

The impact of regulatory approaches targeting collaborative economy in the tourism accommodation sector:

Barcelona, Berlin, Amsterdam and Paris

Dredge, Dianne; Gyimóthy, Szilvia; Birkbak, Andreas; Jensen, Torben Elgaard; Madsen, Anders Koed

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The impact of regulatory approaches targeting collaborative economy in the tourism accommodation sector:

Barcelona, Berlin, Amsterdam and Paris

2016



AALBORG UNIVERSITY
DENMARK

Professor Dianne Dredge
TRU - Tourism Research Unit
Department of Culture & Global Studies
Aalborg University, Denmark
dredge@cgs.aau.dk

Associate Professor Szilvia Gyimóthy
TRU - Tourism Research Unit
Department of Culture & Global Studies
Aalborg University, Denmark
dredge@cgs.aau.dk

Assistant Professor Andreas Birkbak
The Techno-Anthropology Research Group / TANT lab
Department of Learning & Philosophy
Aalborg University, Denmark
ab@learning.aau.dk

Professor Torben Elgaard Jensen
The Techno-Anthropology Research Group / TANT lab
Department of Learning & Philosophy
Aalborg University, Denmark
tej@learning.aau.dk

Associate Professor Anders Koed Madsen
The Techno-Anthropology Research Group / TANT lab
Department of Learning & Philosophy
Aalborg University, Denmark
akma@learning.aau.dk

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Executive Summary

The collaborative economy is a major driver of economic and social innovation and is transforming many sectors of the economy including tourism. PWC estimates that in Europe collaborative economy peer-to-peer accommodation is the largest sector of the collaborative economy with an estimated total transaction value of €15,1 million in 2015. The rise of peer-to-peer or collaborative economy tourism accommodation harnesses digital technologies to connect hosts and guests who would otherwise never have connected. In the process, new markets are created, access to new products and experiences are facilitated and new opportunities for tourism economic development are unlocked.

This Impulse Paper assesses the scope and effects of the collaborative economy on the tourism accommodation sector in the cities of Barcelona, Berlin, Amsterdam and Paris. The objectives are:

1. To compare and contrast the different regulatory measures that have been put in place in each of the four cities.
2. To assess the impacts of regulatory approaches adopted in each city on different groups of stakeholders and on the destination in general.
3. To analyse policy practices and make recommendations with respect to good practice.

Regulatory Responses

The analysis of regulatory responses in each city revealed:

- Amsterdam, Paris and Barcelona have adopted direct regulatory measures to address aspects, issues and/or impacts of collaborative economy tourist accommodation. Berlin has not adopted any measures to address the collaborative economy but has implemented a Change of Use law to protect residential housing from conversion to short term rental accommodation.
- Collaborative economy tourism accommodation has not necessarily caused housing shortages and affordability issues but its growth may have aggravated these conditions in particular in centrally located districts.
- In all cities, extraordinary growth in tourism arrivals over the last 5 years, particularly in the price sensitive tourism markets targeted by low cost airlines, has contributed to increased demand for lower priced accommodation.
- Increased pressure/demand on housing capacity has led to high property prices and increased interest in property development by international investors
- Population mobility and high levels of investment in second homes in the cities studied have also contributed to a growing rental pool. Owners' seasonal use reduces the likelihood that such properties will be rented to permanent residents and increases the likelihood that they will be rented on peer-to-peer sharing accommodation platforms.
- Social media has played a role in propagating and circulating concerns about collaborative economy accommodation issues. Issues and problems observed in one city are often projected onto other cities via social media without research or evidence.
- Three common issues emerge in media and policy debates across the cities, but not all of which have been deemed appropriate to address via regulation:
 - Consumer protections, safety, health issues arising from the use of residential properties as short-term rental accommodation
 - The cumulative impacts of collaborative economy tourism accommodation on community interests at neighbourhood and city levels

- A fair and competitive regulatory environment for both incumbents and new collaborative economy platforms including equitable obligations for payment of taxes.
- Poor, inaccurate or biased information at the city level is a problem for policy makers. Platform interests often dominate research aimed at supporting policy development and independent research is thwarted by the lack and difficulties of obtaining data.

Impacts on destinations and stakeholders

A range of issues are coalescing to create different impacts on destinations and stakeholders, including:

- Social housing and rental accommodation stock are under pressure in all four cities. Property investment and rental markets are key drivers in the growth of collaborative economy tourism accommodation. Investors are able to make money from investing in and renting out accommodation to tourists than to permanent residents, while other residents need to rent out rooms and, at times, their whole apartment while on holiday to make ends meet. The motivations for participation in, and the impacts of tourism collaborative economy on residents, investors and other stakeholders are, therefore, very uneven.
- All four cities reported unprecedented tourism growth since 2009. This has not only led to record visitor numbers and revenues, but also increased demand for tourism accommodation. There has also been strong growth and diversification in accommodation capacity in each city, including collaborative economy tourism accommodation.
- The structure and profile of the populations in the four cities have changed considerably in recent years due to resident and labour force mobility within the EU. Research suggests that expatriates, foreign investors and other non-residents are significantly over-represented among hosts in the collaborative economy. Poorer multi-ethnic neighbourhoods are less represented as hosts.
- An expansion in accommodation supply is observed in all four cities driven in part by collaborative economy accommodation, but also by investment in new hotels and other accommodation establishments.
- Higher concentrations of peer-to-peer accommodation occur in the inner city neighbourhoods and those closest to tourist precincts and this accommodation type becomes more dispersed further away from the city centres. Across the city, economic and social impacts of collaborative economy tourism accommodation on local neighbourhoods are experienced unevenly.

Recommendations

Recommendations are made with respect to:

- The need to address regulatory issues at the most appropriate level according to the subsidiarity principle;
- The need to undertake a policy mapping exercise to understand cross-sectorial policy impacts and complexities;
- The need to develop knowledge networks and dialogue platforms for researching and sharing information and understandings about collaborative economy accommodation;
- The need to encourage diverse collaborative economy accommodation models;
- The importance of establishing collaborative approaches to the governance and regulation of collaborative economy accommodation;
- The need to establish a clear future-oriented strategic position on the collaborative economy to guide collaborative economy tourism accommodation regulatory approaches;
- The use and relative merits of adopting a mix of policy and regulatory instruments; and
- The need to define and clarify key concepts and types of use/occupancy of accommodation.

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Collaborative Economy and Tourism Accommodation

Background

The collaborative economy is a major driver of economic growth and social innovation. Within the broader collaborative economy, PWC estimates that in Europe collaborative economy peer-to-peer accommodation is the largest sector of the collaborative economy with a total transaction value of €15,1 million in 2015¹. Also known as the 'sharing economy', the 'peer-to-peer economy', the 'gig economy' and the 'on-demand economy', the collaborative economy uses digital technologies to connect producers/hosts and consumers/guests who otherwise may never have connected. Any individual with an apartment or a room can now rent it in the global marketplace. No or low barriers to entry, greater diversity of accommodation products, greater demand for temporary accommodation capacity, increased efficiency of transactions, reduced costs and global reach are some of the reasons why the collaborative economy peer-to-peer accommodation sector has grown so rapidly. In the process, supply chains have been re-configured, producer-consumer relations are being transformed, existing markets have expanded and new markets created. The European Commission, in its recently adopted Communication on the collaborative economy² has noted that the collaborative economy has potential to open up new opportunities for consumers and service providers, it has the potential to create employment and, by using existing resources more efficiently, it can contribute to the objectives of the circular economy.

In relation to tourism, the growth of the collaborative economy peer-to-peer accommodation sector has significant impacts for traditional tourism industry structures and relationships. The growth of the collaborative economy peer-to-peer accommodation market has led to a diversification of accommodation stock, it has led to increased competition, and it has stimulated a range of ancillary services offered by small and micro-entrepreneurs. However, incumbent industry actors (such as hotels, apartment hotels, bed and breakfasts, hostels and vacation rentals) are concerned about the uneven regulatory landscape and the unfair competition this may create³. Municipal governments and host communities are also raising concerns over the impact of unregulated tourist accommodation within residential neighbourhoods and the conflicts that are emerging due to the changing commercial nature of traditional residential areas close to city centres. In many cities across Europe, there have also been considerable concerns raised over the conversion of residential stock, and particularly social housing, into commercially oriented peer-to-peer tourist accommodation.

This paper has been commissioned by the European Commission's DG GROWTH to examine the impact of regulatory approaches targeting collaborative economy in the tourism accommodation sector in the cities of Barcelona, Berlin, Amsterdam and Paris. The objectives of the report are:

1. To compare and contrast the different regulatory measures that have been put in place in each of the four cities;

¹ PWC. 2016. Assessing the size and presence of the collaborative economy in Europe

<http://ec.europa.eu/DocsRoom/documents/16952/attachments/1/translations/en/renditions/native>

² EU Commission. 2016. A European agenda for the collaborative economy. SWD(2016) 184 final.

http://ec.europa.eu/growth/single-market/strategy/collaborative-economy/index_en.htm

³ HOTREC (2015) Levelling the Playing Field. Policy paper on the sharing economy. <http://www.hotrec.eu/policy-issues/sharing-economy.aspx>

2. To assess the impacts of regulatory approaches adopted in each city on different groups of stakeholders and on the destination in general; and
3. To analyse policy practices and make recommendations with respect to good practice.

Key terms

The **collaborative economy** has been defined by the European Commission as “a complex ecosystem of on-demand services and temporary use of assets based on exchanges via online platforms”⁴. Within the accommodation sector, this includes digital peer-to-peer rental platforms, vacation rental platforms and home swapping platforms. An important innovative edge of the collaborative economy is that it combines the potential for economic value creation, sustainability, circular economy and communitarian values. In tourism, the collaborative economy may optimise the efficiency of tourism products and services and may simultaneously address the moral and cultural imperatives inherent in hospitality and sustainability. As such it carries the potential to revalorise local livelihoods, resources and small businesses in a global marketplace dominated by multinational industrial players.

PWC defines **peer-to-peer accommodation** as “collaborative economy organisations in the accommodation sector that use digital platforms to enable individuals to rent out access to their unused accommodation to travellers”⁵. This includes renting out either a portion of the dwelling while the host is present or an entire dwelling, which maybe the host’s primary dwelling while they are away, or a secondary residence. Within the definition, PWC include:

- Peer-to-peer rental platforms (e.g. Airbnb, Windu, 9flats, One Fine Stay, etc.)
- Home swapping platforms (LoveHomeSwap)
- Online-only vacation rental platforms (HomeAway)

For the purposes of this paper, we focus on a subset of the peer-to-peer accommodation sector: short-term tourism accommodation rentals. **Collaborative economy tourism accommodation** is defined as peer-to-peer digitally mediated accommodation that is used predominantly, but not exclusively, for tourism-related short stays. While the PWC definition above limits peer-to-peer accommodation to extractive types of business models, in this Impulse Paper we acknowledge the potential for a wider range of business models of the collaborative economy that include:

- Market-mediated commercial platforms (e.g. [Airbnb](#), [Wimdu](#), [Flipkey](#), [9flats](#), etc.)
- Auto-mediated community sharing models (e.g. [Couchsurfing](#), [Belodged](#), [BeWelcome](#), [WorkAway](#), and [NightSwapping](#))
- Publically-owned exchange platforms (e.g. municipality-owned)
- Cooperative platforms (e.g. DMOs or industry cooperatives)

Collaborative economy accommodation models

Business models in the peer-to-peer accommodation sector can vary significantly. However most discussion about regulating collaborative economy peer-to-peer accommodation has been focused on **commercialised extractive models**. In extractive models such as Wimdu, Airbnb, Flipkey and 9flats, market value is generated and captured by private for-profit platforms that offer booking services and

⁴ EU Commission 2015. COM(2015) 550 final Upgrading the Single Market: more opportunities for people and business.

<https://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-550-EN-F1-1.PDF>

⁵ PWC. 2016. Assessing the size and presence of the collaborative economy in Europe

<http://ec.europa.eu/DocsRoom/documents/16952/attachments/1/translations/en/renditions/native>

guarantees on a digital platform for a fee. The fee covers transaction and administrative costs, including verification procedures advertising of the property and feedback mechanisms. Trust is embedded in the standardised peer rating system, which replaces traditional third-party quality control mechanisms such as star ratings. These peer rating and reputational systems create market-driven indicators of quality, where bad reviews and poor reputations supposedly work to minimise the presence of sub-standard accommodations. This is now starting to change in many cities however, with the introduction of licencing requirements. This extractive model, manifested in a small number of global platforms, has tended to dominate the marketplace and media coverage. Public debate has often been in response to this corporatised extractive collaborative economy accommodation model which, by default, remain the principal concern of regulatory responses.

Extractive collaborative economy peer-to-peer accommodation

Extractive models of collaborative economy peer-to-peer accommodation extract approximately 15% of value created and 85% is returned to the supplier or host⁵. Extractive models are often up-scaled global models of a particular concept while the commons models are typically bottom-up initiatives entrenched in local communities or coalitions. In the extractive model, market value is derived from the sharing of the asset (e.g. the apartment or room) and the host's resources, local knowledge and labour. In this model approximately 15% of this market value is diverted to the platform company and its investors and 85% is returned to the host. Extractive platforms do not invest back into the third party asset, product or labour, earning criticism that they are merely extracting and redistributing wealth rather than generating sufficient new value for a host or community to thrive, be socially fair and sustainable⁶.

Commons model of the collaborative economy

The commons or generative model of the collaborative economy draws upon three broad social movements: (i) sustainable citizenship; (ii) fairness based around the creation and distribution of value that is shared; and (iii) the commons movement which embeds a commitment to open source and sharing for a vibrant society. A commons model is often linked back to solidarity economics, sustainable citizenship and the circular economy. It is quite often locally embedded and reflects a ground up initiative, although digital platforms are allowing these initiatives to scale and reproduce in other locations. Commons models may take different forms, and could include, for example, cooperative marketplaces for accommodation, prod-user owned platform cooperatives and publically owned platforms (e.g. municipalities, DMOs or other industry cooperatives).

At the other end of the spectrum, an alternative to the extractive model is a **commons model of the collaborative economy** where peer-to-peer mediated sharing is powered by solidarity, mutuality and co-ownership, where benefits are returned back into building the capacity of users or to the commons^{6 7}. This cooperative model thrives on the commitment of its members and reciprocal relationships among them. In order to get access to the collective pool of resources, members must contribute with in-kind assets (e.g. a room, couch or apartment). Such models may be profit or not-for-profit, but if a surplus is generated, it is invested back to the people who contribute or the asset itself. Cooperative platform advocates⁶ envision an example where locally-owned platforms (e.g. a municipality, a housing cooperative, or potentially even a destination marketing organisation) would offer similar accommodation

⁶ Scholz, T. 2016. Platform Cooperativism: Challenging the corporate sharing economy. http://www.rosalux-nyc.org/wp-content/files_mf/scholz_platformcooperativism_2016.pdf

⁷ Sharing Berlin, 2016. Platform Cooperativism: an international movement on the rise. <http://sharingberlin.de/2016/05/12/platform-cooperativism-an-international-movement-on-the-rise/>

sharing options like Airbnb but profits would be invested into city projects and community facilities, or distributed amongst participating residents.

Regulation is a reflection of the way an issue or problem emerges in society, the perceived risks to public interest, the political context and the values of government at the time. In considering the regulation of collaborative economy accommodation, it is important to distinguish between extractive (for-profit) and generative (commons) business models⁸. Stakeholders are motivated to engage in these models in different ways, the commercial character might vary from one model to another, and the benefits and impacts can be quite different. In terms of shaping constructive public debate around regulating collaborative economy accommodation, it is important to have a clear understanding of the different types of business models that may operate (or are possible) and the way that these models might generate different benefits and impacts.

Stakeholders

The main stakeholders involved in collaborative economy tourism accommodation, and whose interests play out in the formulation of regulatory approaches, may include:

Consumers. Consumers are those that purchase and consume the goods and services offered by the collaborative economy tourism accommodation sector.

Accommodation Providers. Accommodation providers are a large and diverse group of stakeholders that may include:

- (1) Resident property owners who share their primary residence when on vacation or a room when they are present.
- (2) Non-resident property owners who rent out secondary residences in the destination.

Accommodation providers contribute with their asset (which may be an idling asset or not) and varying levels of expertise, knowledge and labour that the collaborative economy platforms (below) sell for a fee.

New service entrepreneurs. New service entrepreneurs are generally small and micro-business operators who provide goods and services that support the collaborative economy accommodation sector and in the process contribute to new ecologies of entrepreneurship and business opportunity. These may include, for example, meet and greet hospitality services, destination concierge services, cleaning services and key exchange services.

Local residents and community. Local residents may be directly or indirectly impacted by the collaborative economy tourism accommodation sector. These are the residents in neighbouring houses and apartments that must deal with local impacts (e.g. noise and nuisance caused by tourist behaviour, loss of community cohesion, impacts of community facilities, impacts on rental and property prices, etc). This group of stakeholders may overlap with Accommodation Providers (above), as they may from time to time rent out their own apartment or house on a collaborative economy platform.

