



**Why Airbnb is impacting
housing affordability and how
urban planners could respond to it**



Master in Urban Planning and Policy Design Politecnico di Milano 2019

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*A mio fratello Luca,
il mio più grande sostenitore che forse non ringrazierò
mai abbastanza.*

Index

1. Introduction

2. Sharing economy

2.1 Introduction to the sharing economy

2.2 What happens when we share homes?

3. The case of Airbnb

3.1 The bizarre way the idea started and has been accepted by users and investors

3.2 Typology of spaces rented via Airbnb

3.3 Controversies

3.4 What links Airbnb and the affordability market?

4. How airbnb is impacting housing affordability in Milan?

4.1 Data issues: privacy or convenience?

4.2 Airbnb presence in Italy

4.3 Why Milan became a good marketplace for Airbnb's business

4.4 Analysis of Airbnb data in Milan

4.5 The convenience of renting on Airbnb rather than on the traditional market in Milan

5. Airbnb and Urban policies

5.1 The urge of regulation

5.2 When Airbnb overtakes a city the case of New York

5.3 Comparing other policies

5.4 How Lombardy region tries to regulate Airbnb phenomenon

Conclusion

Bibliography

1. Introduction

The rise of the “sharing economy” phenomenon and its exponential growth is generating a variety of consequences especially in the most developed countries. As I will discuss in chapter 2, we are in the midst of a technological revolution that historically we never faced before, this is happening not only from an economical perspective but in many others as well, not only on a macro scale level but also on the micro one, impacting the daily routine of citizens. Often those externalities are unpredictable for local governments, making obsolete the traditional tools and labelling the new ones as “risky” and unpredictable themselves. What role should urban planners assume when games rules are changing rapidly following the balance of the offer-demand in such a short period of time? The platform my thesis is based on is Airbnb, which rase under the sharing economy umbrella. I will provide a definition, the reasons that stand behind its success, the

business model on which is based on, the market gap they identify and how they were able to respond the demand in chapter 3.

Airbnb is a home-sharing platform that simplifies connections between who would like to rent a place for a short term and who is in need of it. This system blurs the traditional boundaries between residential and tourists’ areas within a city. In the past years Airbnb has been at the hub of debates for its impact on tourism, but more rarely those political topics have expressed the impact that the hospitality revolution is having on cities. It is an upbringing subject though, and even if there is not yet a literature on it, hundreds of papers and interviews are discussing about it, trying to decide whether it is an innovation we should embrace or fear. Although it is a hit issues in many cities especially in the USA, Italian government is waiting to bring this issue to the table.

It is in chapter 4 in fact that the analysis will start to focus on Milan, with a foreword on the difficulty encountered in accessing accurate data. Data in my possession are not the official ones, since the website refuses to share its data even with the governments therefore my analysis will be based on alternative ones (as will be discussed in a dedicated paragraph). Being based in Milan and having faced the need of short-term rental accommodation myself, I decided to base my studies on the impact that the spread of Airbnb is having on Milanese long term rental price and what consequences is creating for the neighbourhoods where the presence of tourists is getting tighter and asphyxiating. Comparing the three data sources in my possession I was able to conduct an analysis of in which neighbourhood, which type of accommodation, in which (and if there is) period of the year that has faced a more intensified activity of Airbnb in Milan and what target is increasing the demand. Although this platform is the most discussed one worldwide, it has competitors both globally and locally. I will dedicate a paragraph to those since I consider to be unfair to assume that Airbnb is the one and only responsible for the housing affordability crises in Milan.

Since the tourism sector and the need of short-term accommodation is considered to be recent in town more or less coinciding with Expo 2015, I will examine a case in the USA in chapter 5. This chapter opens up

with the need of regulation, showing that without a proper administration the Airbnb intensification can lead to a series of problematic situations. Between all the example I could select , I find New York to be the best suitable one, since is the place where it all started, reaching already a high peak point which has more visible consequences many protests from the resident community will enhance joint with anti-Airbnb websites. While the supporters of the sharing economy claim that Airbnb is providing income opportunities that help residents to afford their housing rents, opponents underline the reduction of permanent housing supply and the increase of rental prices. Nevertheless, there are factors such as noise, congestion, competition for parking and so on, that are modifying neighbourhood structures, leading to process of gentrification which intensify the rise of rental prices. In the same chapter it will be discussed the policies solutions adopted by different municipality around the world used as a defence system to contain the home-sharing repercussions, going in deep with the approach that Milanese local authorities are adopting and the constraints that are facing from the European Union.

The final part of the work will discuss open questions that challenge urban governance and planning in response to Airbnb phenomenon in order to protect the affordable rental housing supply.



2.

Sharing economy

2.1 Introduction to the sharing economy

Definition of sharing economy

Nowadays many businesses define themselves under the sharing economy umbrella. However researchers across the world are struggling to find a common and universal definition, or even agreeing on how to title such new economic movement. In fact, often we hear speaking about the sharing economy, collaborative economy, collaborative consumption, peer to peer economy as synonymous of one another. According to Botsman and Rogers (2010), they have instead specific meanings:

- The **collaborative economy** is the great whole that encompasses everything: an economy based on networks, distributed and in

turn formed by interconnected communities and individuals, in opposition to institutions centralized, which transforms the ways in which we produce, consume, finance and learn. Production, consumption, financing methods and education, in fact, are the four areas that the collaborative economy hosts in its universe.

- **Collaborative consumption** is one of the four key components of the collaborative economy. It can be defined as an economic model based on sharing, exchanging, trading or renting goods and services that privileges access to property and it is redefining not only what we consume but also in which way we do so. Three

main activities are included in the collaborative consumption: the creation of new markets for unused goods; the affirmation of lifestyles collaborative; the establishment of product rental systems. The focus here is not regarding what we consume, but on the way we consume. According to the principle of collaboration: it is an intermediate form between reciprocity and exchange, in which more people get in touch with the goal of achieving a project that everyone can benefit from; it is a notion that works on network logic.

- The **sharing economy** is also a specific subset of the collaborative economy, in which under utilized resources, from physical spaces to professional skills, are shared by some users for monetary or symbolic benefit, allowing it to be used more efficiently. The focus here is more on sharing, which is an intermediate form between reciprocity and redistribution, in the which a group of people makes available its resources for the production of goods or services . This becomes useful to the whole community, it is in fact a concept that works on the logic of community.

Arun Sundarajan, professor at New York University's (NYU) Stern School of Business and author of *"The sharing economy: the end of employment and the rise of crowd-based capitalism"* affirms

that the name "crowd-based capitalism" is more appropriate to describe such economic system rather than "sharing economy" (Sundarajan;2017). However he continues to use the latter because it maximizes the number of people who understands what he is talking about (since there is not a consensus on the definition of sharing economy). Paul Romer lamented in a June 2015 blog post that "we might be losing a good verb" if we are naming as sharing a commercial exchange! I take the example of Sundarajan and use the same title, this is why I decided to name this chapter "Sharing economy" rather than other possible candidate title.

According to the author, this economic system is based on the following five characteristics:

"1. Largely market-based: the sharing economy creates markets that enable the exchange of goods and the emergence of new services, resulting in potentially higher level of economic activity

2. High-impact capital: the sharing economy opens new opportunities for everything, from assets and skills to time and money, to be used at levels closer to their fully capacity.

3. Crowd-based networks rather than centralized institutions or hierarchies: the supply of capital and labour comes from a decentralized crowds

of individuals rather than corporate or state aggregates; future exchange may be mediated by distributed crowd-based marketplaces rather than by centralized third parties.

4. Blurring lines between the personal and the professional: the supply of labour and services often commercializes and scales peer to peer activities like giving someone a ride or lending someone money, activities which used to be considered "personal"

5. Blurring lines between fully employed and casual labour, between independent and dependent employment, between work and leisure: many traditionally full-time jobs are supplanted by contract work that features a continuum of levels of time commitment, granularity, economic dependence and entrepreneurship.

Why and when it developed

Sharing economy has a wide range of meanings, often used to describe economic and social activity involving online transactions. Originally growing out of the open-source community to refer to peer-to-peer based sharing of access to goods and services, the term is now sometimes used in

a broader sense to describe any sales transactions that are done via online market places, even ones that are business to business (B2B), rather than peer-to-peer. The sharing-economy evolved out of demand, culture and technology. Today we share cars, homes, bikes. If those concepts seem revolutionary, the question I am raising here: is "sharing" really something new? In 2011 Times listed shared economy as one of the top 10 ideas that will change the world. According to Marcus Felson & Joe L. Spaeth, the need of sharing started with the oil crisis of 1979, when the scarcity of resources just soon after the economic boom of the 60es, brought more and more people to start to worry about alternative ways to use re-use the resources already available. It is in this moment in which people started to fantasize on "how beautiful would be do not waste".

However, humans have always shared. The innovation consists in the fact that now we are sharing with strangers. Technology helped to overcome trust issues via rating and reputation. The "pure" concept should rotate around the fact that the owner has an excess of capacity, so he or she does not consume it all times and therefore he or she is willing to lend it for a short period of time to someone else without any remuneration.

The "Nonownership collaborative

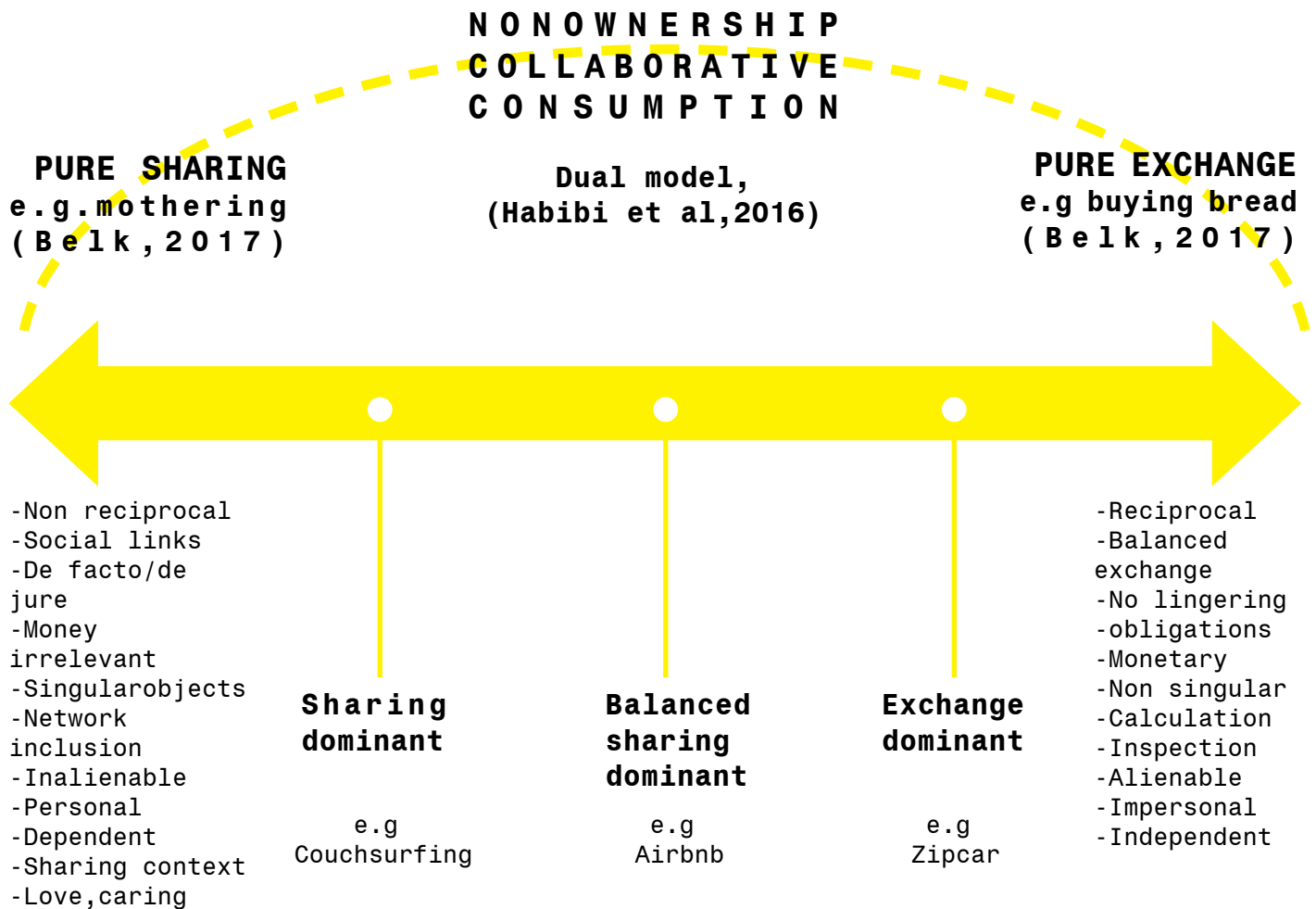


Image 1. Model from Habibi “Nonownership collaborative consumption”. (Habibi;2014)

consumption” of Habibi (2016) make a clear distinction of what is hailing and what is sharing. Pure sharing should have the following characteristics such as non-reciprocity of the activity and the unnecessary remuneration since it should be based on loving and caring principles. The best example of this “philosophy” is mothering. Opposite to this is the “pure exchange” which is based on monetary transaction, is alienable, reciprocal and impersonal. The example given

is buying bread in a shop. The point I want to make, based on Habibi studies, is the fact that it is impossible to categorize applications as just black or white but some of them can belong to greys zones (or activities) which are in between, some of them have the tendency to go closer to pure sharing, other tend more to pure exchange. Couchsurfing, for example, which offers an excessive good (couch/ bed/ extra room) for zero money of course belongs to the first

category while Airbnb where people offer the extra room for money is of course moving along the horizontal line towards the pure exchange. How to create the distinction? A useful help is the difference between hailing and sharing. If we take as an example transportation hitchhiking you occupy a seat that otherwise it will remain empty, same thing happens with Blablacar, the only difference is that it includes money exchange and you can check the reputation of the driver before trying yourself. In Uber, instead, you demand a ride, there are almost no possibilities that the Uber taxi driver was going to go in that direction without you requiring it and willing to pay for the service. This is why it belongs to hailing.

Online community

“In different forms, sharing phenomena are appearing in many urban settings. This is not only born from the initiative of inhabitants, who cultivate collective gardens and take possession of spaces abandoned. Sharing is rapidly becoming also a project theme. Apart from simplification distinctions between a civil society action

that one would like spontaneous and another that would be critical and conscious¹, the design practices are however animated by an intentionality different, which is reflected in the ways in which sharing comes represented, and then designed” (Territori della condivisione, E. Giannotti; 2014).

The logic on which the sharing economy is based, in reality, are not so innovative: sharing, barter, the exchange of goods and services or the loan already existed since antiquity. However, the sharing economy that we know today, writes Vaccari (2016), is growing and has developed in recent times, since the beginning of the 21st century. It turns out to be innovative thanks to the platforms with which these practices are implemented, possible only thanks to new technologies and modern methods of communication. If in the past, in fact, sharing, exchanges and exchanges could only take place between acquaintances or people physically close to each other, today, thanks to these platforms born on the web, it is possible to "shorten distances" and communicate and share goods and services with people never seen before. Therefore, another fundamental aspect is the research and the importance of the experiential dimension connected to the use of the service. In fact, it is also investing in relational, social and organizational

fields, generating values, opportunities and changes.

"The sharing economy proposes itself as a structural rethinking of the relationship between economy and society, based on the creation of a social bond as the basis of economic exchange" (Mainieri, 2013).

It is also and above all, therefore, the mirror of a society that is changing its values, its culture and its lifestyle. An aspect that needs to be underlines here is the *"emphasis on the ability of civil society to organize itself and self-regulation: moral or civic resources are valued solidarity of individuals, action and voluntary organization and in general the forms of associationism, while the same is true they value the resources freed from the market as a form of social organization"* (Bricocoli, De Leonardis; 2014).

The new lifestyles promoted by this economy favour socialization. These companies that operate in the perspective of sharing economy are united by the ability to unite people, to form consumer communities (through an online platforms, as already underlined, which allow to share, exchange or rent unused resources with limited transition costs). Nowadays people are experiencing an extremely important phenomenon with enormous commercial and cultural implications that are

bringing us back in time; we live in a village ... global. As Rachel Botsman states at TEDx Sydney in 2010: *"We were born and raised to share and cooperate and we did it for thousands of years, when we hunted or raised in cooperatives, before the arrival of this great system of hyper-consumerism. And we built these defences and created these little fiefdoms. But things are changing. We are moving from an ego culture to a culture of ourselves"*(Botsman, 2010). One of the reasons that incentives people to form a community is, as Bricocoli writes *"The protection the community offers is premium for a tendentially all-encompassing membership; it rests on strong bonds and focused trust, on an orientation to closure in a world apart, which excludes outward and requires loyalty to his own indoor"* (Bricocoli; 2014). In other words, *"one protects oneself between similar ones"*.

The sharing economy's mission is the enhancement of sharing rather than the object of sharing: its philosophy is not based on things in and of itself, but on the need they satisfy or the experiences they offer. When we trust, in possibly risky situations (entering a stranger's car, delivering the house keys to a stranger), says the scholar, we build a more trusting society: exposing oneself to these situations restores the interpersonal connections that

have been lost with capitalism. According to Sundararajan, the economic exchange, in fact, has become excessively impersonal. He believes that the appeal of sharing economy lies in the fact that people feel happy to connect with other human beings as part of daily activities. Lasky writes: "*We drop the white towels of a hotel on the bathroom floor because the housekeeper picks them up, but we fold and carefully hang the coloured towels in our Airbnb homes, thinking of their owners*" (Lasky; 2016).

Sharing becomes the key word of sociability; it is the medium that allows participation and therefore belonging to a community, laying the foundations for openness to the other. The concrete possibility of sharing tangible or intangible goods is configured as a fundamental instrument of social cohesion. Sharing behaviours, through these digital platforms, are applied offline, in the moments of our daily life. Therefore, these platforms are a new idea with an old ethic. Openness, community, accessibility and collaboration have re-emerged from distant times through digital culture. To accommodate these values and these forms of relational consumption, however, it is necessary to re-orientate one's own mentality and habits; this involves an effort, which is always necessary in every act of change. As Bill McKibben

(2007) points out, the effort that collaborative lifestyles require is to put aside some of our hyper-individualism to make room for the sociability that we have lost. Beyond the money saving that these practices allow, the experience gives, as we have seen, unique advantages that turn out to be the most important aspects of the form of consumption, even surprisingly those consumers who approach this world simply attracted from its cheapness. A change of mentality is necessary to make the use of these platforms a widespread practice, but the process is already underway, as it is circular: the necessary openness is at the same time favored by their use.

"Being human is a team sport, evolution is an act of collaboration. Even the trees in the forest [...] are connected to the vast network of roots and fungi that allows them to communicate with each other and pass nutrients back and forth. If human beings are the most evolved species, it is because we have the most advanced ways of collaborating and communicating. We have a language, we have the technology. It's not about rejecting digital or rejecting technology. It is about recovering the values we risk leaving behind and then incorporating them into the digital infrastructure for the future. It's simple: how to create a social network that instead of teaching us to see

New forms of disintermediation

people as adversaries, teaches us to see our adversaries as people. It means creating an economy that does not favor a monopoly of the platform, which wants to extract all the value from people and places, but that promotes the circulation of value through a community [...]. It means building platforms that do not repress our creativity and novelty in the name of prediction, but actually promote creativity and novelty, so that we can find some solutions to get us out of the chaos we are in " (Rushkoff, 2018).

"And this is a huge change in mentality, and once you hear it, you want it to happen much more. [...] After you have had this experience, you trust each other. These are unexpected things that you could never have foreseen. When you connect with people, around a shared interest or action, you get used to the unpredictable things that happen in the future, and I think that's what we're watching happening. We open ourselves to these opportunities, we are the protagonists of technology, to resize systems and projects together. The world is hungry to unite together, as creators of opportunities " (Anderson, 2014).

What are peculiar differences then with the traditional economy? Botsman and Rogers wrote about the deep division of the way market run in the 20th and 21st century. They affirm (and the same concept is evoked also in Sundarajan's one) that while the 20th century was defined by an "hyper consumption" the 21st instead from a "collaborative one". To access the hyper consumption you need credit, while for the new one the most relevant aspect is reputation which is given by the community (they are the main advertisers) instead in the hyper one is the classical advertise campaign. Hyper consumption satisfies the need of ownership while the collaborative consumption is based on the non-ownership in favour of the shared-access. This 21st century mechanism implies high ability in trusting strangers and believing in the commons.

In contrast to the platforms, the traditional industries, also defined as pipelines, are organized according to a linear structure of distribution in which value is created and transferred step by step. Sharing-economies, instead, uses the principles of circular economy which differs substantially from the traditional one for the strategy adopted. The

LINEAR ECONOMY



RECYCLING ECONOMY



CIRCULAR ECONOMY



Image 2. Infographic of linear /recycling/ circular economy. Source <https://www.thetalkingthread.com/a-circular-economy/>

traditional one is called linear economy and it is based on three steps: take-make - dispose.

In order to explain this concept, I will use an example, the bulb market usually takes the material at the lowest price possible as if it was an endless resource, transform it making

bulbs and sell it as much as possible. Consumers then dispose the product when not functioning anymore. The characteristic of this is that the industry is never going to see that bulb again. The circular economy instead makes profits selling services rather than products, the steps on which is focused

on are make-use-return. Not to be confused with the recycling economy, which reutilizes the same good in a different way recycling it, but it concludes anyway with a material disposal. Initially people thought that the most significant impact of new digital technologies concerned the spread of disintermediation with the elimination of intermediaries and the establishment of a direct relationship between producer and consumer.

In reality, the platforms instead of eliminating it, re-proposed a re-intermediation, introducing new types of intermediaries: the classic brokers have been replaced by some more efficient online, often automated systems, which offer valuable goods and services

to users on both sides of the platform, producers and customers.

One of the first issues this platform had to solve was that users will not surf on the platform unless it produces values on the other hand, a platform will be worthless if there is not a copious number of participants. Unlike companies with a pipeline structure, platforms fail to directly create value (or goods), therefore what they are based on is the realization of infrastructures, allowing the creation and exchange of value and dispose of the principles that govern these interactions. Therefore, the role of community is essential to share purposes, resources, needs, preferences, risks and other characteristics,

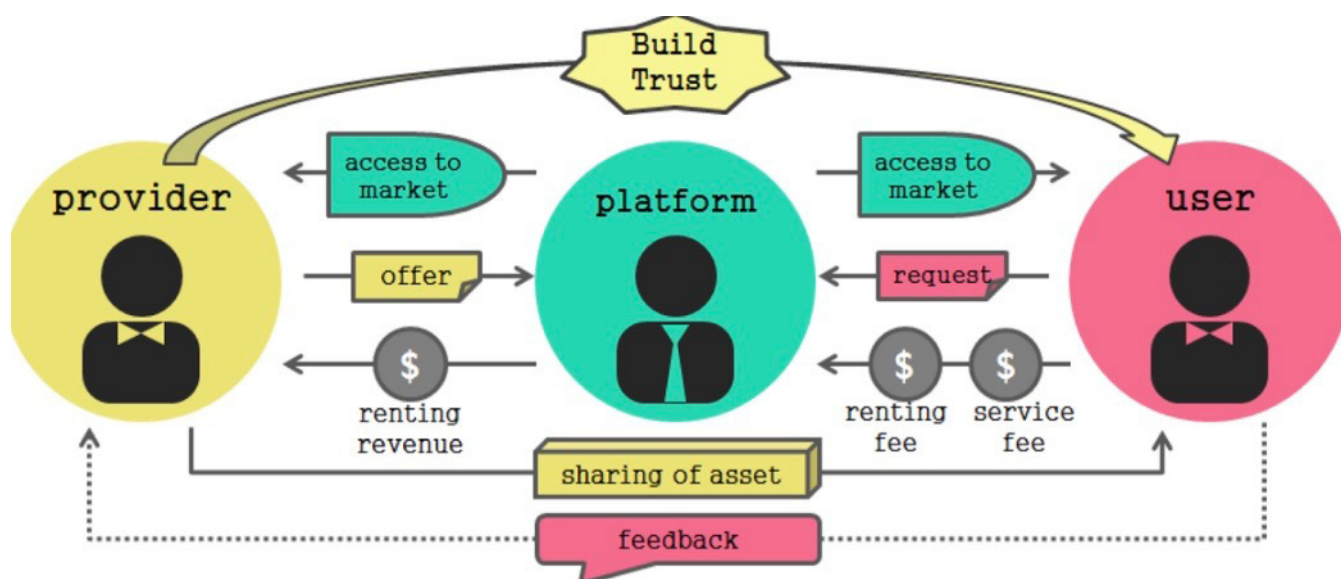


Image 3. How Can Larger Sharing Economy Platforms Re-establish Trust Among Their Users' Community? (Deemly blog; 2016)

through the Internet, which do not depend strictly on material elements. Who is the community composed by? A community is formed by core team members, consumer users, sellers, partners and by fans. In other words, the sharing economy roots itself on a “platform business”.

The Platform Business is a new business model that uses technology to connect people, organizations and resources, in an ecosystem in which the interactions between the subjects allow to create and exchange (in an open and participatory way) an incredible amount of value.

The driving force behind the success of Platform Business is the network, which companies, thanks to the growth of digital platforms, can develop quickly and at a reduced cost. The network effect is a new economic phenomenon, brought forward by technological innovation and the spread of the Internet. (Sundarajan; 2014)

It is now clear that the main value of a platform is in the network effect that it is able to create. But how can we manage to monetize this value? One of the most common solutions is charging a tariff on transitions, which is an effective way to monetize

The rise of the sharing economy

%of online users willing to participate in sharing communities

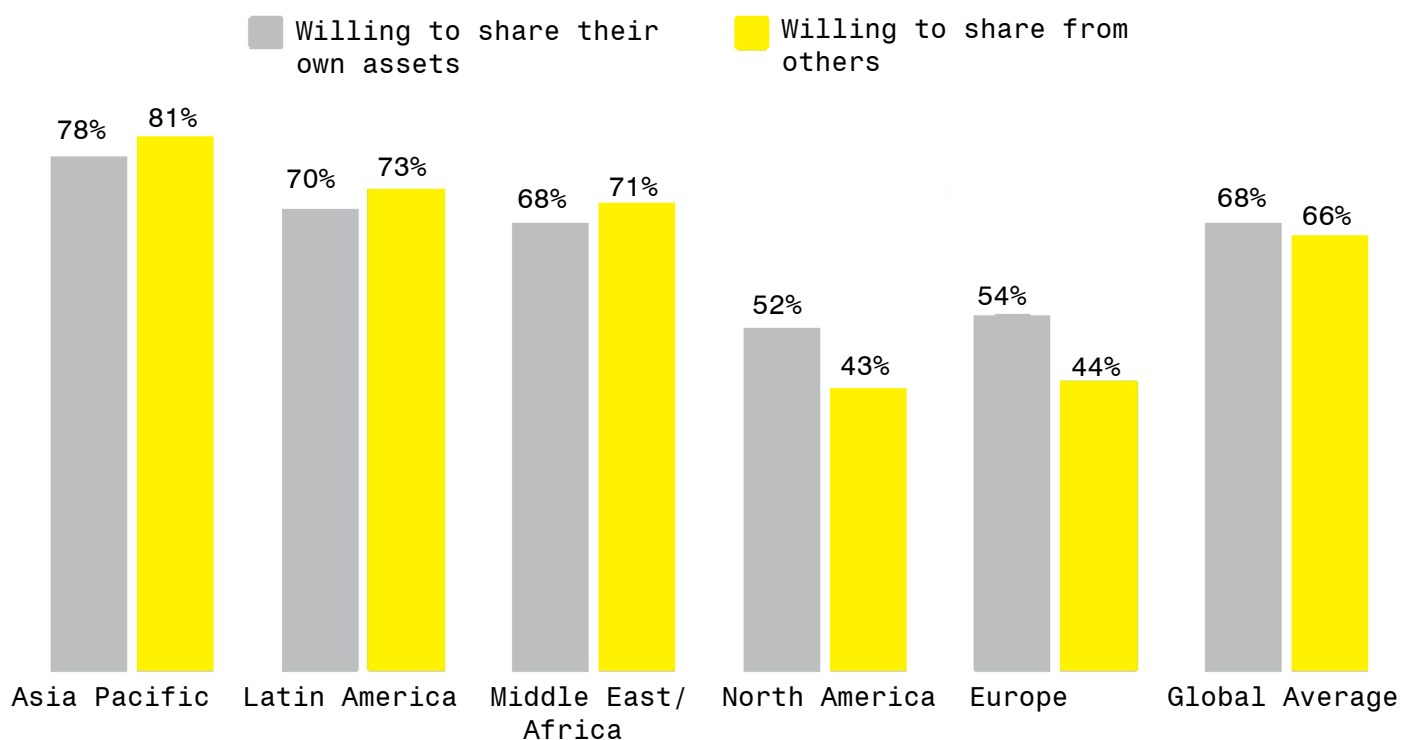


Image 4. My own reproduction of Data regarding willingness to share own goods in different countries across the World. (World Bank data; 2017)

Which sectors are embraced by the sharing economy

the value created, without hindering the growth sellers and buyers have to pay only when there is a transaction and are not discouraged to participate in the platform, unless the cost to be paid is excessive.

