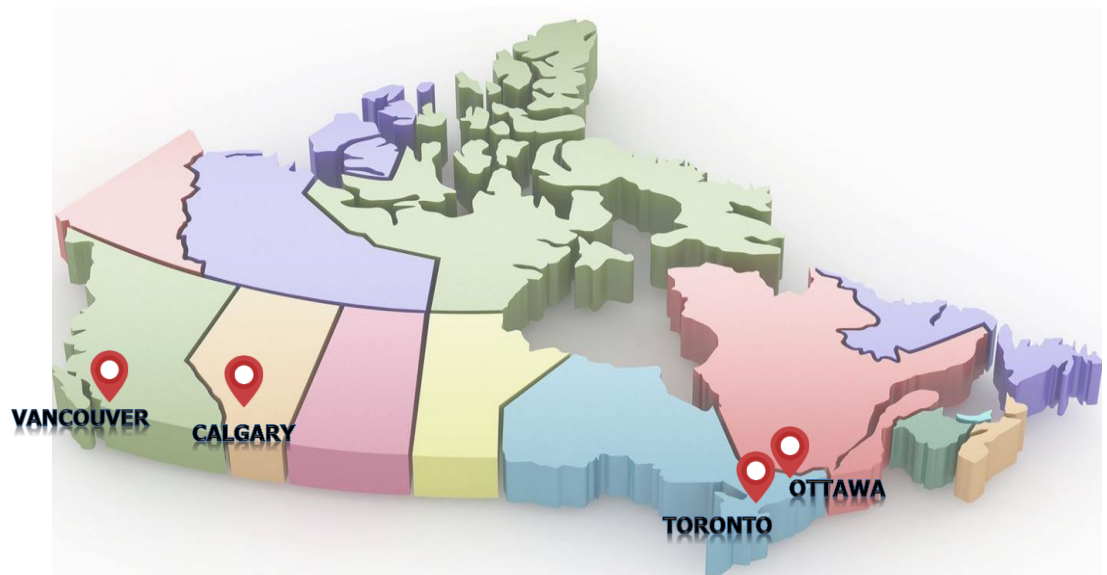
Airbnb "Total Listings" in Select Major Canadian Cities