Incumbent industry operators. Incumbent industry actors are those traditional accommodation providers who, as a result of the growth in the collaborative economy tourism accommodation sector, face pressures such as increased competition, inequitable regulatory burdens, and traditional business models and supply chains are being challenged. These stakeholders include individual businesses,

⁸ Scholz, T. 2016, Platform Cooperativism: Challenging the corporate sharing economy. Rosa Luxemburg Stiftung, New York. http://www.rosalux-nyc.org/wp-content/files_mf/scholz_platformcooperativism_2016.pdf

destination management organisations and other interest-based organisations (e.g. rental agencies, B&B associations, etc.).

Collaborative economy platforms. Collaborative economy platforms include a range of online digital platforms through which peer-to-peer transactions take place that facilitate temporary access to accommodation for a fee. The accommodation is not owned by the platform but a third party provider (see above). The collaborative economy platform adds value by providing a range of services including transaction and administrative services, customer verification procedures, advertising and peer rating mechanisms. Collaborative economy accommodation platforms predominantly adopt an extractive model as described above and generative or commons models are rare at present.

Governments. European, national, regional and local governments have a role in protecting public interests, in facilitating innovation and societal interest. Roles and responsibilities vary, and government approaches are also influenced by institutional cultures and historical policy decisions.

Other publics. There are a range of other stakeholders and interests which may not yet be apparent, whose voices may not yet have emerged, and these may vary from location to location. These interests may be important in the future, and for this reason, these stakeholders are acknowledged herein order to prompt policy makers and regulators to think beyond the immediate discussions taking place about regulating collaborative economy tourism accommodation.



Figure 1. Interests in the collaborative economy tourism accommodation sector

City Highlights

The cities of Barcelona, Berlin, Amsterdam and Paris are the target of assessment for this Impulse Paper not only due to the high growth of collaborative economy accommodation in these cities, but also the distinct approaches these cities have adopted. In order to appreciate the factors underpinning the policy and regulatory responses to the collaborative economy tourism accommodation sector in each city, it is necessary to first build an understanding of the broader tourism and housing context in each city.

Amsterdam Highlights

Amsterdam is the major economic hub of the Netherlands, accounting for 13% of the country's GDP. It is a densely populated city, giving home to over 1 million inhabitants and hosting 6,8 million tourists in 2015. Between 2009-15, tourism recorded 12% growth amounting to a net increase of almost 13 million overnight stays. Despite growth in long-haul arrivals, the largest markets remain UK and Germany. The past decade's boom in resident migration and tourism arrivals underpin projections of increasing population and tourist densities in the coming years.

Housing characteristics and capacity shortages

Pressures on the city's housing and accommodation capacity have resulted in severe housing shortages and high housing costs. In Amsterdam city, 56% of the housing stock is made up of rental homes⁹. Social housing capacity is decreasing; new constructions are primarily targeting private tenants. Single person households remain the largest group in Amsterdam, making up 53% of the 400.000 households in the city¹⁰. However, the number of households on a minimum income and multi-person households is on the rise, indicating increasing neighbourhood density and the pooling of personal incomes to address rising costs of living. Compared to their compatriots in the urban region of Amsterdam, residents in the inner city area score lower on satisfaction with their dwelling situation.

In 2015, tourism generated 60.000 jobs in Amsterdam (5% increase from the year before), giving a job to one in every 10 employees in the service sector¹¹. Amsterdam's labour productivity is the highest in the Netherlands, yet the average disposable income remains under the country average. Beneficial tax regimes have contributed to attract FDI and international businesses to the capital area, but have also resulted in the stagnation of wage levels. Unemployment levels have been on the rise since 2014, reaching above the country average (9,5%)¹². Most severely affected are young people, of which one out of four is unemployed. These point towards an accelerating precariat¹³ of young people on a minimum income, of which a high proportion (71%) is of non-Western origin.

Intensifying competition on the hotel market and response from incumbents

In terms of commercial accommodation capacity, Amsterdam experienced an unprecedented growth (11% increase in beds between 2014-2015), which is mainly attributable to the supply boom in the short-term rental market, facilitated by digital platform operators. Average room rates and room occupancy have both increased, indicating improved profitability. However, the development has been uneven and mainly within the 4-5 star hotel segment. Lower standard establishments (0-3 stars) report stagnating occupancy levels

⁹ Gemeente Amsterdam (2015) Research and Statistics Amsterdam Yearbook 2014. Key Facts and Figures.

¹⁰ Gemeente Amsterdam (2015) Research and Statistics Amsterdam Yearbook 2014. Key Facts and Figures.

¹¹ City of Amsterdam (2015) Summary Yearbook 2014

¹² Euromonitor International, *ibid*.

¹³ Broadly defined as that part of the population without security or predictability, conditions that affect their material and or psychological welfare.

and room rates, indicating increased competition from holiday rental of private homes. Incumbents respond by diversifying their experience offers, specializing either as boutique and apartment hotels (smaller units) or as low budget mega-hostels.

Barcelona Highlights

Cataluña is one of the most prosperous regions in Spain and its capital, Barcelona, is an important export-manufacturing hub. It is one of the three largest tourism destinations in Spain, currently experiencing rapid growth. Since 2009, visitor numbers increased by 23%, reporting 58 million overnight stays in hotels and holiday homes. Boasting nine UNESCO-listed World Heritage Sites and strong cultural, gastronomic and event profiles, Barcelona ranks among the top 10 destinations of Europe.

The compact city population is 3.1 million, but the surrounding metropolitan region (Functional Urban Area) gives home to 5,5 million inhabitants. Similar to other coastal areas in Spain, a large proportion (35%) of Barcelona's inhabitants are non-native born, principally coming from the UK, Germany and Nordic member states. The cosmopolitan character of the residential pool also translates into a highly educated work force and competitive wages, making Barcelona the most attractive place in the country for foreign direct investment. Barcelona has quickly regained its position after the economic crisis, with employment rates rising above 60%¹⁴. Compared to other regions in Spain, housing is 16% more expensive and put under further pressure by rapidly expanding short-term holiday rentals in the central areas. Since 2014, the available stock of homes for tourist use (viviendas de uso turístico) increased by 36%¹⁵. Today, the concentration of holiday rentals in the Barri Gòtic neighbourhood, an inner city residential neighbourhood, exceeds 10% of the total housing stock. The influx of tourists using short-term rental of residential housing stock has been linked to declining numbers of permanent residents, increased mobility of the remaining resident community and associated impacts on the economic viability of social and community infrastructure such as schools¹⁶.

A major tourist centre and booming hospitality market

The city centre itself welcomed over 17 million annual overnight stays in 2014. Since 2010, the city has experienced steady growth in terms of commercial accommodation capacity: over 100 new hotels have increased bed capacity by 21% (amounting to over 75.000 beds). Short-term rental has also grown 18% over this five year period, while Airbnb listings have quadrupled within a year, reaching over 17.000 listings in 2015. While average length of stay has increased from 1,97 to 2,17 days and seasonal oscillations are less extreme, average room rates and room occupancy are stagnating, indicating poorer profitability performances, especially across lower standard establishments (0-3 stars)¹⁷. Competition is particularly visible in the inner city neighbourhoods, with a high concentration of hotels as well as short-term collaborative economy rental capacity¹⁸.

Berlin Highlights

Berlin, the reinstated German capital and federal administrative hub, gives home to 3,5 million people (nearly 5 million in the metropolitan area). Berlin is the most popular tourist destination in Germany. The

¹⁴ Euromonitor International (2015) Barcelona City Review. <http://www.euromonitor.com/barcelona-city-review/report>

¹⁵ Barcelona Tourism Statistics <http://professional.barcelonaturisme.com/imgfiles/estad/Est2014b.pdf>

¹⁶ <http://www.citylab.com/housing/2015/12/barcelona-airbnb-tourism/421788/>

¹⁷ BCN+ (2014) Estadístiques de turisme a Barcelona i comarques. Tourism Statistics in Barcelona and regions. Synthesis. Barcelona és molt més

¹⁸ Sans, A.A. & Domínguez, A.Q (2016). Unravelling Airbnb: Urban Perspectives from Barcelona. In Russo, A.P. & Richards, G. (eds.) Reinventing The Local In Tourism. Producing, Consuming and Negotiating Place. Channel View Publications.

economic significance of tourism has nearly doubled over the last ten years, peaking at 30 million overnight stays in 2015 (an increase of 8% was recorded in the last year alone).

Since reunification, the government has invested significantly in the city's public infrastructure and real estate¹⁹. Due to the lack of high value-added jobs, an unemployment rate of 8% and a heaving housing market, the disposable income per household is particularly low in Berlin when compared to other cities in Germany²⁰.

Since the turn of the millennium, Berlin has grown into a fashionable tourism destination, both for the leisure market as well as for conventions and meetings. The city welcomed 12,3 million visitors in 2015 generating 240,500 jobs. Gross sales from tourism exceeded 10 billion Euros, contributing to 7% of Berlin's GDP (an increase of 82% since 2004) and almost 2 million Euros in tax revenues²¹. Despite the significant capacity expansion highlighted by 20 new hotel projects since 2013²², average room rates and room occupancy rates remain stable (occupancies of 55% for 3-5 star and 52% for 0-2 star accommodation). Stagnating profitability levels in mid-market and budget hotels indicate that they might be facing increased competition from non-traditional providers including short-term tourism accommodation rentals and private peer-to-peer accommodations.

Paris Highlights

Paris' metropolitan region is the second most populous area of Europe, giving home to 6.7 million inhabitants²³. It is one of the most important finance and real estate hubs on a global level, ranking among the top five economic centres worldwide in terms of GDP²⁴. Paris' strong business services sector offers a broad scope of high-value-added employment opportunities to a highly qualified workforce. Low unemployment levels contribute to a high disposable income and subsequently high consumer expenditures per household. Similar to the other cities in this study, housing is expensive in Paris and living in the city centre is especially expensive²⁵. In five years, the rental market has lost about 20,000 homes. In some districts (especially in the centre and west of Paris), tourism furnished apartments can represent up to 20% of the total rental offer²⁶. The prices of tourism furnished rentals are close to those in the hospitality industry, a level between double and triple the price of residential rental stock.

In touristic terms, Paris benefits from high destination brand equity as one of the most popular tourist destinations worldwide. In terms of arrivals, 58,2% of all visitors are international²⁷; mainly coming from the US, UK, Italy and Germany and the emerging market of China. Despite the terrorist attacks in January and November 2015, and a small subsequent drop in arrivals, visitor numbers remained above 15,2 million yielding 35,2 million overnight stays in hotels. In 2014, 12,4% of the salaried workforce in Greater Paris were employed in tourism²⁸. Additionally, 5,2 million overnights were reported from holiday homes and other short-term accommodation rental²⁹. Over the period 2008 to 2014, average occupancy rates dropped by 3,8% points to 75,5% with the greatest fall being recorded in 0-2 star establishments (-5.2%). Mid and

¹⁹ Euromonitor International (2015) Berlin City Review. <http://www.euromonitor.com/berlin-city-review/report>

²⁰ Euromonitor International (2015) Berlin City Review. <http://www.euromonitor.com/berlin-city-review/>

²¹ VisitBerlin (2015) Economic Factor for Berlin. Tourism and Convention Industry Berlin- Key facts and figures

²² <http://www2.deloitte.com/content/dam/Deloitte/de/Documents/consumer-business/Hotelmart%20Berlin%202013%20Englisch.pdf>

²³ Eurostats Housing Statistics 2012

²⁴ Euromonitor International (2015) Paris City Review. <http://www.euromonitor.com/paris-city-review/report>

²⁵ Euromonitor International (2015) Paris City Review. <http://www.euromonitor.com/paris-city-review/report>

²⁶ http://www.paris.fr/services-et-infos-pratiques/urbanisme-et-architecture/demandes-d-autorisations/exercer-une-activite-dans-un-logement-172#locations-meublees-touristiques-ce-qu-il-faut-savoir_12

²⁷ Paris Region Comité Régional du Tourisme (2016). Bilan de l'activité touristique de l'année 2015

²⁸ Annual Tourism Report Paris, 2015 <http://asp.zone-secure.net/v2/index.jsp?id=1203/1515/65204&lng=en>

²⁹ Eurostat Tourism Statistics 2014

high-end establishments (3-5 star) recorded a 2.4% decline over the same period. Since 2014, average room occupancy rates have dropped by 5.5% in both budget and mid-market hotels. In contrast, an increase in room rate charges were recorded in top of the market establishments (+2.5%) but a decline in 0-2 star establishments (-5.5%).

Key Insights from the Cities

A comparative assessment of development patterns in the four cities reveals some common and some distinctive features. Sustained tourism growth is coalescing with population growth and socio-demographic and economic changes. These factors, combined with accelerated expansion of the collaborative economy tourism accommodation sector are altering the competitive environment for commercial tourism accommodation. The following key insights emerge from an analysis of the conditions in the four cities.

Participation as hosts in the collaborative economy

The structure and profile of the populations in the four cities have changed considerably in recent decades, mainly affected by an ageing population, greater geographic and labour force mobility within the EU as well as changing patterns of cohabitation and family formation patterns. These demographic changes manifest themselves in an increasingly multi-ethnic population with a relatively high share of foreign citizens, both from other member states and non-EU countries. For instance, over 10% of Berlin's inhabitants are non-EU nationals and around 30% of the population in the Seine-Saint-Denis quarter of Paris is comprised of foreign citizens³⁰. However, it is not in the poorer neighbourhoods where collaborative tourism accommodation rental thrives the most, providing hosts the opportunity to supplement their incomes and cover their basic expenses. Expatriates, foreign investors and other non-residents are significantly over-represented as hosts. According to a recent study³¹, peer-to-peer hosts are representative of the cosmopolitan consuming class rather than local communities, and in Barcelona, Airbnb hosts primarily belong to the mid- and upper classes with high education levels and higher disposable income.

Changing forms of living arrangements

The Eurostat population and housing census data indicate radical changes regarding the cohabitation of people. The role of family as the core economic unit of society is dissolving, and is being replaced by a plurality of living arrangements (e.g. multi-person households, consensual unions and partnerships). Collaborative rentals and the pooling of costs is an emerging financial coping strategy for young urban citizens. The average size of households is declining, with Berlin and Paris exhibiting the lowest average household size (1.7 persons) among EU capital cities³² and there are record numbers of people living alone. The need for people living alone to supplement their income is potentially a driver for their involvement as hosts in the collaborative economy tourism accommodation sector.

Pressures on the housing market

In the wake of the financial crisis, unemployment levels have been on the rise, most severely affecting the younger generation without an education. In Berlin and Amsterdam there is a growing group of young people on a minimum income, the majority of which are of non-Western origin. This precarious situation is coupled with rapidly increasing housing expenses; except from Paris, each city reports of significantly lower disposable household incomes due to high housing prices. In contrast, transportation costs take up

³⁰ Eurostat population and housing census data 2011, <http://ec.europa.eu/eurostat/web/population-and-housing-census/overview>

³¹ Sans, A.A. & Domínguez, A.Q. (2016). Unravelling Airbnb: Urban Perspectives from Barcelona. In Russo, A.P. & Richards, G. (eds.) *Reinventing The Local In Tourism. Producing, Consuming and Negotiating Place*. Channel View Publications

³² Eurostat, population and housing census 2011

relatively smaller proportions of household expenditures, owing to well-developed public transportation systems, which improve the cities' affordability. Low vehicle ownership and an excellent cycling infrastructure in Amsterdam and Berlin enable more convenient commuting alternatives. The social housing and rental accommodation stock (taking up over half of the housing market in each city) is under pressure from a growing, but also more diversified demand: affluent real estate investors on one hand, and an economically challenged young precariat on the other. Housing affordability issues push financially challenged residents to seek additional income through renting, while real estate investors convert housing stock into short time rental for tourists which is more profitable than renting to local residents.

Unprecedented growth and tourism pressures

All four cities report unprecedented tourism growth over the past decade, both in terms of arrivals, overnight stays and FDI³³ in capacity supply (Table 1). This has not only led to record visitor numbers and revenues, but also increased tourism pressures. The metrics of *tourism intensity* (i.e. the number of overnight stays in relation to the resident population) and *tourism density* (i.e. the ratio of overnight stays per square kilometre) are significantly higher for the four cities examined than the EU regional average. The intensity (ratio of tourists to residents) and density of tourism activity might explain the severe tourism impacts on local communities that are leading to resistance to tourism and community backlash against tourists and some collaborative economy platforms. A comparison of the results shown in Table 1 illustrate that tourism intensity culminated to an average of more than 8.000 nights spent in tourist accommodation per 1.000 inhabitants in each city. Tourism intensity peaked in Barcelona with 9.807 nights per 1.000 residents, which is almost double the EU average (5.209 nights per 1.000 inhabitants). Berlin experienced the highest rise in tourism intensity, with a growth of 152% since 2009. Tourism densities exhibit a similar trend towards a higher concentration of people in the city areas. Berlin reported more than 32.000 nights spent in tourist accommodation per km², which is 230 times higher than the EU average. Although Paris, Barcelona and Amsterdam report lower density levels, the rate of growth since 2009 is very high in each city. According to UNWTO forecasts, urban city tourism will continue to grow at a similar pace, projecting further pressures for these European destinations.