This system can have different repercussions which are generally divided into two categories called same-side effect, and cross-side effects. The same-side effects are network effects created by the impact that users of one side of the market have on other users on the same side of the market (consumers on other consumers, or producers on other manufacturers). On the contrary, cross-side effects are network effects realized by the impact of users on one side of the market on users on the other side of the market (consumers on producers, or producers on consumers). Both effects can have positive or negative implications which we will see in a few pages.

“Proponents of the sharing economy argue that it improves economic efficiency by reducing frictions that cause capacity to go underutilized, and the explosive growth of sharing platforms (such as Uber for ride-sharing and Airbnb for home-sharing) testifies to the underlying demand for such markets. Critics argue, however, that much of the growth in the sharing economy has come from skirting regulations”.
(Barron; Kung; Proserpio; 2017)

What is now called the “collaborative economy” in the EU is generally said to include transport, household services, collaborative financial services, professional services and accommodation. There are different platforms that operate across the world, so many that will be impossible to name them all since everyday a new one could emerge. The growth in a sector goes at the same speed as the willingness people have to share in the given sphere. A Research conducted by Havas, Credit Suisse Institute shows the percentage of people willing to share in each field of the collaborative economy (See image 5).

The sectors it embraces can be divided into many different categories: Funding’s, Services, Accommodation.

The **Funding’s platforms** such as Kickstarter, Kva, Funding Circle, Angel List are crowdfunding platforms. They provide a way for people to fund a wide variety of projects (be it a new technological idea, new movie, new ergonomic

object design, new app). Why would somebody sponsor it? The answer unexpectedly is not for money but for the “pure joy of seeing a cool idea receive the funding it needs to get off the ground or to have an early access to cool new things” (Sundarajan;2017) In fact, there is no ownership stake involved in this process.

The **service platforms** such as Trade School, Times Free, TaskRabbit, Handy focuses purely on services, sharing participants spare times according to a set of skills and knowledges. On some of them, there are no monetary transactions involved for example one user could share his/her

Spanish knowledge in exchange of Biology lessons. Others (for example TaskRabbit) it is just a platform where people are asking for services such as grocery, walking the dog, designing a logo, writing the price that they are willing to pay and people who has the skills required to accomplish the job and found reasonable the price suggested, accept to be in charged.

“ *Short-term **accommodation platforms** are among the most highly-profile and high-use peer to peer platforms, transforming how people travel both domestically and abroad*” (Sundarajan,2017). Among the most

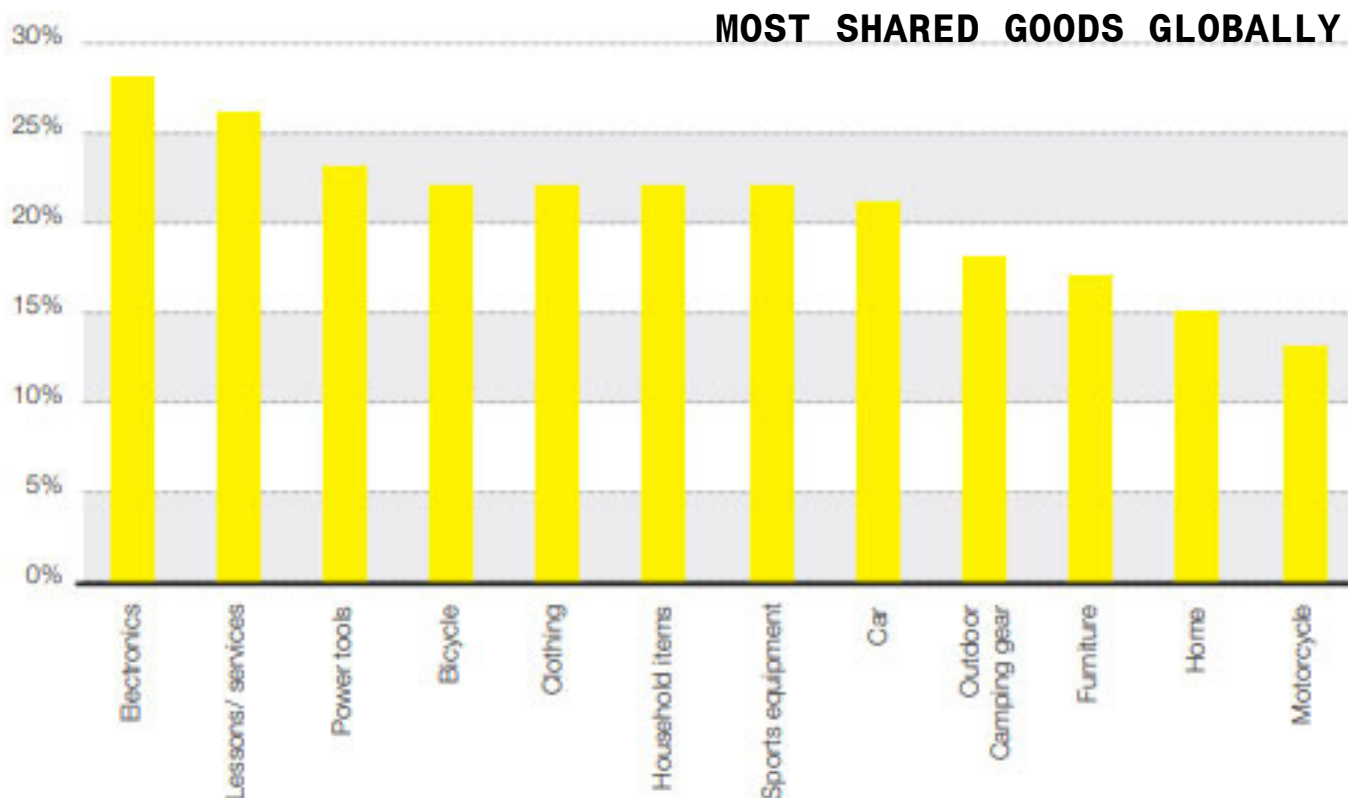


Image 5. Most shared good globally. (Havas, Credit Swiss Institute; 2016)

internationally renowned there are Couchsurfing, Airbnb and OneFiveStay. While the first one is the only one without economic rewards, the others operates under a revenue system. The criteria on which Couchsurfing is based on is the fact that it provides an opportunity to stay for free at somebody's house, as if you are calling up a friend that lives in another city when you need a place to stay if you are travelling to that location. Jennifer Billock, Couchsurfing CEO, does not define the platform as an "accommodation" one. On the contrary she believes the most relevant aspect is the social one, people host for the joy to know new people (I am not so sure about what drives guests to select CS instead than other websites).

"In contrast with the social motivations of a Couchsurfing hosts, Airbnb hosts typically join the platform because they have space that they are hoping to rent out for a profit. Guests, likewise, are often on the platform because they are looking for accommodation that are larger, better located, less synthetic, or more affordable than hotels" (Sundarajan,2017). By that, I am not denying that there is not social interaction on Airbnb, still there is a certain level of intimacy involved (compared to traditional hospitality sector). OneFivestay is a luxury accommodation platform which is mainly competing

with the hotel industry rather than Airbnb and definitely not Couchsurfing, they provide 24/7 services, cleaning and so on.

At the European level in terms of housing share, the most used are Airbnb, Homeaway (which have been bought by Expedia to compete against Airbnb), Wimdu from Germany (which was created by two brothers who copy emergent platforms, develop them in Asia and then sell them back to the founders of the original version, Windu was created to be sold to Airbnb's creators who refused so the German website still exists and operates) and Schibsted a French version of short term rental. Probably it is already clear that Airbnb is the largest one among them who belongs to the sharing economy.

Three positive claims

If there are distinctions, why many services figure like belonging to sharing economy? Platforms want to be under the big tent of "sharing Economy" for the positive symbolic value of sharing. The positive effects we are talking about can be grouped in three main themes:

-social: it increases social mixes, it has high effectiveness and has a positive impact on the networking. Increasing those "weak ties" people create more opportunities around themselves, opening their minds toward what's new and foreigner for them. According to sociologic studies, it increases people inclination toward generosity and trust of stranger. The sense of fear of the unknown is replaced by the curiosity of the unknown yet.

-economic: it is generally more affordable, and people can depend less on ownership. It can become a second source of revenue for families, low income classes bettering quality of life and releasing the economic pressure. Therefore, it has economic benefits for both the provider of the service or shared good and the commuter in need of it.

-environmental: in the case of transportation it reduces the emission of CO2 therefore it is eco-friendlier. This can be applied for example to some platforms such as Blablacar, Uber, Bike sharing, Scooter sharing and many others.

The idea of empowering people by creating an economy can be considered efficient and eco-friendly. One way of making money is to rent things that you are not using. If it sounds like the sharing economy is a win-win for everyone is not that simple! In fact, the sharing economy has a major impact on traditional business (hotels/taxi). Some may argue that those have to catch up with the time, but for better or worse those are regulated!

-social: it is not positive for everybody, you might not want to have neighbours changing every week via Airbnb for example, or not everybody might be able to use the services provided (while the traditional ones may disappear due to competition processes)

-economic: instable demand-supply, possibly subjected to monopoly, effects on the workers of industries

-environmental if the use of services increases the CO2 emission may increase too (for example if travelling expenses become less, people tend to travel more).

I never thought about the fact that someone could be excluded from the sharing economy. It never crossed my mind. However, the speech of Steven Miller on a Tedtalks brought me to perceive all from a different angle. He identified four spheres in which regulations are needed in order not to exclude somebody that not many people thought about.

-community: When we think about community we often think about family and friends but in the 70es a sociologist named Mark Granovetter started thinking about other types of communities which he called "weak ties", those were the people that you barely know. Jane Jacobs the urbanist called "hop skip" people, who are the kind of people that help building boundaries between us. Sharing economy can help making those weak ties in communities. While things like Airbnb can have a positive effects on us (for example when we are travelling and want to have an experience like the local ones) we also need to address the types of effects it has on an established community which for example choose to live in a residential area because they know each other, there is a feeling of trust and now all of a sudden there are visitors every week. We should make sure to protect them as well.

-ownership: many people like to own things, this is what capitalism is based on. We like

to think that through the sharing economy we use what we need. In reality we switch the pleasure of owning things into the pleasure of owning collective goods. Autonomous vehicle is a good example, in a decade or two, some people will buy one, but majority won't (maybe cannot afford or there is a feeling of distrust). So, what will happen then? Many will access autonomous vehicle through accessing collective good via sharing economy! So, sharing economy become a way to satisfy a desire of ownership rather than applying to the mentality "use what you need".

-reputation: in the sharing economy is everything and nowadays is built up on rates. But here is the interesting thing, taking the case of an Uber driver decides to go out and create a start-up about the same thing but at a local level, can he take the reputation with him? No. This is a problem, you should be able to own your reputation not only for creating another online platform but also to look for a job outside of it!

-equity: A lot has been done to make sure that disables, minorities have equal access to public buildings or facilities. Statics shows that those with African-American names on AirBnB have had a harder time to secure a place for themselves on AirBnB, blind people have had difficulties to be accepted on Uber because the drivers prefer to avoid

having their dogs inside the car.

Those points need to be addresses, regulation is needed for the impact this new economic model is having on citizens. In the same speech the speech of Steven Miller on a Tedtalks raises the question “Is the sharing economy undermining or supporting democracy?”. Pro-sharing economies argues that regulations are not needed. When asked about the possible crisis of the traditional job system in

some blogs I saw the answer “what do you want a job for? Jobs are not a great thing!” or “Having an economy based on full time jobs is really inefficient!” or again “It does not matter, we are going to do it anyway it is inevitable so adapt or die!” However, citizens should be allowed to think that they do have a choice by choosing the politicians who are going to promulgate the laws and companies will have to follow those rules in a democratic and free society!

2.2 What happens when we share homes?

Is it correct to talk about “home” sharing?

If defining “sharing economy” is not an easy task, definition issues comes across also how to grasp the concept of “home-sharing”. Home sharing was born around the ‘50s, but its true diffusion however dates back to the present day: it is in fact thanks to the advent of the internet and the social platforms that we have had the opportunity to arrive at such a wide approval on a global level , so as to create sites dedicated exclusively to the partition of

the apartments. As in the article *“Platform economies and urban planning: Airbnb and regulated deregulation in London”* (M. Ferreri, R. Sanyal; 2018) reports: *“The growth of the sector has been presented as desirable and necessary as it fosters the micro-entrepreneurialism of individuals monetizing underutilized assets alongside being ‘a major commercial opportunity for entrepreneurs, companies, industries and/or countries’* (Martin, 2016: 153). Among

the most important and famous, we find for example Homelink, AirBnB and Couchsurfing. The latter alternative way to share homes, could be expressed as a subgroup of the sharing economy. We could define home-sharing as an arrangement by which two or more unrelated people share a dwelling. However, the first doubt I was wondering about is the usage of home instead of house.

What is the meaning of "home"? Is it ideology correct to use the term "home-sharing"? While in the Italian dictionary it does not exist a difference in the meaning between house and home. ("Casa" is "casa). In English instead, there is a difficulty in grasping a univocal meaning of the term "casa", due to its polysemic richness and highlighting the conceptual separation between home and house(Marrone;2013). Home is the term that refers to the psychological and cultural meanings while talking about the physical structure we refer to it as "dwelling". The structural physical dimension of the dwelling is related to the symbolic affective dimension and this allows us to capture living as a total social fact.

According to Marrone (sociologist), the home is an "ideological" construct created by emotional experiences in the place where people live, while for Karjalainen dwelling is a material object, but the home is

a significant, emotionally based relationship between inhabitants and place of habitation. *"Home reconfirms itself as an area of complex meaning, that reason alone is incapable of explaining and covering. The meaning deep of home is in that process by which we incorporate the world into the building of our identity"*. (Marrone;2013)

Those platforms born under the sharing economy I believe should be more careful in naming themselves "home" sharing for the intrinsic value people give to this word. Although in some cases home-owners are really letting unrelated people live their intimate spaces, full of emotional connections, with or without their presence in the accommodation, it is also true that often the "home-shared" is actually rather a property rented in a more sterile way, where even the furniture are chosen with the criteria to be appreciated by as many renters as possible, carefully choosing to not personalize the space and even "sharing" a place where the landlord has never slept even a night in his life. The coexistence of those typologies of properties under the same technological platforms blurs the line between dwelling and home concept. It is interesting to underline the fact that between these ambiguities the term selected is "home" and not "dwelling". Sharing a house does not have a direct implication

sharing a home. However, people like to be told, that they would not access simply the physical space, but they will experience also an emotional one. The reason that stand behind this is that the sharing economy is answering to the desire of community and belonging, which increased due to the "individualistic and depersonalized social context" in which we live.

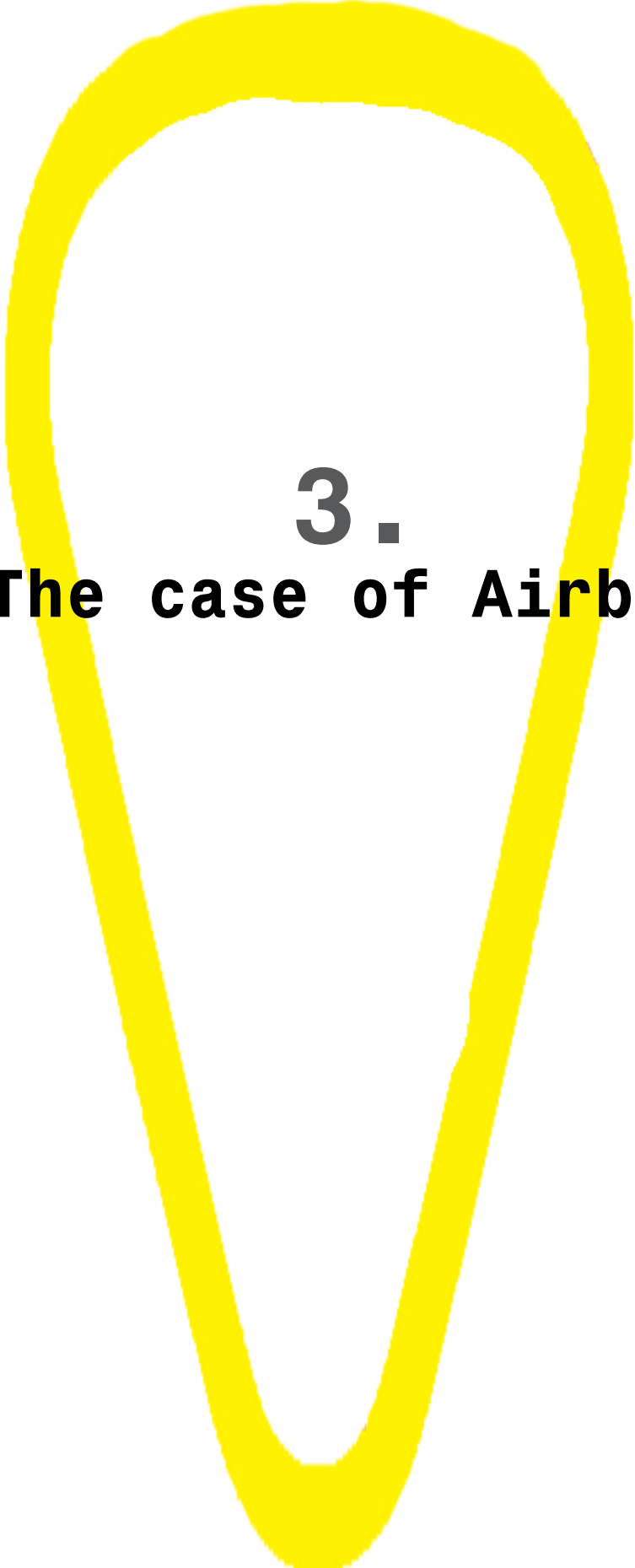
According to Mary Douglas, a space, to be home, must be "under control" (Douglas; 1991). Features such as fixity and size of space, or materials used for the construction or the happiness that can be expressed in it are not relevant features. Also, a caravan, a boat or a tent - says the anthropologist - can be a home. What makes a place a house is something that has a regulatory value of space over time. It is institutionalized memory, that is, codified in space, which defines the predictability of events. A classic example is the supplies and stocks in shelves and beliefs. The operation by which we store food or products involves the ability to plan, place, establish time variables (deadlines) in operation of those of space (forward / backward, above / below). For these needs, space comes differentiated, parcelised, finalized. The dwelling is the place of the space temporal organization by antonomasia. *"In everyday life it comes in countless ways, often not much*

obvious to simple observation. This is the case, for example, with the consumption of meals. A time when the assigned seats, the rituality of the distribution of food, almost contemporarily with which the cutlery is held, become regulatory relations social" (Marrone,2013). The moment in which we decide to share our homes with strangers, determine the possibility that we might not keep the same habits, simply because we came back home and find that our favourite cup has been used and not washed or the new housemate is using our seat. In other words, inviting unrelated people to live (even if for a short period of time) in our intimate space might once again blur the lines between home and houses, between familiar and unfamiliar.

Taking again the kitchen examples, *"Probably is not a case if in many recent cohousing projects there is a strong emphasis on the ability of the kitchen - which is often the shared space - to be a determining place for the socialization between co-houser. Socialization - we add - whose outcome is not in no foreseeable or programmable way"* (Marrone;2013). This raises another question, if sharing our personal space has an impact on the social behaviour, can the home-sharing be simply called co-housing? However, co-housing suggests that share of the same level of entitlement of the house. If the owner occupies the

listing, this should not be the case. Still, since there is a monetary transaction, “hosting a guest for money” can be seen as a business therefore the owner might change the behaviour in favour of pleasing the guest in order to get a better review that encourage others to book his extra space and make more profits. After those assumptions, going back to what term should

be more suitable for those platforms’ typologies, I suggest they should be called “dwell-sharing” instead than “Home-sharing”. The reason behind this, is that since is certain that the good shared is “the space of the physical structure” while it cannot be guaranteed the sharing of the “ideological” construct created by emotional experiences in the place where people live.



3.
The case of Airbnb

3.1 The bizarre way the idea started and has been accepted by users and investors

The attempt of this chapter is to give an overview of Airbnb, the platform I am analysing, going through how the idea was born, how it developed, what reasons stand behind its success worldwide,

where it managed to escalate, what is the mission and the type of values both positive and negatives that brings with its diffusion and how it is related with housing affordability.

NATHAN BLECHARCZYK

JOE GEBBIA

BRIAN CHESKY



Image 6. The inventors. Source Google.com.

The fairy tale

Airbnb is an online marketplace which connects people who are willing to rent out their properties with people in need of accommodation. The idea of Airbnb was born in an apartment in San Francisco where two unemployed roommates, Brian Chesky and Joe Gebbia, recently moved in from New York, had to overcome their financial difficulties. Both Joe and Brian were recently graduated designers from the RISD Academy (Rhode Island School of Design) looking for deeper meaning of their professional careers. In the meanwhile, before to find “the brilliant idea”, flat rent still needed to be paid therefore they thought to rent out their living room in 2007. However, they did not have extra beds, as a solution they decided to inflate their camping air beds on the floor, even if unusual as

accommodation they hoped to take the advantages of the lack in the hotel market in San Francisco during the local industrial Design conference. Finally the two friends opened a website and posted their announcement on it.

The price they valued their beds was 80\$ per guests per night, which compared with hotel industry prices during the event it can be considered economically convenient. The most surprising aspect is not that the idea in itself worked but that their customers were three professional designers, not related to each other, while they were expecting to target “some hippy travellers”. Coming into their home was Kat a Boston designer in her thirties, Micheal a father of five and Amol and Indian man who just concluded a master’s in

industrial design in the Arizona State University (See image n 7). Since the experience was successful the reasonings about what could they do to improve the service became a direct consequence. Joe and Brian were very careful to the details from the beginning, the pioneer guests found on their AirBnB the plan of the city of San Francisco, some transportation tickets and some coins to give to homeless people.

Unique coincidence is that Airbnb idea was born in in the same neighbourhood (Soma) in San Francisco were Couchsurfing was born and they have been often associated to each other for their similar concept of hospitality which differs from the traditional one. I will open a brief parenthesis on what the

other platform is. Its definition is an *“online service of free hospitality managed through a website, thanks to which you can ask or offer others a room or the sofa of your home for a shorter or shorter stay”* (Airbnb.com).

Although it is true that they both deal with hospitality in house of common people and they are both focused on the trust concept and open-minded view and importance of the experience behind the pure accommodation, there are differences at their core. First of all, we can differentiate the target. Even tough initially Gebbia and Chesky were addressing the website to the same category of users as the founders of Couchsurfing did (which is the backpackers, students, relatively cheap category), after the first



Image 7. First Airbedandbreakfast guests. Source: Ted Talk “How airbnb designs for trust” Joe Gebbia

experiment the Airbnb inventors realized that their platform could mostly refer to guests who usually make reservation in small hotels and Bed Breakfasts. Therefore, they tend to do not consider Couchsurfing as a direct competitor of their business. I was surprised to discover (being a billion-dollar company now) that they misunderstood the full potential of what they already created and were still convinced that Airbedandbreakfast was a temporary business before "the smart idea" would manifest. However, the feeling of bashfulness for not having an answer when family and friends were asking on which project they were working on, they started to talk about this uncommon airbed website and eventually they began to believe in it themselves. Soon after, Harvard graduate and technical architect Nathan Blecharczyk joined the team as the third cofounder. In the first couple of years they could not separate from the narrow vision of their original idea, the website in fact was called "Airbed and Breakfast". The entire concept was rotating around offering visitors a place to sleep (strictly) on an airbed on the floor and breakfast in the morning. When a host called asking if renting a spare bed could be an option, Joe denied, suggesting buying an airbed to inflate upon the underutilized mattress. Another host raised the issue of the possibility

to rent the entire apartment while he was not there, but again receiving a denial from the founders who refused because providing breakfast for guests needed to be mandatory according to their original concept.

Regarding the website growth, while they were achieving some bookings in the high peak periods such as conferences, congress, public events it was hard to stabilize the users flow. The technique Chesky adopted as he affirms during a Tedtalks is "If you launch and no one notice it, just launch it again" said Brian Chesky so this is what they did. Among many attempts they made to reach and consequently convince investors to promote their project, they rarely received an answer, nowadays many investors have publicly admitted regretting not having understood the magnitude of the project. However, *"one of the main reasons investors were skeptical about them was that they did not have a technical DNA"* (Gallagher 2017) which was considered necessary to be revolutionary. It does not appear unreasonable, considering that majority of innovation that made an impact on the technological field were coming from PhD Stanford student. Another reason was also the inability to present the project in a sustainable manner. During a Ted Talk Joe Gebbia revealed that their first strategy to sell the product was

to inefficient, his own words were *"We wanna build a website where people publicly post pictures of their most intimate spaces, the bedrooms, the bathrooms, the kind of rooms you usually keep close when people come over! And then, over the internet, they are going to invite complete strangers to sleep in their homes! It's going to be huge!"* (Joe Gebbia, Design for trust Tedtalks).

I sincerely admire their obstinacy to keep their project alive. In order to find a solution for expanding their project they designed cereal packages during the election, representing comics of Obama and Mc Cain, meant to sell them online as a limited edition, filling the boxes with 1\$ cereals and selling them for 40\$, through this mechanism they collected a total of 30 000\$ in 2008. What was supposed to be a stratagem to solve a temporary situation, became their good luck charm. Investors started to believe in their stubbornness and to trust their potential and commitment. In 2009 they received the first founding of 20 000\$ from Paul Graham's Y Combinator's Company.

