

TOURISTIC CITIES: HOW THE PANDEMIC TAMED AIRBNB'S EXCESSES



Still shunned by visitors, Europe's most touristic cities are becoming affordable again for their inhabitants: the drop in Airbnb bookings has brought down the rents.

Mayors of most visited European cities dreamed of it, but the pandemic did it. This is the small miracle of the coronavirus. In a few months, it has managed to deflate the bubble fueled by Airbnb.

The holiday rental platform had literally sucked up the available accommodation in the most touristic cities, driving up the real estate market and scaring away city dwellers. With the confinement stretching, the uncertainties of travel, many owners have given up: they have unsubscribed from the site and now rent all year-round. When they are no longer able to make their property profitable, some even sell. In Prague, Airbnb rentals have been halved and the price of rentals has fallen by 8%. In Lisbon, rents fell by 15% between March and December 2020.

Is the drop in Airbnb bookings alone enough to ease the property market? That is the main factor. In the top fifty European cities, the number of available accommodations on Airbnb has dropped by more than 20%. The drop in bookings has been meteoric: -70% for Venice if we compare January 2021 to January 2020. This city, which receives 20 million tourists every year, has been drained by real estate pressure. Before Covid-19, more than one in ten homes were reserved for tourist rentals. Some 60,000 people still live there, 30,000 have retreated to the neighborhood because of rent inflation. They could come back, provided that the disaffection is sustainable, which is not automatic unless the authorities intervene.

Are the mayors of the touristic cities now hopeful that they can better control the supply of housing? Since last spring, the platforms have been obliged to share their data with the Brussels Commission. In spring, the number of rentals made and flats available for the previous year will be known. Twenty European mayors are now asking the commission to include them in the data sharing, which would allow them to better monitor the supply of available flats. In Venice, residents want empty flats to be taken over by the city to relocate residents.

Is Airbnb's model being called into question? **The platform incurred several billion dollars (\$ 4.6 billion) in losses last year, its income fell by 30%, but its accounts are already recovering.** The enormous decrease was not only due to the burdens of the pandemic, which brought business to a standstill in the spring and led to massive cancellations. Airbnb also had to cope with high costs due to its IPO in December.

However, compared to the traditional hotel industry, Airbnb has resisted the tourism crisis relatively well by redistributing its offer to the countryside. In Italy, customers have flown away from Florence and Venice to Sicily. In the UK, it is Devon that has benefited.

The platform is also taking advantage of the revival of domestic tourism and the nomadic lifestyle encouraged by teleworking. Its housing offer continues to grow in several European countries such as France, Germany, and Spain. Its model is proving to be rather resilient, favorable to sustainable

tourism which could be the new post-Covid trend. Airbnb expects the travel industry to make a comeback in 2021.

As for the cities that were smothered by tourism, they are now looking for a new model that takes into account the economic interests and purchasing power of their inhabitants.

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