Table 1. Visitor statistics and tourism growth indicators in each city

	AMSTERDAM		BARCELONA		BERLIN		PARIS	
	2014	% change 2009-14	2014	% change 2009-14	2014	% change 2009-14	2014	% change 2009-14
Hotel visitors	6,7 mill	n.a.	7.8 mill	9%	11.9 mill	n.a.	15,2 mill	n.a.
Total overnight stays ³⁴	16,6 mill	41%	25 mill	n.a.	33 mill	52%	44,4 mill	n.a.
In hotels	12,9 mill	45%	17.1 mill	n.a.	28,7 mill	55%	35,2mill	n.a.
In holiday flats and other short term accommodation	3,7 mill	9%	7,9 mill	n.a.	4,3 mill	38%	9,2 mill	n.a.
Overnight stays in collaborative economy accommodation ³⁵	62.000	n.a.	17.000	n.a.	63.000	n.a.	223.000	n.a.
Average stay in hotels	1,88	1,87	2,17	1,97	2,4	2,7	2,3	2,4
Average stay in collaborative economy tourism accommodation	3,3	n.a.	3	n.a.	6,3	n.a.	2,9	n.a.
Employment in tourism	57069	+4%	120.000	+4,4%	240,500	+4,2%	393.008	+5,4%
Tourism intensity ³⁶	8.945,86	25%	9.807,85	17%	8.344,19	52%	6.475,89	19%

³³ Foreign Direct Investment (FDI)

³⁴ Eurostat tourism statistics by NUTS 2 regions 2015

³⁵ Airbnb city impact reports 2014 <https://www.airbnb.dk/economic-impact>

³⁶ Tourism intensity (total nights spent in hotels and other short term accommodation) distributed per 1000 inhabitants. NUTS2 regional statistics, calculated for Berlin Metropolitan Region, Cataluña, Ile-de-France and Noord-Holland. Eurostat, 2015

Tourism density ³⁷	5.994,74	30%	2.265,01	19%	32.020,17	52%	6.472	22%
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Demand- and technology-driven growth

Tourism growth can be attributed to a number of factors. First, the reconfiguration and consolidation of intermediaries, most notably the emergence of global online travel agencies and collaborative platforms enabled more frequent, simple and direct market transactions. Second, the opening of frequent, direct low-fare airline routes to connect the cities with large population centres in Europe has facilitated to capture the “short stays” segment from near-markets (e.g. UK, Germany, Scandinavia). Third, these conditions have created travel opportunities for less affluent segments and markets have expanded as a result. Fourth, the business models are increasingly built on technological innovations and advanced solutions utilising digital search and booking platforms, price-optimising revenue management algorithms and instant feedback mechanisms which have streamlined efficiencies and maximised capacities. Currently, we see a consolidation of the market with a vertical integration and multi-national takeovers across housing/accommodation suppliers, booking platforms and online travel agencies (OTAs).

Changes in accommodation supply

Since 2009 there has been strong growth in the hotel accommodation capacity in each of the cities, reinforcing the trend towards growth and diversification of types of accommodation (Table 2). Hotels, especially in mid-range and top of the market categories continue to dominate (accounting for more than 50% of all overnight options in the cities).

Table 2. Capacity growth and occupancy rates in hotels (2009-14)

	AMSTERDAM		BARCELONA		BERLIN		PARIS	
	2014	% change	2014	% change	2014	% change	2014	% change
Number of hotel establishments	436	n.a.	373	+13%	640	+12%	1974	+15%
Number of hotel rooms	29.152	n.a.	34.689	+9%	56.894	n.a.	115.984	n.a.
Number of beds in holiday flats and other short time accommodation ³⁸	32.215	n.a.	115.535	+20%	22.635	n.a.	56.471	n.a.
Airbnb listings ³⁹	13849	+48%	14855	+27%	15373	+50%	52725	+44%
Room occupancy	79%	n.a.	78,2%	+8%	53,7%	+13%	75,5%	-3,5%
3-5 stars	82%	n.a.	78,8%	n.a.	55%		75,6%	-2,4%
0-2 stars	76%	n.a.	73,4%	n.a.	52%		73%	-5,2%
Average Room Rate (ARR)	122 €	100					180,8 €	-0,5%-
ARR 3-5 stars	140 €						269 €	+2,5%
ARR 0-2 stars	95 €						90 €	- 5,5%

Source: Annual tourism reports commissioned by respective city DMOs, Eurostat tourism statistics, Insideairbnb

At the same time, there is a dynamic growth in peer rental accommodation supply, indicated by the double digit pace by which Airbnb listings have increased since 2009³⁵ (Table 2). Estimating the number of private homes used for peer-to-peer rental remains difficult, partly because of the lack of independent metrics and the unknown share of illegal establishments. Insideairbnb's metrics provide alternative indicators to scope local short stay rentals (Table 3). Insideairbnb data seeks to distinguish between genuine sharing accommodation where the owner or tenant is renting out their primary residence from accommodation that

³⁷ Tourism density (total nights spent in distributed per km². NUTS2 regional statistics, calculated for Berlin Metropolitan Region, Cataluña, Ile-de-France and Noord-Holland. Eurostat, 2015.

³⁸ Eurostat tourism statistics by NUTS 2 regions 2015

³⁹ Active listings as of January 2016, insideairbnb.com

is run on a commercial basis (and possibly avoiding regulatory requirements). Insideairbnb data assumes that whole apartments with high availability all year round and/or owners with multiple listings are likely to be commercially run rental initiatives. Accommodation supply is particularly concentrated in central inner-city districts. However, some non-hotel collaborative economy accommodation capacity is located outside of these areas and could take pressure off central areas.

Table 3. Airbnb listed accommodation in each city

	AMSTERDAM	BARCELONA	BERLIN	PARIS
TOTAL (Apartments + Rooms) ⁴⁰	13849	14855	15373	52725
Proportion which is whole apartments (%)	80,6	53,4	60,7	85,7
Price per night (€) (whole apts only)	133	76	60	97
Estimated occupancy (%) (whole apts only)	26,4	21,4	33,1	26
Estimated income/month (€) (whole apts only)	982	410	592	701
Stock with high availability (%) ⁴¹	51,6	88,2	73	55,7
Av days per year	130	283	219	180
Proportion of hosts with multiple listings (%)	24,6	53,7	26	21,2

Source: Active listings as of January 2016, insideairbnb.com

Consequences for competition

While there is no reliable expenditure data that would reveal the impact of visitor growth on the city destinations examined, low cost accommodation is generally associated with low spending visitors. Low spending visitors tend to be price sensitive and generate pressures on price margins for suppliers, and can make small local operators more vulnerable. Unaffiliated, small scale and lower standard establishments report stagnating performances in terms of occupancy levels and lower room rates (Table 2). However, these impacts on lower-end accommodation establishments are not necessarily directly attributable to the growth of the collaborative economy accommodation in these cities. For example, declining performance in 0-2 star establishments may be a consequence of a combination of factors such as increased stock, greater competition, aging establishments and/or lack of innovation in traditional accommodation.

Confidence in hotel investment across European cities is currently high. In previous years, investment has been particularly strong in budget hotel accommodation (0-3 star) for both leisure and business travel markets⁴². In PWC forecasts of European city hotels (Table 4), trading fundamentals are strong and are expected to continue into 2017 driven largely by forecasted growth in European city tourism⁴³.

Table 4. PWC Forecasts - RevPAR growth and occupancy

	AMSTERDAM	BARCELONA	BERLIN	PARIS
2016 RevPAR	2.5%	3.3%	3.1%	0.4%
2017 RevPAR	2.1%	5.5%	2.6%	2.7%
2016 Occupancy	78.4%	75.4%	77.1%	76.6%
2017 Occupancy	78.2%	76.3%	77.5%	77.8%

Source: PWC. 2016. Staying power European cities hotel forecast for 2016 and 2017. Econometric forecasts p.19 & p.22.

⁴⁰ Active listings as of January 2016, insideairbnb.com

⁴¹ Inside Airbnb uses the following indicator for high availability: Amsterdam>60 days/year; Paris>120 days/year; Barcelona >31 days/year

⁴² Scope Ratings. 2016. European hotel properties Asian money floods the markets. www.scooperatings.com

⁴³ PWC 2016. Staying power European cities hotel forecast for 2016 and 2017. <https://www.pwc.ch/en/publications/2016/european-cities-hotel-forecast-2016-2017.pdf>

HOTREC's (The Confederation of National Associations of Hotels, Restaurants, Cafés and Similar Establishments in the European Union and European Economic Area) acknowledges that sharing economy accommodation is here to stay, but that it also causes many regulatory challenges that need to be addressed. From HOTREC's analysis⁴⁴ the following issues have been raised:

- There is a lack of clarity between collaborative economy accommodation rental of whole residences and sharing accommodation of primary residences while the owner is present. The former represents 'shadow hospitality accommodation' while the latter is consistent with the "humble beginnings of the sharing economy".
- There is a lack of coherent and consistent data about the characteristics, extent and impacts of collaborative economy accommodation. Good data is needed for evidence-based policy.
- There has been a proliferation of single 'hosts' with multiple listings. These hosts are more likely to be running commercial accommodation establishments in what HOTREC calls the "shadow hospitality accommodation sector".
- Public consultation by HOTREC and EFFAT⁴⁵ revealed specific concerns relating to safety aspects and unfair competition. Two key points from the public consultation were: (1) the mostly unregulated activity creates a market distortion and (2) that safety is a complex issue that is shaped by various parameters and affects visitor perceptions of the whole destination⁴⁶
- Other concerns of HOTREC and EFFAT in relation to the impacts of collaborative economy tourism accommodation on incumbents include the need to register businesses, hygiene and cleanliness, health and safety, food and beverage standards, and equity in the application of fiscal obligations (e.g. VAT, personal incomes taxes, and tourist taxes), environmental obligations, accessibility and registration of guests (if applicable).

Spatial distribution of tourism impacts

Comparing the spatial distribution of hotels and collaborative economy tourism accommodation in the cities, it is clear that there is a wider dispersion of peer-to-peer accommodation across the city. Higher concentrations of peer-to-peer accommodation occur in the inner city neighbourhoods and those closest to tourist precincts and this accommodation type becomes more dispersed further away from the city centres. There is some merit in the argument that tourists staying outside city centres might spend in local grocery stores and cafes and thus distribute the economic impacts of tourism more broadly across the city. However, it is likely that these tourists still spend most of their time in the popular tourism precincts and expenditure will still be concentrated in these areas.

The boom in short term, peer-to-peer rental capacity is not necessarily benefiting residential and less touristed neighbourhoods, but rather, replicating the uneven spatial distribution of hotel accommodation with highest densities in centrally located neighbourhoods. In order to address the increased competition, incumbents have responded by lobbying for new policy measures to level the playing ground (including taxation, consumer protection and quality control). Furthermore there is evidence from Paris and Barcelona of a diversification strategy where commercial providers innovate their experience offers to specialise either as boutique and apartment hotels (smaller units), or as low budget mega-hostels.

⁴⁴ HOTREC. Levelling The Playing Field: Policy Paper On The "Sharing" Economy, HOTREC November 2015. <http://www.hotrec.eu/policy-issues/sharing-economy.aspx> (see p.11)

⁴⁵ EFFAT (European Federation of Food, Agriculture and Tourism Trade Unions). "Sharing Economy" in Tourism Position of the EFFAT Tourism Sector, November 2015.

⁴⁶ HOTREC. Levelling The Playing Field: Policy Paper On The "Sharing" Economy, HOTREC November 2015. <http://www.hotrec.eu/policy-issues/sharing-economy.aspx> (see p.13)

Policy and Regulatory Responses

The growth of the collaborative economy tourism accommodation sector has expanded the diversity of accommodation available in destinations, and has given rise to new entrepreneurial opportunities and ecosystems. These changes have facilitated the opening up of new markets and expansion of existing markets. The collaborative economy accommodation sector has also unlocked employment opportunities through micro and part-time entrepreneurship⁴⁷, although Michel Bauwens⁴⁸ also notes that these forms of collaborative economy are prone to exploiting labour because they extract and privatise value created by the hosts and redistribute it to the platforms.

The rapid growth of the collaborative economy tourism accommodation sector within less than a decade has brought with it diverse impacts prompting a range of responses from governments across Europe. Cultural attitudes, traditional institutional approaches to regulation, the nature and extent of impacts, and the level of public debate in each city have undoubtedly influenced government responses. The diversity of responses across Europe are challenging the consolidation of the Single Market and has prompted the European Commission to propose the development of guidance with the aim of fostering competitiveness, maximising the positive effects of growth and jobs, and securing opportunities for innovation in sharing⁴⁹.

Diverging national rules and regulations have created legal uncertainty⁵⁰ and contributed to the politicisation of the operating environments for collaborative economy business. It has also not been clear how collaborative economy tourism accommodation should be dealt with under existing regulatory frameworks and approaches. P2P platforms have enabled individuals to become micro-entrepreneurs by placing their homes on the rental market for short-term tourism accommodation, and generate supplementary income. The phenomenon has quickly scaled up, mobilizing idle private accommodation capacity at an unprecedented rate in cities experiencing long-term tourism growth. Housing sector market dynamics in different destinations have also responded to the new economic opportunities provided by the collaborative economy. As a result, where the sharing of a room or apartment has traditionally been an individual freedom or right, the scaling up of the phenomenon has resulted in intensification and commercialisation that has in turn infringed on a range of public interest issues.

The intensification and commercialisation of the collaborative economy tourism accommodation sector has inadvertently exposed weaknesses and unanticipated consequences in current regulatory approaches in housing and land use planning. It has also increased regulatory complexity. Rapid growth of collaborative economy accommodation has placed city officials under pressure to formulate a fair legal context for all stakeholders. The challenge is to review long held traditional views about the rights and freedoms of individuals to host, and to review traditional distinctions between residential and commercial (and come to terms with the “grey area” in between the two categories). The concern is that with a proliferation of

⁴⁷ European Commission. 2015. Upgrading the single market: more opportunities for people and business Brussels, 18.10.2015 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2015%3A550%3AFIN>

⁴⁸ Bauwens, M. 2016 Platform Cooperativism: an international movement on the rise. <http://sharingberlin.de/2016/05/12/platform-cooperativism-an-international-movement-on-the-rise/>

⁴⁹ EU Parliament. 2015. Report on Towards a Digital Single Market Act (2015/2147(INI)). Committee on Industry, Research and Energy Committee on the Internal Market and Consumer Protection <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A8-2015-0371+0+DOC+PDF+V0//EN>

⁵⁰ European Commission. 2015. A deeper and fairer single market.

regulatory measures, uncertainty for emergent collaborative economy business increases, which can in turn negatively affect innovation, investment and job creation. How can the development of the collaborative economy tourism accommodation sector be encouraged and its advantages optimised while protecting consumer and public interests? How can Member States develop policy responses that embrace innovation and competitiveness while also addressing local public interest concerns? And, is it possible to develop general guidance that can be applied relatively consistently and, at the same time, be respectful of local conditions, values and contexts?

The EU Single Market

The European Single Market Strategy⁵¹ seeks to unlock the full potential of a single European market by supporting the free movement of goods and services across internal borders. The strategy aims to ensure innovative business can flourish, innovation and competitiveness are facilitated, and that access to goods and services can be enhanced. The Digital Single Market is one element of this strategy, where a fully functioning digital single market is estimated to contribute to new jobs and innovation. The Digital Single Market strategy⁵² is underpinned by three pillars: (1) better online access to digital goods and services; (2) an environment where digital networks can prosper; and (3) digital as a driver of growth. In the context of the Digital Single Market Strategy, the European Commission has acknowledged the importance of the collaborative economy because it enables a more efficient use of resources and provides new opportunities for businesses and consumers.

On 2 June 2016 the European Commission released its Communication, *A European Agenda for the Collaborative Economy*⁵³. This agenda provides non-binding guidance aimed at providing “legal guidance and policy orientation to public authorities, market operators and interested citizens for the balanced and sustainable development of the collaborative economy”. This Communication lays the groundwork for Member States to develop a clear and balanced regulatory environment that allows the development of collaborative economy entrepreneurship; protects workers, consumers and other public interests; and ensures that no unnecessary regulatory burden is imposed on either existing or new market operators, whichever business model they use⁵⁴.

The European Commission⁵⁵ has suggested that policy and regulatory approaches are needed in order to:

- Unlock the innovation value of the collaborative economy by improving the competitiveness of both traditional and new business models of the tourism accommodation sector
- Identify and address existing regulatory requirements that create an uneven playing field between traditional and new business models in the tourism accommodation sector
- Facilitate and enhance the functioning of the Internal Market
- Identify and address obstacles or barriers to the competitiveness of the tourism accommodation sector, both traditional and new business models
- Identify potential obstacles to the functioning of the internal market within the wider region where the principle of subsidiarity and the need for contextual responses drive a need for a locally sensitive but coordinated approach.

⁵¹ The European Single Market. http://ec.europa.eu/growth/single-market/index_en.htm

⁵² Digital Single Market http://ec.europa.eu/priorities/digital-single-market_en

⁵³ European Commission. 2016. A European agenda for the collaborative economy. (p.2) http://ec.europa.eu/growth/single-market/strategy/collaborative-economy/index_en.htm

⁵⁴ European Commission. 2016. A European agenda for the collaborative economy http://ec.europa.eu/growth/single-market/strategy/collaborative-economy/index_en.htm

⁵⁵ European Commission. 2016. Technical specifications - Impulse paper on the on the impact of the different regulatory approaches targeting collaborative economy in the tourism accommodation sector in the cities of Barcelona, Berlin, Amsterdam and Paris

Regulatory challenges

Following from the context addressed above, developing a supportive regulatory approach is complicated by a number of issues, including:

Diverse interdependent impacts. The uptake of collaborative economy tourism accommodation has been socially and spatially uneven. Understanding the direct and indirect impacts of collaborative economy accommodation on different stakeholder groups and in different cities and neighbourhoods is a prerequisite for identifying and evaluating appropriate regulatory mechanisms.