Mostly their users where located in New York which made them travel often back and forward to analyse what could be improved. Mostly their users where located in New York which made them travel often back and forward to analyse what could be improved.

Finally, they realized a huge gap in the system: first of all, hosts were unable to value their properties in economic terms and second, their photographic skills were not encouraging, damaging the platform' image of the hospitality, consequently impacting the guests desire of booking the listings therefore impeding the website to grow. They went to each and every apartment listed in NYC and took photos of host's houses. After visiting their users in New York, the company finally gets some traction.

In order to widen the businesses possibilities, they changed focus, allowing all types of accommodations such as entire apartments as single rooms and not forcing to include breakfast in the package. After this enlargement of views in just a week they doubled the revenues. What is relevant to underline is that their idea worked not for its uniqueness, quoting Arun Sundararajan *"one of the basic characteristics of the sharing economy is that no idea is new"* (Sundarajan; 2017).

What they should be more appreciated about is their ability to take an idea existing in the market and make it better for their users. Although there is something new about them:

1_ the absolute novelty introduced by Airbnb, the founder says, is in having eliminated the barriers and

creating a **platform that everyone can use**. Unlike other sites they give relevance to the personality of the hosts, by introducing a descriptive part where hosts can explain why they decided to join the platform, their lifestyle and professions. (However, I would like to highlight that also Couchsurfing also give this possibility to its hosts and it was already existing on the market).

2_ It operates in an urban context. Contrary to what many bed breakfasts did, it was not necessarily focused on holiday homes, but on duplex, apartments, studio flats which were fundamental pieces of the urban texture. As the journalist Gallagher underlined in her book *“Airbnb: how three ordinary guys disrupted an industry, made billions and created plenty of controversy”* this aspect made the start-up attractive for many users and threatening for the hospitality sector (Gallagher; 2017). I would add actually also threatening for neighbours themselves, real estate agents

and precarious citizens. Those aspects will be discussed further in this chapter.

3_ It has revolutionized the way management was thought, they were ordinary friends who had to learn to program, to become leaders and entrepreneurs and the fact that they remained solid is more shocking than many other aspects in my opinion. In March 2009 Airbnb counted 2500 listings and close to 10,000 registered users. Learning how their story started helped me comprehending what the trio stood for which is summarising into two points:

1_ to use the “extra space somebody doesn’t need” to make “few extra box”

2_ the real experience “as a local” provided by the hosts.

However, many researchers are doubting that the platform mission remained pure and unvaried during this decade (see the next chapter).

The reasons that stand behind the success

Three aspects need to be considered as main reasons that led this platform to become so renowned.

- **The capacity to provide a heterogeneous offer**, by having as listing a huge variety of accommodations (from rooms till house trees and castles) which consequently was able to correspond the demand. While developing the platform, the founders learnt an important lesson, they understood that people are creative, having a copious number of users would lead to a multitude of options that just the three of them could never predict. Instead of limiting the possibilities by giving strict criteria, as they did instead at the beginning, they realized that if they let people be free in hosting any type of room, the uniqueness of the Airbnb would consist into giving a variety of options that never have been possible to choose under the same website or system. Assuming that people are smart and operate in favour of their financial situation,

they will improve the service from the inner core, since it has a direct impact on the “bookability” of their listings. If they own a boat, they will offer an extraordinary staying in the middle of city’s canal and so on. The fact that the hosts are driven by the innovation factor and creativity themselves, allowed the platforms to grow so rapidly.

While in 2007 they were afraid to lose their uniqueness of offering airbed accommodation with breakfast included, by enlarging the criteria they managed to be the one and only offering this service, taking a huge distance from their competitors in a way that allow them to almost hold a monopoly in this field. Positive feedback between buyers and sellers in addition to the initial free competition between marketplaces tends towards “one” dominant marketplace. Therefore, it can lead to monopoly if that one marketplace is exclusively owned and controlled. (See chapter 3.3 controversies and chapter 3.2 filter listings)

- **The economic convenience** for both homeowners and guests. Airbnb became appealing for its users because relatively cheaper than the traditional hotel proposal, meanwhile it became convenient for hosts because it was (and in many places still is) free from taxation, since the government does not have control of data from the company neither of information from citizens who get revenues from this activity. Even if there are of course commission costs from both side (guests and hosts) from which Airbnb get revenues, they are remarkably low compared to commission fees of Real Estate agencies.

- The **innovative element** is that hosting a stranger in a private accommodation became a business revenue. The positive side of this innovation is the intrinsic social aspect, hosting unknown people, sharing the space and in some cases time with them, can develop the weak ties discussed in chapter 2. It can increase networking, social skills, sense of belonging anywhere in the world, reduce race biases and give travellers the feeling of really getting to know a culture starting from a domestic space, neighbourhood familiarity even experiencing peripheral areas which often are cut out the tourist bubble. It can, yes, not often is the case and rarely it brings positive effects to all the groups of people overwhelmed by it.

Those key points were somehow constrained by issues that needed to be addressed and that have been targeted in the following years:

1_ Technical problems, booking a listing was technically arduous, there were too many steps before succeeding in making a reservation. Since the website not highly intuitive, it was discouraging users to choose this platform compared to others. The solution was to apply the "3 click rule", which simplified the booking process. This system consists in being able to go from the searching of a place till the booking in only 3 clicks. The founders followed the example of the Master of technology, this strategy is called the "Steve Jobs rule" which was introduced by apple to simplify the listening of songs in iPod. (Gallagher;2017) As many apps proves, in the sharing economy simplicity is always a winning strategy.

3. They needed to be reachable 24/7 in case of emergency, this service is now called "Customer Experience". As we can see even calling the Customer care appeared described as a mystic moment of sharing information with a stranger. The reason they had to provide this service is because many episodes where safety and security became at risks where happening across the globe. Those "experiences" later



Image 9. "Airbnb Style". Source: Il mondo piatto dell'estetica Airbnb, Davide Coppo, 2016.

led them to include an insurance that covered the housing damages that guests could make inside the properties otherwise given the negative advertising that reports, and newspapers were making about vandalistic acts that happened in many cases, they were risking otherwise to lose hosts on their platform. As we can see even calling the Customer care appeared described as a mystic moment of sharing information with a stranger.

3_ Pictures were not representing the apartments at their best since hosts were not professional photographers, with limited technical resources and low skills in lightening and all those characteristics that could improve the likability

of the listings. Therefore, the founders then decided to include professional photographers in the Airbnb package. The result paid off, houses with high quality of pictures were booked three times than the others. It was a little, but necessary investment to make their business take off. Nowadays there are articles about the fact that this aspect led to create an "Airbnb style", hosts with less bookings copy the house furnishing style of the most booked ones in order to make more profits, making the apartment suitable to as many people as possible. In other words, this aspect creates the inverse leanings of what described as "*The capacity to provide a heterogeneous offer*". The style issue will be better explained in the controversies.

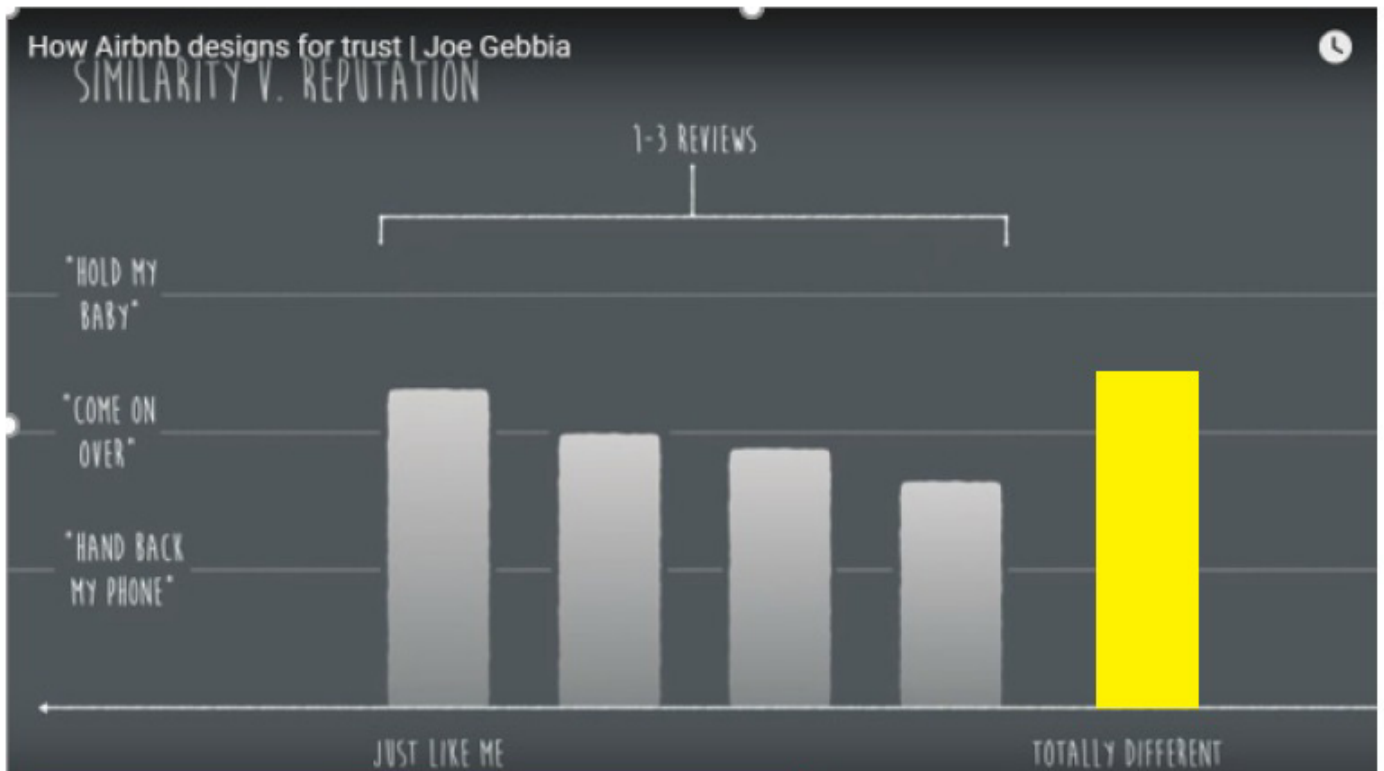


Image 10. "Similarity vs reputation". Source: TedTalk "Design for Trust" Joe Gebbia, 2016.

4_ Trust was definitely one of the hardest challenges they faced. Not only was difficult in terms of making investors trust them but also, and especially, building up reciprocal trust between hosts and guests. The solution they believed in was "a well-designed reputation system" as key for building trust (Joe Gebbia speaking in Tedtalks "Designed for trust"). As we know trust is such a key prerequisite for the success of peer-to-peer transactions. In order to overcome this crucial issue, they realized they had first of all to solve the trust problem between users of the platform. Once a community was built, investors would consequently

start to believe in the project, becoming less sceptical about its success therefore increasing the probability of willingness in sponsoring the platform.

First of all, they made the guests have detailed profile with pictures and descriptions this mechanism was meant to substitute the classic "shake of hands" and gives the feeling of "getting the personality" of this stranger and his/her behaviour inside the property. However, people with a solid career like doctors, lawyers, designers, tend to be more trusted than unemployed ones or students. Therefore, they based the credibility of a person on the review system.

What fascinated me from Joe Gebbia speech is how he presents this concept as never existed before. However other platforms already such as Couchsurfing (and many others) were having the same identical approach. Perhaps the absence of monetary transaction made less adventurous people doubting about the reasoning behind "hosting a stranger for free" yet not receiving money led to a "non-investment" like to say "I host you for free, wherever I have space".

Even though in Airbnb platform there is an economical transaction, one of the issues they had to overcome was the danger issue, many people were cautious in hosting stranger because afraid of possible property damages!

During the speech Joe Gebbia talks about how the review system give the possibility to go behind biases of race, religion, sexual orientation, gap age. Researchers have discovered that while people with less than four reviews are selected only by others on the criteria of similarity, once passed the third one, reputation becomes more relevant than similarity. It is to say that when a host have to choose between two potential guests under same conditions, he/she tend to choose a person who is similar

to him/her for jobs, colour, age, hobbies. However, when a person has built up an online reputation via review system that presents him/her in a positive light, the biases fall apart, and the reputation become the most relevant criteria on which to base the choice to host or not to.

Another topic needed to be taken into account here is that part of the success is undoubtedly due to the dissatisfaction created by the mass commodification of large hotel chains (Gallagher 2017). Arne Sorensonson, CEO of Marriott International, gave an interview during the American Magazine Media Conference in 2016 stating that *"Twenty years ago, those who travelled wanted only a clean room, which did not reserve surprises. On these expectations we have created our strategy, making sure that there were no differences. But today if I wake up at the Cairo, I want to feel in Cairo. I do not want to wake up in a room similar to the one I sleep in Cleveland"*. The possibility Airbnb gave to its users is to sleep in neighbourhoods outside of the touristic tour, giving the possibility to explore areas.

"...and I always believed, turning fear into fun, is the gift of creativity" Joe Gebbia.

What is Airbnb today

Airbnb is a community-based online platform for listing and renting local homes. It connects hosts and travellers and facilitates the process of renting without owning any rooms itself.

Moreover, it classifies itself under the sharing-economy by allowing property owners to rent out private flats. The way the founders present Airbnb is like a “mission”. On its YouTube channel the introductory description is:

“Airbnb is made up of an amazing worldwide community of hosts and travellers. It’s not just about a place to stay, but also about the unique experiences our members have. We are here to show you the people, the spaces, and the faces that make up the community”.



Image 11. Schematization of Airbnb's concept. Source Google.com.

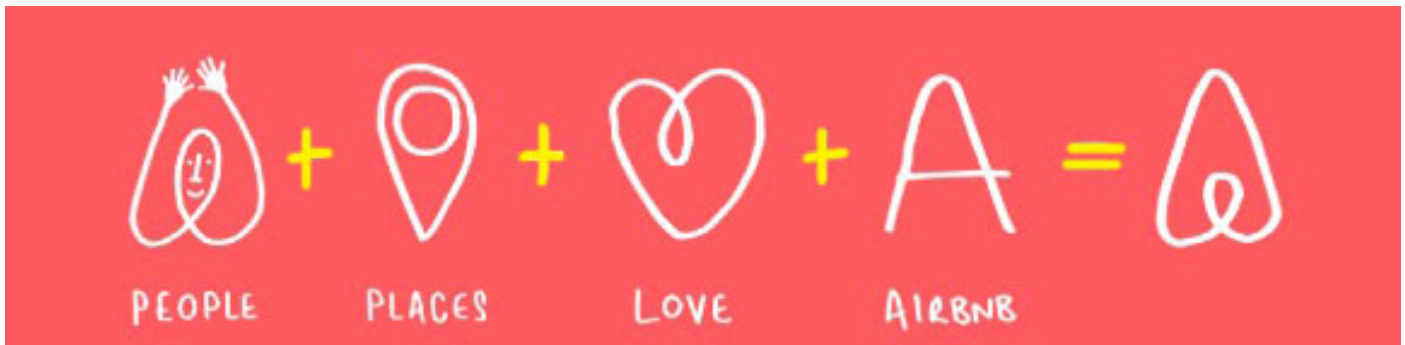


Image 12. Airbnb logo construction. Source Airbnb.com

The team started to analyse what message would give a more positive impact, and they decided to make “the sense of belonging” their motto. Of course, logo urged a change and Bèlo was born. Bèlo is a symbol that reunites four different cores of their business. People, places, love and the letter “A” which is the initial of Airbnb (Gallagher, 2017). Their aim is via Airbnb “to satisfy the universal desire of belonging” stated Chesky. Massimo Bricocoli and Ota de Leornardis in their essay wrote *“The territory seems to be the referent - explicit or implicit - to designate what constitutes belonging, what you share. “Our” territory is a very common expression in any form of local activation of citizens”* (Bricocoli; 2014). The “fairy tale” certainly attracts some people to host or attracts some travellers to take in consideration this service which seems to be shared by a community

that is forfilling the dream of “loving” each other from any kind of place in the world pushed by the curiosity to get to know different people. I am referring to “meeting new people” in two ways, both directly in person or indirectly through lodging in their private spaces. Since “belonging” could not be satisfied if users feel discriminated within the community, Airbnb launched a campaign “We accept” in order to promote the abolishment of mental barrier based on biases and to give them contribute over the prejudices on racism (See image below).



Image 13. We accept campaign. Source Airbnb.com

The offer



Try "Costa Tropical"

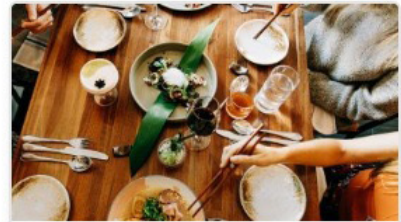
What can we help you find, Maria?



Homes



Experiences



Restaurants

Image 14. What Airbnb can offer. Source Airbnb.com

In order to satisfy needs of its customers, Airbnb does not only offer accommodations, but it amplifies the possibilities one more time. Nonetheless opening their website Airbnb.com the user can now choose if to use the platform to find a perfect matching location, or to join true local experiences made up for tourist at an expensive price or choosing a restaurant from their selection. It now offers three possibilities:

- 1_ Selecting an **accommodation** where to stay
- 2_ Selecting an **experience** with a local
- 3_ Selecting a recommended **restaurant**

The first aim will be largely discussed in the next chapter, the third one I consider it to be very simple and intuitive while I am going to spend some more words on the experiences.

The second point is one more time underline the persistence of the "experience" in these platforms. Users can organize themselves and suggest activities around the cities where they live, offering a unique "sharing moment" for the travellers. Instead than visiting the city just from the classical touristic perspective, Airbnb is able to provide alternative touristic tours, wine tasting, cooking lesson, language exchange, gardening classes with enriches

the variety of activities users can experience within a city. Visiting the website and looking for those experiences, what emerges is that once again the platform is using a successful strategy to achieve the goals which consist in nurturing itself by the creativity of the users rather than imposing strict parameters. However, while from the accommodation side, Airbnb offers a competitive option, from this side instead prices are definitely much higher than usual. Taking one-hour coffee with a London citizen costs £30, while cooking at home typical Milanese risotto costs 70 euros. Undoubtedly who is willing to share his/her time and knowledge with a foreigner is doing it as a source of revenue, however since the platform is promoting the sense of love, people, places and community a different approach could have been expected by the users especially in comparison with the raw material. The second aspect I would like to underline is that the meaning of "locality" is blurred on the platform. It is possible to notice how "belonging anywhere" is meant literally. Giving an example I can say that I was surprised to find an Italian Milanese girl giving tour of the

city in Kimono and providing kimonos for tourists, or to find experiences of cooking lesson of typical polenta in Palermo while this culinary tradition certainly does not belong to the place. What can be showed here is that through the platform the offer follows the demand in such a rapid and dynamic way that would have been impossible even to think before the sharing economy appeared.

The third option regards restaurants. Selecting this possibility, users have access to a list of recommended restaurants by both hosts and guests within they can choose where to go avoiding the risk of making a bad choice. While recommendation might be very useful for tourists, the feeling of getting lost in the city and discover new places loses its ground here. If local restaurants start appearing on a touristic platform, they will become more and more booked by not residents, definitely compromising the authenticity of a place. If Airbnb spreads in a residential area, it is reasonable to predict the risks of gentrification, where traditional places leave the scene in favour of Airbnb sponsored restaurants. (See gentrification controversies).

How does it work and how the platform gets revenues

As said previously, my thesis would be focused on the housing issues generated by Airbnb's impact on the neighbourhoods. Although I think it is relevant to give a broader picture of the company I will focus from now on, only on their accommodation offer. The team worked harder to simplify as much as possible

the process of booking. The image below is my own schematization of the booking process in order to understand how intuitive and simple strategy is behind. In yellow line you find the hosts activities, in full colored yellow the guests ones, in dotted line Airbnb role.

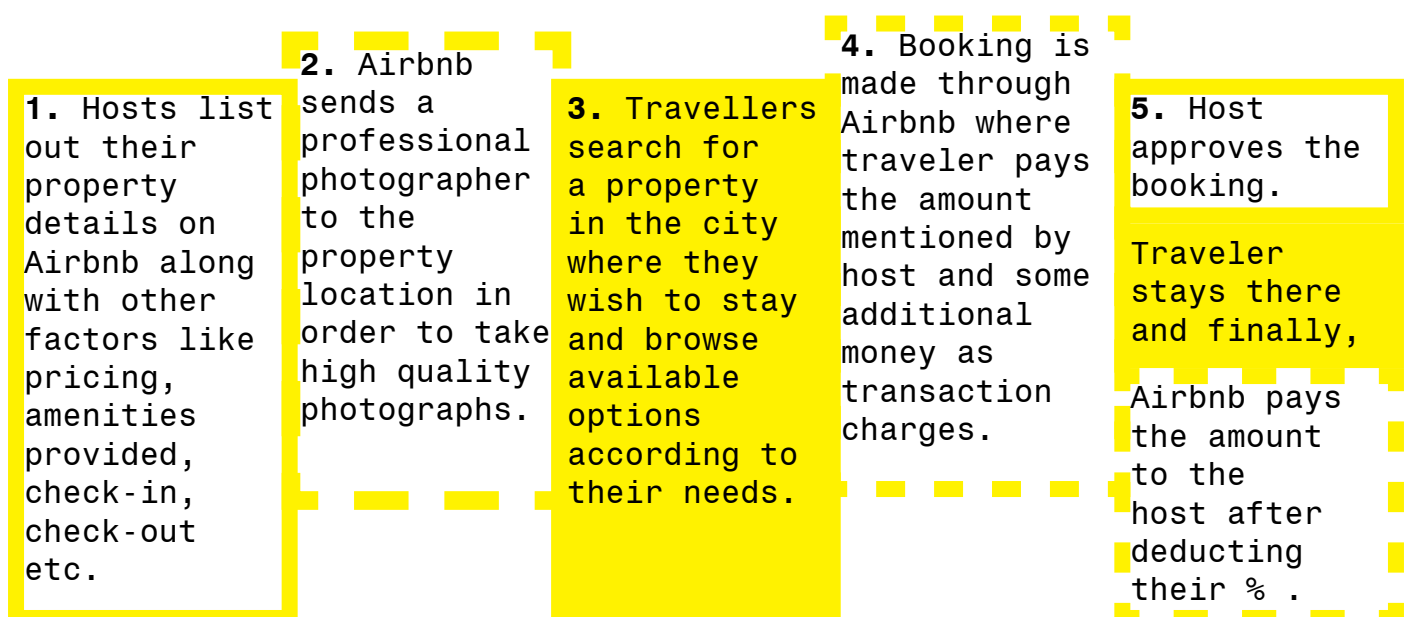


Image 15. Source: My own production based on Airbnb_insight about business model.

On the other hand, obviously, their aim was to make easier also to register properties for renting them out on the platform. The process is a simple questionnaire, it was so smooth that without realizing I almost registered my owner's apartment. It is relevant to underline how the data of Airbnb growth might not be accurate since some listings might appear on the website and consequentially on the data without being active on the platform. Airbnb is part of the broader phenomenon of sharing economy, it has revolutioned the classic model, and is becoming a

real threat also for OTAs (Online Travel Agency). The business model adopted by Airbnb has a lot in common with the e-Bay's one. It connects sellers and buyers simply retaining a commission from the transaction. Being part of the sharing economy dynamic, its business model has a lot in common with what described in the previous chapter. However, *“critical commentators have argued that it is not part of the ‘pure’ sharing economy as much as the corporate-driven process that involve increased utilization of durable assets”* (Finck and Ranchordas, 2016; Schor, 2014).

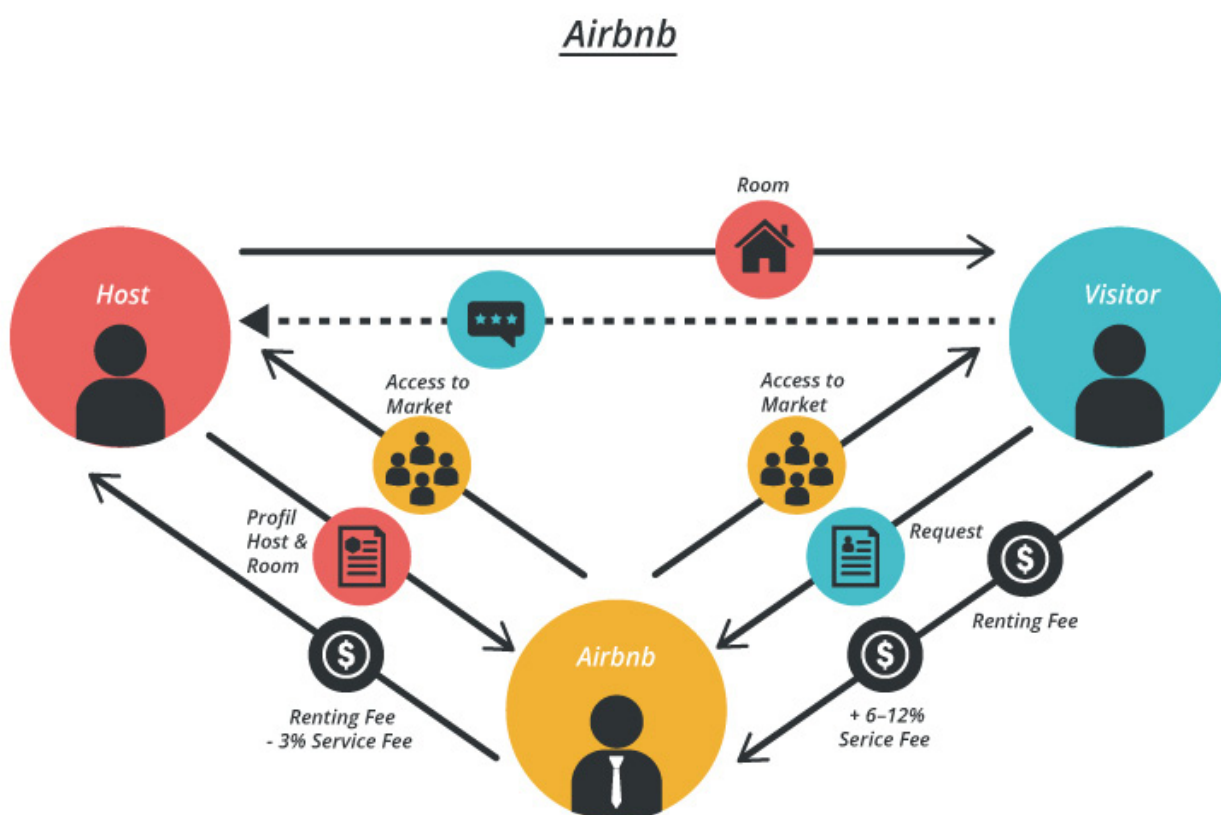


Image 16. Scheme of Airbnb business model. Source <https://bmttoolbox.net/stories/airbnb/>

The scheme above summarizes the concept, visitors access the platform to make a request of staying in an accommodation. Hosts access the platform, once created their profile and provided the information of the properties with the intention to rent it out for a certain period of time. Since hosts need the website to be connected with the potential guests, they also pay a service fee. The exchange is therefore of accommodation and guests via a platform that help matching offer and demand. The service costs are necessary for maintaining the business successful. First of all, Airbnb is a company with 3100 employees (lawyers, technicians) according to Wikipedia and its customer care is open 24/7.