Within the four markets investigated in this report, Airbnb listings have grown from essentially 0 in 2011 to nearly 26,000 by Q1 2016. Since the beginning of 2015 alone, Airbnb listings have grown by 140% in the four selected markets.
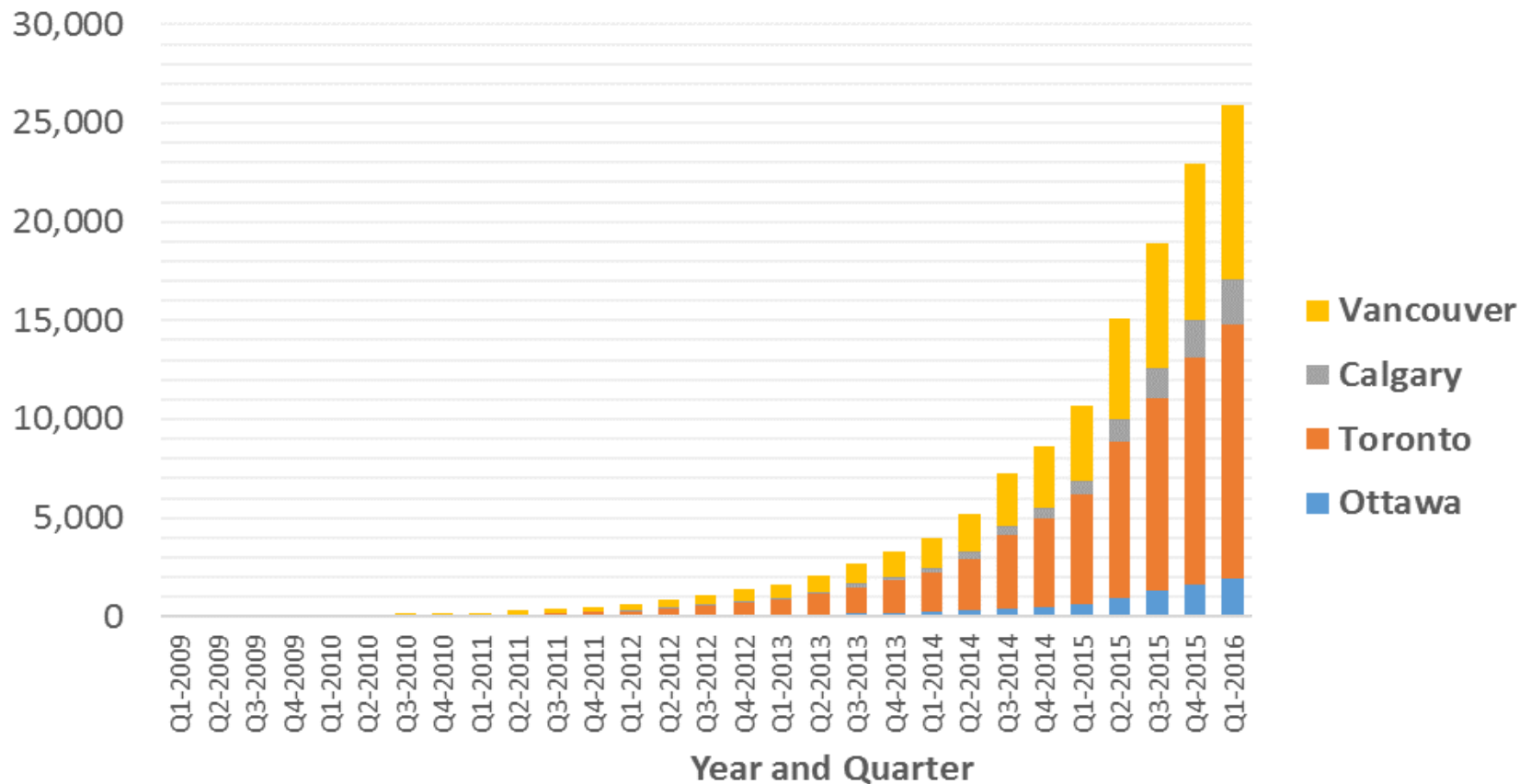
Note: Again, "Total Listings" include both active and inactive listings (listed for at least one night in the past year)
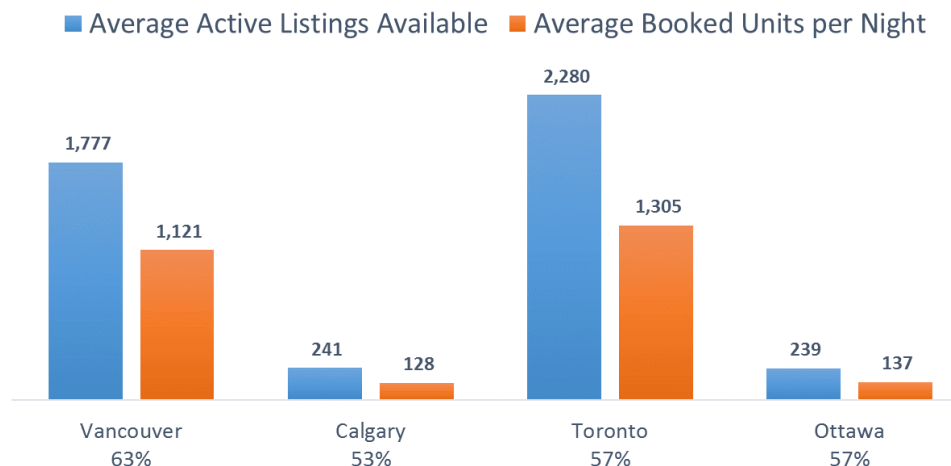
How Many Listing are Available in Major Cities?

Many reports about Airbnb have been about US and other international markets. With their rapid growth in the past couple of years it is time that the Canadian hotel industry start to look at Airbnb as another form of inventory. Similar to how hotels review their Smith Travel Research reports to understand market performance, it is now time for the industry to look at Airbnb performance in their given markets.

To access information about Airbnb market performance we used Airdna. Airdna tracks supply and demand for 2,000,000 Airbnb listings making the data available to individual investors who manage a listing and the broader tourism community. Their service has become the trusted source for short-term rental data. Their services are used by organization like CBRE Hotels, American Hotel and Lodging association and destination marketing associations.

Using Airdna data we were able to calculate the average nightly supply/demand and occupancy for Airbnb across our select markets in Canada. This analysis does not include shared or private room listings and it only counts listings available for rent. From the table you can see that Airbnb represented anywhere from 128 to 1,305 booked units per night.

Airbnb Occupancy

■ Average Active Listings Available ■ Average Booked Units per Night

City	Average Active Listings Available	Average Booked Units per Night	Occupancy
Vancouver	1,777	1,121	63%
Calgary	241	128	53%
Toronto	2,280	1,305	57%
Ottawa	239	137	57%

Note: Percentages under cities equate to average occupancy for July to December 2015 (i.e. Average Booked Units per Night/Average Active Listings Available per night).
Source: Airdna (Data for entire place only)

Airbnb Market Summary

Overall in the four markets investigated during the six month time period, Airbnb represented a 4.3% share of market demand and a 4.2% share of the market revenue. The market share was calculated using Airdna data for Airbnb and local market information for the hotels. There is a significant difference in market share results for the large metropolis markets (Vancouver & Toronto) versus the smaller city markets (Calgary & Ottawa). Two potential explanations for this are leisure travel and real estate pricing.