Cross-sector policy complexities. The collaborative economy tourism accommodation sector does not exist in a policy vacuum, neither does it solely affect single policy domains. Housing, urban planning, labour mobility, investment and economic management policies will have direct and indirect impacts upon collaborative economy tourism accommodation. Likewise, attempts to regulate collaborative economy short-term accommodation are likely to have impacts on housing, planning, community development, mobility, investment and economic development. Understanding the dynamic interplay of these policy complexities within local contexts, and in the absence of research and evidence, is a significant challenge for regulators and policymakers. Monitoring and evaluation are therefore important.

Indirect consequences of other policy measures. Some recent regulatory measures may be erroneously attributed to governments responding to the collaborative economy but they are in fact responding in targeted ways to local issues such as to secure affordable housing and protect the availability of social housing. In the case of Berlin, such measures may include regulating the period of rental or the type and location of housing able to be rented. These regulations are not targeted at the short-term accommodation collaborative economy but have indirect and inadvertent impacts on the availability of accommodation stock for short-term rental and the operation of collaborative economy accommodation marketplace.

Fostering innovation and entrepreneurship. For some communities, the collaborative economy accommodation sector has opened up alternative income streams for residents to supplement their incomes, and has added additional accommodation capacity in times of high demand (e.g. such as during events). It has expanded tourism markets, increased the diversity of product offer and increased competition. It has also led to new small and micro-business opportunities that might impede the innovation represented by the collaborative economy. Policy and regulatory measures at the European level should seek to unlock these innovations without favouring one business model over another, and they must also support consumer protections, local taxation and labour laws. The cost of not addressing these issues in a timely manner with appropriate policy measures is estimated to be substantial⁵⁶.

Politicisation of issues. At the local level, contrasting positions, views and values among different stakeholders, in different jurisdictions and in various contexts have resulted in politically charged debates and this politicisation has compelled governments to respond in diverse ways. Obtaining independent data and information about the effects of the collaborative economy in the tourism accommodation sector has also been difficult. Political pressure, court actions, protests and resistance movements have all contributed to pressure on policy and regulation.

⁵⁶ Goudin, P. 2016. The Cost of Non-Europe in the Sharing Economy: Economic, social and legal challenges and opportunities. European Parliament, European Added Value Unit, PE 558.777- January 2016.
[http://www.europarl.europa.eu/RegData/etudes/STUD/2016/558777/EPRS_STU\(2016\)558777_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/558777/EPRS_STU(2016)558777_EN.pdf)

Addressing public interest. Regulatory intervention directed at the collaborative economy tourism accommodation sector has generally been triggered by a number of public interest issues including the equitable application of tourism taxes; addressing perceptions of an uneven and uncompetitive regulatory environment; public safety (e.g. health and fire hazards); and combatting the impacts of collaborative economy tourism accommodation on local neighbourhoods. This last public interest issue, discussed below, is problematic in that it is very difficult to separate out the specific impacts of collaborative economy tourism accommodation from the broader impacts generated by tourism promotion and growth policies.

European single market and securing the future. The tourism accommodation collaborative economy is both an opportunity and emerging challenge for the development of the Single Market⁵⁷. The collaborative economy tourism accommodation sector is part of Europe's broader ecology of innovation in sharing and the digital economy. At present a few global players dominate the marketplace. It is important that regulatory interventions are not inadvertently directed at the particular business models and characteristics of the current players. Interventions should not create impediments to the continued creative development of the collaborative economy tourism accommodation sector, to the entrance of new players, or that of its broader ecologies and connectivity with other sectors. Interventions designed to safeguard public interest need to consider how the application of those measures will affect both incumbent and future players. According to the Treaty on the Functioning of the European Union and the Services Directive⁵⁸, Member States should not impose requirements, such as licensing requirements, unless they are non-discriminatory, and are necessary to achieve the public interest objective. Such interventions should not be disproportionate to achieving this public interest. These aspects are important to consider in making recommendations with respect to regulating tourism accommodation in the collaborative economy later in this paper.

A Perfect Storm...

"Perfect storm" is the expression used to describe the confluence of issues where the synergies produced are significantly more complex and difficult to deal with than if individual issues were addressed separately. The metaphor is particularly apt in policy contexts where a number of policy and regulatory issues coalesce, there are diverse stakeholder interests at play, and the complexity of taking action involves weighing up a range of interconnected policy options and their known (and unknown) consequences. The rapid growth of the collaborative economy tourism accommodation at a global scale, and the pace of uptake in each of the cities examined, has contributed to a perfect (policy) storm.

The rise of collaborative economy tourism accommodation has also occurred at a time when many city destinations across Europe are feeling the impacts of decades of pro-growth tourism strategies. Strong sustained growth in visitor numbers, fuelled by growth in low cost airline passenger capacity, city branding and promotion efforts and the increased use of events as economic development tools have contributed to the intensification of tourism activity. Physical signs of overcrowding and visitor saturation in locations such as Park Güell, La Boqueria and Las Ramblas (Barcelona) and the Eiffel Tower (Paris) are evident. Psychological effects of overcrowding are manifested in increased political conflict (e.g. demonstrations in Barcelona or the negative social media in many cities). Falling rates of residential occupancy in some neighbourhoods have resulted, in some instances, in the closure of community facilities such as schools where there is no longer a population demographic to support the service. The seeds of these current problems existed prior to the rise of collaborative economy tourism accommodation sector, but the pace of

⁵⁷ European Commission. 2016. A European agenda for the collaborative economy. SWD(2016) 184 final. http://ec.europa.eu/growth/single-market/strategy/collaborative-economy/index_en.htm

⁵⁸ Article 9 and 16 of Directive 2006/123/EC ('the Services Directive') and Articles 49 and 56 of the Treaty on the Functioning of the European Union (TFEU)

uptake of the collaborative economy by both producers and consumers has exacerbated these pre-existing policy issues.

The rise of the collaborative economy has also coincided with housing shortages and affordability issues in each of the cities examined. The causes of these housing issues are complex and historically embedded in, for example, the evolution of national and regional housing policies, infrastructure and investment policies. These policies have shaped the supply and demand for housing; they have shaped the behaviours of markets and capital investment, and in turn contributed to current housing shortages and affordability issues. The collaborative economy tourism accommodation sector has grown, in part, due to the natural tendency for capital to maximise return on investment. In each of the four cities examined, short-term tourism rental is more profitable than renting to local residents. As a result, investors seeking to maximise their returns have been drawn to the collaborative economy accommodation sector where small investors with as little as one apartment to rent can access the global marketplace.

European rules on mobility and the single economy have facilitated economic growth, the mobility of capital and people. These policies have also contributed to the current perfect storm in relation to the tourism accommodation collaborative economy, particularly in Barcelona and Berlin. In all four cities examined, high levels of population mobility have been identified. There is considerable anecdotal evidence that in each of the cities analysed there is a high presence of non-residents property owners and/or ex-pat investors who have invested in multiple properties. Their motivations for investment and/or relocation may be very different, but this new form of mobility and investment activity is resulting in the conversion of residential stock into commercial accommodation stock. In the process, while economic activity has increased, public interest issues have emerged with varying levels of intensity.

The growth of the collaborative economy tourism accommodation sector at a global level intersects with local policy issues that have evolved over time and are embedded in local institutional structures, cultures and practices at different policy scales and within different horizontal sectors. This is a perfect storm - a coalescence of policy issues at vertical and horizontal scales.

Emerging issues and controversies

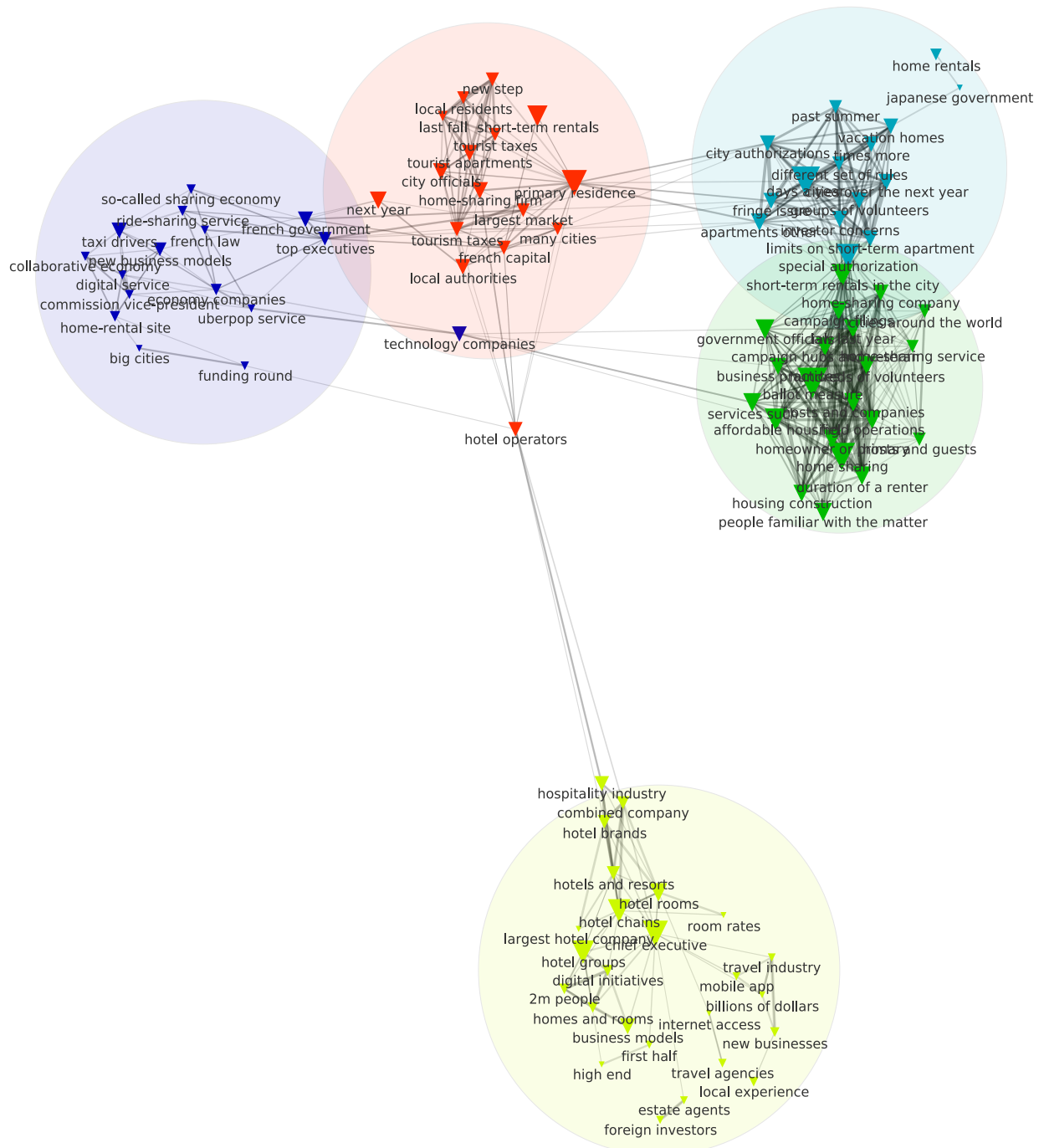
In the past 12 months, media coverage addressing the complexity of issues in relation to collaborative economy tourism accommodation have intensified significantly. Figure 2 is based on a selection of 105 news articles concerned with such issues. The articles and their content have been systematically identified and harvested from the ProQuest database. Subsequently, the material has been grouped into topical clusters by means of the semantic analysis platform CorText.

The purpose of the issue map in Figure 2 is to generate a visual overview of what issues come up in relation to collaborative economy tourism accommodation. (This map is generated by the CorText software - see appendix for a full list of terms associated with each cluster). This data-driven overview identifies which are the most prominent issues of concern in each city. and thus, challenge partial and taken-for-granted understandings of collaborative economy phenomena. Each point or 'node' in the network map represents a term that has shown to be prevalent in newspaper discussions, in this case related to Airbnb. For instance, the term "hotel operators" shows up in the centre of the map, which suggests that this is a significant entity in such discussions. Each term is marked on the map with a coloured triangle.

Individual terms are linked to each other with grey lines or 'edges' in Figure 2. Such relationships indicate that two terms are likely to show up close to each other in a sentence and suggests that these are related

issues or entities. The network perspective allows for the CorText analysis software to propose clusters of terms being closely connected to each other.

Figure 2. Issue mapping of the collaborative economy accommodation sector – all cities



It is important to keep in mind that the map is always dependent on the specific data set that was generated. In this case, the data set consists of English language news articles. This also has consequences for how the map can be interpreted, as we will return briefly to below, when discussing differences between individual cities (Figure 3). The methods used to generate the issue mapping are discussed further in the appendix.

Figure 2 contains a vast amount of information, some of which will be explored in the city-specific sections of this paper. As mentioned, the map is useful in that it identifies five key clusters of emerging discussion that are relevant across all the cities examined in this Impulse Paper. Starting in the upper left hand corner and moving clockwise, the clusters are as follows:

- (1) **Business innovation and disruption** (purple cluster). This cluster includes discussions about the rise of new digital services and business opportunities in a growing collaborative economy. It tends to raise 'big picture' questions about structural changes in the economy and its uneven impacts.
- (2) **Taxation and commercialisation of housing** (pink cluster). This cluster thematises the issue of taxation (e.g. responsibility for the collection of tourist taxes, a fair playing field between incumbents and collaborative economy in relation to taxes) and impacts and challenges of the collaborative economy on municipalities and local authorities. The issue of commercialisation is also present in this cluster.
- (3) **Complexities of regulation** (blue cluster). This cluster relates to the often blurred operational issues around commercial and residential use of property, and how this distinction can be captured in regulation.
- (4) **Land use, planning and housing policy** (green cluster). This cluster overlaps with the cluster above, reflecting cross-sectorial policy concerns, and includes concerns about appropriation of housing stock, housing affordability, permissions, enforcement and so on.
- (5) **Impacts on the incumbents in the tourism industry** (yellow cluster). This cluster speaks to the effects on and responses by hotel chains, travel agencies, intermediaries and other incumbents in the hospitality industry.

One question this Figure raises is how this broad landscape of issues and controversies common across all cities maps out differently in each of the four cities. The different ways of interpreting and problematizing the issues associated with collaborative economy tourism accommodation in each of the four cities influences how the policy problem is defined and, consequently, the type of regulatory solution that might be found to be institutionally appropriate and politically acceptable.

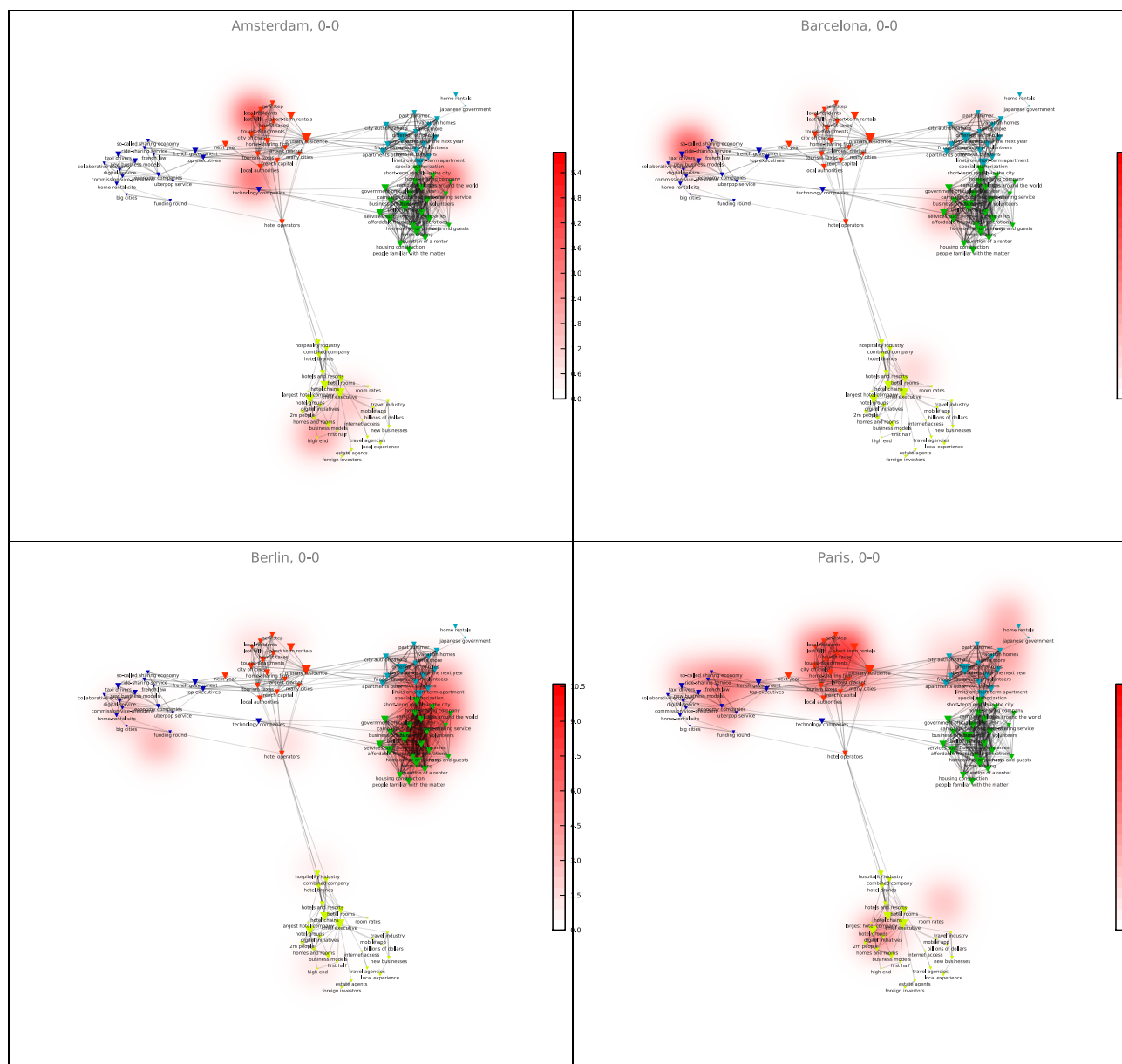
In order to provide an initial sense of where these differences lie, we have generated a series of four maps that indicate the emphasis of each of the four cities (see Figure 3 below). The terms that are mapped and the relations between the terms are the same in each visualisation. Moreover, the base map of terms and relations correspond to the one presented in Figure 2 above. The difference is that in the maps below, there are no coloured circles to mark each cluster. Instead, what changes across the four maps is that a so-called heatmap technique is used to highlight where on the map of terms an individual city stands out by contributing significantly to bringing issues into the picture.