Second of all, after all these expenditures, both creators and investors are aiming their own revenues of course. What is interesting to notice is the strategy behind the percentage retained from sellers and buyers. One of the difficulties Brian Chesky, Joe Gebbia and Nathan Blecharczyk had to overcome was the asymmetry between the numbers of hosts and guests. It is not hard to believe that the amount of people willing to “put their house online” risking to have their own property damaged by a stranger is incredibly lower than someone who is sleeping over for a couple of nights even if “risking encountering a not friendly or trustable host”. For this reason, they decided to apply the same asymmetry to the taxation, asking

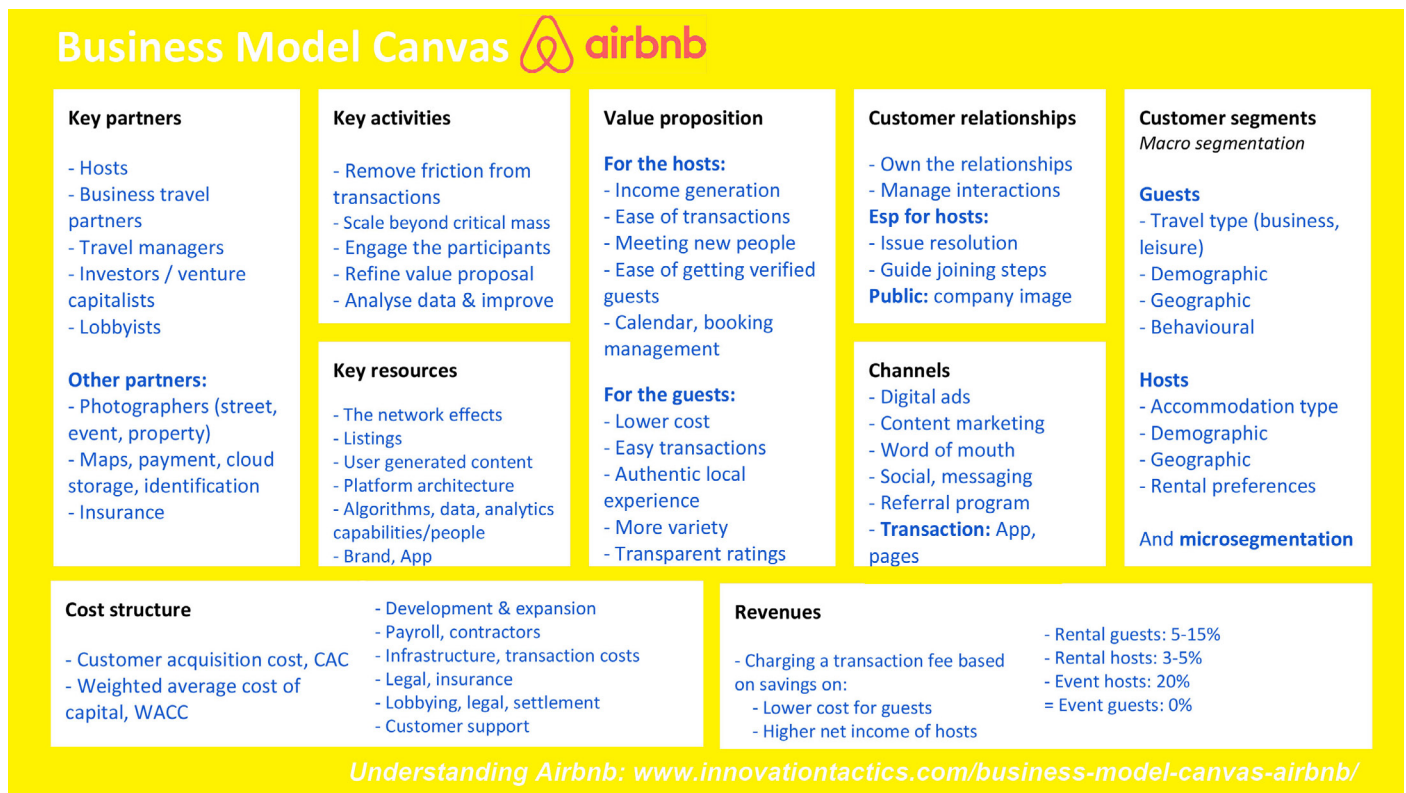


Image 17. Business Model Canvas, Source <https://www.innovationtactics.com/business-model-canvas-airbnb/>

to add the 12 per cent of the total cost of the property rented and deducting only a 3 per cent from the price of the listing. It is to say that if for example a listing costs 100 dollars per night, the guest will pay $100\$ + 12\% = 112\$$ (of which 12\$ goes to the platform) while the host instead of earning 100\$, earns $100\$ - 3\% = 97\$$ (of which 3\$ goes to the platform), the total earned by Airbnb from this transaction is $12\$ + 3\$ = 15\$$. Considering the amount of people booking per night on Airbnb it makes sense how they became a 2,6 billion dollar company (Wikipedia 2017). The disproportion in percentage is one of the strategies they adopt to encourage more people to list their properties on the platform.

The scheme above represents

the business model canvas used by Airbnb, which clarify actors and processes involved.

Many critiques argue that one of the reasons that lead this business model to success is that it is unencumbered by certain responsibilities that the traditional market has. For the simple fact that "it belongs under the sharing economy umbrella" and that is structured as the peer-to-peer platform their users are not seen as customers and the host figures are not seen as employees but just a simple connection between citizens who "help each other". This led to resentment from other economic fraction who are strictly regulated by local policies through taxation and fines. (See rules eviction controversies).

The worldwide exponential growth

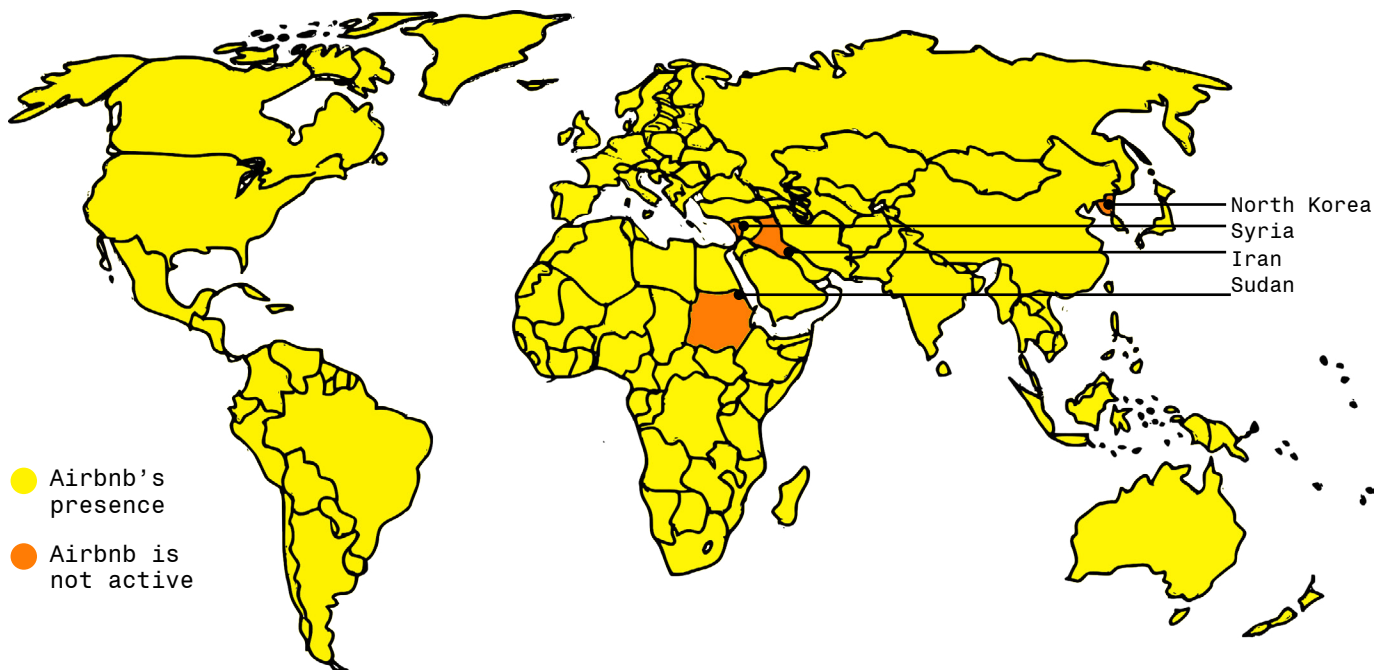


Image 18. World map of Airbnb spread around the world. Source Hugo thesis "Sharing under the threat".

Founded on 1 August 2008 by Nathan Blecharczyk, Joe Gebbia and Brian Chesky, Airbnb grew as a technology masterpiece in a short span of time. Having received a massive funding of \$4.4B (Till December 2017), it is a part of the Billion-dollar club. The company, headquartered at San Francisco, California, USA, is valued at \$31 Billion today with a presence in 34,000+ cities across 190+ countries. Out of the list are North Korea, Syria, Crimea, Iran and Sudan for political reasons. Having 1.2

Million listings, the company has served over 35 Million guests with 140,000+ people staying at an Airbnb listed place every day.

The company had an exponential growth between 2011 and 2017 of 100x growth. How is it possible to grow so rapidly? Technically this is called "network effect" which is based on the fact that when more people post announcement on the platform, as a direct consequence, the platform itself becomes more appealing for its users thanks to the enlargement

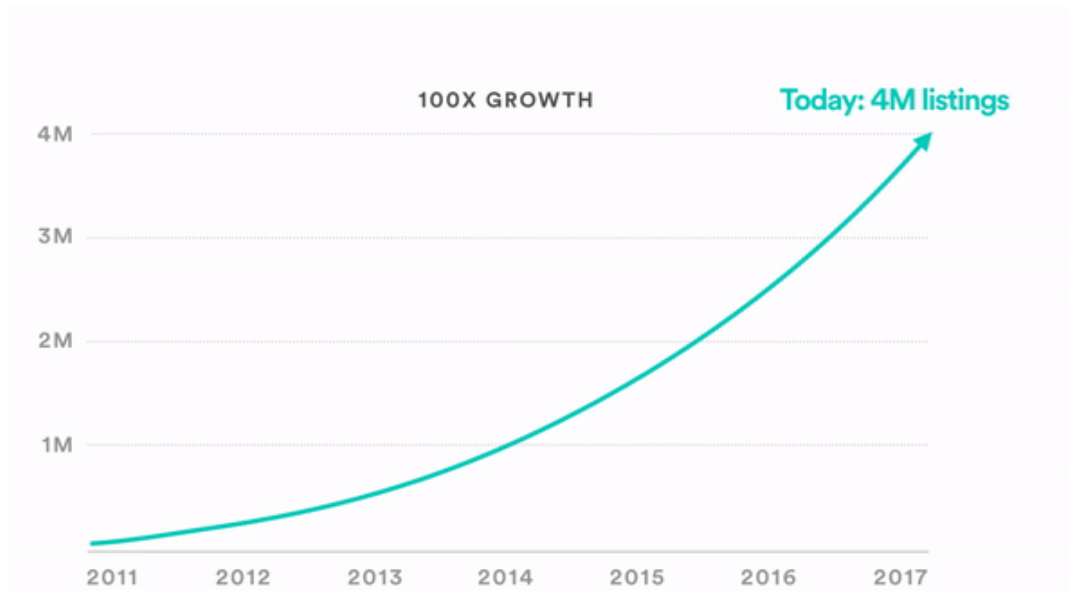


Image 19. Graphic of Airbnb growth. Source Airbnb.com

of the variety of offers existing on the market. This implies to create a better match between guests and hosts. Consequently, more people are inclining to use Airbnb for their staying and bilaterally more people wants to put their announcements on the website since they see a real investment opportunity. Once explained the network effect, it relevant to underline the “global network effect”, this is to say that since guests have high probability to be from another country or at least from another city, they advertise by themselves their experiences to friends or they simply normalize the possibility to host a stranger in their homes. Moreover, the global expansion becomes fast, easy and without additional costs for the company. This aspect is often underlined when compared to the difficulties Uber has when it wants to expand elsewhere since it has to physically launch

every new market, implying huge investment of capital, employers and other resources! What investors appreciate more of Airbnb is the efficiency and the level of growth.

It is relevant to underline the fact that the usage of Airbnb is different from countries to countries and also from villages and city within the same borders. Definatly Airbnb is more popular in countries where population is technologically savvy, in other word where people feel more comfortable in using technology (and trust it). Second, in order to explain the spread of the platform in different capitals, there are other factors that need to be considered. Those are, the technological development (as just said), the economic size, the relative size of the tourism and travel industries, the nominal exchange rate (that gives a measure of the competitiveness

Countries with the most Airbnb listings as of August 2017

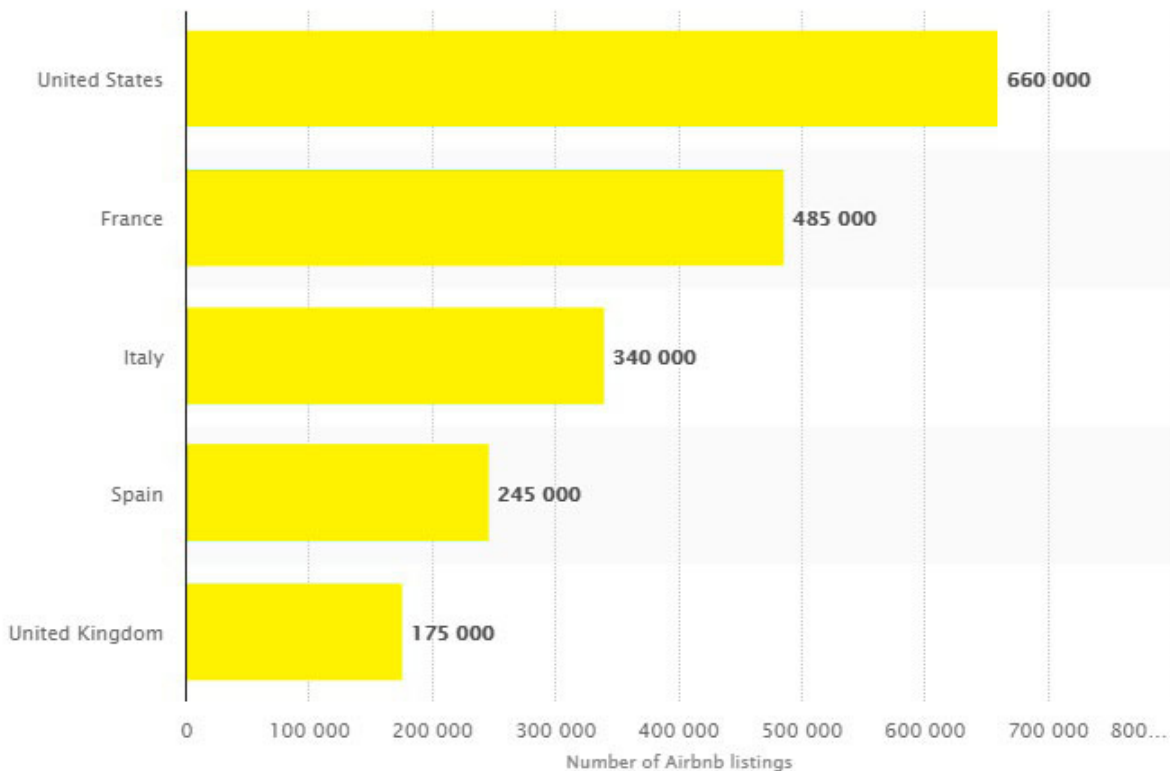


Image 20 Top 5 countries in which Airbnb is more active. Source: www.statista.com

of countries at international level), the level of economic development (or wellbeing) and the country productivity level. When talking about the level of competitiveness the report “Macroeconomic perspective on Airbnb’s global presence” (Heo; Blengini June 2018) highlights that variables included under this definition are institutions, infrastructure, education, health and macroeconomic environment.

Not many analyses on those macroeconomic factors have been conducted, it would have been interesting to quantify the impact of them on the Airbnb’s diffusion. However, the relative size of the tourism and trade industries are

based on significant variables. The research conducted by Heo and Blengini, professors at Ecole hôtelière de Lausanne, HES-SO/ University of Applied Sciences Western Switzerland, proves empirically that a country that is highly oriented towards tourism will be more familiar with this type of platform but that at the same time the most important factor affecting the number of Airbnb listing is the level of technology in a given country. The graphic below shows the top five countries that registered the higher Airbnb listing (data from August 2017). As you can see, Italy is one of them, precisely on the third place in the world among 192 countries.

The target the company is focusing on

When talking about target often the first thought goes to guests, as we are used to think for the traditional forms of business, however as previously said this platform works and grow in such a prosperous manner because it has a double target made by hosts and guests. Some bibliographies include in the target also the photographers, since they are the ones making the difference in terms of the impact, they offer their service and knowledge to Airbnb however since they draw money unrelated to if the house is booked or not, I would rather exclude them from the target category than include them.

The initial thought of the founder was to attract "Hippies" who were travelling and had probably low budget conditions. However, since the first experience in their San Francisco's apartment, the customers showing up at the doors were the so called "Millennials". *"Millennials, also known as Generation Y or Gen Y, are the generational demographic cohort following Generation X and preceding Generation Z. There are no precise dates for when this cohort starts or ends; demographers and researchers typically use the early 1980s as starting birth years and the mid-*

1990s to early 2000s as ending birth years. Millennials are sometimes referred to as "echo boomers" due to a major surge in birth rates in the 1980s and 1990s, and because millennials are often the children of the baby boomers. Although millennial characteristics vary by region, depending on social and economic conditions, the generation has been generally marked by an increased use and familiarity with communications, media, and digital technologies". (<https://en.wikipedia.org/wiki/Millennials>).

One more time this was partially true, the huge variety of options where to sleep, and consequently prices attracted a multi-class target of guests, including "the famous ones". The demographic category amplified, and the medium age of guests is thirty-five years old, having a third of travellers from their fourties to go up. The hosts category instead is a bit older, in media they are 43 years old (data of 2017) paraphs is due to the fact that the age range of who owns a property is higher than who travels. In fact, it is the over sixty target the range who is more rapidly increasing between people who are available to rent out.

3.2 Typologies of spaces rented via Airbnb

The intent of this paragraph is to give a broader picture of the possibilities of booking via Airbnb that never before a traveller had opportunity of discovering. The urban issue here is that having a temporary user access neighbourhood, properties that he/she was never allowed to, can have repercussion on the neighbourhood stability. Externalities will be mentioned in the next chapter; however, I felt the urgency to remark the reasons that made me analyse the following issues (type of accommodations/ type of hosts/criteria of booking). We live in a technological era, we

make many choices related to what we find on the internet. Filter selections might seem just a tool that we have to achieve what we want, however they penalize the choices we make because instead of being “personal” they are introduced by a system which often is world-wide and in order to “belong to anybody” does not represent the way we would arrive to a conclusion, our style, our list of priorities. It narrows our views forcing us to see through a window that we even did not want to open.

Moreover, it has externalities on what it precludes to be seen.

Typologies of properties

The properties are listed according to different filters. One of the aspects that made Airbnb so successful is (as said in chapter 3.1) the huge variety of options that it offers to its users. The most relevant classification for this thesis is the division between entire property, private room and shared-room. Apart from this division based on privacy, there is another one made on typology. This separates the most traditional ones from the most unique ones. It is considered to be traditional: house, bed and breakfast, bungalow, chalet, guest suite, hostel, loft, townhouse, cabin, apartment, boutique hotel, cottage, guest house, hotel, resort, villa.

Unconventional places where to lodge are classified into barn,

camper, campsite, castle, cave, dammuso, earth house, heritage hotel, hut, island, minsu, pension, dome house, farm stay, igloo, island, light house, boat, nature lodge, plane, pousanda, ryokan, tent, tiny house, tipi, trai, treehouse, trullo and yurt.

The concept of sharing “extra space that you don’t need” to give people “sense of belonging” went a bit out of control but it is my personal point of view, maybe conditioned by the fact that people who have a spare hotel are not easy to meet. Although I certainly see the fascinating side of this incredible variety of selection, analysing the trends of what is more required it is easy to be tempted by investing in what tourists want, and likely is not igloo.

Typologies of hosts

The top three reasons to push a host be called as such are expressed in the paper Millennio Urbano written by Michela Barzi (2016):

- 1.Children leave the house and suddenly there is a possible rentable extra space
- 2.House inherited and not sure if to rent it or sell it
- 3.Business on renting short term, speculating on the sharing economy

If the division seemed only between guests and hosts, it is actually more complex than that. As Gallagher underlines, the platforms sell the concept of lodging in other people's home but if they would provide the possibility of renting their properties the company would not exist. Consequently, if the owners, willing to accept guests in their private spaces, would not provide a positive experiences

people would not use the website. This is how it became important for Airbnb to give guidelines to hosts. Guidelines turned into seminars, community hosts groups, private lesson from the most experienced. This pyramidal structure makes the experience so personal. What seems evident is that, despite the positive message of uniqueness they want people to perceive from their company, they are telling people what they want to hear. Money makers are told how exponentially grow their profits with it, to the "hippies" they are proposing the positive message of sharing, to Millennial "to belong anywhere" and in the meanwhile they are expanding the revenues so much that allows them to launch an airline company. The attempt here is not criticize their smartness in anyhow, but how the concept of sharing economy is able to spread

a positive layer on the cover of substances who might be toxic for our society. Especially from my generation, the Millennials, I have not heard anybody who is not enthusiastic about the rise of this "innovative economic system". What differentiates a host from a super-host is explained in Airbnb website: *"Super-hosts are experienced hosts who provide a shining example for other hosts, and extraordinary experiences for their guests. Once a host reaches Super-host status, a badge will automatically appear on their listing and profile to help you identify them"* Airbnb help Centre.

However, to tick the boxes and become a super-host is not as easy or meritocratic as it seems. Different criteria have to be met, a host to become a super-host only need to:

1. reply to potential guests within 24 hours
2. keep the guests constantly updated and doublecheck
3. be clear and provide all sets of rules of the house (If you are an easy-going person start not being)
4. provide sheets that smells as just coming out from the washing machines
5. Available to pick up at the airport (if you have a day job maybe consider quitting it)
6. Give a "personal touch" putting fresh flowers (if hate no worries, give your very personal touch)

What are excellent advices in a

hospitality business become a lot more intrusive in the "sharing system" which is based on sharing extra space, extra time. The competition between business oriented is unfair. Becoming a super-host puts you on the first pages of the researches, more flow of user exists in a city and more those first pages of super-hosts are long, decreasing enormously the chances by the traditional hosts to be seen. Eventually more booking leads to more profits and more profits leads to more investments. This is an interpretation of how is possible that the 20 per cent of the hosts gets the 80 per cent of the revenues on Airbnb (Data taken from TV program Report).

Nonetheless Airbnb reserves the right to keep an announcement with low rates at the last pages or even deactivate the account. I supposed this right has an influence on data such as percentage of appreciation of its users (who apparently are enthusiastic of the service provided by the platform). Talking about hosts I would like to take few examples, Pol McCann, a Sidney super-host, following the advices of Airbnb, became able in only sixth month to accumulate enough money to be able to pay the deposit of another property in front of his house (to rent again on Airbnb), with two properties he earns 100000 dollars a year and he bought a third apartment to rent.

Other filters options

Other filters available on the platform are:

1. Dates (I tried to select 3 months and I had no problem even staying for long term, overall the length of short-term rental is debatable)

2. Guests summing adults, children between 2-12 and infants under 2 years old

3. Home type as discussed before it regards the possibility to rent entire place, private room or shared room

4. Price range from cheap to opulent

5. Instant Booking which give users to select Listings that can be booked without waiting for host approval

6. Trip type which is divided into For families which recommends exploring entire homes with 5-star reviews from families and essentials like a kitchen and TV or For work which suggests to explore top-rated homes with essentials like a workspace, Wi-Fi, and self-check-in

7. More filters

However, is in the more filter section where things get complicated:

7.1 number of beds/ bedroom/ bathroom

7.2 possibility to select only super hosts

7.3 accessibility (for example only step free or with shower-chair)

7.4 amenities (such as iron/ crib/ doorman/ Carbon monoxide detector)

7.5 Facilities (gym/ pool/ hot tube)

7.6 Host Language

7.7 Neighbourhoods

7.8 House rules (suitable for events/ smoking allows/ pet friendly)

7.9 Property types (traditional ones)

7.10 Unique homes

Although I will not go in detail for each of the filters I felt unfair not to mention all and I would like to highlight some of them. For example it is interesting to me the 7.2, Brian Chesky's statement *"We can no longer distinguish ourselves if the lodgings are offered by a professional. It is equivalent to staying in the hotel. The sense of belonging is a bit lacking"* however the presence of the filter "select only super-hosts" is controversial.

Majority of super-hosts are professionals and by giving this option means encouraging this activity.

3.3 Controversies

- **MONOPOLY AND SHARING PLATFORMS**

“Marketplaces are where buyers and sellers come together to exchange. On Uber this is riders and drivers. On AirBnB owners and renters etc. Marketplaces have existed for thousands of years, practically since civilization first began”. (International Journal, Rubin Pollock, 2018) Marketplaces, once reached a certain size, have the potential to grow rapidly and exponentially. Positive feedback become a measure for trust between buyers and sellers, attracting spirally other buyers and sellers. When downloading an application, consumers tend to download the one with most users because the amount of people themselves are a sign that the platform works properly and people are satisfied, despite the review

system (of course possibly having a “sufficient rate”). Therefore, one a platform is renowned between communities is very hard to manage to compete against those marketplace and transit users from one company to another. Having a certain number of users guarantees **liquidity**: you will be able to trade e.g. book a taxi, rent an apartment etc and **diversity**: they have the product you want e.g. this particular fish is available, that stock has a market maker, there is a taxi in your area (not just central London) Furthermore, buyers and sellers usually are not willing to participate in lots of different marketplaces, since comparing opportunities requires energy investments which once again tend to make the monopoly grow.

• **AIRSPACE, THE FLAT AESTHETIC OF AIRBNB**

“It has been defined as “AirSpace”. It is not just about bars and restaurants: it is the style that is reshaping the houses we live in. And it molds the philosophy according to which, wherever we go, we must feel at home. A strategy to omologate spaces”. (Il mondo piatto dell’estetica Airbnb, Davide Coppo, 2016).

The newspaper “The Verge”, published in 2016 an article written by Kyla Chayka in which they call “Airspace” the new interior design style that is spreading across houses on the Airbnb platform all over the world. Opening the website, inserting as location “Everywhere” a multitude of houses that give the same feeling will appear. This feeling is called Hygge, which is described by Davide Coppo as *“Hygge (...) has a relationship with the small luxuries that enrich life, with time the happy happy that happen to us. So, furniture, furniture, chocolate, fireplace, cushions. The mental images related to the style are purely crepuscular, Nordic, winter”.*

Kyla Chayka affirms that the platform is producing and harmonization of taste which recalls what the architect Rem Koolhaas noticed in his prophetic essay “The Generic City,” from the 1995 book S, M, L, XL: “Is the contemporary city like the contemporary airport—‘all

the same’?” he asks. “What if this seemingly accidental—and usually regretted—homogenization was an intentional process, a conscious movement away from difference toward similarity?”

The ideal Airbnb is becoming both unfamiliar and recognizable and the impact that is having is that “aesthetic homogeneity is a product that users are coming to demand, and tech investors are catching on it” (Kyla Chayka; 2016).