ADR & Airbnb Price Index

While much has been written about the lower cost that Airbnb provides travellers, it should be discussed in the context for each market. When you are speaking of the prices to rent a private room or share an apartment, Airbnb is considerably less than hotels. However when you look at the average daily rate for renting an entire place from Airbnb and a hotel, the difference is not that significant.

In larger markets the Airbnb Price Index is relatively the same as the hotel ADR in the market during the same time period.

Note: Airbnb ADR was converted from US$ to CAN$ using monthly average exchange rates from the Bank of Canada.

Airbnb Share of Market and ADR

Market	Share of (%)		ADR ($'s)		Airbnb Price Index
	Demand	Revenue	Hotel	Airbnb	
Metro Vancouver	5.3	5.1	173.86	167.64	96.4
Calgary	1.5	1.2	155.24	121.82	78.5
Greater Toronto	4.7	4.7	146.89	148.91	101.4
Ottawa	2.6	2.2	142.55	119.43	83.8
All 4 Markets	4.3	4.2	156.69	153.93	98.2

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Airbnb Revenue as a Share of Hotel Revenue

Using data from Airdna, a summary inventory for each market is provided along with a monthly market share summary using both Airdna and local hotel market performance information.

Metro Vancouver Listings Summary July - December 2015

Type of Listing	Active Listings	Share of Reservations	Share of Revenue
Shared*	177	2%	1%
Private*	2,389	29%	15%
Studio	484	7%	6%
1 Bedroom	2,561	37%	37%
2 Bedrooms	1,330	19%	26%
3+ Bedrooms	562	6%	14%

Shared and Private are not included in Entire Place

Entire Place Share of Reservations	69%
Entire Place Share of Revenue	84%
Multi-Unit Hosts Share of Revenue	54%

Calgary Listings Summary July - December 2015

Type of Listing	Active Listings	Share of Reservations	Share of Revenue
Shared*	29	2%	1%
Private*	489	40%	23%
Studio	26	3%	3%
1 Bedroom	292	29%	31%
2 Bedrooms	250	21%	30%
3+ Bedrooms	91	5%	12%

Shared and Private are not included in Entire Place

Entire Place Share of Reservations	59%
Entire Place Share of Revenue	77%
Multi-Unit Hosts Share of Revenue	59%

Metro Vancouver
July - December 2015

Airbnb Overall Share of Demand 5.3%

Airbnb Overall Share of Revenue 5.1%

Legend: Airbnb Share of Demand · Airbnb Share of Revenue · Linear (Airbnb Share of Demand)

Calgary
July - December 2015

Airbnb Overall Share of Demand 1.5%

Airbnb Overall Share of Revenue 1.2%

Legend: Airbnb Share of Demand · Airbnb Share of Revenue · Linear (Airbnb Share of Demand)
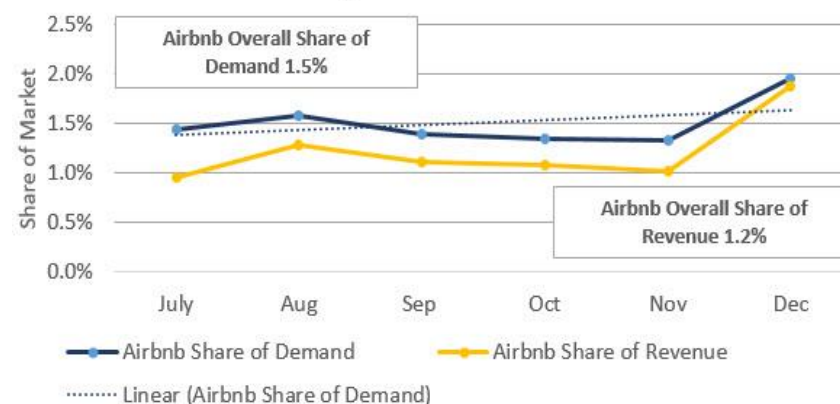
Airbnb Revenue as a Share of Hotel Revenue

Greater Toronto Listings Summary July - December 2015

Type of Listing	Active Listings	Share of Reservations	Share of Revenue
Shared*	183	2%	1%
Private*	2,689	30%	16%
Studio	553	7%	6%
1 Bedroom	3,316	39%	42%
2 Bedrooms	1,587	17%	25%
3+ Bedrooms	557	5%	11%

Shared and Private are not included in Entire Place

Entire Place Share of Reservations	69%
Entire Place Share of Revenue	84%
Multi-Unit Hosts Share of Revenue	57%