This means that each of the maps below shows the same totality of issues as the map above with the addition of a red colour gradient that depicts the issues that are particularly related to an individual city. By comparing the presence of the red colour on the four maps below, it is thus possible to conduct a comparative analysis of the four cities in terms local concerns related to the collaborative economy tourism accommodation sector.

For example, the Paris version of the map (lower right corner) indicates that the news discourse that mentions Airbnb and Paris contribute to the general issue map with themes that we above term "taxation and commercialisation of housing" (pink cluster in Figure 2). The heatmap shows this by highlighting this area of the Paris map with a bright red colour. If we move on to the Amsterdam map (upper left corner),

the heatmap suggests that Amsterdam is the city that contributes the second most to the presence of issues having to do with “taxation and commercialisation of housing”. Below the four maps in Figure 3 we offer a comprehensive interpretation of these maps.

Figure 3. Issue mapping of the collaborative economy accommodation sector in each city



Note: The colour of the triangular nodes that mark each individual term correspond with the coloured clusters identified in Figure 2.

When interpreting these maps, it is important to keep in mind that these maps provide a useful overview and invite us to think in new directions about what issues are relevant. But such maps are always highly dependent on the data sets gathered by us that make it possible to build the maps in the first place. Similarly to Figure 2, also in this case, the data set consists of news articles that derive from a specific set of English-language news outlets. One consequence here is that relatively few articles mention Barcelona, which could be part of the explanation why Barcelona has the ‘weakest’ heat map. In other words, the maps do not necessarily mean that Barcelona has fewer or smaller issues, but it does indicate that in English-language newspaper discussions, Barcelona is the city that brings the smallest amount of unique concerns to the table.

Keeping in mind the five thematic clusters identified above, several observations can be made in relation to the issues that are emphasised in the media in the individual cities:

- **Berlin** is the city among the four that is most clearly associated with a combination of two closely related clusters: the land use, planning and housing issues (green) cluster and the regulatory concerns (blue) cluster. Policy and regulatory issues are considerably more controversial in Berlin than any of the other clusters of issues.
- **Barcelona** is most strongly associated with the innovation cluster, where concern with disruption and business innovation as a result of the collaborative economy are dominant. Paris is also clearly present in this issue space, while Berlin is more weakly associated with this cluster.
- **Paris** is the city that is more strongly associated with the cluster around taxation and local authorities, with Amsterdam following closely behind. Interestingly, in Paris, housing affordability is cited as a rationale for recent regulation (see regulatory analysis below), however the issue does not reveal itself as a controversy in the media analysed.
- **Amsterdam** does not dominate any particular cluster, but shows up in relation to the clusters related to local taxes, the hotel industry, and land use issues.

In the following sections we delve further into the policy contexts and regulatory measures taken in each of the four cities.

Amsterdam

Context

Support for developing and facilitating the sharing economy is embedded at all levels of government in the Netherlands. In the National Reform Programme 2016⁵⁹ for the Netherlands, there is a commitment to improving the conditions for innovation and investment in digital platforms and the sharing economy through more flexible legislation and regulations. The overall approach of the government is to “allow sufficient scope for innovation, renewal and entrepreneurial capacity, while at the same time adequately protecting public interests”⁶⁰. The Government recognises the innovation benefits of the sharing economy, its potential effects on the ecology of economic activity, and its potential for social and environmental benefits. It is seeking to address the issues taking an approach that is steered by (i) the articulation of broad values and principles, and (ii) detailed sector or issue specific responses based on these broad values.

On 2 February 2015 Amsterdam officials declared its intention to be the first “Sharing City” of Europe⁶¹. The City is actively facilitating the sharing economy and seeks to be the example of how P2P accommodation services can be managed. The sharing economy is perceived as an important innovation that offers benefits for, among other things, sustainability, social cohesion and the economy. The

⁵⁹ National Reform Programme 2016. The Netherlands. 2016.

http://ec.europa.eu/europe2020/pdf/csr2016/nrp2016_netherlands_en.pdf

⁶⁰ Letter to the President of the House of representatives of the States General, Work on future-proof legislation: digital platforms and the sharing economy, including private letting to tourists (Airbnb).

[https://www.innovationpolicyplatform.org/system/files/Digital%20platforms%20and%20the%20sharing%20economy%20\(december%202015\).pdf](https://www.innovationpolicyplatform.org/system/files/Digital%20platforms%20and%20the%20sharing%20economy%20(december%202015).pdf)

⁶¹ Amsterdam Europe's First 'Sharing City'. 2015. <http://www.collaborativeconsumption.com/2015/02/04/amsterdam-europes-first-sharing-city/>

perceived value of the sharing economy is articulated both in the City's policy documents and in the development of partnerships and collaborations via the Amsterdam Sharing City initiative⁶²

The Amsterdam Sharing City initiative is a public-private collaboration that responds to the challenges associated with fostering the collaborative economy's innovative potential; the complexities of its management within established policy and regulatory environment; and the need to work with diverse stakeholders ranging from incumbent industry actors, to start-ups, and from local residents to global platforms. The mission of Amsterdam Sharing City is to "... recognise the sharing economy as a key driver of sustainable and economically resilient city rich in social capital and acknowledges the need to consider sharing economy principles and incorporate them in the process of recreating the political, economic and social landscape".

Drivers for Regulation

Amsterdam's regulatory response to collaborative economy tourism accommodation has been in response to a number of factors that have coalesced, including:

- The identification of a gap in supply of short stay commercial accommodation for business travellers around 2008 and a policy response that sought to encourage the market to fill this gap.
- The rise of digital economy and the emergence of global accommodation sharing platforms opened up alternative accommodation supply and contributed to expanding tourism markets.
- The realisation that short stay accommodation policies and market incentives (i.e. returns on tourist commercial accommodation were better than residential returns) were encouraging the conversion of residential stock, particularly social housing, into commercial accommodation.
- Under conditions where both collaborative economy accommodation supply and the market that were rapidly expanding, the existing regulatory environment was not sufficiently responsive to market failures such housing affordability and the shortage of residential housing supply.
- Attention was drawn to the unfair playing field where taxes were being unfairly applied to traditional accommodation providers but not to emergent sharing economy accommodation providers.
- Confusion and complexity of the regulatory environment and the realisation that this environment could act as an impediment to further development of the collaborative economy and its continued innovation.

Regulatory Approach

A clear position on the collaborative economy. The Action Plan on the Sharing Economy⁶³ (March 2016) adopts an open and supportive approach to sharing. It embraces the sharing economy as a positive disruption, a social innovation, and an opportunity to facilitate both entrepreneurship and sustainability. The College of Mayor and Alderpersons does not see their role as banning or authorizing sharing activities, but in monitoring and seizing opportunities where possible. The action plan is a strategic document that sets out broad actions to achieve these goals and includes the following actions:

1. *Stimulating the sharing economy* 'to tackle urban challenges hand in hand with Amsterdam's residents', by connecting people and supporting pilot projects.
2. *Leading by example*, the College of Mayor and Alderpersons are launching their own pilot project to share its assets (office space, tools, vehicles, etc.) with the aim of providing a positive benefit to the City and its inhabitants.

⁶² Amsterdam Sharing City. 2016. <http://www.sharenl.nl/amsterdam-sharing-city/>

⁶³ Amsterdam Action Plan for the Sharing Economy 2016. <http://www.sharenl.nl/nieuws/2016/03/09/actionplan-sharing-economy>

3. *A sharing economy for all Amsterdam residents* will enhance social inclusion. Initiatives will be undertaken to boost the use of sharing platforms, a public research library will be developed to share insights, and introductory meetings will be held in public spaces such as libraries.
4. *Rules and regulations* will put public interest first, but will also seek to remove barriers and impediments created by out-dated regulations.
5. *Putting Amsterdam on the map as Amsterdam Sharing City with a Sharing City Event*. The progressive approach adopted by Amsterdam provides an important learning opportunity that the City is eager to share.

An innovative organisational response that sets up public-private spaces of collaboration between a wide range of actors including citizens, government officials, start-ups, incumbent industry actors, platforms, etc. The organisational response seeks to build capacity within sector by creating shared understandings, dialogue, education and research.

Elements of regulation. The regulatory approach adopted clarifies and distinguishes between different types of use of accommodation. Amsterdam's Short Stay policy (Shortstay beleidsregels) is targeted towards providing accommodation for business visitors on extended stays in an environment that is more home-like. Short Stay rentals are defined as 'the rental of non-subsidised housing (with a rent above €710.68) for periods from seven (7) nights to six months'.^{64 65} This policy development commenced in 2008, prior to when sharing accommodation platforms started to take off in Europe, when it was noted that there was a shortage of apartment accommodation to accommodate business travellers wishing to stay for a few weeks or months. The City stopped granting permits in early 2014 for short stay accommodation. Premises approved for short stay accommodation will revert to private residences upon expiration of their licence. The first licences are due to expire in 2019, the last in 2024.

More recently, the Private Holiday Rental policy ('vakantieverhuur') establishes a clear framework to address public interest (i.e. freedom to share, effects of the collaborative economy on residential housing); it seeks to be responsive to the development of the collaborative economy and to create a level of certainty and clarity to encourage innovation. The Holiday Rental policy permits homeowners to rent out their apartments or houseboat without a permit. However, rules apply. Home/houseboat owners may rent out up to 60 days per year to a maximum of 4 persons; they must pay appropriate taxes, and must not be in a housing cooperative; the dwelling must meet fire regulations; and the owner must be registered.

B&B room rentals are permitted in Amsterdam, but strict rules apply. Only 40% of the dwelling can be used by the guest; a maximum of 4 persons; applicable taxes must be paid; and the B&B must be registered with the municipality.

A hallmark of this regulatory response is reflected in attempts to clearly distinguish between residents' freedom to rent a room in their home or rent for a short period while they are on holiday and commercial operations; attempts to make the regulatory framework more equitable; and licensing requirements that restrict the intensity and level of commercialisation of tourist use (e.g. quotas and caps on licenses, presence of owner or tenant, length of stay, etc.).

Implications for stakeholders are summarised in Table 5.

⁶⁴ Amsterdam Short Stay Policy. 2016. <http://www.iamsterdam.com/en/local/live/housing/rental-property/shortstay>

⁶⁵ Gemeente Amsterdam. 2014. <https://www.amsterdam.nl/gemeente/organisatie/ruimte-economie/wonen/regels-verordeningen/shortstay/>

Table 5. Amsterdam – implications for stakeholders

Stakeholders	Implications
Consumers	Visitors in private holiday rentals and B&B accommodation do not have consumer protection
Accommodation providers	Permit and licensing requirements distinguish between residents' freedom to rent a room in their home or rent for a short period while they are on holiday Restrictions on the intensity and level of commercialisation of tourist use (e.g. quotas and caps on licenses, presence of owner or tenant, length of stay)
New service entrepreneurs	Sharing, circular and collaborative economies encouraged at strategic level Ecologies of innovation supporting collaborative economy supported Regulation does not specifically target entrepreneurial activity
Local residents and community	Subsidised or social housing is protected Building, health and safety requirements
Incumbent industry operators and groups	The problem of 'Illegal hotels' / unfair competition is addressed
Collaborative economy platforms	Collection of tourist taxes (by Airbnb, the largest platform at present) Platforms play an educational role for hosts and community members

Barcelona

Context

Regulation of the collaborative economy tourism accommodation sector in Barcelona is shaped by legislation developed at the national level, by the Catalan government and the municipal government of Barcelona. All three levels of government have been responding to different issues, different interpretations of public interest and political debates occurring at different spatial scales.

The national government is responsible for regulating the rental of urban rentals under the National Law of Urban Leases (Ley de Arrendamientos Urbanos, LAU). This legislation provides the backbone for rental accommodation in Spain. In 2011 the national government amended this legislation as a result of increasing concerns that private residential accommodation was being diverted into tourism accommodation. The amendments were designed to protect public interest, most notably, to protect against the loss of residential housing stock by stipulating the minimum rental agreement of one year. As a result, from 2013 onwards tourism accommodation rental was excluded from regulation under this law, and responsibility fell to the autonomous regions.

The Government of Catalonia regulates tourism accommodation via two main instruments: Ley 13/2002, de 21 de junio, de turismo de Cataluña⁶⁶ and Decree 159/2012, de 20 de novembre, Tourist Accommodation and Private Holiday Rentals (de establecimientos de alojamiento turístico y de viviendas de uso turístico). The law defines 'homes for tourist use' (HUT) as properties that are provided by the owners directly or through third parties and used as commercial accommodation for a maximum of 31 days, two or more times per year. If the property is rented for more than 31 days at a time, then the contract would fall under the National Law (LAU) which oversees temporary renting (which is not related to

⁶⁶ Ley 13/2012 de 21 de junio de turismo de Cataluña. http://noticias.juridicas.com/base_datos/CCAA/ca-l13-2002.html

tourist use). Collaborative economy short-term rental accommodation would fall into the HUT category, and is distinguished from tourist apartment hotels, which are managed establishments.

Decree 159/2012 requires that a permit be obtained for tourist accommodation establishments and all approved properties shall be recorded on the Tourism Register of Catalonia. Once tourist housing is licensed, the registration number (Cedula d'Habitatge) must appear on all advertising of the property. The home must also display the registration number. The following conditions also need to be met:

- Have the certificate of occupancy at all times and meet the technical and quality required for housing in general.
- The maximum occupancy indicated in the certificate in the certificate cannot be exceeded.
- It must be clean and furnished and equipped with appliances and utensils for immediate occupation.

The owners of tourism accommodation establishments have additional obligations: to pay income taxes derived from the rental activity, collecting the tourist tax (charged on a per night basis), and in certain circumstances, VAT if applicable.

The Decree (159/2012) does not regulate the "sharing of a room". However, according to the Catalan government's interpretation of the Decree, it requires touristic "dwellings" to be rented out in their integrity (i.e. as whole properties) so renting out of rooms is not allowed. Under amendments in July 2015 householders are able to accommodate tourists in rooms, for stays no longer than 31 days and for a maximum of 4 months (not necessarily consecutive). City officials liken this to a form of 'bed and breakfast' in a sharing house, and the overall aim of this amendment of to address the shadow collaborative economy and protect consumers⁶⁷.

The City of Barcelona also has powers to make detailed rules and regulations about tourism accommodation to deal with local issues. The City has come under significant pressure in recent years as a result of the strong and sustained growth in visitor numbers, the impacts on the physical, social, economic and environmental character of the city. The evolving approach to regulating homes for tourist use must be understood in the context of this growing political debate.

In May 2014, the city suspended the issuing of licences for one year in the neighbourhood of el Eixample and slowed the issuing process while new regulations were being developed^{68 69}. The main reason given was that unacceptable impacts of tourism on the local communities had started to emerge (nearly half of all licenced holiday rentals are situated in the district). Other neighbourhoods were also affected by the slow down. Other factors were also identified including a 180% increase in permit applications in the previous two years and the increased resources needed to investigate illegal rentals. The city was also concerned in the rising number of illegal rentals facilitated by the rise of digital collaborative economy sites. In July 2014 the Catalan government fined eight letting sites €30.000 euros for advertising rooms and non-registered apartments. The move was aimed at forcing platforms to cease advertising properties that were not approved (i.e. did not have a registration number). The move was followed a year later (July

⁶⁷ Government legalises renting rooms in houses to tourists. El Pais. 15 July 2015.

http://ccaa.elpais.com/ccaa/2016/05/30/catalunya/1464620934_221081.html?rel=cx_articulo#cxrecs_s
http://ccaa.elpais.com/ccaa/2015/07/14/catalunya/1436876586_200163.html?id_externo_rsoc=TW_CM

⁶⁸ Suspensión de licencias de vivienda de uso turístico en Barcelona. <http://albertofernandez.canaldenegocio.com/suspension-de-licencias-de-vivienda-de-uso-turistico-en-barcelona/>

⁶⁹ Advanced notice of tourism homes in the City of Barcelona.