Image 21. Example of Hygge style. Source: <http://www.id-tips.com/tag/zona-notte/>

•INADEQUACY OF INSURANCE POLICY

However the insurance does not cover the personal damage but only the economic one, this is to say that if objects, furniture elements, floors are broken or ruined by guests, Airbnb will refund the host or the equivalent amount of money of the damaged value. If act of vandalism is behaved on marriage photos, the first presents of your kid and any type of element which has an intrinsic emotional value for the host beside the economic one, is not covered. Coming back to the word that we most see in Airbnb, the founders have a predilection for the word "experience", they want people to buy the message that Airbnb is an experience you live that nowhere else you could.

•VOCABULARY DEPRIVATION

We see often in the sharing economy, the usage of emphatical words to be more socially accepted by users and to differentiate one business from others, covering up with an ideal of helping each other in a generous human way. Apparently, it is a marketing strategy that is working really well, changing the mindset of people towards spending money for a product or service. In my opinion this attitude can risk depriving this word from its full, meaningful meaning.

•SAFETY AND SECURITY

"Concern around running 'illegal hotels' that circumvent rules and regulations

protecting consumers around issues of safety, security and discrimination" (Edelman and Luca, 2014). Many episodes of violence, vandalism and even few cases of death happened in Airbnb's apartments. Certainly, accidents can be caused by a multitude of factors, not always is possible to identify precisely the culprit either the victims. However, some cases could have been avoided if the properties listed on the platforms were following the same set of rules and norms that other activities on the hospitality sector are forced to obey to. Just mentioning a case to give an example (Gallagher; 2017), a host decided to tie a swing on a tree arm to post pictures and make the house more appealing. Unfortunately, the tree was dead for many years, when a man in his 50es, sat on it the tree uprooted causing the man's death. It was an accident, but since no control are made on safety part of the blame goes to this "deregulation attitude" and since it is not illegal to tie a swing on an arm tree, neither hosts are expected to have engineering knowledges.

Episodes of security and safety risks are not only to be considered on physical level. In Florida a couple founded a hidden camera (in the bedroom smoke detector) in an Airbnb's house they were staying in. They were being secretly recorded in the Airbnb's rental, the camera

The worst Airbnb guest horror stories

Below are a few examples of the worst Airbnb guest horror stories reported by major news outlets:

- Raped & murdered (*The Age*)
- Kidnapped & sexually assaulted (*NY Times*)
- Hidden cameras in the bedroom (*HuffPo*)
- Rental is actually a secret brothel (*NY Post*)
- Widespread discrimination (*Young Turks*)
- Pushed down stairs by host (*at5.n*)
- Scammed for a \$9,000 dump (*NY Post*)
- Pedophile lists room for rent (*Metro*)

was able to also record their voices, they were able to realize it since the husband works in IT and was more suspicious. As he reported then to ABS news “My wife and I are distressed by the situation. I hope more victims will come forward.” The host, Wayne Natt, hosted for two years already before the couple’s rental and had already forty reviews. Although Airbnb’s policy requires users to disclose any cameras and prohibits cameras in the private areas. The company after this event, stated “We are outraged at reports of what happened; as soon as we were made aware, we permanently banned this individual... we take privacy issue extremely seriously”.

The issue here is to understand if it is enough to have policies that are basically guidelines. *“In the US and other major countries, Airbnb does not require any ID other than an email address and phone number, therefore, anyone could be your hosts. They do not even require real names. This means you could end up staying with a convicted felon, a registered sex offender, a thief*

or a conniving scam artist.” (Is Airbnb safe? We analyzed 1021 horror stories, <https://www.asherfergusson.com/airbnb/;2017>). In the same article the stories are divided into categories, readers can select to be informed on one of those as the screenshot of the article shows below.

•DISCRIMINATION

However often the online world is a mirror of society and even if believing in the idea of a better world can be a relief, episodes of racism happened here as well, blowing up the bubble of a peaceful world. Studies on the topic from Harvard university validate the suspects showing how this advertised positive community is full of biases just as the outside world.

An analysis made by Michael Luca and Benjamin Edelman in *“Digital discrimination: the case of Airbnb.com”* written in 2014 highlights how personal profile pictures and personal info introduced to generate a sense of trust are on one hand working while on the other this trust is based on the concept of



Image 22. Anti-discrimination campaign made from the Black community in the USA. <https://byrs1f.co/hi-i-is-a-good-black-man-my-airbnb-story-6fe0a87eddd0>

similarity and not as Joe Gebbia state on his Ted talk “Design for Trusts” on reviews. We care about who made the reviews and we rarely if we have prejudices on someone, we put them on the side because he/she got more than three positive reviews. However, not always the biases are based on racism, this caution might also simply be regarding hosting a family with kids because children could break valuable objects or to a group of friends who could party hard in our property rented out but when it comes in terms of assumption based on

colour of skin, ethnicity and so on, the issue not only becomes viral but can heavily offend the discriminated part involved.

Benjamin and Michael demonstrate that under same conditions in terms of location, housing, period of the year, white hosts are able to rent their listings for a price 12 per cent higher than the coloured ones. To this accusation Airbnb replied that they took into account only 35000 cities so their conclusions were not objective. Further studies this time on twenty profile of

which ten of black people and ten of white ones having all same information, they sent requests to 64000 hosts in five different cities in their world and the rate of acceptance proved one more time that statistically colour people's requests had much higher probability to be denied! Many hashtags **#AirbnbwhileBlack** have been shared between the most empathic users, while separate platforms like Noirbnb and Innclusive were created.

Reading those problematic aspects, the question I am trying to answer is what type of impact can it have to neighbourhoods? If the central neighbourhoods are increasing the number of properties on short term rentals, they are not only pushing citizens in the periphery, but they are also mostly attracting a specific kind of tourists in terms of ethnicity that could potentially generate a phenomenon of gentrification inside the gentrification.

This leads to the skepticism on which percentage of users are on the platform for this frustration of otherwise not feeling to belong anywhere in the world or who is there for revenues and saving money is not clear. However, the website works, is booming and seems nothing can stop it.

• **RULES EVICTION**

This business model can easily evict to perform safety regulations, taxes, employees'

rights, emergency exits and so on which the "traditional market has to fulfil". Certainly, is not a fair competition. While they operate under the collaborative economy name, they are becoming money-making machines. The European Union as a strategy to promote innovation and job creation in a sustainable way is supporting companies who are labelling themselves as part of the collaborative economy business model. As one of the commentators of the Financial Times stated "*Airbnb hosts are not collaborating with their guests any more than Marriott International is collaborating with its customers*".

As Kenneth Haar (a Danish researcher who collaborates with the Corporate Europe observatory) declare in his "Unfairbnb, how rental platforms use the EU to defeat cities' affordable housing measures" 2018 article "*So while you can certainly find examples of AirBnB hosts and guests who match the ideal citizen-to-citizen exchange, the company has long since become a big commercial company, and hosts who make a lot of money from commercial letting abound. And when AirBnB comes under fire for the problems its success has caused across the globe, in particular the effect on locals' impaired access to affordable housing, it fights back like any other commercial colossus*".

• **PRIVATIZATION OF THE PUBLIC SPACES**

Entire neighbourhoods might be rented, and I seem to be too harsh on this topic, I would like to keep in mind that in Japan is possible to rent an entire island “A host in Nagasaki, Japan, is eager to share his private slice of paradise with the world, meaning you can rent Tajima Island for just over £3,000 per night” (The Sun, 2019). In Italy the first super-host is Guido, who owns 1095 properties in Italy. Guido was contacted by Airbnb because his company rented apartments and his criteria were on the same page of Airbnb. What criteria? To share his time with guests? Or to make guests experience a local experience? Once accepted, Guido’s profile is like that of a simple host, who divides his apartments, but there is a company behind which does not appear. It seems that Airbnb hides information that can lead people not to believe in the mission they advocate. Therefore, when Elisa Schreiber, one of the investors of Airbnb says “Uber means transactions. Airbnb humanity.” I feel it hard to buy.

• **GENTRIFICATION**

It will be described in chapter 4.

• **HOUSING AFFORDABILITY CRISES**

On this controversy specifically I am structuring my thesis. It will be discussed in the next paragraph.

The attempt of this thesis is dealing with the issue of how the sharing economy and specifically Airbnb among the home-sharing platforms is having an impact on the housing affordability. Critics argue that “platforms like Airbnb raise the cost of living for local renters, while mainly benefitting local landlords and non-residents tourists” (Barron; Kung; Proserpio; 2017).

The assumption I am basing my research on is that through the help of home-sharing platforms, which facilitate the networking between landlords and tenants with almost 0 cost and avoids taxation because belonging to the sharing economy umbrella, there will happen a switch of home-owners who will choose to make their houses available on short-term rentals rather than long-term because of higher revenues opportunity. This phenomenon will diminish the number of listing rentable on long-term, the economical perspective follows the reasoning that by decreasing the offer but steadying the demand the price of good (housing in this case will increase). The scenario would worsen if also the demand would be increasing, since the gap between demand and supply will be higher (see graphic n....). The demand could increase from both side tourists and non-tourist.

CLAIMS LIMITS

To give the guests the possibility to live “a local experience” by accessing areas of the city that were never thought to be for tourists

BUT

Neighbourhoods change under the spread of Airbnb, turning into touristical areas, compromising the meaning of “local experiences”

Meant to be occasional activity

BUT

High % of people who rent for more than half year

Based on sharing hosts’ personal space, since renting out an extra space inside their apartments

BUT

Majory of hosts do not rent their primary home, consequently their space is not shared and in some cases not personal.

Based on the concept of non wasting the space

BUT

Investors are buying space to rent it out on Airbnb

Thought as an integration of income for people in need

BUT

80% of the total revenues goes to only 20% of hosts

To be hosted in an unique house “ If you wake in Cairo,you want to feel like in Cairo”

BUT

An homogalization of the taste across the globe which takes the name of Airspace is making “everybody feel they are waking up in an Airbnb”

3.4 What links Airbnb and housing affordability?

The attempt of this thesis is dealing with the issue of how the sharing economy and specifically Airbnb among the home-sharing platforms is having an impact on the housing affordability. Critics argue that *“platforms like Airbnb raise the cost of living for local renters, while mainly benefitting local landlords and non-residents tourists”* (Barron; Kung; Proserpio; 2017).

The assumption I am basing my research on is that through the help of home-sharing platforms, which facilitate the networking between landlords and tenants with almost 0 cost and avoids taxation because belonging to the sharing economy umbrella, there will happen a switch of home-owners who will choose to make their houses available on short-term rentals rather than long-term because of higher revenues opportunity. This phenomenon will diminish

the number of listing rentable on long-term, the economical perspective follows the reasoning that by decreasing the offer but steadying the demand the price of good (housing in this case will increase). The scenario would worsen if also the demand would be increasing, since the gap between demand and supply will be higher (see graphic n22). The demand could increase from both side tourists and non-tourist.

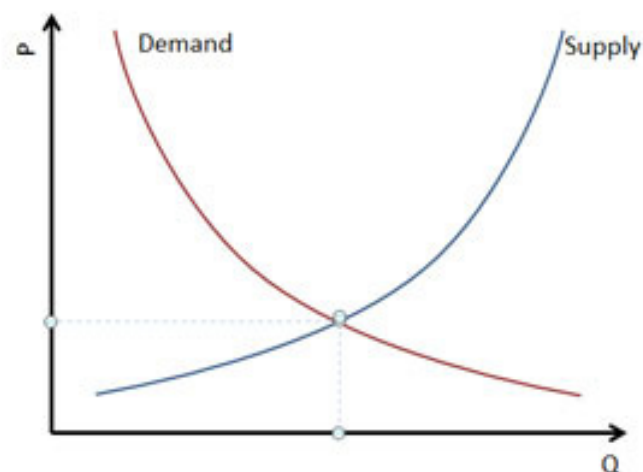


Image 23. Graphic Deman-supply. Source “Public Economic” Myles;1995.

The factors that could drive this rise of people in need of accommodation (generally speaking both in short and long term visions) can be exogenous and endogenous, such as investments in the city, cheaper flights, the opening of a new road that creates new connections, the natality rate, the increase of job opportunities and the type of jobs, the mega events hosting and so on. Whatever is the reason if the demand increase while the housing stock remain steady of course price will increase. Therefore, the housing price will increase consequently will also the rental price. Nevertheless, not all workers can afford to pay a higher rent and since housing has an incredible significance on a budget, some residents might be silently forced to move elsewhere, adding pressure to the surrounding neighbourhoods and becoming from gentrified to gentrifiers themselves.

This vision is not universally shared, critics argues that:

- first of all, short-term rentals might be very small compared with long term ones especially because majority of landlords still prefer to keep a more stable income rather than a possible higher but unpredictable one.

-second of all, housing units that are rented on the short run, would remain vacant otherwise. This assumption is made on the

fact that the sharing economy started with the idea of sharing underutilized goods, in the home sharing cases, we are talking about spare rooms, or entire houses when tenants are away.

I see the point of those arguments; however, I believe it depends on the diffusion of home-sharing platforms in a given city and more precisely in a given neighbourhood. As we will see in chapter 3 when talking about the exponential growth in the world, there are many factors that determines the success of this business in different places. The aim of this thesis is to see if Milan is one of those. From an economically perspective I start with the assumption that if a condition is more economically profitable, users will switch from one activity to another in favour of their best interests. Regarding the second point, I will demonstrate how majority of hosts that rent via home-sharing platforms are actually non-renting their primarily locations, but on the contrary they are investing in it, taking off the market many long-term rental accommodations influencing consequently the housing affordability in a given city.

I am going to use as a reference the paper "*Sharing economy and housing affordability: Evidence from Airbnb*" written by Kyle Barron, Edward Kung and Davide Proserpio in 2017, which constitutes one

of the three academic papers that I found that directly study the effect of home-sharing on housing costs. The other two articles are conducted by Lee (2016) who based his studies on Los Angeles and Horna and Merantea (2017) focused instead on the Boston area. The reason that made me opt for this research is that they include the role of the owner-occupancy rate in the housing price changes. As the authors wrote *“Our paper looks at a somewhat unique context in this literature, because we focus on the effect of the sharing economy on the reallocation of goods from one purpose to another, which may cause local externalities”*. What I found particularly revealing, opening a set of reasoning that I did not thought about at the beginning is when they underline that local externalities are present here because the suppliers are local, and the demanders are non-local! Transactions made in the home-sharing platforms reallocate resources (such as apartments) from local to non-locals therefore not anymore to residents.

I will simplify what their empirical studies revealed in some basic mathematics equations. If we consider:

H= as a fixed housing stock
 S= short-term housing
 L= long-term housing

$$S + L = H$$

Therefore, increasing the number of short-term housing would mean diminishing inevitably the amount of long-term ones, having a fixed housing stock H.

Considering:

Q= rental rate of short-term housing

R= rental rate of long-term housing

c= being a common component

e= being an idiosyncratic component across landlords

where c+e = additional cost of renting on a short-term market.

It comes naturally that a landlord would rent on a short-term market if, and only if,

$$Q - c - e > R$$

in other words, if the revenues Q of a short term are higher than the revenues of a long-term market once detracted the additional costs!

Here the sharing economy comes in the picture, since home-sharing platforms reduce costs for landlords to advertise on the short-term market, therefore implying a decline in c. (The following reasonings are my own thoughts) Not only they are cost less, but they save time (which in economic terms can be reasonably considered as saving money) and the sophisticated system of filters, trust, reviews also reduce the risks of not finding

a suitable match. Diminishing the probability of having issues with tenants also is conceptually similar to money saving (if we are talking about the risks that tenants might ruin furniture and create in anyhow property damages).

In economics, one of the basic assumptions is that a subject in front of two possibilities will choose the "best one" in economic terms, consequently, will opt for the short-term market, diminishing the amount of long-term once. However, in reality there are phenomenas to take into account, such as procrastination, or accepting all the new innovations in technology with a lot of scepticism. (Baddeley;2017). In fact, if the assumption was correct, would be nobody left on the long-term market, increasing the offer of the short-term rental, consequently once the offer is higher than the demand the revenues Q would then become lower than R (even having the additional costs $c+e$ near to zero thanks to the home-sharing platforms. The question I raise here is that probably this would at a certain point create an equilibrium in terms of landlords willing to rent on the short or long term. *"At the market equilibrium, where supply equals demand, the marginal benefit (to consumers) is equal to the marginal cost (to firms)– and each equals the price"* Stiglitz J.E. & Rosengard J.K.

(2015). In the graphic n this condition would correspond to the point of intersection between the demand slope and the supply one. Reading those assumptions, we could think that the sharing economy has created positive externalities by eliminating such costs, creating new revenues opportunities. However, it depends from the point of view we are looking at. It is not a win-win situation, it is not a Pareto efficiency situation where *"A Pareto improvement is any change to the economy which leaves everyone at least as well off, and at least someone strictly better off"* Stiglitz J.E. & Rosengard J.K. (2015). The first Fundamental Theorem of welfare economics (sometimes called the 'Invisible Hand' theorem) states that, under certain assumptions, competitive markets will lead to a Pareto efficient allocation. On the contrary, while it is a new opportunity for landlords and travellers, it is not so convenient for the hospitality sector either for the residents who see an impact on the housing affordability.

Until now I have just discussed about what would be more convenient for a landlord's perspective, still not had brought evidences to the fact that it will increase the price of housing and the prices of long rentals. This would happen because home-sharing platforms increases the value of home ownership. First

of all, this is due to the fact that they increase the rental rate which is then capitalized into housing price. Second, the simple possibility that home can become a revenues source by becoming a business on the short-term rental, increases the price of listings. Consulting again Barron, Kung and Proserpio (2017), as previously mentioned, they calculated the relevance that being owner-occupier or absentee landlord has on the housing affordability market.

Consider,

Ha = number of housing units owned by absentee landlords,

Ho = number of housing units owned by owners-occupied

L = is still the number of housing units allocated to long-term residents (including owner-occupiers)

Therefore, the number of renters is: **L - Ho**

We assume that *Ha* is fixed and that *Ho* will be determined by equilibrium house price and rental rates. We allow owner-occupiers to interact with the short-term housing market by assuming that a fraction of their housing unit is excess capacity. This excess capacity can be thought of as the unit's spare rooms or the time that the owner spends away from his or her home. Owner-occupiers have the choice to either hold their excess capacity vacant, or

to rent it out on the short-term market. They cannot rent excess capacity on the long-term market, due to the nature of leases and renter protections. The benefit to renting excess capacity on the short-term market is $Q - c -$, where c and are again the cost and the idiosyncratic preference for listing on the short-term market, respectively. If excess capacity remains unused, the owner neither pays a cost nor derives any benefit from the excess capacity. Owner-occupiers will rent on the short-term market if $Q - c - > 0$, and thus $f(Q - c)$ is the share of owner-occupiers who rent their excess capacity on the short-term market. Note that the choice of the owner-occupier is to either rent on the short-term market, or to hold excess capacity vacant. Thus, participation in the short-term market by owner-occupiers does not change the overall supply of housing allocated to the long-term market, L . It also does not change S , which is by definition equal to $H - L$ (we think of S as the number of units that are permanently allocated towards short-term housing, as determined by absentee landlords.) The equilibrium supply of short and long-term housing is therefore:

$$S = f(Q - R - c)Ha$$

$$L = H - f(Q - R - c)Ha$$

Rental rates in the long-term market continue to be determined

by the inverse demand curve of residents, $r(L)$. The equilibrium response of rental rates to a change in c becomes:

The latter equation therefore makes clear that it is the absentee landlords who affect the rental rate response to Airbnb, because it is, they who are on the margin between substituting their units between the short and long-term markets. When the share of owner-occupiers is high, the rental rate response to Airbnb will be low. In fact, the response of rental rates to Airbnb could be zero if all landlords are owner-occupiers". (Barron, Kung, Proserpio 2017).

In other words, home-sharing can lead landlords to switch from renting on long-term market to the short one. This condition would create a n increase in rental rates. The existence of home-sharing platforms incentive the ability to utilize home fully, therefore also constitutes an increase of property values, both in terms of renting or selling. Finally, the increase of renting price would be restrained if landlords are owner-occupiers, this is because they are not substituting the long-term to a short-term, but rather renting on a short-term an otherwise underutilized good for a limited period of time.

Rent gap and gentrification

“Localized disinvestment presents an opportunity for reinvestment capital not because of the neighborhood’s changing the relationship with metropolitan growth dynamics, but because of the neighborhoods’ changing relationship with a transnational middle class, for whom globalization has rendered a physically distant local increasingly accessible both logistically and imaginatively as a lifestyle destination” (Sigler and Wachsmuth 2016).

According to Neil Smith who first proposed in 1979 the “rent gap model”, rent gap constitutes a structural explanation for gentrification in the inner cities. Rent gap is a situation that arise when the actual economic returns to properties tend to decline or stagnate meanwhile potential economic returns tend to increase. As a result, the Real Estate capital will invest in the new trends rather than the traditional ones. Those investments would increase housing prices, attracting

more affluent newcomers. Smith’s belief is that this situation will displace existing poorer resident, burdening on gentrification phenomenon.

The fact that Airbnb generates new potential revenues in the housing markets, suggests the possibility that is creating rent gaps around the world. This is happening because Airbnb is *“shifting the high and best use of residential housing in the neighborhoods with sufficient extra-local tourist interests”*

(Wachsmuth and Weisler 2018).

Therefore, housing affordability crisis and gentrification phenomenon are strictly interconnected. However, there are some innovative elements which needs to be taken into account, this type of gentrification is not be confused with the traditional one “scalable at a metropolitan level”, here we are talking about transnational gentrification which is instead “globally scalable”. The latter one can create significant crisis for local residents who are forced to pay housing prices being set by global rather than local demand. In other words, the service is taking the advantages of gleaning extra-local demand.

It is essential to underline that Smith wrote his theory in 1979, in the middle of the oil crisis after economic boom, therefore historically was a different period according to influence of technology, flow of people around the globe, mean of transportations and profitability of businesses.

According to him, the rent gap was creating gentrification (referring of course to the traditional metropolitan scalable form) when *“the gap is wide enough that developers can purchase shells cheaply, can pay the builders’ costs and profit for rehabilitation, can pay interest mortgage and construction loans, and can then sell the end*

product for a sale price that leaves a satisfactory return to the developer”. What emerges from his own words is that Smith mainly discusses the case where the diverge between actual rent and potential rent occurs because of devaluation and neighborhood decline. Hackworth and Hammel instead (respectively 2002 and 1999) argued that nowadays the rent gaps are increasingly likely to form through rising potential ground rent rather than decreasing in actual ground rent.

The transnational gentrification is happening in a way that local residents who live in rented apartment are substituted by tourists coming from all over the place. The steps that are considered to be necessary in Smith’s theory to generate gentrification processes does not apply in the Airbnb case, although the rent gap is still essential for gentrification phenomenon but only in the opposite way where actually housing prices increase. Therefore, the only necessary step to initiate this process is converting a long-term rental to a short-term rental by removing existing tenants. (Wachsmuth and Weisler 2018).

The following image represents the variation through the years of Smith’s rent gap theory which is taken from the essay “Airbnb and the rent gap: Gentrification through the sharing economy” (D. Wachsmuth and A. Weisler; 2018).

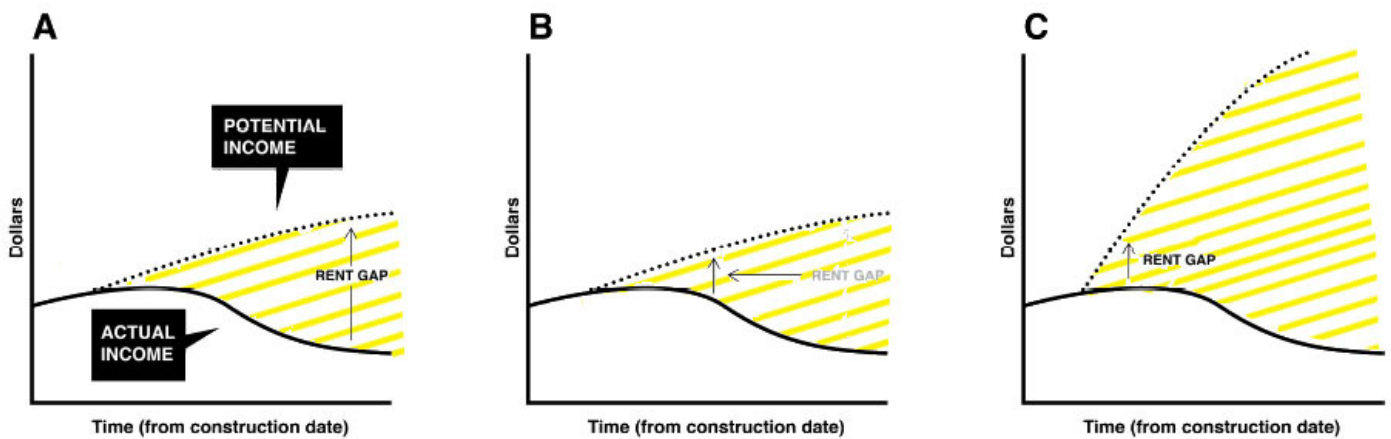


Image 24. Variation of rent gap theory (Wachsmuth and Weisler 2018)

The first figure represents the original Smith’s analysis where, as we can see, a gap can open between gradually declining actual ground rent and the potential ground rent were the property to be redeveloped or put to the highest and best use. Once this rent gap is big enough, the phases of gentrification and redevelopment may follow.

The figure B shows the minimal capital needed to take advantage of an Airbnb rent gap means that the gap can become large enough to motivate landowner action much sooner than before. While in the first case, investors were waiting for having the maximum disinvestment, to buy properties at the cheapest prices possible, now they anticipate this action, predicting the consequences of the phenomenon, causing the rent gap to be effective much sooner.

The last image’s purpose is to show how Airbnb can cause

potential income to rise sharply, creating a rent gap in a moment when it is not possible to yet any declining property income. As previously mentioned, this new type of gentrification happens when long-term tenants are evicted from properties to give space to short-term tourists. The result will be the displacement of people who generally belong to the poorer category of the society, in favor of higher-income newcomers. The “innovative element here” is that the “replacers” here are not going to become stable residents but are temporary visitors. When talking about redevelopment in the first figure and construction costs, in the Airbnb phenomenon instead dwelling are not shut down to make the land available for building hotels. They stay “as they are” on the outside, while they are likely to be changed on the inside.

Therefore, while producing rent gap we could expect as history

proved that steps of demolition and redevelopment would follow, Airbnb provides a new opportunity, directly dependent on the flow of tourists coming into the area. This is why if looking at this phenomenon on a city level scale we might not find the results expected but if looking closer at some specific neighborhoods we can notice that there is fire to go with this smoke. Where those externalities are expected to found can be grouped into two categories:

1- Areas surrounding the business district, where we can already find a relevant presence of the hospitality sector (hotels, hostels, B&Bs) where the tourist demand is strong.

2- Areas which are considered to be residential, but which are renowned for some reasons for example night life, leisure amenities, public transit, artistic vibes and which have not historically hosted a large number of tourists.

Nonetheless, those processes can manifest where gentrification is already happening for all a different set of factors creating the “super-gentrification effect” (Lees 2003) where tourists are the gentrifying the gentrifiers of a neighborhood.

Sheppard and Udell (2018) try to answer to the following question *“in a highly constrained and regulated housing market, where residential homes are both in high demand and located in dense neighborhoods, what is the impact of being able to transform residential properties into revenue streams and partly commercial residences?”*. The view points about this issue appear to be often divergent, on one hand there are policy makers who tend to believe that the presence of Airbnb decreases houses value on the other hand opponent argue that it leads to rise prices up.