Ottawa Listings Summary July - December 2015

Type of Listing	Active Listings	Share of Reservations	Share of Revenue
Shared*	26	2%	1%
Private*	460	36%	22%
Studio	51	7%	7%
1 Bedroom	286	31%	33%
2 Bedrooms	169	17%	23%
3+ Bedrooms	103	7%	14%

Shared and Private are not included in Entire Place

Entire Place Share of Reservations	62%
Entire Place Share of Revenue	77%
Multi-Unit Hosts Share of Revenue	53%

Greater Toronto Area
July - December 2015

Airbnb Overall Share of Demand 4.7%

Airbnb Overall Share of Revenue 4.7%

— Airbnb Share of Demand   — Airbnb Share of Revenue

········ Linear (Airbnb Share of Demand)

Ottawa
July - December 2015

Airbnb Overall Share of Demand 2.6%

Airbnb Overall Share of Revenue 2.2%

— Airbnb Share of Demand   — Airbnb Share of Revenue

········ Linear (Airbnb Share of Demand)

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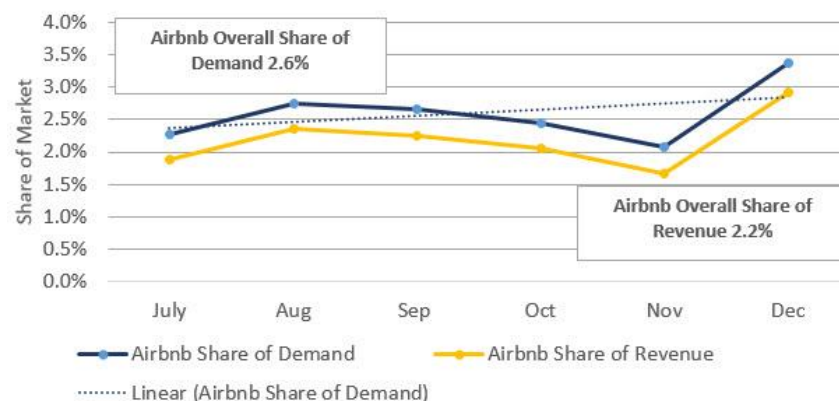
Ted Rogers Institute for Hospitality and Tourism Research

The Ted Rogers Institute for Hospitality and Tourism Research was established to connect with industry and enhance our school`s reputation beyond education and skill focused training. Our focus has been to work with industry partners to conduct applied research projects that provide our students with opportunities to learn and grow.

> *"Our mission is to facilitate and conduct research of scholarly value and significance to the tourism and hospitality field, and to mobilize knowledge through traditional and non-traditional channels to reach academic, student, and professional audiences, which enhance the research reputation and impact of Ryerson University, particularly in the tourism and hospitality field."*

For more information about the research institute or to learn more about this report, contact:

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Dr. Gibbs is an Assistant Professor with the Ted Rogers School of Hospitality and Tourism Management at Ryerson University. His research is at the intersection of digital media and its impact on leisure businesses. He has researched, presented and published on topics related to social media, mobile websites, mobile applications and more recently the sharing economy. Prior to joining Ryerson he worked for 20 years with diverse hospitality (Keg Restaurants & Delta Hotels), travel (Travel CUTS), entertainment (Livent & Playdium), and), sports (MLSE) organizations. Dr. Gibbs uses his know-how for educating students to be future leaders and creating actionable research for industry.

HLT Advisory

HLT is widely-recognized as one of Canada's leading hospitality, leisure and tourism industry advisory firms. HLT was formed in 2005 by Lyle Hall and Rob Scarpelli. Prior to the creation of HLT, Lyle was Managing Director/Partner of KPMG's National Hospitality and Leisure practice area and Rob was Managing Director/Partner of PricewaterhouseCoopers' National Hospitality and Leisure practice area. Both Lyle and Rob left their respective partnerships and formed HLT Advisory Inc., which now includes a total of eight professional staff. HLT's core competencies are in the following sectors:

- **Lodging** – HLT has worked across Canada, and internationally, for a cross section of hotel companies focusing on development, marketing and operations planning for major mixed-use projects..
- **Convention Centres** – HLT has unsurpassed qualifications in the meeting and exhibition industry including preparation of market substantiation assignments for almost every major Canadian convention centre/tradeshow facility (and corresponding economic impact assessments) opened over the past two decades (as well as several in the planning stages).
- **Tourism and attractions** – HLT provides strategic planning, operations, market analysis and marketing support to major attractions and events as well as assisting the public sector in the development of tourism marketing and investment plans and Request for Proposal processes.
- **Gaming** – HLT has played a significant role in the growth and development of the Canadian gaming industry through involvement, in one fashion or another, with almost every major land-based gaming project in every region of Canada, over the past two decades.
- **Sports and Entertainment Facilities** - HLT has worked on numerous spectator and community sports/entertainment venues preparing market assessments and business plans as well as providing acquisition and related transaction services.

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