<https://w30.bcn.cat/APPS/portaltramits/portal/channel/default.html?&stpid=20080000487&style=ciudadano&language=ca>

2015) with a moratorium on licensing all tourism accommodation in order to assess the situation and develop a special plan⁷⁰.

Drivers for Regulation

Barcelona's regulatory response to collaborative economy tourism accommodation has been in response to a number of factors that, when taken together, have created the "perfect policy and regulatory storm". These factors include:

- The rise of the digital economy and the emergence of global accommodation sharing platforms opened up alternative accommodation supply and contributed to an expansion of the tourism markets⁷¹.
- In the late 2000s, the global financial crisis and rising unemployment rates prompted some households to search for supplementary incomes.
- Sustained emphasis on tourism promotion and growth strategies since the 1992 Barcelona Olympics⁷².
- Growth in tourist numbers driven by a range of factors including low cost carriers, cruise tourism⁷³, and a history of successful marketing strategies that have increased awareness and motivation to visit the destination⁷⁴.
- The trend for residential housing to be converted into short stay tourist accommodation due to market incentives (i.e. returns on tourist commercial accommodation were better than residential returns).
- National laws to liberalise foreign investment, increased EU mobility and the relaxation of rules for property investment has contributed to a real estate boom in Spain's coastal areas, including Barcelona⁷⁵.
- Under conditions where both collaborative economy accommodation supply and the market demand were rapidly expanding, the complexity of the existing regulatory environment was not sufficiently responsive to the particular innovations that were being introduced.
- Incumbent industry stakeholders were drawing attention to unfair competition where regulations and taxes were being unfairly applied to traditional accommodation providers but not to emergent sharing economy accommodation providers.

Characteristics of the Regulatory Approach

Barcelona's regulatory approach the collaborative economy tourism accommodation sector is characterised by the following approach:

A clear position on the collaborative economy. The division of roles and responsibilities between national and the autonomous states means that both levels of government have some responsibilities over aspects of the collaborative economy. In 2014 the Catalan government released its position on the

⁷⁰ Colau suspende la concessió de llicències turístiques en Barcelona. El País 3 July 2015.

http://ccaa.elpais.com/ccaa/2015/07/02/catalunya/1435818964_383457.html

⁷¹ Comisión Nacional de los Mercados y la Competencia (CNMC). 2016. Resultados preliminares – Estudio sobre los nuevos modelos de prestación de servicios y la economía colaborativa. <https://docs.google.com/document/d/1n65MjUaTmRLuZCqTlIqyWvobVgreR-iAzzs1mhxy2y0/edit>

⁷² Duran, P. 2010. Public-private partnership in a city: The success story of Barcelona. Presentation Moscow March 15, http://www2.unwto.org/sites/all/files/pdf/551pptmoscow.pere_duran_.pdf

⁷³ Garay Tamajón, L.A. & Cánoves Valiente, G. 2012. Cruise tourism in Barcelona: From marginality to international leadership. Boletín de la Asociación de Geógrafos Españoles, 60:483-488.

⁷⁴ Masià, R. 2011. Catalonia Sector Development: The case of cruise tourism competitiveness partnership in Barcelona. http://www2.unwto.org/sites/all/files/pdf/551pptmoscow.pere_duran_.pdf

⁷⁵ Almeida Garcia, F. 2014. A comparative study of the evolution of tourism policy in Spain and Portugal. *Tourism Management Perspectives*, 11(1): 34-50.

collaborative economy⁷⁶ and in 2016 the National Commission of Markets and Competition released its preliminary report⁷⁷. Both take a supportive position: advantages of higher supply, greater product differentiation and the possibility of more efficient prices, quality and innovation are recognised advantages of the collaborative economy. From the point of view of increasing competition and efficient regulation, the CNMC⁷⁸ has called for the removal of unnecessary or disproportionate regulatory requirements. However, significant public interest issues remain around housing supply and affordability, safety, land use and planning conflicts that were outside the scope of the Commission's current report. Responsibility for many of these issues falls to other administrations in the Catalan or the municipal government (e.g. regulating tourism developing, planning, building safety, etc.)⁷⁹. Consequently, different (horizontal) administrative elements and different (vertical) levels of government address collaborative economy regulation depending on their roles and responsibilities and how public interest is defined.

At a local level, there is a vibrant community of stakeholders engaged in discussions and actions related to alternative economies, cooperativism and commons based collaborative economy⁸⁰. These discussions are likely to contribute to the emergence of difference models of collaborative economy (extractive and commons/generative) in the future.

An organisational response. In April 2016 the Catalan government approved the creation of an Interdepartmental Commission for the Collaborative Economy (Comisión Interdepartamental de la Economía Colaborativa)⁸¹. This commission will work with the collaborative economy on a sector by sector basis to facilitate a coordinated approach. Within one year, the government will roll out its review of sectorial regulations, which will aim to increase legal certainty, to ensure fair competition and enable coexistence between incumbent and new stakeholders⁸².

Elements of regulation. The City of Barcelona has adopted its own municipal rules covering various aspects of tourist accommodation. The elements of regulation currently in place include the following:

- Definition of different tourist accommodation types which attempt to distinguish between establishments that have a commercial orientation and residential non-commercial orientation.
- Licencing.
- Renting of entire homes/apartments and rooms have limitation on length of stay.
- Building requirements such as size and configuration of housing, bathroom.
- Requirements on operational aspects such as the presence of an owner (or tenant) for HUT accommodation (homes for tourist use) and B&B (room) rental, serving of breakfast only and the nature of the sharing activity.
- A moratorium on the issuing of new licences for tourism accommodation.
- Rigorous enforcement of laws including issuing notices and fines on illegal accommodation.
- Tax liability.

⁷⁶ Autoritat Catalana de la Competència. 2014. Transacciones entre iguales (P2P) competencia.

http://acco.gencat.cat/web/.content/80_acco/documents/arxius/actuacions/ES_7_2014_TRANSACCIONES_ENTRE_IGUALES_Y_COMPETENCIA_CAST.pdf

⁷⁷ Comisión Nacional de los Mercados y la Competencia (CNMC). 2016. Resultados preliminares – Estudio sobre los nuevos modelos de prestación de servicios y la economía colaborativa. <https://docs.google.com/document/d/1n65MjUaTmRLuZCqTllqyWvobVqreR-iAzsz1mhxy2y0/edit>

⁷⁸ Comisión Nacional de los Mercados y la Competencia

⁷⁹ Generalitat de Catalunya. 2016. Tourist Housing.

http://empresaocupacio.gencat.cat/ca/treb_departament/treb_preguntes_i_respostes/emo_turisme/emo_habitatges

⁸⁰ The Commons Collaborative Economy explodes in Barcelona.

<https://p2pvalue.eu/the-commons-collaborative-economy-explodes-in-barcelona/>

⁸¹ Generalitat de Catalunya. 2016. Diari Oficial de la Generalitat de Catalunya Núm. 7094 - 7.4.2016 ACUERDO GOV/44/2016, de 5 de abril, Acuerdo Gov/44/2016 de 5 de Abril, para el desarrollo de la economía colaborativa en Cataluña y de creación de la Comisión Interdepartamental de la Economía Colaborativa. <http://www.minhap.gob.es/Documentacion/Boletines/2016/49539.pdf>

⁸² Ayuntamiento de Barcelona. 2016. La Generalitat regular la economía colaborativa. Oficina Municipal de Información al Consumidor. <http://ajuntament.barcelona.cat/omic/es/actualidad/la-generalitat-regula-la-economia-colaborativa>

Implications for stakeholders are summarised in Table 6.

Table 6. Barcelona – implications for stakeholders

Stakeholders	Implications
Consumers	Consumer protections through licencing and other operational requirements
Accommodation providers	All 'homes for tourist use' require a permit and shall be recorded on the Tourism Register of Catalonia Registration number must be included in any advertising Providers are obligated to pay income taxes and VAT derived from rental activity Active enforcement of licencing requirements
New service entrepreneurs	A supportive position on the collaborative economy at a strategic level
Local residents and community	Caps on licences in some neighbourhoods/districts were followed by a citywide moratorium on tourism accommodation licences in 2015 pending detailed analysis of impacts on neighbourhoods.
Incumbent industry operators and groups	Licensing requirements aimed at addressing unfair competition although these concern continue to be a problem
Collaborative economy platforms	Platforms must adhere to advertising requirements that properties must include registration numbers (fines apply). Platforms play an educational role for hosts and community members

Berlin

Context

In principle, Berlin's Senate Department for Urban Development and the Environment does not undertake any regulatory activity with regard to the tourism sector, the sharing economy, the collaborative economy or the hotel and guesthouse sector. It has however recently introduced measures to specifically address issues relating to housing supply and affordability. These measures have had significant indirect implications for the legality of collaborative economy accommodation in Berlin, which is seen to be a major contributing factor in the shortage of residential housing and issues of housing affordability. The Senate Department of Economics, Technology and Research also confirmed that Berlin does not take any further measures or plans any further activities to manage the regulations to tourism accommodation in the collaborative economy.

Unsubstantiated reports suggest that cost of housing rental in Berlin rose as much as 56% between 2009 and 2014⁸³. Berlin Mietergemeinschaft, a renter's rights and advocacy organisation, estimated that 18,000 vacation rentals were scattered across the city⁸⁴ in 2015. City administrators, concerned that residential housing was being re-purposed for tourist accommodation and commercial offices, have taken policy action with the aim of returning this 'misappropriated' housing stock back to the residential market. The Department for Urban Development and Environment's policy response has been driven by a need to respond to public interest, and has differentiated between the renting of whole apartments (deemed commercial) and renting of a room while the apartment is used as a primary residence.

⁸³ Berlin's government legislates against Airbnb. 2016.

<https://www.theguardian.com/technology/2016/may/01/berlin-authorities-taking-stand-against-airbnb-rental-boom>

⁸⁴ Tourism troubles: Berlin cracks down on vacation rentals. 2015. <http://www.spiegel.de/international/business/berlin-cracks-down-on-estimated-18-000-vacation-rentals-a-1026881.html>

Approach

In Berlin, collaborative economy tourism accommodation is not regulated and the ban on changes of use for housing (*Change of Use Act*) is simply aimed at protecting the availability of residential housing and the use to which housing is put. This legislation sets out which forms of housing use are permissible and which are not, and it sets out how owners and tenants are allowed to deal with housing. The new law does not contain any regulatory elements that are specifically or directly targeted at the tourism sector, the sharing economy or the collaborative economy.

Factors that may have directly or indirectly created pressure on Berlin's housing situation and prompted the adoption of the Change of Use Act include:

- National laws to liberalise foreign investment and increased EU mobility have contributed to the growth of an expat community that has invested heavily in multiple residential properties.
- There is an existing housing shortage in many parts of Germany including Berlin, which has been exacerbated by low levels of housing investment⁸⁵. Adding to this shortage, residential housing stock has been converted into commercial tourist accommodation because returns on tourist commercial accommodation are better than residential returns.
- There has been a growing stock of illegal conversions from residential housing to commercial accommodation.

Characteristics of the Regulatory Approach

A clear regulatory position. On 1 May 2016, Berlin's new law *Zweckentfremdungsverbot*⁸⁶ (*Change of Use Act*) came into force. The Senate Department for Urban Development and the Environment is responsible for the development and implementation of the law, which specifically sets out how residential housing may be used. The law is intended to protect residential housing from misappropriation and ensure that housing is used exclusively for the purpose of permanent residence. In this approach, so long as the dwelling remains a permanent residence, it is legal to rent out a room where the owner is present. Any other kind of use, such as commercial use, leaving a property vacant, demolishing housing or renting out housing as a holiday apartment, is only permissible with a special permit from the local authority. The owner or the tenant of a flat can apply for a permit however if a landlord or owner of a flat breaches this ban on change of use, significant fines could apply.

It must be emphasized that the *Change of Use Act* is not designed to regulate or address any regulatory activity with regard to the tourism sector, the sharing economy, the collaborative economy or the hotel and guesthouse sector. The Senate Department for Economic Affairs, Technology and Research is responsible for addressing regulation of economic activity, however the preference of this department is to adopt a free market policy approach, and avoid special regulations such as for the tourism accommodation in the collaborative economy. This approach has meant that the City's residents have embraced the commons collaborative economy in its broadest sense (i.e. open-knowledge, p2p finance, open-production, cooperativism) and there are well-established communities of interest that want the city to be a world leader in co-operative platforms, commons collaborative economy and circular economy initiatives⁸⁷.

⁸⁵ Brightbill, P. Et al. 2015. Berlin/New York: The legacy of modern era housing. Strategies for the next 30 years of Neu-Hohenschönhausen, Berlin and beyond. Columbia University.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.729.6840&rep=rep1&type=pdf>

⁸⁶ Misappropriation ban on housing

http://www.stadtentwicklung.berlin.de/wohnen/zweckentfremdung_wohnraum/de/vorschriften_vordrucke.shtml

⁸⁷ Von der geteilten zur teilenden Stadt – Berlin auf dem Weg zu einer Sharing City. *Potenzialanalyse der Share und Collaborative Economy in Berlin*. <http://sharingberlin.de/potenzialanalyse/>

Elements of regulation. Since 1 May 2014, the renting of residential apartments for commercial or tourist uses in Berlin has only been allowed with a special permit from the district office. There was a two year grace period allowing owners to apply for permission and in May 2016 the law (described above) came into full effect.

This regulation requires that all housing that has been converted into alternative uses go through a permit process or be returned into residential housing stock. If a permit for the tourist accommodation or other uses is refused or not obtained for other reasons, then the district office has the power under the new law to evict tenants and require that the housing be reinstated into the residential market at the owner's expense. The general public has been encouraged to report possible infringements via an anonymous website⁸⁸. Enforcement has been strict. From 2014 to 9 February 2016, approximately 6,300 apartments had been registered and about 1,200 possible violations had been identified. There are also around 2,800 'notes' from the public on possible infringements.

Implications for stakeholders are summarised in Table 7.

Table 7. Berlin – implications for stakeholders

Stakeholders	Implications
Consumers	Only commercial accommodation stock (with a permit) is legal
Accommodation providers	<p>The ban on changes of use for housing (Change of Use Act) simply sets out which forms of housing use are permissible and which aren't, i.e. it sets out how owners and tenants are allowed to deal with housing. The new law does not contain any regulatory elements that are specifically targeted at the tourism sector, the sharing economy or the collaborative economy. The only thing regulated is the use to which housing is put.</p> <p>The ban on changes of use for housing is intended to ensure that housing is used exclusively for the purpose of permanent residence. Any other kind of use, for example commercial use, leaving a property vacant, demolishing housing, or renting out housing as a holiday apartment, is only permissible with a special permit from the local authority.</p> <p>Active enforcement of licencing requirements and fines up to EUR 100,000 levied</p>
New service entrepreneurs	The only thing regulated is the use to which housing is put and does not target entrepreneurial activity.
Local residents and community	Local residents can report properties being rented out as a holiday apartment to the municipality.
Incumbent industry operators and groups	The ban on change of use indirectly addresses incumbent's concerns about unfair competition.
Collaborative economy platforms	<p>The Senate Department of Economics, Technology and Research follows the policy of the free market and avoids special regulations for tourism accommodation in the collaborative economy.</p> <p>Platforms play an educational role for hosts and community members</p>

⁸⁸ Report a repurposed apartment. 2016.

https://ssl.stadtentwicklung.berlin.de/wohnen/zweckentfremdung_wohnraum/formular/adresswahl.shtml

Paris

Context

As Europe's most visited city destination, demand for tourist accommodation in Paris, especially in the inner city neighbourhoods, is high. Collaborative economy tourist accommodation is supplementing the City's tourist accommodation stock, but at the same time that this growth is taking place, governments and the City's residents have voiced their growing concerns about a lack of housing and its affordability.

Drivers for Regulation

The ALUR Law⁸⁹ was introduced in 2014 (to be fully implemented in 2016) with the aim of regulating rent and establishing rent control. The stated aim of the ALUR Law is to address failures emerging in the housing market, to protect homeowners and tenants, and promote increased housing supply. The law was developed in part to address the housing supply and affordability issues and to revitalise the real estate sector by regulating the conditions under which accommodation is rented⁹⁰. By prescribing conditions for rental agreements including time span of leases, it also provides the mechanism for regulating short-term tourist accommodation in the collaborative economy.

The ALUR Law requires that residential property be rented for a minimum of one year. If it is rented out for lesser period then it is deemed a commercial operation and requires permission. In addition, if a property is turned into commercial rental, the law requires the owner to acquire a commercial property elsewhere and convert it to residential use in order to compensate for the loss of the residential stock⁹¹. In effect, this is a 'transfer of commerciality', and the transfer must be approved by the City prior to the application for the change of use⁹². This 'compensation' provision has not been enforced in the past and has largely been ignored by property owners. The result has been a channelling of residential accommodation away from the residential market.

Characteristics of the Regulatory Approach. Since tourism rental accommodation in Paris is very profitable (i.e. properties can be rented out on the short term accommodation market at a higher rate per square metre than if it were a residential rental agreement), concerns have been mounting that a growing number of property owners have been renting out their properties without applying for permission. Owners of residential properties wishing to change their use to commercial accommodation must now apply for permission and a determination will be made based on the local housing programme and the local development plan in force.