The ground on which the first assumption roots is that since Airbnb are considered by many as “unsafe hotels”, upset quiet residential neighborhoods due to increase of flow of people which are considered to be “strangers” by local communities and therefore careless about the area they are temporary living in they may generate a local concentration of externalities which are expected to depress the dwelling values. Opponent argue that even if those conditions are true, they will still have a huge impact in the growth of renting and selling properties’ prices since the demand of units increases due to the fact that more people are in need of square-meters.

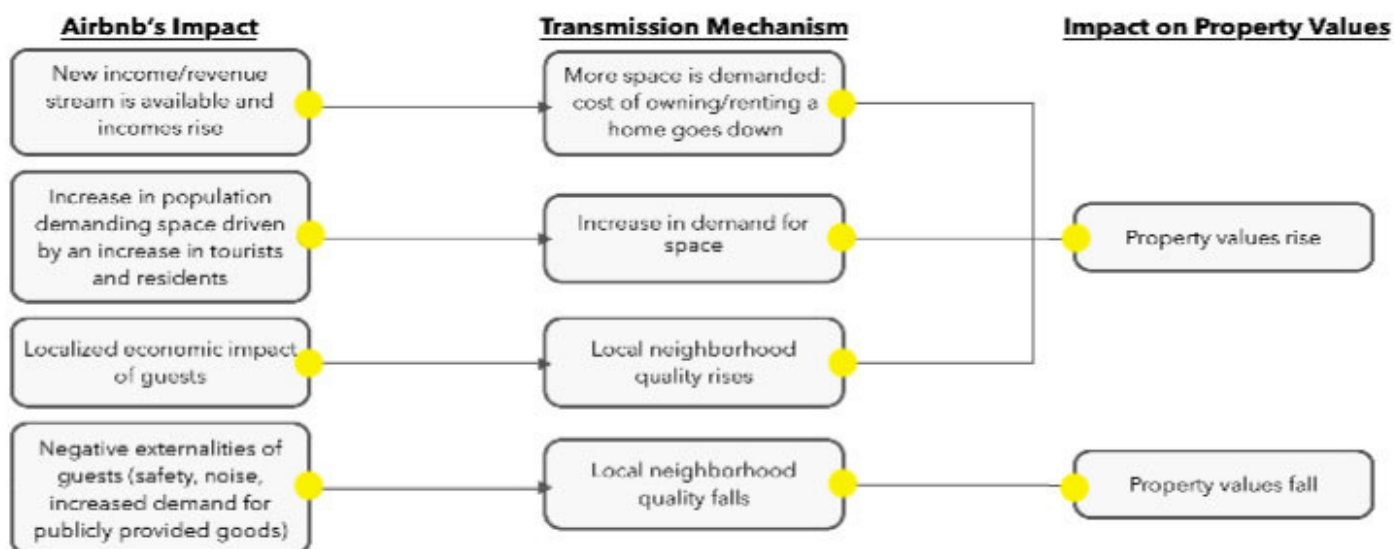


Image 25. Transmission mechanism for Impact of Airbnb Activity on Housing Prices. Source Sheppard & Udell 2017.

The scheme above is a re-organization of what expressed previously in terms of Airbnb's impact on property values. However, many other externalities might come as consequences of Airbnb's presence, for example the increased local tourism might initiate a renovation in terms of services and shops that are needed by travelers, this can imply that not all the properties taken off the residential market will be re-utilized for housing scopes, for instance they could be used for commercial purposes increasing property value in an indirect way.

Another possibility is that the now overpopulated neighborhood

becomes unattractive for citizens, who decide to live the area (not only for too much noise as described above) but also because not finding good and convenient services that necessary for every-day life, therefore, since the neighborhood became more expensive they opt for moving to other parts of the city even though the area might be prettier now than before.

Eventually this last reflection might lead to excessive "fakeness" of the neighborhood which could make travelers feeling they are not discovering a local environment, increasing the sense of segregation and motivating

them to also choose other areas of the city (paraphs also on Airbnb's platform) this would lead once again to devaluation of the neighborhood because rejected by both tourists and residents.

This is not to say that tourism is "bad" for city, but the excessive turistification of the city has effects that most often are appreciated by few and overwhelms the rest of the citizens (and tourist sometimes). Reporting Klapan & Nadler arguments (2015) the division between should we embrace or fear Airbnb's presence in cities is around the following points, the positive sides are that

- Create new income streams for residents;
- It encourages tourism;
- It is associated with economic benefits for a city.

While the three main topics that generate concerns are:

- Impact on decreasing affordability;
- Negative externalities caused by Airbnb guests within quiet residential neighborhoods;
- The shadow hotel industry is facing due to commercial operators who use Airbnb in order to evade important regulations and taxes.

Even though controversies upon Airbnb presence in the cities have been discussed in this paper, this thesis seek not to make a judgment whether Airbnb is overall good or bad for cities or citizens but only whether it does compromise housing affordability (underlined negative externality above) which might have as a direct or indirect consequence the eviction of the most fragile section of Milanese population.



4.

**How airbnb is
impacting housing
affordability in Milan?**

4.1 Data issues: privacy or convenience?

The importance of data

Without Data is impossible to conduct accurate researches. Without accurate researches assumptions remain just assumptions and confuting allegations becomes effortless for the accused part. Studies are often hampered as local authorities and researchers complain that the online platforms are reluctant to deliver the necessary data. And in the European Union, rules have been constructed to allow AirBnB to refuse access to data. This was recently confirmed by the Administrative Court of Berlin,¹⁶ a decision hailed by AirbnB's

Policy Director in Europe, Patrick Robinson. According to him, AirBnB may hand over the data if the company sees an interest: *"Where we see the right kinds of processes, the right steps being taken by cities, by police forces, tax agencies, that data is available to people"* Robinson told the Washington Post. Many issues are pointed out as direct consequences of the AirbnB platform. However, it is hard to demonstrate if the company does not release its data or if it does only in case it is more convenient for them.

Why the “sharing” platform does not share its data

“Patrick Robinson of AirBnB has had plenty of motives to deny access to data to public authorities, and he and his company have fought several of them in court. For AirBnB, the data is not just about concealing the full picture of the impact the company has on access to affordable housing, it is about avoiding the impact of regulation”. (Unfairbnb,2018). Many cities are setting up rules to limit the expansion of Airbnb in order to protect the housing affordability. Of course, Airbnb is not the only cause, but still is one of them. Its impact varies from city to city, but what is becoming clearer is that touristic destinations are the most vulnerable ones when it comes to talk about short-term rentals. In chapter 5 I will talk about how municipalities across the world are responding to issues with different proposals and how it seems that users are able to find ways to surround the obstacle and continue to operate in their own terms, regardless of municipality rules. Airbnb constantly fights back policies restrictions and the first tool they have in their hands to confute municipalities rules is

that “data are not accurate”. Their fear once data are released is that city government might formulate restrictions in terms of expansions (for example using the zoning tool and banning certain areas from hosting guests or limiting the amount of nights booked) or simply becoming aware of the magnitude of the market and adopt taxation system to get profit from it. What is outrageous is that Airbnb pays the same taxes as a body shop mechanic in Italy (Report AAA Affittasi Italia) even though Italy is the third biggest market in the world where the company operates! I would like to underline that we are talking about a billion company which is launching an airline’s one! In my opinion there is a high chance that the reasons that stand behind these new investments is the fact that they are based on tourism which is partially increasing due to the low price of flights (of course still people travel also by car, in train and many other ways). If governments put pressure on airline companies to rise price up of certain destination in order to limit the impact on cities, this will have a direct effect on the Airbnb usage on that specific place, then of course on the company’s revenues. How convenient will be for Airbnb to have an independent airline that fix prices according to the flow of people in cities where they operate? But of course, this is only my reasoning.

Alternative data platforms

There is evidence that many politicians, researchers, urban planner are in need of Airbnb's data. When there is an increasing demand, soon it comes an offer. In order to understand the impact of rental platforms on cities across the world, some groups have developed methods to produce comprehensive statistics. To my knowledge there are three platforms on the internet that provides these services and they are InsideAirbnb, Tomslee's data, Airdna.com.

InsideAirbnb has been created by Murrey Cox from New York. His platform shared information about Airbnb's offer around the world, including European cities and of course Milan. As it is written on the article Unfairbnb "*by scraping the data from Airbnb's own listings, InsideAirbnb is*

an attempt to uncover the true nature of the company's letting, with a focus on the incidence of the commercial actors and their potential impact on the stock of apartments for rent". One of the first question it poses is "How is Airbnb really used and what are the consequences in your neighbourhood? "and it follows "Depending on the type of accommodation offered and the activity rate, an Airbnb ad might work more like an unregulated hotel, be a nuisance to the neighbourhood, subtract the availability of housing in the residential sector and be illegal."

Tomslee.net provides detailed information on Airbnb listings of the cities where it is more used around the world. Among these cities there is also Milan. The system that he created is

an algorithm that update the information taking them directly from the website! In other words, it is the same process one could manually do, just updating them in real time. The data that he provides is the picture that is happening in a given moment. For instance, the result of today is already obsolete tomorrow. The correctness level is pretty high (within the 10%).

Airdna analyses the competition's occupancy rates, revenue and pricing. It is a paid tool that allows investors to narrow down to a profitable location by zip codes. It has the most robust analytics and features. Airdna

analytics and reports are based on Airbnb data gathered from information publicly available on the Airbnb website. Their database currently tracks the performance of 4,000,000 Airbnb listings around the globe each day, generating their custom raw data reports, and updating their interactive market intelligence tool Market Minder.

The type of information they all provide are: listing types(Entire homes, Private rooms, Shared rooms) host statistics (number of listings per hosts) intensity booking usage in different period of the year.

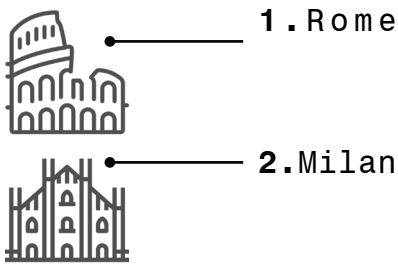
4.2 Airbnb presence in Italy

The historical background, renaissance architecture, artistical attractions and heterogeneous landscapes made Italy one of the top destinations in the recent years. Obviously, this tendency creates parallelisms also in the flow of people that, while visiting Italy or simply looking for an accommodation short-term decides to use Airbnb website. In fact, according to data from 2016 (“Così la rivoluzione Airbnb ha cambiato il modo di far turismo”, La stampa; 2016), Italy is the third largest market after States and France. Although among the

twenty Italian regions where we can see more traffic is Puglia (particularly located in Salento area), Tuscany (with a specific focus on Costa degli Etruschi), Liguria and Trentino Alto Adige, if we take into consideration the top three cities in Italy the most targeted is Rome, followed by Milan and Florence.

Just during summer 2016, 2.4 million tourists choose Airbnb in Italy which is approximately the 58% more of the previous year. What is relevant to underline is that eight people out of ten where foreigners, numbers

TOP TWO CITIES FOR AIRBNB DESTINATION IN ITALY



TOP THREE COUNTRIES FOR AIRBNB DESTINATION IN THE WORLD

- 1. USA
- 2. France
- 3. Italy

TOP FOUR REGIONS FOR AIRBNB DESTINATION IN ITALY



Image 26. My own schematization of the most “profitable” Airbnb destination. Source La stampa;2016.

that infuriates hotel owners, especially of one-two stars which were the most competitive offer that the Italian market was offering until the spread of Airbnb. The risk in fact is that this category will slowly disappear is real if the percentage of travellers staying in bed&breakfasts continues to grow at this speed. Also, from the newspaper “La stampa” appears data which are hard to find even on the alternative data platforms discussed in the previous paragraph, I am talking about the average of guests and hosts, according to them, is forty-two the age of guests (slightly

different from the expected Millennials) while thirty-four the average of who hosts via Airbnb.

The paper “L’airificazione delle città. Airbnb e la produzione di ineguaglianza” produced by LATEST which stands for Laboratory of economic, historic and territorial data of Siena University has studied the penetration of Airbnb in thirteen Italian cities and has demonstrated how revenue distribution is highly uneven.

They believe that the usage of this platform is transforming the urban tissue and the redistribution of richness. Although short-

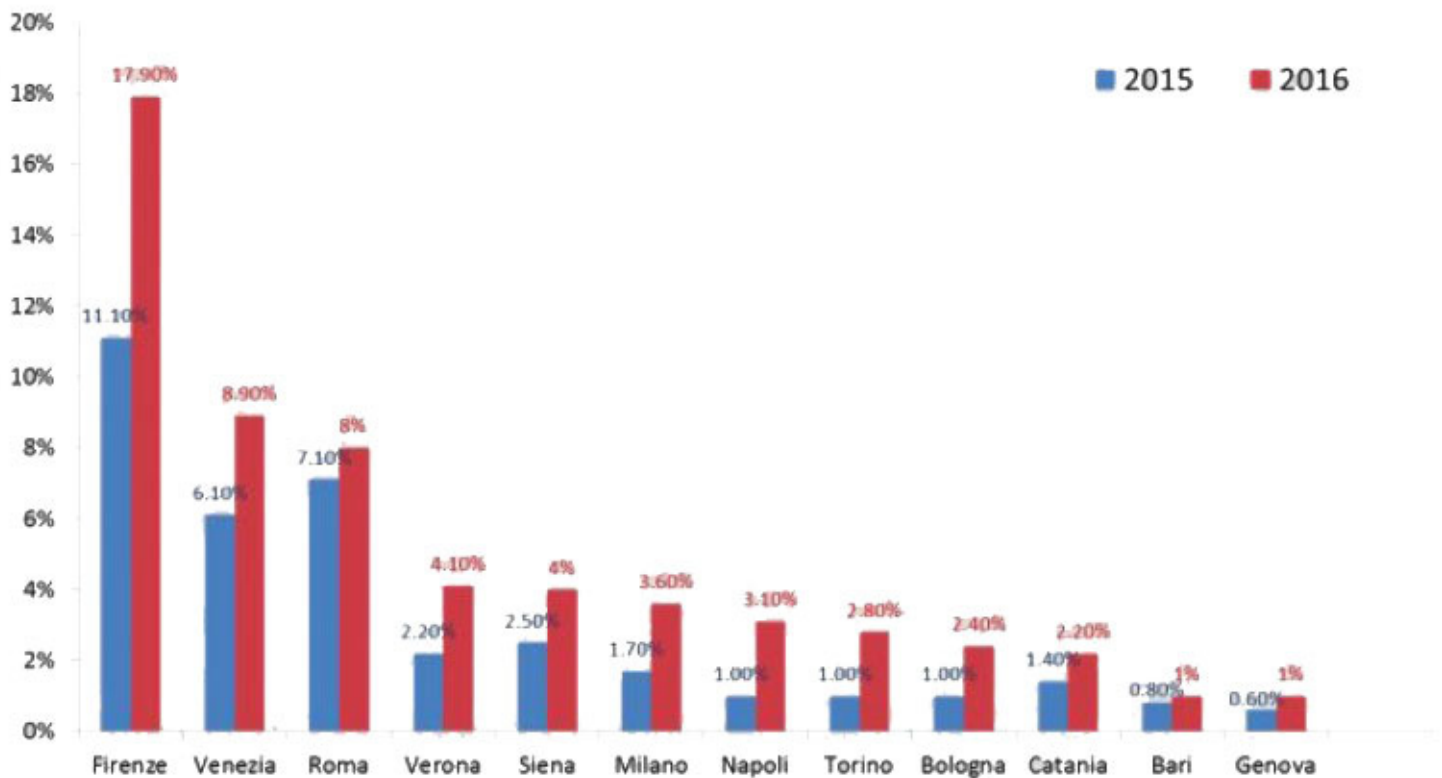


Image 27. Chart representing percentage of entire dwelling rented on Airbnb in the historic centre. Source Swissbank.com

term rents have always existed, the electronic acceleration is intensifying the disruptive effects around the world, which according to them, in Italy can be described as “Disneyfication”: *“A phenomenon in reality anything but new for the cities of art of our country: populated historical centers more and more from a colorful and transient population, and less and less from stable residents; activity trade that are increasingly turning to this population at the expense of that resident; ridiculous caricatures of “typicality” and “tradition” never existed peddled*

to every corner of the road to tourists with easy tastes. The literature on these topics is vast, recently the sociologist Giovanni Semi has documented as the historic centers of Italian cities, not only those “of art”, are increasingly places used for nightlife and tourism and less and less places of permanent residence.”

Obviously, this is not to say that Airbnb is the cause, the excessive tourism in Italy started earlier, followed by many waves of building speculations. However, the intense densification of



Image 28. Municipio 1 of the city of Milan.
Source https://it.wikipedia.org/wiki/Municipio_1_di_Milano

Airbnb dwelling in the same area of the city is proven to have the effect of discouraging citizens from living there. As we can see from the chart below, the density of Airbnb within the “historical walls” of the city is rising up.

Although the percentage does not seem to be high in Milan, what got my attention mostly is the fact that doubled between 2015 and 2016. According to Airdna.com data in 2018 half of the offer on Airbnb is located in Municipio 1, which corresponds to the central part of the city as it is shown in the image above.

Even though the centre is the most targeted part of the city, however it does not have to drive to the conclusion that the peripheral areas are not involved in the

process of aerification. An exponential growth has been observed outside the historical walls as in Milan as in the other city taken into account by the article from LATEST, in fact other functions that attract the short-term demand are universities (for example students that book an Airbnb while looking for long-term accommodation, or relatives that come for graduation day and so on) or hospitals (both for people who need some specific retreatments that cannot get in their hometown, or relatives and friends who are taking care of a person in need who is hospitalized).

The last example is one of the major driven of the Bologna case as Istituto Cattaneo proves in the article *“L’impatto di Airbnb a Bologna nell’indagine sul mercato delle locazioni”* (2018). Therefore, the phenomenon of short-term renting starts from the center and widens towards more peripheral areas of cities. Quoting from LADEST *“This can be the sign of a lightning of the pressure on the historical centers, or simply the sign of their saturation”*. Observing the distribution of supply and demand from the spatial point of view, it is possible identify a series of recurring configurations.

The top three Italian cities of Airbnb spread represent, each of them, a different typology of spatial distribution. While in the case of Florence the

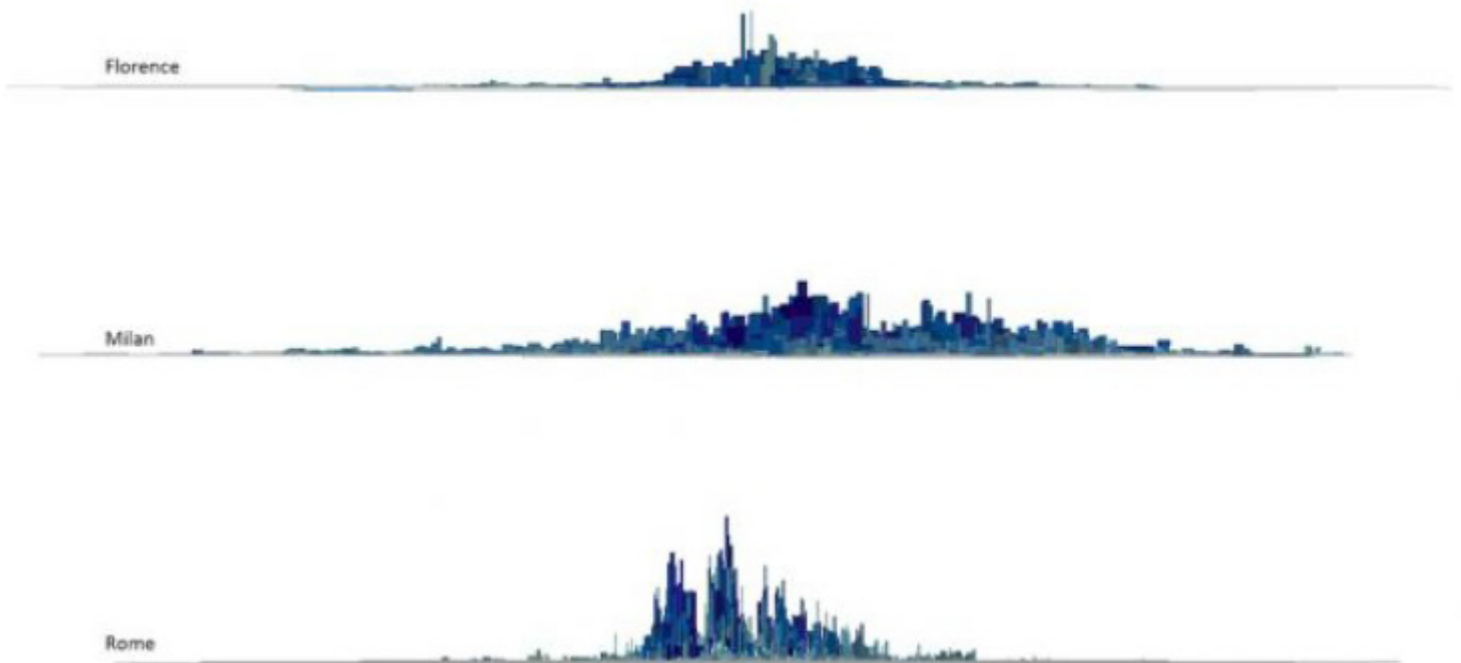


Image 29. Airbnbscapes of the top three cities in Italy for Airbnb diffusion. Source Map made by Antonello Romano and Stefano Picascia. www.ladest.com.

distribution of supply and demand follow the simple logic according to which travelers prefer to stay in the city center, therefore the demand is higher in that specific part of the city, where also there is higher density of offers, consequently the prices are lower in the external neighborhoods. Regarding Rome and Milan, this condition is not always the case. The image below show the Airbnbscapes in those three cities according to density of listing per census track. The paper “Airification of cities and production of inequalities”

found a way to classify this phenomenon, labelling Florence as example of centralized effect, Milan as multipolar and Rome as hierarchical.

As the researchers proved, two forms of inequalities need to be considered:

Interpersonal inequality The interpersonal is about the division of income between hosts, the 80% of revenues in Italy is earned by the 20% of hosts. This is because the top hosts in the

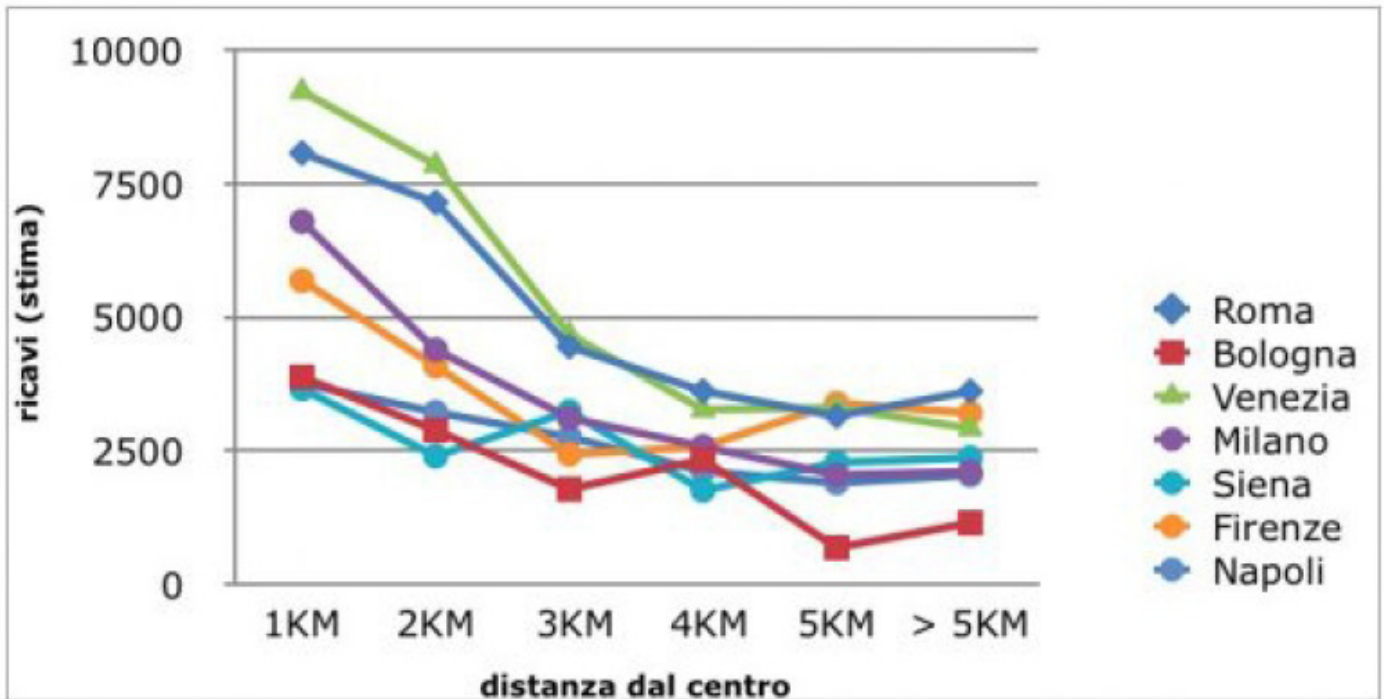


Image 30. Airbnbscapes of the top three cities in Italy for Airbnb diffusion. Source Map made by Antonello Romano and Stefano Picascia. www.ladest.com.

cities taken as examples are often professionals belonging to the real estate sector. *“This is evidently agencies, including international ones, that serve dozens of owners. The existence of these subjects proves, if it were still needed, that the platform is now light years away from the myth of foundation of the two boys with the inflatable mattress in the room, and that the market is desirable for*

economic agents of a certain importance” (LADEST; 2016).

Spatial inequality The income generated from hosting on the platform is very different according to areas of the city as the image n shows. As we can see, most of the revenues are located in the richest parts of the municipalities, not really confirming the aim that the founder had initially (See chap 3).

4.3 Why Milan became a good marketplace for Airbnb's business

Before going deeper with Airbnb's data about listings in Milan, since we have seen that is the second biggest marketplace in Italy for the platform, I would like to make some hypothesis regarding the reasons that made it become so important. I identified several possibilities, starting my reasoning from the flow of people point of view.

Population growth

First of all, the population growth is a relevant issue. On the contrary of the Italian

trend which is leading to a demographic decrease in the peninsula, Milanese situation appear to be different. This might be caused by the fact that Milan has an attractive economic situation for many migrants who come from countries where the number of children per woman is superior than 2.1 (which is the rate for stable demographic situation considering the percentage of child mortality).

The immigration flow refers to both immigrant from foreign country and within the country borders. According to ISTAT data, the percentage of foreigner residents in the city is 19.2% which correspond to 262,521 inhabitants in 2018. Unfortunately, those



Image 31. Demographic data in Milan from 2001 till 2017. Source Istat data,2017.

