

AIRBNB MODEL TO CHANGE – OWNERS TURNING AWAY FROM SHORT-TERM RENTALS

The Covid-19 pandemic and the resulting health and economic crisis have hit the tourism sector hard. This unprecedented period is raising many questions. Should tourism reinvent itself? What will the new “normal” look like?

The situation we are experiencing today is necessarily more favorable to hoteliers than to Airbnb. **The hoteliers are likely to recover their market share because hotels are considered more secure in terms of health than an apartment rented by an individual.**

Hotels are infrastructures that put in place mandatory and verified cleaning protocols which provides consumers with the feeling of a place more suited for their current needs in the time of crisis. But this is not the only reason why Airbnb is destined for a crisis period in the coming months.

The Effects of the Crisis on the Airbnb Model

The effects of the crisis on the Airbnb model will be numerous and very negative, even stronger than for other players in the industry. The reason is that Airbnb is more fragile because most of the accommodation is owned by individuals, who are on their own to face such a crisis.

Initially, the company encouraged many individuals to invest in apartments and then rent them out.

Today, some of them want to sell their property or start renting it out for the long term. At the same time, local policies will be strengthened. With the crisis, municipalities will be forced to promote the local economy and therefore hotels, to the detriment of individuals and Airbnb.

The truth is, however, that Airbnb no longer has to prove its ability to recover. They have succeeded in creating a real brand image which remains very attractive. On the other hand, they will experience a period of great difficulty which will force the company to review its model of short-term rentals.

While this is likely to take time, the company will first have to start reviewing the organization. According to experts, they themselves are not yet sure which direction they will take in the coming months or years. But one thing is certain, the changes in the market are already visible, from Paris to Vienna.

Short-term Rentals at Risk in Paris?

In 2019, 50.3 million tourists arrived in Ile-de-France (the region surrounding Paris). In 2020, it is much less. At the beginning of June, according to data from AirDNA, only 41% of the properties offered on

Airbnb were occupied, against 55% in a “usual” year. And unfortunately for the landlords, tourism experts do not predict a return to “normal” tourism activity within a year.

As a result, the owners may wonder if, exceptionally, it might not be better to turn their Airbnb listing into a long-term rental, for the months to come. At least until the crisis stabilizes.

Since the deconfinement, the property manager Flatlooker observed that this question concerns more and more owners. The platform claims to have received three times more calls from individuals wishing to know the terms of a transition from a seasonal rental to a long-term rental, from the month of May, compared to the usual average.

Drastic Fall in Prague

The decline of the popularity of Airbnb and other short-term rentals in Prague is best illustrated by data on the number of new bookings each week of this year. These show a gradual decline in the number of nights in demand in the Czech capital since the beginning of the year.

AirDNA analysts saw the biggest drop in the week since April 20, when the interest fell by as much as 86% compared to the first week of the year.

While at the beginning of the year, tourists booked 8,329 new stays for any future date in Prague, in the week from April 20, it was only 1,143. The decline is all the more significant because the winter months tend to be less busy for tourists. As of mid-June, there were only 4,588 new reservations, which is still 55% less than in January.

Another consequence of the coronavirus crisis is the loss of people who offer their apartment for rent on Airbnb in the city. “Large landlords”, of which there were 170 last year, decreased by as much as a fifth year-on-year.

However, most hosts rent only one apartment. While last year there were 3,309, this year it is 2,800. This is a 15% drop. The decrease in owners renting two or more apartments is 11%.

Pandemic Changing the Vienna Rental Market

According to a study by Innofact, half of Austrians will no longer want to use the Airbnb model in the future. The main reason is the change of attitude towards hygiene standards.

27% no longer feel comfortable with the idea of spending the night in the home of strangers and using their sanitary facilities. Another 14% would refrain from renting an Airbnb apartment for various other reasons. A minority of just under 13% can well imagine renting an Airbnb apartment this year.

According to ImmobilienScout24, **many providers are also expecting this “Airbnb effect” and are increasingly looking for long-term rentals.** This can be seen from the sudden increase in the

availability of small apartments on Immoscout24. In April, the offer almost doubled compared to the pre-crisis period.

This applies in particular to Vienna and, as mentioned, to the area of very small rental apartments of up to 60 square meters. Instead of 2,756 apartments in January, 5,113 objects were available in Vienna in April.

Especially in the tourist districts in the city center, the number of apartments on offer increased rapidly during the month. The situation calmed down somewhat in May and the numbers are falling. The total range of apartments up to 60 square meters decrease again somewhat but was still 13% above the level at the beginning of the year.

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