The proportion of owners renting out their primary residence as opposed to people renting illegally is a matter of dispute. In 2014 Airbnb argued that 83% of properties advertised on the platform were people legally letting their primary residence, while the municipal government argued that as many as two-thirds of apartments being advertised as short stay accommodation were not primary residences. The returns on short term tourist accommodation rental have been so strong that there is also concern that investors are buying up small apartments adding further pressure on the residential market in many neighbourhoods⁹³.

⁸⁹ loi n°2014-366 24 mars 2014 pour l'Accès au Logement et un Urbanisme Renové <http://www.la-loi-alur.org/>

⁹⁰ <http://www.la-loi-alur.org/loi-alur-syndic-de-copropriete/>

⁹¹ Autorisation 3: le changement d'usage à caractère réel, avec compensation http://www.paris.fr/services-et-infos-pratiques/urbanisme-et-architecture/demandes-d-autorisations/exercer-une-activite-dans-un-logement-172#locations-meublees-touristiques-ce-qu-il-faut-savoir_12

⁹² Autorisation 3: le changement d'usage à caractère réel, avec compensation

http://www.paris.fr/services-et-infos-pratiques/urbanisme-et-architecture/demandes-d-autorisations/exercer-une-activite-dans-un-logement-172#autorisation-3-le-changement-d-usage-a-caractere-reel-avec-compensation_5

⁹³ <http://www.bbc.com/news/world-europe-30580295>

Position on the collaborative economy. Similar to Berlin, the commons collaborative economy and the ethos of sharing has a strong following among the residents of Paris. Based in Paris, Ouishare is one of the longest established think tanks.

Elements of regulation. In terms of specific approach to the regulation of collaborative economy tourism accommodation, from 23 December 2009 it was compulsory to register furnished tourist accommodation (meublés touristiques) that is not a primary residence. A tourist apartment may be rented out for short periods and must be furnished. In order to rent out an apartment the owner must apply for permission under the tourism code. They must determine that the apartment meets required building regulations, that it is permitted within the rules of the building, and that the consent of the landlord is secured if the property is rented⁹⁴.

The Tourism Code (Code du tourisme) is the instrument used to regulate tourism^{95 96}. The code provides detailed guidance including the roles and responsibilities of different governments, the organisation of tourism, operational aspects of accommodation and other tourist uses and tax obligations.

Whole apartments can be rented out for up to 4 months as long as it remains the primary residence of the owner for 8 months of the year⁹⁷. If renting out a guest room, it is considered a business, it must be registered, and the host has certain responsibilities under law including:

- The establishment must be a primary residence.
- The minimum area of each room must be 9 m² (excluding bathroom), with a ceiling height of 2.20 m. It is generally accepted that, for commercial reasons, a room cannot be less than 12 m².
- Each room must provide access (directly or indirectly) to a bathroom and a toilet and comply with hygiene, safety and safety regulation.
- Room cleaning and sanitation must be provided daily at no extra charge.
- The price is free, but must consider the comfort of the room, the services offered and the tourist attractions of the region.
- The operator is subject to certain obligations in terms of display or pricing and invoicing.
- Capacity is limited to 5 rooms and 15 people simultaneously. In addition, the operator must comply with the regulations governing hotels and public buildings.
- Payment of tourist taxes if applicable.

Under this law, intermediaries, such as the sharing accommodation platforms, are obligated to inform those who advertise properties on their websites of their obligation. The approach to enforcement of the regulatory requirements is multipronged. The City and Airbnb work together in an effort to enforce the law and promote responsible home sharing⁹⁸. From April 2016, Airbnb sends out communications to hosts likely to be renting their primary residence for more than four months or a home that is not their primary residence and advise them of their responsibilities. Property owners who rent their house for longer – or rent out a residential property they don't live in – must apply for a change of use permit and register it as a commercial property. Fines of up to €25,000 can be issued. The new measures from Airbnb are tested for

⁹⁴ <https://www.service-public.fr/particuliers/vosdroits/F2043>

⁹⁵ Code du tourisme <http://pro.parisinfo.com/reglementations-et-subventions/hebergements-et-restauration/meubles-de-tourisme/qu-est-ce-qu-un-meuble-de-tourisme>

⁹⁶ Textes de loi sur la réforme du tourisme 2009.

<http://pro.parisinfo.com/reglementations-et-subventions/hebergements-et-restauration/loi-tourisme-2009/textes-de-loi-sur-la-reforme-du-tourisme-2009>

⁹⁷ Exploitation de chambre d'hôtes <https://www.service-public.fr/professionnels-entreprises/vosdroits/F31521>

⁹⁸ Paris and Airbnb pilot new measures to promote responsible home sharing <https://www.airbnbaction.com/paris-and-airbnb-pilot-new-measures-to-promote-responsible-home-sharing/>

four months, after which City Hall will evaluate the impact. The City also has a number of enforcement officers who actively undertake investigative work to identify illegal properties.

Implications for stakeholders are summarised in Table 8.

Table 8. Paris – implications for stakeholders

Stakeholders	Implications
Consumers	Only approved commercial accommodation with a permit is legal (includes apartments and guest rooms)
Accommodation providers	<p>ALUR Law requires that residential property be rented for a minimum of one year. If rented for a lesser period it is a commercial operation and requires a permit.</p> <p>If a property is turned into commercial rental, the law requires the owner to compensate by acquiring a commercial property and converting it to residential use (transfer to be approved by city)</p> <p>Property owners renting out their properties (secondary residences) must apply for permission under the tourism code (Code du tourisme).</p> <p>Fines may be issues for non-compliance</p>
New service entrepreneurs	Regulation does not target entrepreneurial activity.
Local residents and community	Owner must apply for permission under the tourism code to rent out their apartment and supply proof that such rental is permitted under the rules of the building.
Incumbent industry operators and groups	The tourism code outlines detailed requirements on operational aspects and tax obligations that address incumbent concerns about an unfair competitive environment.
Collaborative economy platforms	<p>Platforms (intermediaries) are obligated to inform (i.e. educate and inform) those who advertise properties on their websites (owners) of their obligations under law</p> <p>Fines may be levied for non-compliance</p>

Insights from the Analysis

A perfect (policy) storm

Regulatory responses are driven by a number of complex interlocking factors.

The growth of collaborative economy tourism accommodation is closely intertwined with the historical development and current dynamics of the residential housing sector and tourism growth in each city. In all four cities, population growth and mobility, property markets, housing policies and economic conditions have led to rising costs of housing, shortages and affordability issues. These aspects have been particularly pronounced in Berlin, Barcelona and Paris, and have also emerged in policy debates in Amsterdam.

The collaborative economy tourism accommodation has not caused housing shortages and affordability issues but its growth may have aggravated these conditions.

In all cities it is more profitable to rent out an apartment in the short-term collaborative economy tourism accommodation sector than to rent it as a long-term residence. This is a market incentive made possible by a combination of housing, economic and tourism trends. While it has contributed to the erosion of residential housing stock to varying degrees in each of the cities, the growth of the collaborative economy accommodation is not the direct and sole cause of such issues.

In all cities extraordinary growth in tourism demand over the last 5 years has exacerbated housing availability and affordability issues.

The ease and accessibility of collaborative economy digital P2P transactions and rising demand for lower priced tourism accommodation (driven by price sensitive tourism markets) have stimulated strong growth in both collaborative economy accommodation demand and capacity. The motivation of local residents in some cities to supplement household income has further stimulated these growth conditions.

Population mobility and high levels of investment in second homes have also contributed to the rental pool and owners' seasonal use reduces the likelihood that such properties will be rented to permanent residents.

Local economic conditions in Berlin and Barcelona in particular are attractive for investors looking to buy one or multiple apartments or houses from which they can generate income. Strong growth in this second home market has created a pool of rental properties in these cities, and digital platforms make it easy to manage one or multiple properties.

Social media has played role in propagating and circulating concerns about collaborative economy accommodation issues.

Discussions with stakeholders for this report identified that social media, (e.g. activist blogs, platform media releases) and "headline journalism" can transmit oversimplified messages about the regulatory approaches in other cities. These media reports create additional pressures for regulators and elected representatives because industry and community stakeholders can point to (often oversimplified) solutions adopted by other cities. However, regulatory approaches are not always easily translatable to other locations. The lack of shared research and exchange of good practice across cities and different contexts is a problem.

Regulatory Responses to Collaborative Economy Accommodation

Each city is responding to local and highly contextualised issues.

Amsterdam implemented its policy in 2014 but the issues have been much discussed since 2008, so the policy dialogue in Amsterdam around regulation and policy issues (blue and green clusters in Figure 2) is less controversial. Policy-making cultures also tend to be proactive and general attitudes towards the ethos

of sharing, collaboration, digital and circular economy imperatives also tend to be openly supportive. In May 2016, Berlin banned the short-term rental of apartments. Enforcement has been top down and very controversial, which explains the ‘heat’ around regulation and policy in the issues analysis. In Barcelona, there have been policy developments at national, Catalan and city levels. Paris has addressed their regulation through housing policy but its only come into effect in 2016. Taxation and commercialisation of residential housing has underpinned the regulatory approach in Paris, which explains the controversy around the taxation and commercialisation cluster demonstrated in the figure.

A range and mix of regulatory mechanisms is available from different policy sectors.

Regulatory mechanisms that can be used to address tourism collaborative economy accommodation issues include tourism codes, land use planning, housing and economic development. Not all mechanisms are used in each city and regulatory mix is common. Berlin, for example, does not make any attempt to regulate the collaborative economy accommodation sector, but uses housing regulations to ban the conversion of residential properties to commercial accommodation. Regulatory mixes require inclusive and communicative governance practices across policy sectors.



Common issues have emerged in all cities but regulators in various cities are influenced by local factors and do not necessarily share the same views on whether these issues need to be regulated.

These potential regulatory issues are:

















1. **Building and land use permissions** to use different types of properties (e.g. primary or secondary residences) for short-term accommodation rental and the level and conditions of such usage (whole residences, rooms, duration of stay, number of people, presence of the owner, permissions from other occupants of the building, etc.).
2. **Licensing of the property as short-term tourist rental accommodation.** Such regulations, if adopted, set out rules and procedures for licencing, registration, advertising of registration number by intermediaries, obligations for the operation of the rental property, customer assurances, tax obligations, and so on. Where adopted, such regulation has sought to ensure standards are met and that such standards are applied equitably across incumbent operators (i.e. hotels, guesthouses, tourist apartments, etc.) and peer-to-peer collaborative economy accommodation providers. The dual intention is to ensure an equitable playing field in terms of regulation and competition, and to ensure health, safety and quality standards.
3. **Address impacts of the property's use as short-term accommodation at neighbourhood and city levels.** The distribution of collaborative economy accommodation, particularly its concentration in certain inner city neighbourhoods has been a concern for Amsterdam, Barcelona and Paris. The requirement to obtain land use planning permission helps to manage visitor concentrations, flows and impacts on community cohesion and local facilities. Paris and Berlin have adopted specific measures to address the loss of residential housing stock. In the case of Paris, the city aims to compensate the loss of residential stock by converting another commercial property to residential within the same neighbourhood. In Berlin, the change of use law (which is not specifically targeted at the collaborative economy) requires that any change of use of residential property be approved.
4. **A fair regulatory environment including payment of taxes.** Regulations have attempted to address concerns raised by industry stakeholders that collaborative economy accommodation has not been subject to the same regulations and taxation requirements. To address this issue, Amsterdam and Paris have opted to work with Airbnb to collect taxes^{99 100}. The platform also is taking on an education and information role, informing residents of their obligations in respect to local laws.

Table 9 summarises the regulatory approaches in each of the four cities.

⁹⁹ Airbnb to collect local taxes in Paris. 2015 <https://www.airbnbaction.com/wp-content/uploads/2015/08/Parisrelease-English.pdf>

¹⁰⁰ Gemeente Amsterdam. Memorandum of Understanding Gemeente Amsterdam & Airbnb. <https://www.amsterdam.nl/wonen-leefomgeving/wonen/bijzondere-situaties/vakantieverhuur/>

Table 9. Comparison of regulations in each city

	Type of accommodation	Residential/ commercial	License required	Min length of stay	Max length of stay	Max no. guests
Amsterdam	 Private holiday rental	Primary residence	No	1 night	2 months/ year	4
	 BnB/ Room	Primary residence	No	1 night	n.a.	4
	 Short stay apartment ¹ (commercial)	Either (reverts to residential after licence expires)	Yes	7 nights	6 months	4
	 Hotel	No	Yes	Not specified	n.a.	Variable
Barcelona	 Homes for tourist use (HUT)	Primary residence	Yes	Not specified	31 days/ >2 bookings per year	Determined on license
	 BnB/ Room	Primary residence/ owner or tenant must be present and share the property	primary residence/ owner or tenant must be present and share the property	Not specified	31 days/ max 4 months per year	Determined on license
	 Hotel apartments	Commercial	Yes	Not specified	Not specified	Determined on license
	 Hotel	Commercial	Yes	Not specified	Not specified	Determined on license
Berlin	 Whole apartment	not permitted/ deemed commercial	Must apply as a short stay apartment	n.a.	n.a.	n.a.
	 B&B/ Room	Primary residence	Yes	n.a.	n.a.	n.a.
	 Short stay apartment (commercial)	Commercial	Yes	Not specified	Not specified	Not specified
	 Hotel	Commercial	Yes	Not specified	Not specified	Not specified
Paris	 Whole apartment	If primary residence for 8 months/year	No	May rent up to 4 months/year		Not specified
	 BnB/Room	Primary residence/ meublés de tourisme	Yes	Not specified		Limited to 5 rooms and up to 15 guests
	 Short stay apartment	Commercial/ meublés de tourisme	Yes	Rented daily/weekly/monthly but <1 year		Not specified
	 Hotel/ Guesthouse	Commercial/ meublés de tourisme	Yes	Rented daily/weekly/monthly but <1 year		Not specified

Note: n.a. - not available

Recommendations

In this final section, based on the above analysis of regulatory approaches and the impacts of these different regulatory measures, the following recommendations can be made with respect to good practice.

1. **The subsidiarity principle.** Responses to the collaborative economy tourism accommodation sector in each city examined in this report are the result of a complex interplay of historically embedded social, economic demographic factors. These factors determine the issues or aspects on which regulation should focus and the regulatory approaches that would be most appropriate from an institutional, cultural and political perspective. The regulation of collaborative economy tourism accommodation should remain the prerogative of national, regional or local governments according to the principle of subsidiarity.
2. Under EU Law, the Services Directive, the E-commerce Directive and the EU consumer acquis set out certain rights and obligations that are relevant in considering the regulation of collaborative economy tourism accommodation. The European Commission's [Communication on the European Agenda for Collaborative Economy](#) provides guidance in this regard.
3. **Policy mapping.** It is important that, prior to any regulation, municipal and regional governments evaluate the drivers underpinning collaborative economy tourism accommodation in that locality, and any historical policy decisions and directions that have contributed to these issues. A policy mapping exercise that highlights inter-sectorial policy issues and impacts would identify these interconnectivities.
4. **Knowledge networks.** Knowledge about the collaborative economy tourism accommodation sector is limited and there is a lack of opportunities to learn and share experiences. Developing learning and knowledge networks to share experiences, compare approaches, and to pool resources such as research and results of monitoring and evaluation, would provide information for more informed evidence based policy and regulation in the future. In particular, new platforms of participatory dialogue are required to embrace the perspectives of the resident community as well as those of international entrepreneurs and citizens.
5. **Collaborative economy accommodation alternative models.** The collaborative economy tourism accommodation sector is dominated by a few extractive business models and there is potential for further development of commons based models that re-invest the value created back into local communities. Objectives of the circular economy and the digital economy can be progressed by encouraging further innovation and development of alternative models.
6. **Governance and collaborative approaches to regulation.** The collaborative economy tourism accommodation sector is characterised by a diversity stakeholders. Some of these stakeholders may be present in the city destination, and others, such as non-local investors, may not be present. Given the complexity of the policy and regulatory space and the rapid growth of collaborative economy accommodation, regulation is likely to become increasingly controversial in cities that have so far not needed to respond to the sector. Cities and regions should be proactive in considering the potential implications and impacts and nurture a collaborative governance space.

7. **Position on the collaborative economy.** The collaborative economy tourism accommodation sector is part of the wider collaborative economy. A clearly articulated position, or aspirational statement, on the collaborative economy would provide a broad framework under which to deal with the regulation of the collaborative economy tourism accommodation sector. The collaborative economy can be, but is not necessarily, innovative or sustainable, so it is important in developing this position on the collaborative economy that the reasons and justifications for supporting the sector are articulated. In this way regulatory responses are developed with these key justifications in mind. Through articulating a clear position, local governments in particular, can play a role in fostering an ethos of the collaborative economy that is consistent with local community aspirations.