Anno 1 gen-31 dic	Iscritti			Cancellati			Saldo Migratorio con l'estero	Saldo Migratorio totale
	DA altri comuni	DA estero	per altri motivi (*)	PER altri comuni	PER estero	per altri motivi (*)		
2002	24.655	12.153	1.806	36.456	2.244	4.061	+9.909	-4.147
2003	19.127	11.903	61.233	33.533	2.265	29.317	+9.638	+27.148
2004	23.710	35.105	7.659	34.601	2.160	1.343	+32.945	+28.370
2005	24.152	20.109	5.642	35.482	2.166	1.660	+17.943	+10.595
2006	21.194	13.353	3.180	36.820	2.110	3.084	+11.243	-4.287
2007	24.093	10.629	1.828	36.566	2.846	902	+7.783	-3.764
2008	24.948	11.104	1.197	35.741	2.961	993	+8.143	-2.446
2009	25.198	20.302	1.125	29.406	2.566	1.754	+17.736	+12.899
2010	29.153	20.813	1.109	28.938	2.945	1.504	+17.868	+17.688
2011 (*)	21.258	17.865	783	20.038	2.251	1.827	+15.614	+15.790
2011 (²)	6.465	5.134	277	5.631	856	6.918	+4.278	-1.529
2011 (³)	27.723	22.999	1.060	25.669	3.107	8.745	+19.892	+14.261
2012	31.202	17.255	18.390	32.552	4.498	5.825	+12.757	+23.972
2013	34.130	21.738	59.940	27.754	4.714	19.568	+17.024	+63.772
2014	30.036	16.272	17.086	25.081	4.773	19.466	+11.499	+14.074
2015	28.155	12.973	3.972	25.357	5.033	3.129	+7.940	+11.581
2016	30.227	10.211	3.420	26.703	4.981	4.430	+5.230	+7.744
2017	31.300	15.602	3.911	26.611	4.623	2.029	+10.979	+17.550

Image 32. Immigrant rate in Milan from 2002 till 2017. Source ISTAT Data,2017

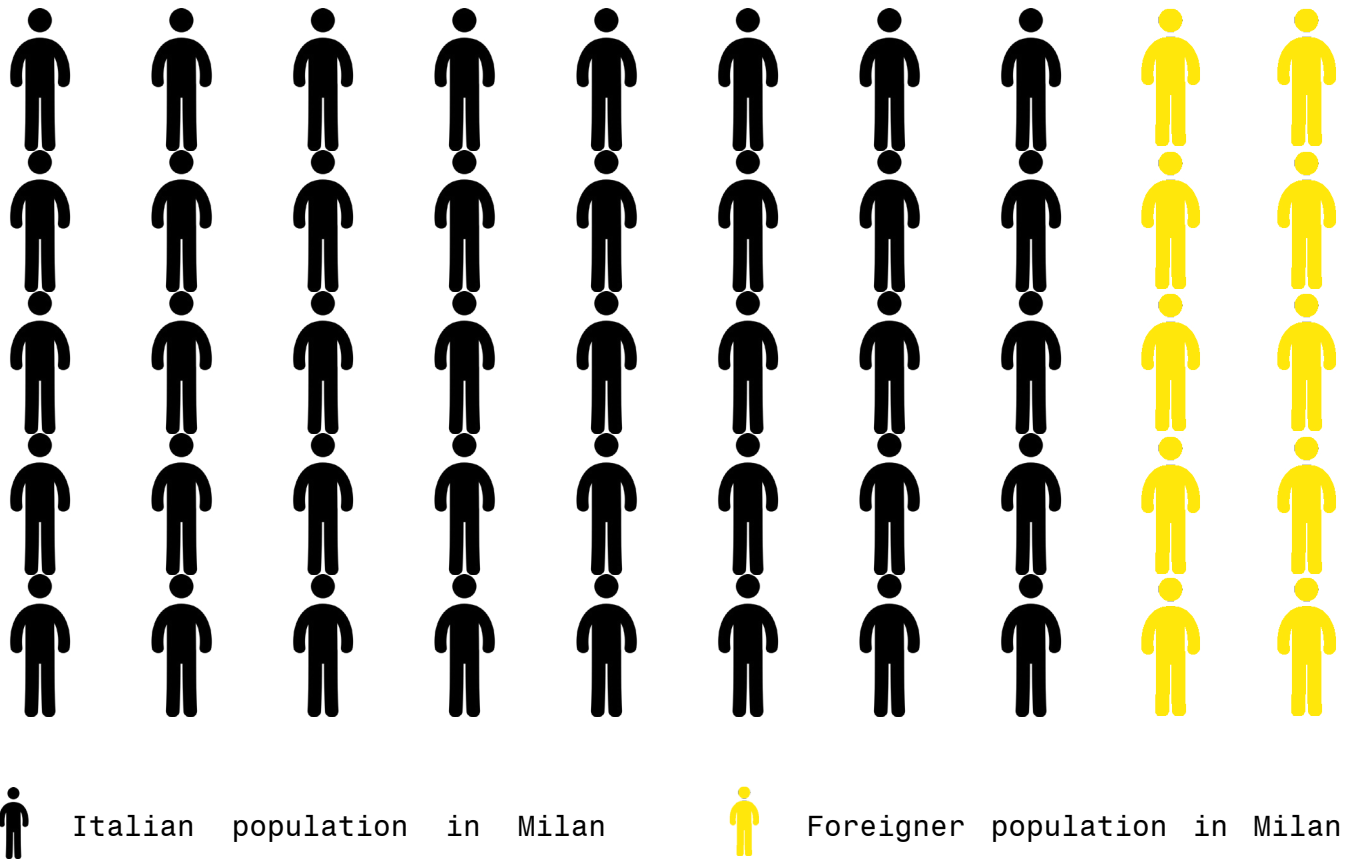


Image 32. My own schematization of data. Source Istat data, 2017.

data might not be precise since it does not take into account illegal immigration.

The northern part of the peninsula has always had better chances of job opportunities in many different sectors therefore Milan has been one of the most targeted places for families coming from the South, initially for its industrial tradition, nowadays for its tertiary sector. In other cases, students move to the city to achieve a higher level of education and, even

though, many returns to their towns of origins or many others move elsewhere, there is still a consistent rate of students who search and find job opportunities here. The population growth is relevant to understand how the need of affordable housing is increasing each year meanwhile the need of short-term accommodation is also facing the same trend. Airbnb can be considered as an option by the “wealthy” rate of people in the initial staying in Milan while looking for something more long-lasting.

Transportation

Second of all, Milan is well connected with other cities. The meaning of transportations has been intensified over the last decade in terms of efficiency, increased time-schedule, faster transports, cheaper tickets. By meaning of transportation I am referring to flights, trains and buses. Low cost airline companies have enlarged to possibility to travel to low income classes too, therefore the flow of people passing by has increased consistently. There are three airports around Milan's territory

(Malpensa, Orio al Serio, Linate).

Relevant to mention that in 2013 the project "Malpensa 2000", which included the opening of Terminal 1, has been completed in occasion of the Mega-Event "Expo 2015", which added 41 new gates increasing a lot the possibilities to reach the city, while Terminal 2 is used exclusively by all flights of the low-cost airline easyJet, of which Malpensa is the largest base in Italy and the second most important in Europe with 58

destinations served per day. Linate airport is the only one facing a decrease of -0.5% of people flow in 2018. However, the airport will be closed for three months during 2019 for re-styling (MilanoToday;2019). If for a moment it could lead to the thought that somehow tourism is decreasing, the renovation is an index of the potential that business makers

are predicting to have in Milan. “Low cost airlines in Europe favored the development of tourism destinations that otherwise would not have been accessible and, by encouraging short-term “short-breaks”, have reduced the seasonality of tourism” (C.Benevolo e M. Crasso; 2017). Regarding train companies, instead, while national train’s

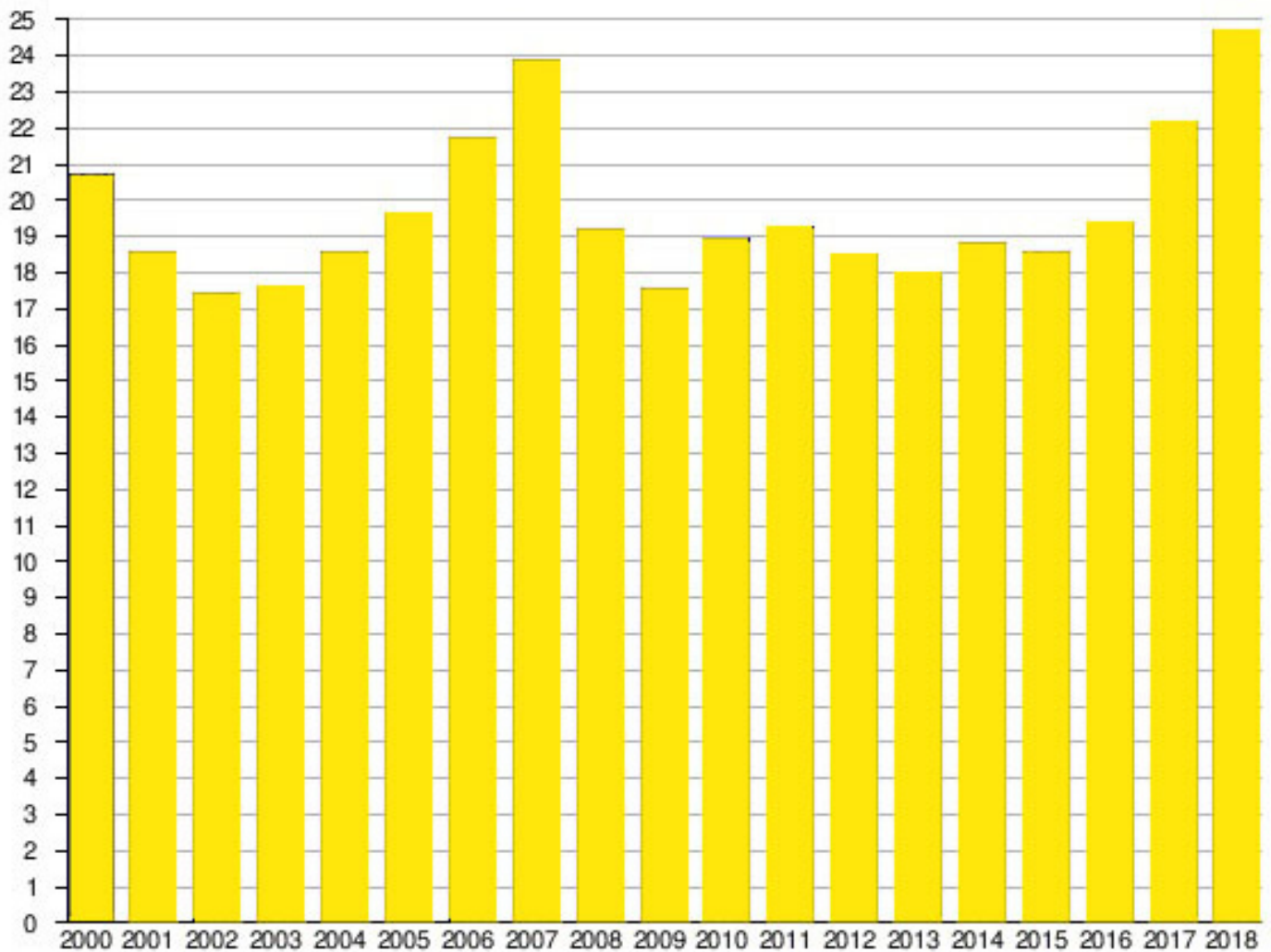


Image 33. The chart shows the evolution of the number of passengers since the year 2000 in millions. Source Asseareoportti.

traffico passeggeri dal 2005 al 2017

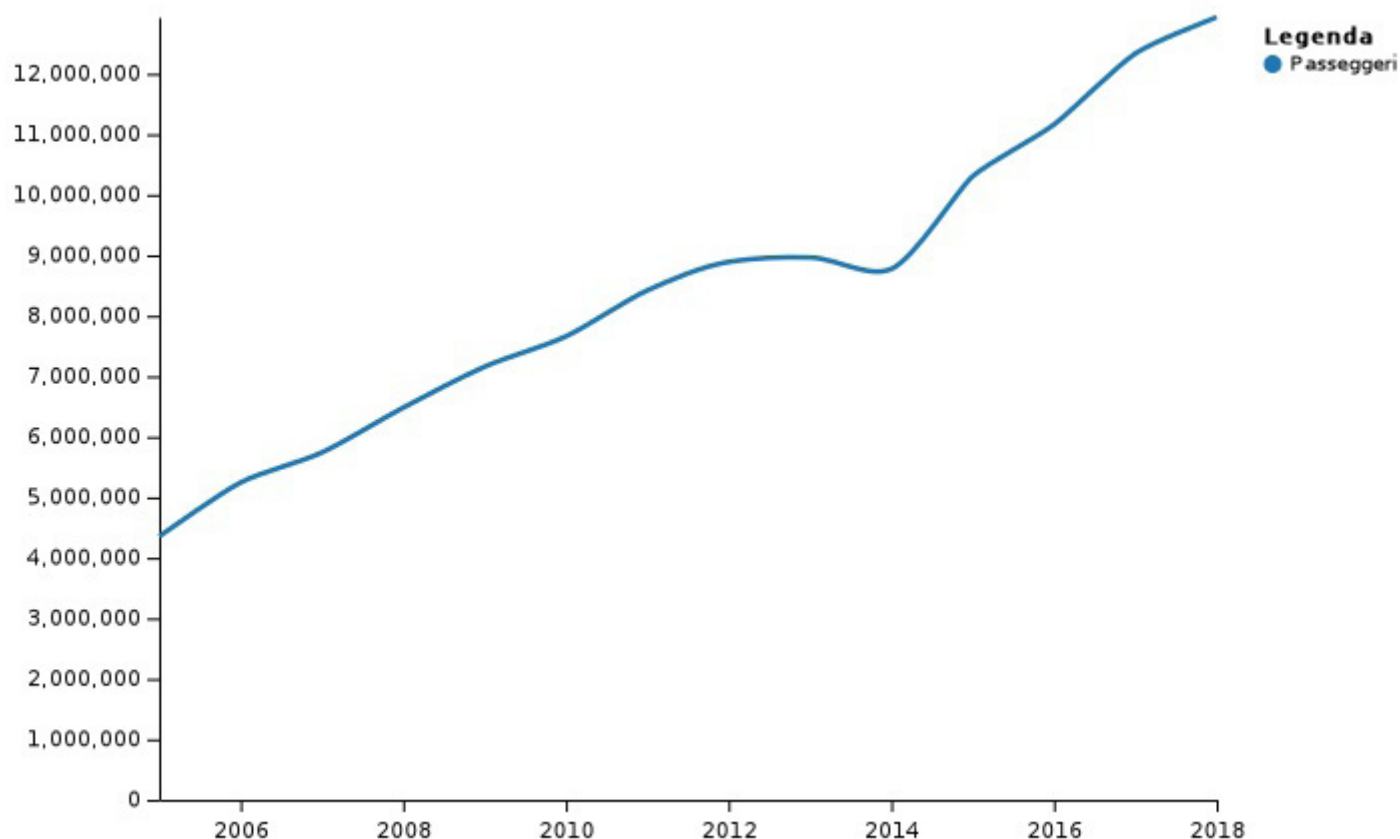


Image 34. Orio al serio flow of people from 2006 till 2018. Source Wikipedia.

company “Trenitalia” has always had the monopoly of the sector, since 2012 a new competitor came into the picture, known as “Italo” which intensified the connection on the west coast between Turin-Milan-Florence-Rome-Naples-Salerno, and becoming an alternative mean of transport for Italians and tourists, linking (as a coincidence) the top three cities where Airbnb’s business is more active.

Competition as we know, effects prices, therefore an increasing number of “special prices”

on the train ticket have been reported since. A classic way to reach a city is by bus.

“There is not only the green fluorescent wave of FlixBus’ touring to move the European world of medium-distance road links. The German startup, founded in 2013 in Germany in the wake of the fall of the railways monopoly on motorway connections, has become the European leader in the sector. But the competitors are not lacking, to the delight of the passengers, ready to tick rates always very convenient” (www.touringclub.it; 2016).

Tourism

Finally, the tourism growth is the last reason of Airbnb's success. *"In 2018 tourism in Milan grew by 10%. They are mostly single and between 31 and 45 years old. And this year we aim to grow again thanks to the celebrations of Leonardo"* (Repubblica; 2018) *"There is a hot new destination—a cultural, culinary and style centre—trending in northern Italy. It's called Milan and it's been hiding in plain sight for decades beneath its reputation as "Italy's industrial capital" with countless references to its factories belching grey smoke over grey buildings in grey weather"* writes Andrew Ferren on the Wall Street Journal in 2018, where he advocates that social

media have helped the city to grow in the touristic direction, especially thanks to events like Milan Fashion Week held each September and February and Salone del Mobile held in April. As a matter of fact, those periods coincide with the moment of the year in which Airbnb's listings have a higher price as we will later discuss. Obviously, it is not that the previous image of the Milan as gritty and grey was totally unrooted, however urban planners and architect together with policymakers have "given another chance to the city", building as Bosco Verticale and Gae Aulenti square became internationally renowned, old factories have been converted

into museum and cultural centre, an example of that are Fondazione Prada designed by Rem Koolhaas and his firm OMA, and Mudec (Museum of Culture), by David Chipperfield or again Armani Silos with its rational interior design. If before Milan was considered to be “one night stop” as Ferren says, nowadays people tourists are staying for two or three night at least and according to Andrea Grisdale, CEO of bespoke travel specialists IC Bellagio, bookings for Milan are up 30% over the last five years. Mentioning those “new attraction” is not to say that “traditional sites” are not appealing anymore, of course Duomo cathedral, the shopping street via Montenapoleone, Castello Sforzesco, Pinacoteca di Brera and many other sites never stopped fascinating both local and travellers. However, it was with the mega-event Expo 2015 “Feeding the planet, Energy for Life” that all the spotlights were focusing on Milan which in just six months attracted 21million people.

According to the newspaper “il sole 24 ore” tourism in Milan has been incremented especially from foreigner countries. In the paper “L’anno straordinario del turismo grazie ad EXPO? Parliamone con i numeri” of the 29th of December 2015 are:

- an increase in tourism flows within Europe, many towards seaside resorts;

- the growth of North American tourism (also thanks to the strengthening of the dollar, starting from mid-2014);

- and the increase in long-distancetravellers (fromChinaand India, in particular, also thanks to the sharp decline in the price of oil and costs for air travel).

Thesis which is confirmed by the fact that “*Italy in the period saw a sharp increase in French, German and British tourists, while there was a collapse of presences from Russia (due to sanctions and the ruble crisis) and Brazil, which entered a severe economic crisis*” (Sole24ore; 2015). However, data regarding the wave of tourism in Milan thanks to EXPO 2015 are interpreted in controversial ways, having on one hand who believes that the amount of people who came into the city for expo were not as satisfactory as the predictions were, while others argues that it has to be taken into account also the “after Expo effect”, according to them the raise of tourism manifest even after the mega-event has already happened because it changes the city-image, becoming a more appealing destination for travellers.

Müller (2015) defined the Mega-event as “*ambulatory occasions of a fixed duration that attract a large number of visitors, have large mediated reach,*

INTERESTS GROWTH IN "MILAN"

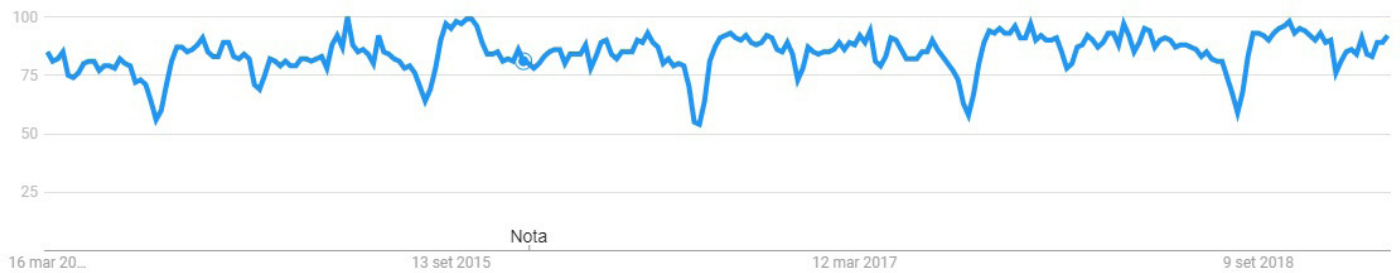


Image 35. "Milano" google trend from 2004 till the 11th March 2019. Source <https://trends.google.it/trends/explore?date=today%205y&geo=IT&q=milano>.

come with large costs and have large impacts on the built environment and the population". Using google trend as a way to numerically describe the interest in Milan as a city to visit, I found out that the word "Milano" in the travel field has been googled exponentially in the last fifteen years, having an evident drop in the summer period for obvious reasons such as the weather extremely hot, the long distance from sea-side and the consequent absence of

event in that season of the year.

"It is interesting to understand which accommodation facilities benefited from this surge of tourists in the city. As we look at tourist stays over the same year, we can note that the total amount increased by 61%. Yet, hotels seem to have benefited less from the increasing arrivals since hotel stays increased by 47% whereas stays in non-hotel accommodations was multiplied by five" (Hugo; 2016).

4.4 Analysis of Airbnb data in Milan

As mentioned in the previous paragraph the interest for Milan as a city to visit has raised in the last decade. In the image below the graph shows the interested manifested in the combination of words “Milano+Airbnb” as we can there is a drastic high peak around Expo 2015 event and an overall consistent growth. The attempt of this paragraph is to go deeper inside the data about Airbnb’s scenario in Milan. As already discussed, Airbnb does not provide information about amount of listings, multi-hosts or revenues. Therefore, private companies made a business out of selling such typology of data. In order to have the most recent

information I will not consider Tom Slee’s data since those are updated only every two years, while instead I found high level of precision in Airdna and InsideAirbnb websites. However, they do not exactly match. This is because they take into consideration sliglthy different portions of the city however the proportion do match in each single field taken into examination.

I divided the information provided into four different sections:

- Growth
- Revenues
- Book-ability
- Typology of listings
- Spread

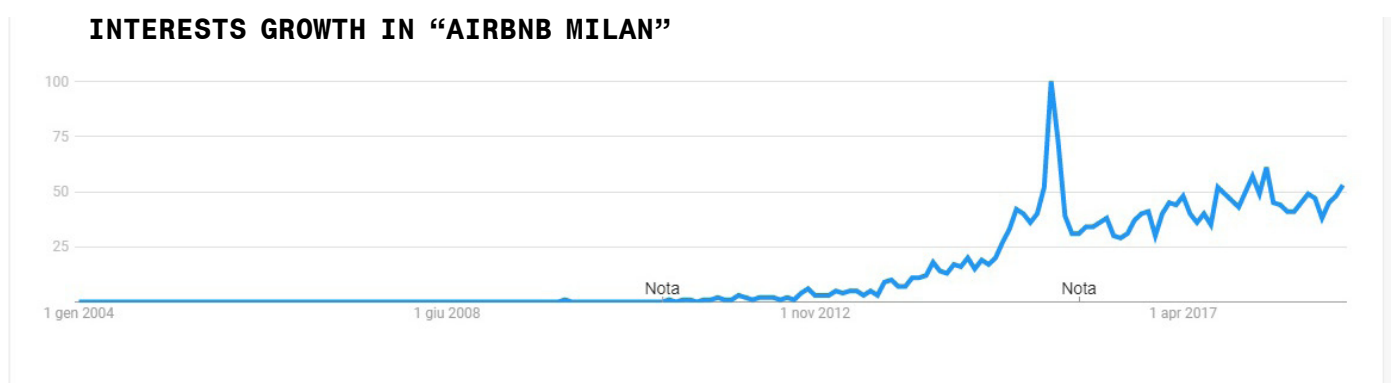


Image 36. “Milano+Airbnb” google trend from 2004 till the 11th March 2019. Source <https://trends.google.it/trends/explore?date=today%205y&geo=IT&q=milano>

GROWTH

RENTAL GROWTH IN MILAN

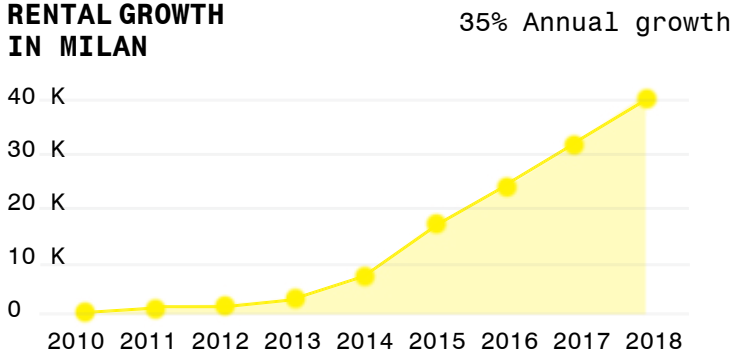


Image 37. Rental growth of Airbnb from 2010 till 2018. Source Airdna.com

In order to avoid any confusion, while the previous graph was related with the google trend of the combination of the words “Milano+Airbnb”, regardless if a booking as been made or not on the website, this data provides instead the actual rental growth which is estimated 35% per year with an evident shove between 2014 and 2015, probably connected with Expo event.

REVENUES

ADR (Average Daily Rate) is the average booked night rate +

cleaning fees for all booked days and it is updated each month. As we can see from the image above, prices changes according to the period of the year. The highest peak is during April, where on average the price reaches 121 euro per night, which is definitely not cheap considering that all different dwellings from any part of the city of Milan (it does not matter if in the central district or the extreme peripheries) are part of the math. On the same line of the preamble before, it is during summer that Milan becomes a “ghost city” therefore it does surprise if prices are more competitive during August where the medium price per night is 73 euros, making the average of the entire year 87 euros. It is relevant to underline that when talking about “average” is not the maximum price + minimum price divided by two ($121\text{euro} + 76\text{euro} / 2 = 98.5$! The way it is calculated instead is the total of each single daily average divided by the number of days in a year period.

The Occupancy Rate shows the number of booked days divided by



Image 38. Average Daily Rate/Occupancy Rate/Revenue. Source Airdna.com Updated 12/03/2019

the total number of days which were available for rent in the last month. Properties with no reservation are excluded. Through the website Airdna.com we are able to put on the table the fact that more that listings are booked for 70% of the time of their availability on the platform. In other words, if a host would like to make available his/her dwelling for 100 days, the average situation in Milan is that it will get booked for 70 nights out of 100, which in my opinion it makes Airbnb in Milan a successful business. Nonetheless, there are differences regarding different seasons of the year. Apparently, December is the month in which is harder to get properties booked, while September has the highest occupancy rate. We could have expected April to reach the highest peak one more time because of the Salone del Mobile event. However, it is relevant to say that even though in that week there is a strong competition to book a place where to stay, therefore the high demand increases the prices, in terms of nights booked that single week does not compensate for the entire month situation. In fact, it is in September that students move to Milan and are often in need of temporary location while looking for a more stable situation, this condition is often the case of workers on call, interns and so on.

The last graph takes into account the revenues generated by Airbnb's business in Milan. The revenues are considered as the total nightly rates + cleaning fees earned. However, it does exclude takes, service fees or additional guests fees. One more time, April is the most profitable month of the year to rent on Airbnb in Milan, this result was predictable since the average daily rate consistently higher in that specific period, when it reaches in fact 1,551 euros per month, while the lowest moment is January with only 1,019 euros which make the average of the entire year of 1,254 euros. Here again I would like to remark that this calculation is based upon any type of reservation, which could be entire apartment, single room, shared room, in any neighbourhood of the city.

BOOK-ABILITY

Since revenues and occupancy rate varies meaningfully during the year, I find essential to mention the comparison between availability on the website and the book-ability.