8. **Mixed instruments.** At the local level, consideration should be given to a mix of policy and regulatory instruments that will achieve the objectives articulated within the position statement as described above. These policy instruments may include:
 - (i) Land use planning regulations
 - (ii) Tourist accommodation licencing and operational regulations
 - (iii) Application of local taxes (as applicable)
 - (iv) Information and education

9. **Defining and clarifying key concepts.** Collaborative economy tourism accommodation is an innovation that has blurred the boundaries between what is commercial tourism use and what is residential land use. It has also tended to exploit a gap in regulatory environments where using one's home to host visitors has traditionally been deemed a personal right that did not need permission. Individual rights and freedoms, the intensity of accommodation use, and the commercial character of the operation and its impacts on local neighbourhoods are aspects that should be addressed in framing regulatory responses. In designing regulations at the local level, key aspects to consider are:
 - (i) Definition of the collaborative economy and the articulation of a preferred approach towards its development and management within its local context. For example, the approach might seek to facilitate growth; improve competitiveness; and facilitate traditional and new collaborative economy models.
 - (ii) Definition of the collaborative economy accommodation sector and recognition of different business models within the tourism accommodation sector.
 - (iii) The spatial distribution, duration and character of collaborative economy tourism accommodation use within neighbourhoods and districts. This may be achieved through, for example:
 - A prescribed length of time that the property can be rented;
 - The presence of the owner or tenant during the rental period;
 - Whether the property is a primary or secondary residence;
 - The intensity of use of the property for short-term rental, e.g. a maximum number of persons or rooms.

Appendix – Notes on data and methods

City Highlights Data

The lack of available, reliable, independent data that quantifies the extent of collaborative economy tourism accommodation in various locations, that provides information about markets, and that can highlight trends over time, has been a challenge for policy makers. The situation is starting to change as municipal governments introduce regulations and data collection frameworks are gradually introduced. However, for the purposes of this paper, the data currently available and publically accessible is very limited.

In the City Highlights section of this paper, we use webscrapings produced by Murray Cox from Insideairbnb which is made available under a Creative Commons license. This data has been found to be reliable by public administrators in San Francisco¹⁰¹. In using this data we cross-checked its reliability against other available figures that have been published from time to time in blogs and on platform websites. While Insideairbnb scrapes data from the Airbnb platform and is the only quantitative data we use, this is the largest accommodation platform. While absolute numbers should be read with caution, the data is useful in a comparative sense across the four cities analysed.

The city highlights have been compiled from various statistical data, including Eurostat reports on tourism (2014), population and housing census (2011), Euromonitor City Reviews (2015), location-specific annual reports commissioned by city DMOs, municipalities and industry associations (2015) as well as highlights from the 2015 benchmarking report by European Cities Marketing. Void of independent, up-to-date data on collaborative economy tourism accommodation capacity and performance, we have accessed the latest data scrapings from the independent website Insideairbnb in the respective cities.

Mapping of Issues and Concerns

The news data is extracted from the database Proquest, one of the world's leading international databases for news content. The database was queried for all news articles mentioning Airbnb and at least one of the four cities. The time frame was the past year (10th June 2015 – 9th June 2016). The search returned 158 full text articles. A manual assessment then found 105 of these to be relevant for the present inquiry. Each of these 105 news articles were coded manually as to which city had been mentioned, or if multiple or none of the four cities had been mentioned in a relevant way.

The data set was imported into the semantic analysis software CorText. CorText is a French initiative based in the Institut Francilien Recherche, Innovation, Société (IFRIS). CorText is a research oriented digital platform that facilitates semantic analysis of large amounts of text. It is aimed particularly at researchers from the social sciences and the humanities. By utilising CorText, we were able to extract the top terms in the data set (noun phrases) and map the relations between these terms. The results are presented in the maps (Figure 2 and 3), which show that terms group together in 5 main clusters (colour coded).

When interpreting the issue mapping in Figure 2, it is important to be aware of the limitations that come with such mapping techniques. The map is an artefact of the analysis and of the data set. This means that there is no final way in which the terms can be ordered in relation to each other: It depends on analytical choices

¹⁰¹ <http://insideairbnb.com/about.html>

about how many terms to include and how to cluster them. What guided our choices here was to produce an intelligible map. More terms could have been included, which would have resulted in more clusters, but this would have complicated the map even more. To come back to the argument above, the main purpose of the map is to broaden our thinking about what issues and entities could be relevant in what ways, not to give a final answer.

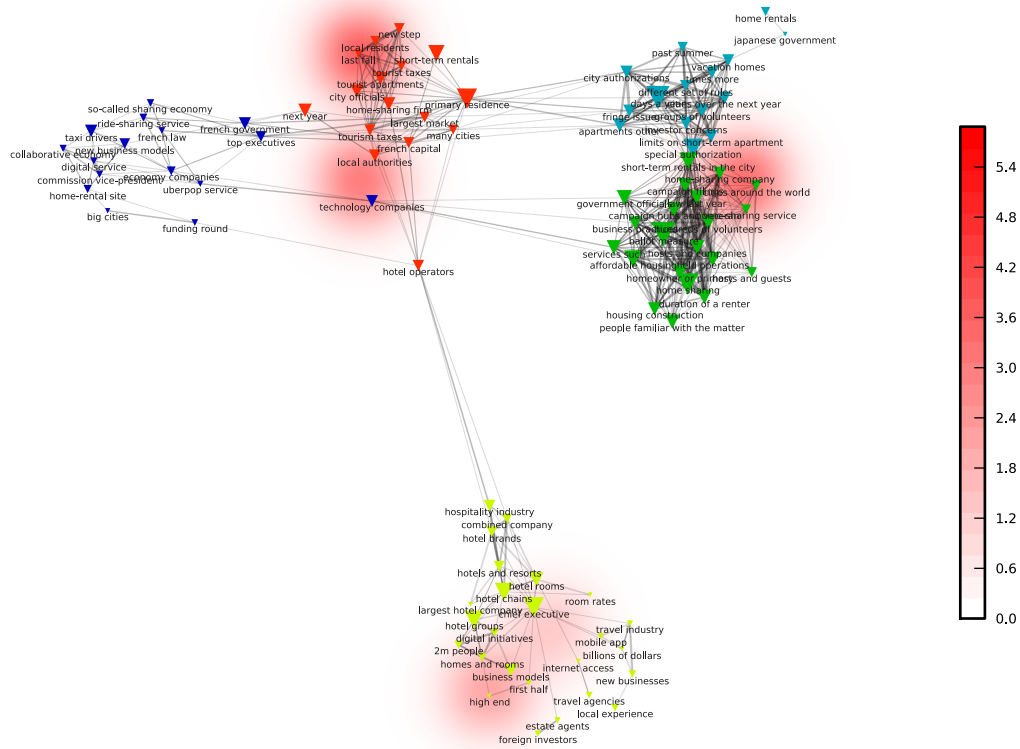
As also noted in the report, the particular layout of the map and the resulting clusters is a product of a long list of decisions about how to construct the data set and how much to include in the visualisation. As such, the maps should not be taken as the final truth, but serve as indicators. For example, we chose to only include the top 100 terms in the maps, because a higher number created more cluttered maps that were difficult to interpret. This means that relevant terms have been left out of the maps for the sake of producing useful visualisations, as will always be the case when producing such issue maps.

The news data set has important limitations in being based on English-language news articles from specific news outlets. We did go through each article manually to ensure its relevance, but this is not always possible with larger data sets. Apart from the news data set, we also harvested data sets from Airbnb review comments and from Facebook. We experimented with different ways of creating issue maps based on these data sources, but these experiments did not yield as useful results as the news data set, so they have not been included in this report.

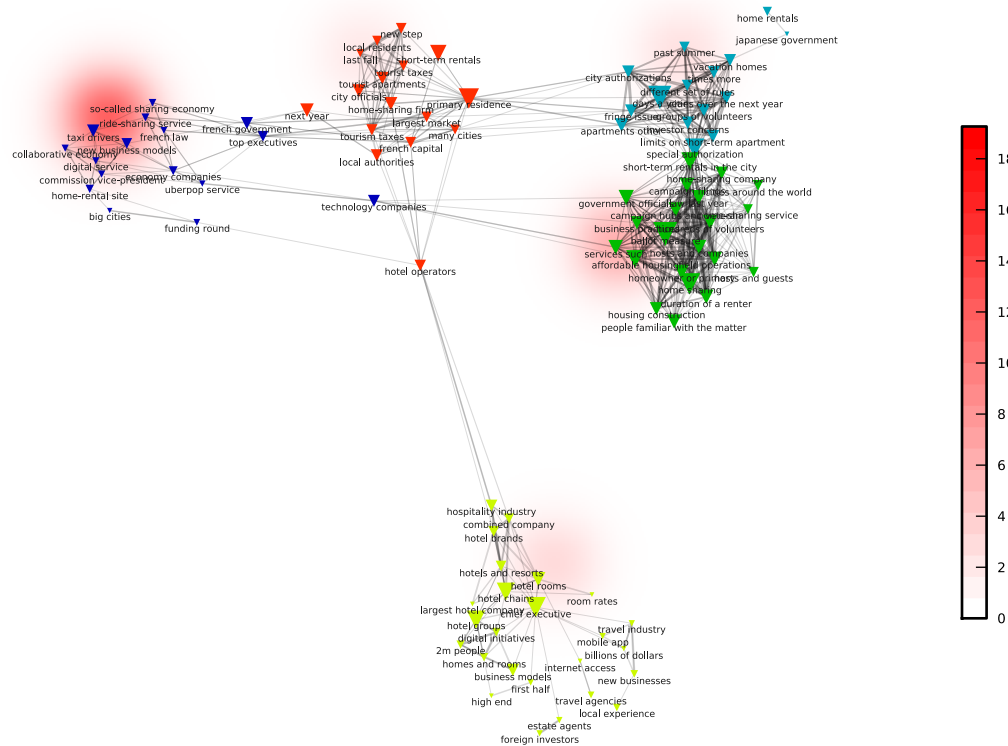
Full sized maps

In Figure 3 (above), we present four visualisations side by side. In order to be included in the report and presented in a comparative way, they had to be cut down in size. Below, we attach full size versions of each of the four maps in order to allow the reader to explore them in more detail. For an explanation of these maps and interpretation, we refer back to the discussion following figure 2 above.

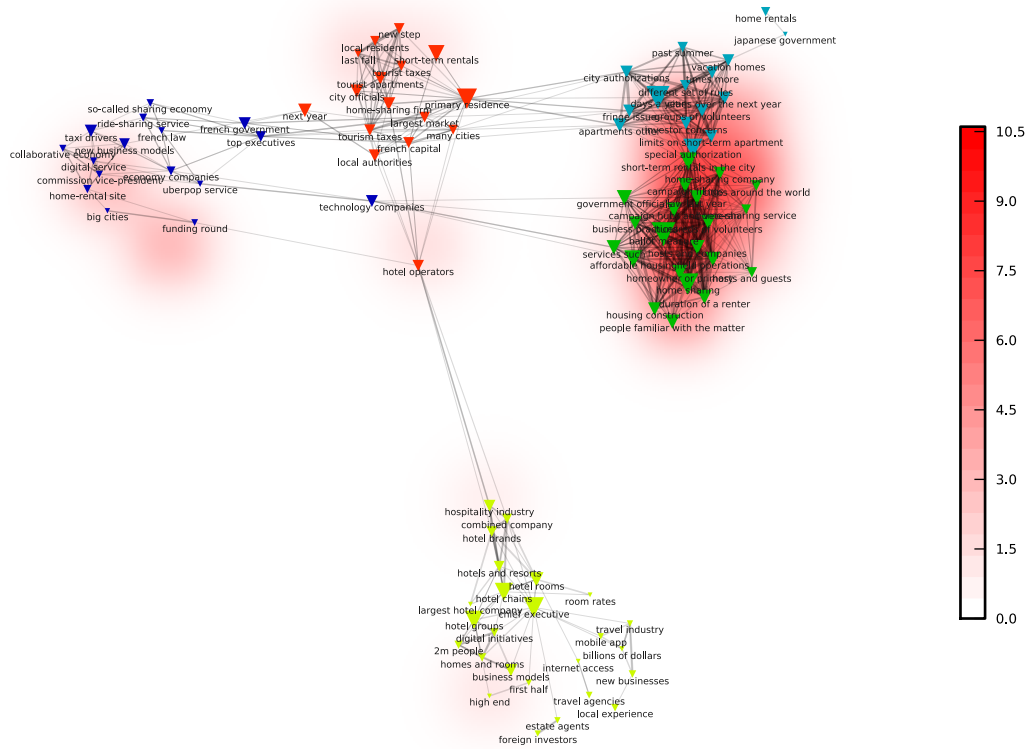
Amsterdam, 0-0



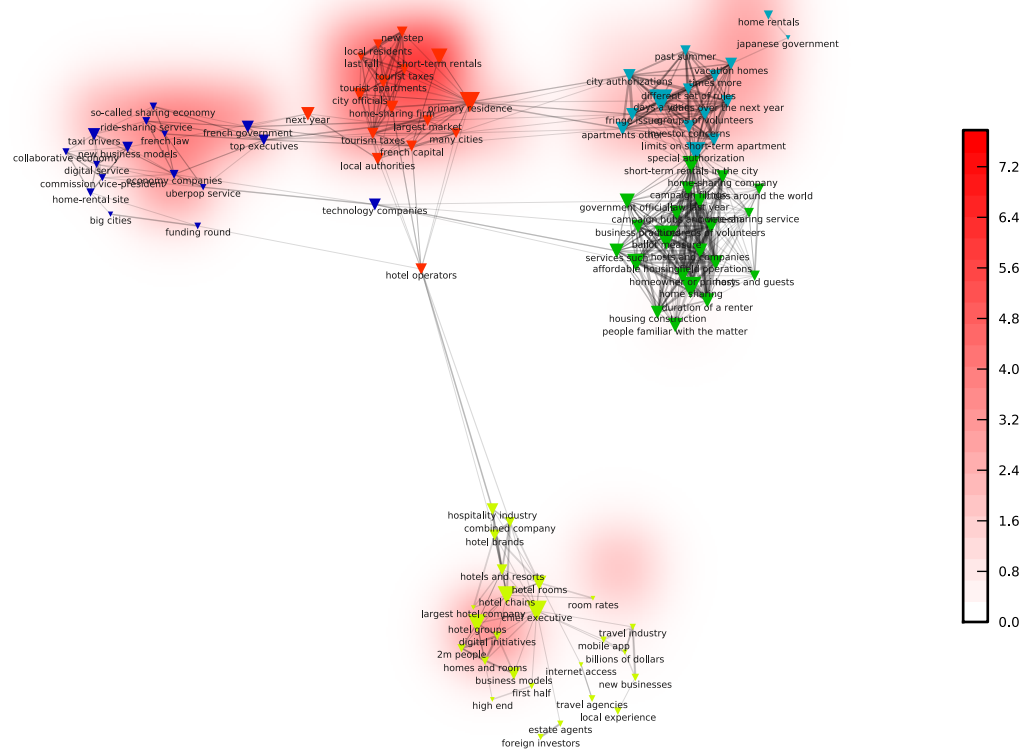
Barcelona, 0-0



Berlin, 0-0



Paris, 0-0



Listing of terms within each cluster

The information on the maps is quite dense at certain points. We therefore include full listing of the terms associated with each cluster.

- (1) **Business innovation and disruption** (purple cluster). This cluster includes discussions about the rise of new digital services and business opportunities in a growing collaborative economy. It tends to raise 'big picture' questions about structural changes in the economy and its uneven impacts. Terms:

so-called sharing economy
ride-sharing service
French government
taxi drivers
French law
top executives
new business models
collaborative economy
digital service
economy companies
commission vice-president
uberpop service
home-rental site
big cities
funding round

- (2) **Taxation and commercialisation of housing** (pink cluster). This cluster thematises the issue of taxation (e.g. responsibility for the collection of tourist taxes, a fair playing field between incumbents and collaborative economy in relation to taxes) and impacts and challenges of the collaborative economy on municipalities and local authorities. The issue of commercialisation is also present in this cluster. Terms:

new step
local residents
last fall
short-term rentals
tourism taxes
tourist apartments
city officials
primary residence
home-sharing firm
next year
target market
many cities
tourism taxes
French capital
local authorities

- (3) **Complexities of regulation** (blue cluster). This cluster relates to the often blurred operational issues around commercial and residential use of property, and how this distinction can be captured in regulation. Terms:

home rentals
japanese government

past summer
vacation homes
city authorisations
different set of rules
times more
days a year
cities over the next year
fringe issue
groups of volunteers
apartments other
investor concerns
limits on short-term apartment

- (4) **Land use, planning and housing policy** (green cluster). This cluster overlaps with the cluster above, reflecting cross-sectorial policy concerns, and includes concerns about appropriation of housing stock, housing affordability, permissions, enforcement and so on. Terms:

special authorisation
short-term rentals in the city
home-sharing company
campaign filings
cities around the world
government officials
days last year
campaign hubs and veteran
home-sharing service
business practices
hundreds of volunteers
ballot measure
services such
hosts and companies
affordable housing
field operations
homeowner or primary
hosts and guests
home sharing
duration of a renter
housing construction
people familiar with the matter

- (5) **Impacts on the incumbents in the tourism industry** (yellow cluster). This cluster speaks to the effects on and responses by hotel chains, travel agencies, estate agents and other incumbents. Terms:

hospitality industry	mobile app
combined company	billions of dollars
hotel brands	homes and rooms
hotels and resorts	internet access
hotel rooms	business models
hotel chains	new businesses
room rates	first half
largest hotel company	high end
chief executive	travel agencies
hotel groups	local experience
travel industry	estate agents
digital initiatives	foreign investors