Regarding the availability, Airdna.com provides the following information:

45% of properties are available for a period of time between 30 to 90 days per year, which corresponds to 8,178 listings.
22% of properties are available

for a period of time between 120 to 180 days per year, which correspond to 4,021 listings.

16% of properties are available for a period of time between 210 to 270 days per year, which correspond to 2,879 listings.

18% of properties are available for a period of time between 300 to 365 days per year, which correspond to 3,287 listings.

Regardless the possibility of making reservations, the actual bookings, as it is possible to predict, do not correspond with the availability.

In fact, as the numbers shows, **64%** of listings are booked for a number of nights that is included between 30 and 90 days, which makes a total of 11,693 properties.

20% of listings are booked for a number of nights that is included

between 120 and 180 days, which makes a total of 3,672 properties.

12% of listings are booked for a number of nights that is included between 210 and 270 days, which makes a total of 2,171 properties.

5% of listings are booked for a number of nights that is included between 300 and 365 days, which makes a total of 829 properties.

TPOLOGY OF LISTINGS

There has been a significant growth in terms of active rents during these last two months, passing from 12,134 active listings to 13,334, increasing of 1,100 dwellings. This result is linkable with the rental growth discussed before, however, I will focus on the image on the right since it is the most recent one. This data does not only reveal the number of listing but moreover, it classifies them according to

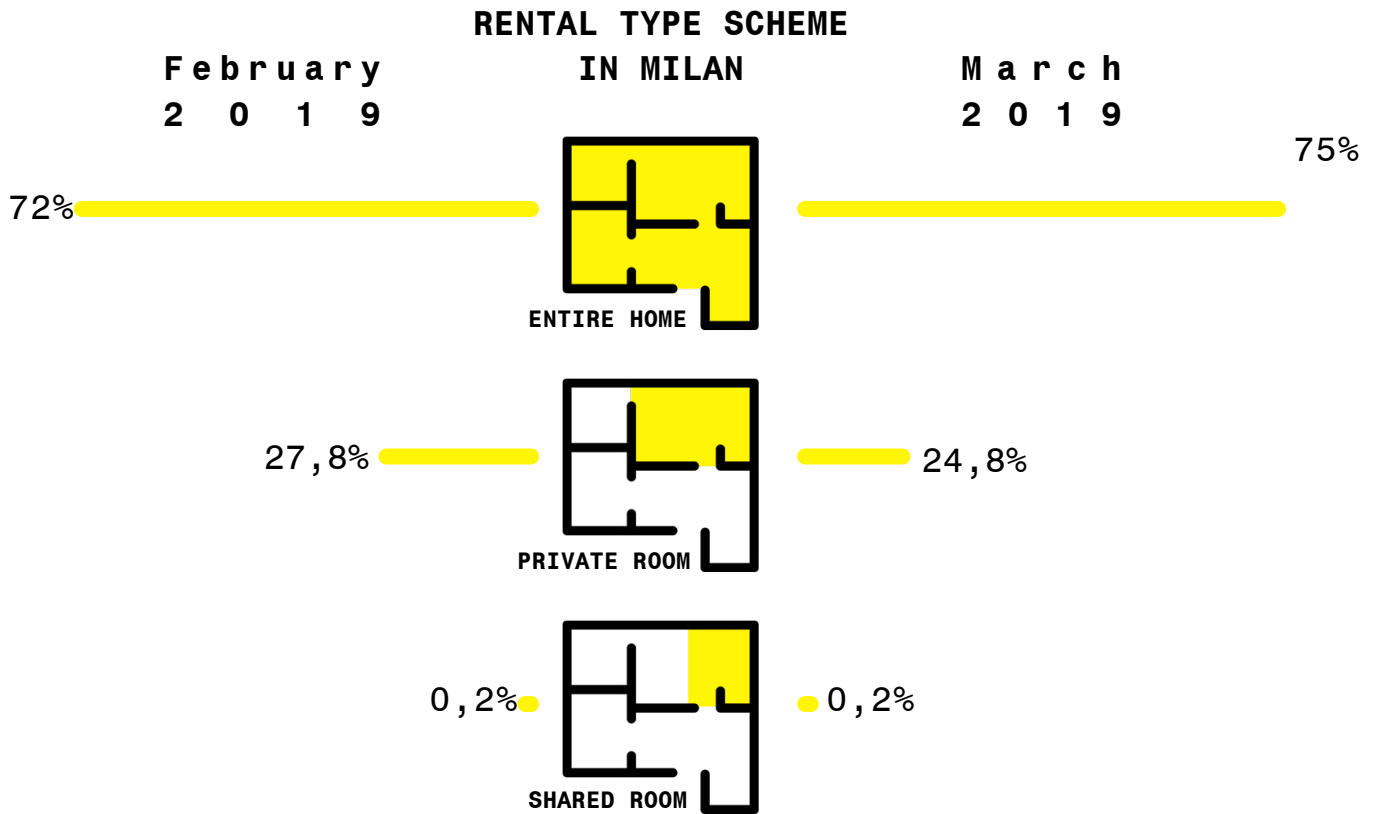


Image 40. My own schematization of rental typology of listing on Airbnb platform, comparison between February 2019 and March 2019. Source Airdna.com.

entire home/ private room/ shared room category.

Entire home: represents the 75% of listings, corresponding to 10,042 units.

Private room: represents the 23% of listings, corresponding to 3,030 units.

Shared room: represents only the 2% of listings, corresponding to 262 units.

Compared with the previous data I registered in January, I can say that the increased number of listing did not happened in each category, on the contrary, some private rooms and shared rooms have been eliminated from the market, while there has been an

implementation of entire homes. To be exact, 18 shared rooms and 196 private room have been removed this last month, meaning that the total increase of entire homes is of more than 1,000 dwelling.

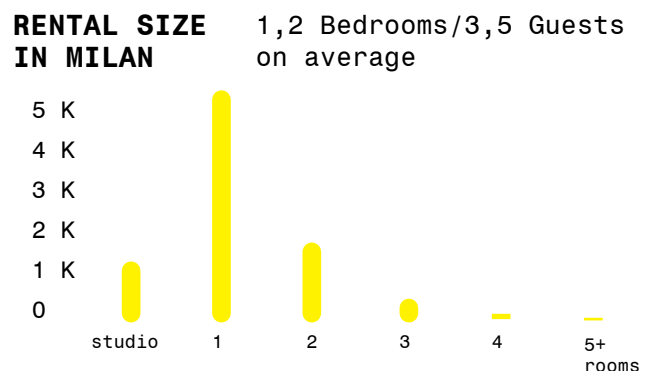


Image 41. My own schematization of the Rental size according number of bedrooms per listings. Source Airdna.com.

LISTING AMENITIES IN MILAN

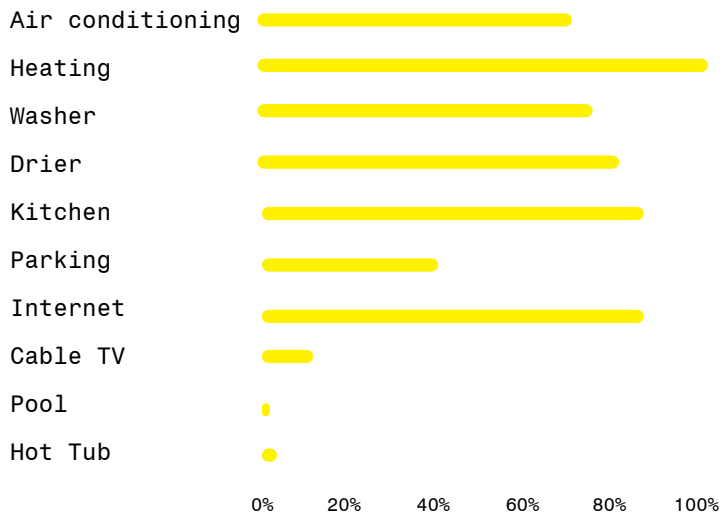


Image 42. My own schematization of listing amenities in Milan. Source Airdna.com.

PROFESSIONAL HOSTS IN MILAN

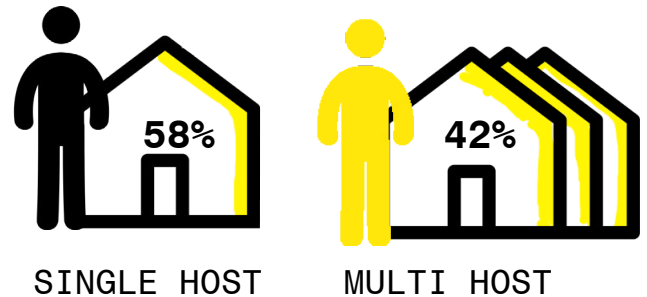


Image 43. Professional hosts in Milan Source Airdna.com.

The image 41 considers the number of rooms that each listings is bookable for, obviously this data does not say how many beds can be fit in one room (for instance a room could host ten people while another just one person). On average listings have 1.2 bedrooms which are capable of hosting 3.6 guests.

The most common situation is to have just one bedroom apartment on Airbnb in Milan, in fact **One bedroom:** is the case of 64% of units, which correspond to 6,404 dwellings. **Two bedrooms:** 21% of units belong to this category, which is 2,129

dwellings.

Three bedrooms: only the 4%, therefore 404 apartments.

Four bedrooms: only 1 % of units belong to this category, 107 dwellings.

More than five bedrooms: is a very rare situation, in fact 0.3% rentals have this condition, 30 apartments.

Studio: 968 studio flats are available on Airbnb, which is the 10% of listings.

Although it does not exist at the moment an accurate way to know the dwelling size, it is reasonable to suppose that majority of them have a relatively small size

NOME DELL'HOST	ANNUNCI
Bettina	237
The Best Rent	77
Hintown	75
Arianna&Chiara	68
Filiberto	58
Welcome to Milano	56
Hemeres	54
Simone	40
Stefania	40
Alessia's Flat	38

Image 44. Top 10 hosts in Milan. Source Airdna.com.

which since half of the listing is located in the centre of Milan where there is high density of inhabitants.

In chapter 3, in the dedicated paragraph, the hosts system has been largely described. In fact, if the total amount of listing is 13,334, the number of hosts is very different from that. In Milan almost the 50% of hosts have more than one listing rented on the platform. In the table below there are the top 11 hosts

in Milan, among which the name of Bettina covers the highest position with 237 listings in this city and many others in other touristical places.

"It is likely that hosts with multiple announcements are handled like a real company and that hosts do not live on the property itself, thus violating the terms of short-term rental policies designed to protect accessibility to the residential market" (InsideAirbnb.com).

SPREAD



Image 45. Map representing entire homes listing on Airbnb's listings in Milan. Source Airdna.com

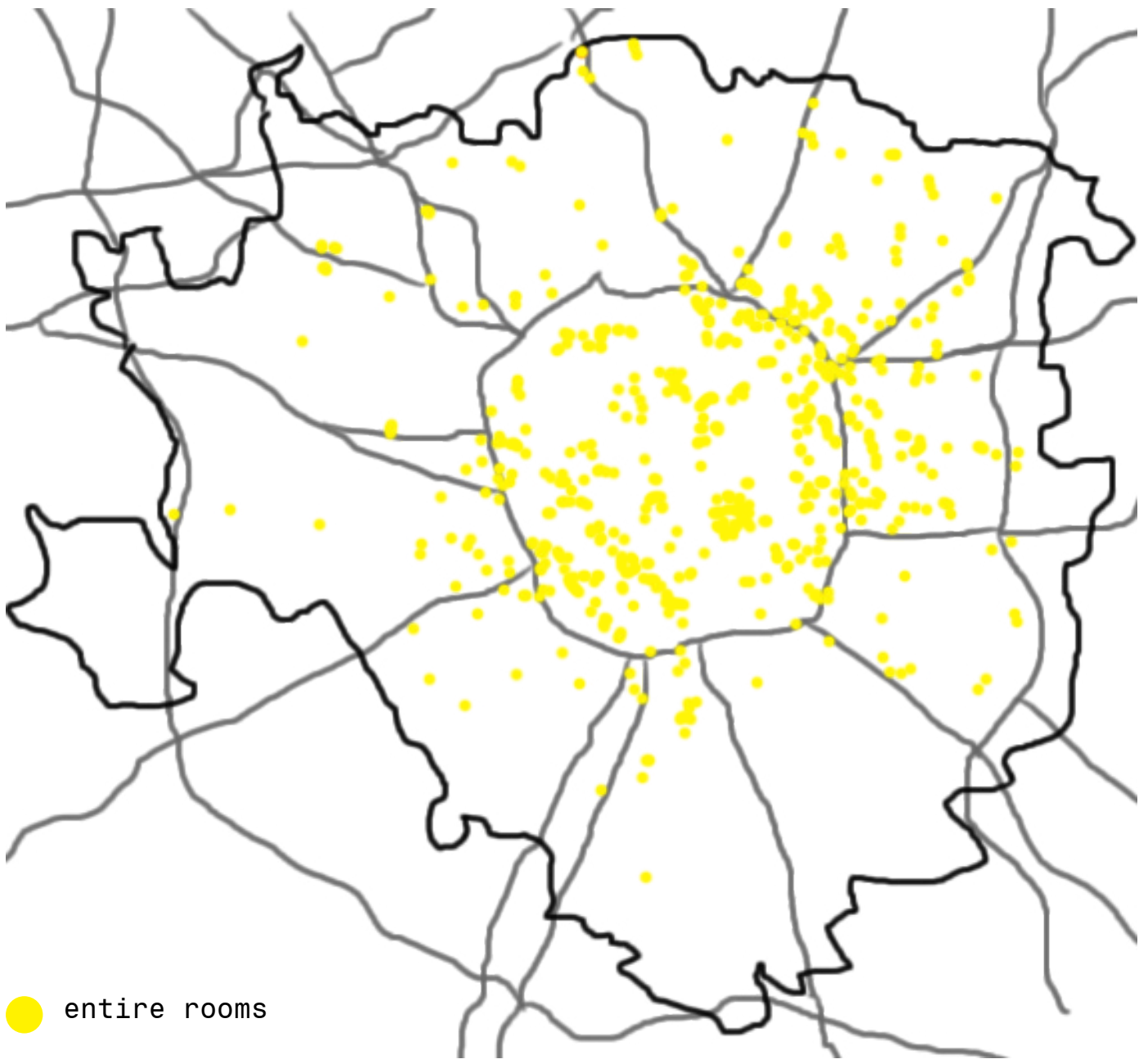


Image 46. Map representing private rooms listing on Airbnb's listings in Milan. Source Airdna.com

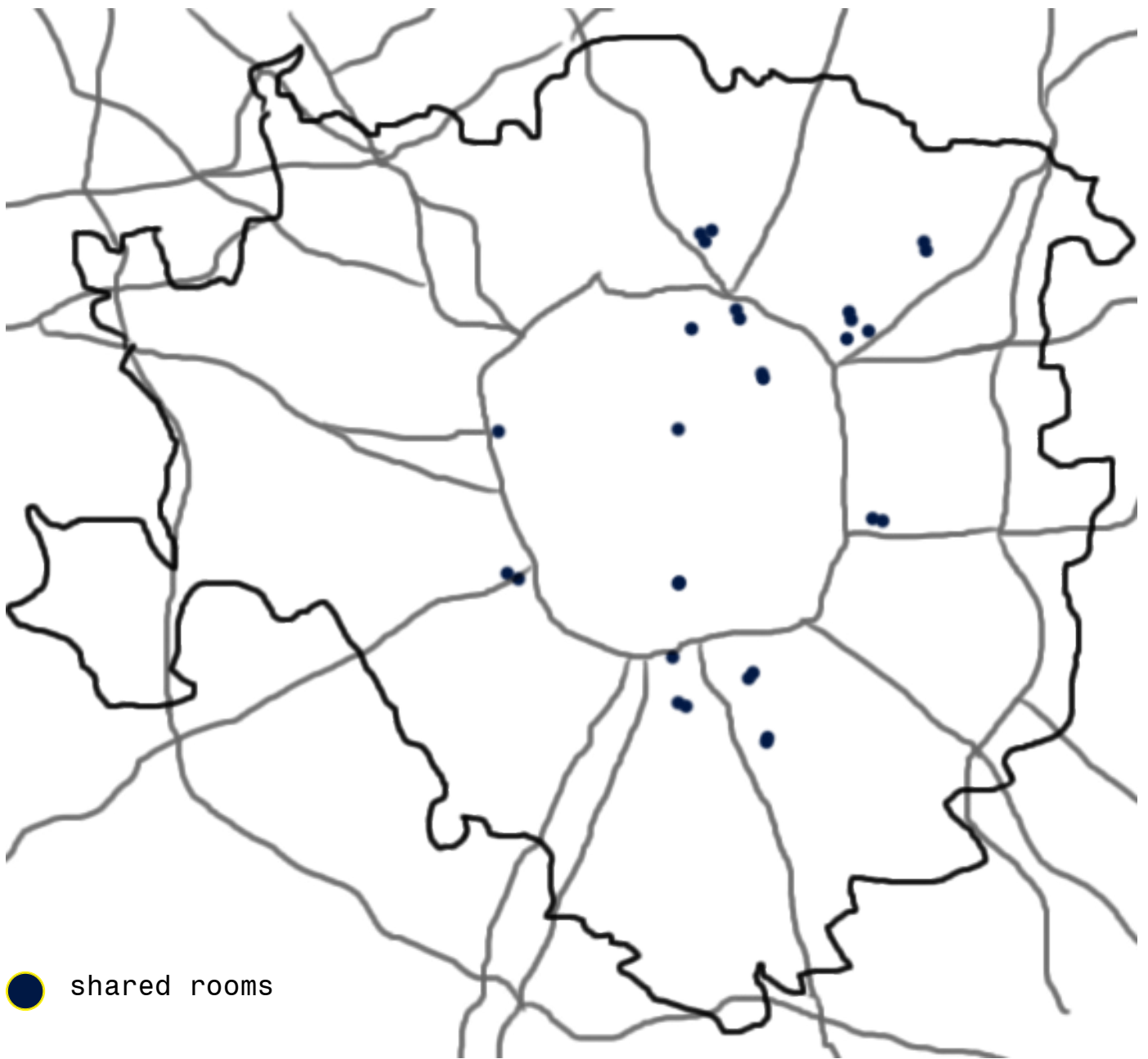


Image 47. Map representing shared room listing on Airbnb's listings in Milan. Source Airdna.com

SPREAD

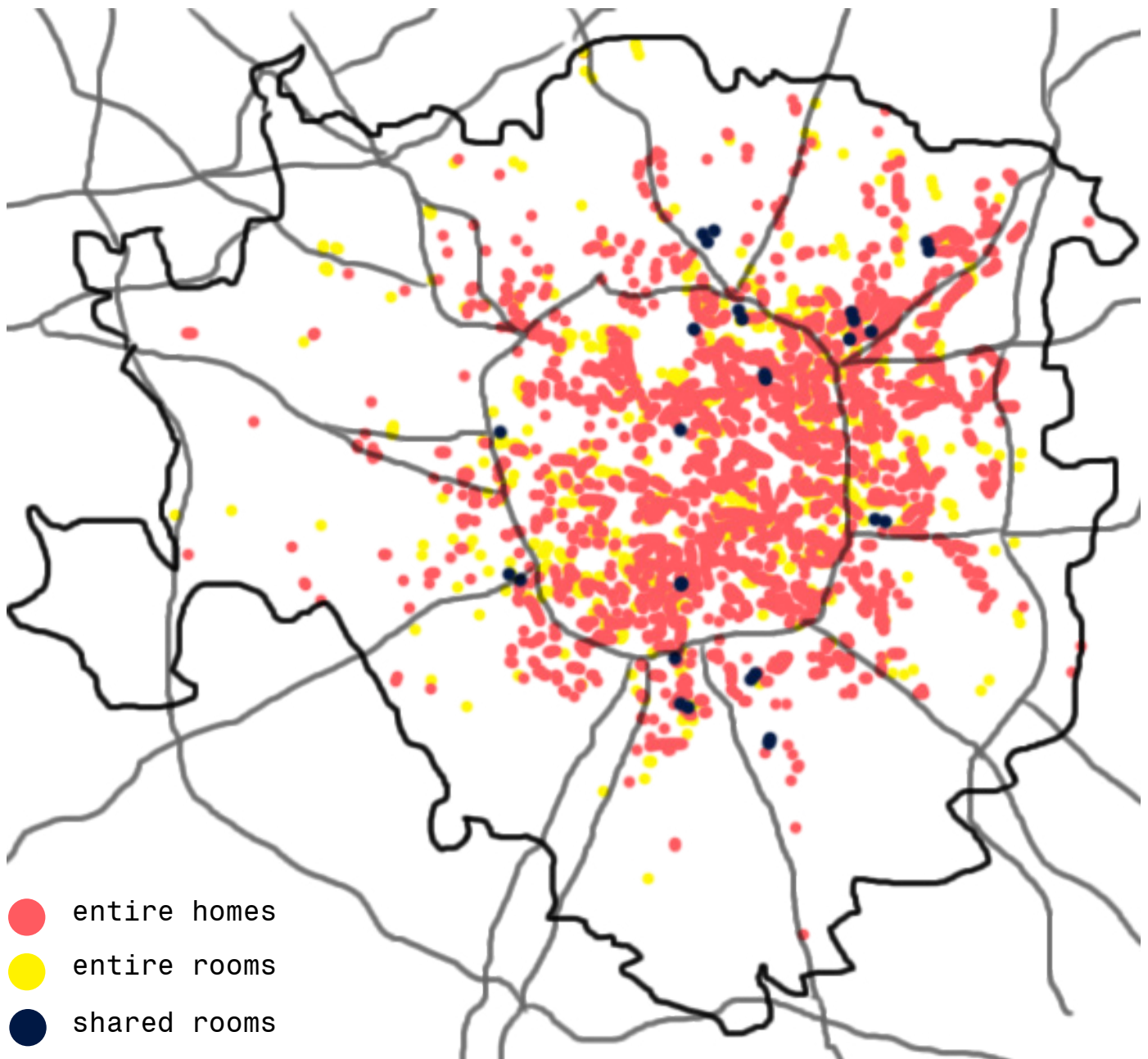


Image 48. General overview of Airbnb's listings in Milan. Source Airdna.com Source Airdna.com.

4.5 The convenience of renting on Airbnb rather than on the traditional market in Milan

The attempt of this paragraph is to confront the rental offers of both the Real Estate market and of Airbnb's platform in order to understand the profitability and the risks of the two options for home-owners. In the first part I will explain the information found regarding the traditional rental options, however since not all the listings are united under the same website and often the same announcement is published on more than one window display, it would be inaccurate to add up the number of listings from different websites. The inaccuracy of information regarding the amount of listing available in the city of Milan made impossible to have a direct correlation between the number of listing available on Airbnb in Milan and the long-term rental listing.

However, evidence demonstrate that even if summing them up, pretending they are all different properties and that no owner published his/her announcement on more than one platform, the number of listings on the long-term traditional market is inferior than the number on the short-term Airbnb's platform.

During an interview with Tommaso Romagnoli, stakeholder of Real Estate market, he gave me a clue that probably I would not have guessed alone, when the demand of Airbnb's apartment increases, it increases also the offer because the market becomes more profitable, while, if the demand increases in the Real Estate market, the offer decreases because dwellings are already occupied long-term.

Rental prices in Milan

The rental demand although it increased in the last year of the 3%, does not determine an improvement in the offer increase, in fact according to the website WIKICASA *“this is due to a phenomenon that is increasingly expanding recently, namely the market for temporary rentals dedicated to tourism, which negatively affects the availability of apartments for residential use.*

In addition to this, the rents formulas are for the most part 4 + 4, as established in 1998, which

does not adapt well to today's times, as well as constituting some fiscal problems” (2018).

This raises another issue which is connected to rental contracts. Obviously deciding to make a dwelling available on the long term rental market implies obligations, in fact the owner cannot claim the listing until the contracts end unless with a notice of many months in advances and for specific reasons, or cannot change the rental price after the contract has been signed.

Prezzo medio richiesto in affitto al mese
Comune di Milano (MI) | Ultimi 24 mesi

© Incorpora grafico



Image 49. Average rental price per square metre from February 2017 to February 2019 in Milan. Source Immobiliare.it

Therefore, the owner even if the market price is raising up, cannot make the most of the profitability of the listing, while on Airbnb he or she does the price per night can change (and often it does according to the period of the year, events, flow of people) and if for any reason he or she is not willing anymore to rent can cancel reservations.

Although there is not certainty of being booked most of the time, not having strong restraints can be a positive aspect that encourages home owners to opt for Airbnb platform in Milan rather than traditional market. The most common websites to look for a dwelling to rent in Milan are

- Immobiliare.it with 5,250 listings
- Idealista with 4,466 listings
- Subito.it with 1,448 listings
- Bakeka.it with 3,220 listings
- Tecnocasa with 179 listings

Be aware that number of listings may change day by day or even

during the same day, the previous information are last updated to the day of the 13th March 2019.

“The following graph shows, where available, the trend over time of the request prices of houses, apartments and in general of residential properties within the territory of the municipality of Milan, both for sale and for rent. Request prices are the average prices of properties located in the municipality of Milan published on Immobiliare.it during the reference month”. (Immobiliare.it)

During the month of February 2019 for residential properties for rent, an average of euro 17.50 per month per square meter was requested, with an increase of 6.59% compared to February 2018 (16.42 euro monthly per square meter). In the last 2 years, the highest value of the requested price within the municipality of Milan was 17.50 euro monthly

per square meter, recorded in February 2019. The month in which the minimum price was requested is March 2017: an average of euro 16.00 per month per square meter was requested for a rental property. Unfortunately, it is not comparable with the price of Airbnb's listings since there are not data per square metre. However, it is evident that there is a general rise of rental prices in Milan, which is still a relevant consideration.

I sincerely doubt the outcomes of those websites, meaning that I hoped to find official and accurate data from the municipality. Looking at all the announcements, it is possible to realize that the "maximum rental prices" are excessively high, which of course in case of mistakes modify significantly the average rental price per month, raising it up. In particular I am referring to two flats in Milan on Immobiliare.it that are registered as costing respectively 50,000 euros and 139,000 euros per month which seem more realistic to be the selling prices due to the square metre and aesthetic conditions. This can convince tenants that are paying a rent per month below the "average price" that they found a cheap accommodation while the data are not accurate. This is why it is essential to have official data coming from the Municipality.

According to expert of the Real Estate market interviewed by "il

sole 24 ore" journalists in 2018 Milan is the most expensive city in Italy, having the average of 17.5 euros per square meter the price per month of two bedrooms apartment of 50-55 square meters is between 850 and 900 euros. The most affordable prices are in Baggio (12.4 euros per square meter), Lorenteggio-Bande Nere (13.6 euros per square meter) and Corvetto (13.5 euros per square meter) while, the top areas are Navigli-Bocconi (18.4 euros / sqm) and the center (23 euros per square meter).

"One of the reasons of this boom in requests is to be found in the consequences of the crisis and the precariousness of the labor market - according to idealista - which in recent years has made it almost impossible to buy a home for some sections of the population. At the same time, the propensity to mobility of individuals (for work, study, family, tourism) has increased and so has also changed the financial education of many young people, pushed to stall before buying a house" (Sole24ore;2018)

Regarding prices according to location, the data of Immobiliare.it shows how there is a straightforward connection between central areas and expensiveness, it is important to underline that those costs are considered for selling transaction rather than rental purposes however, there is a

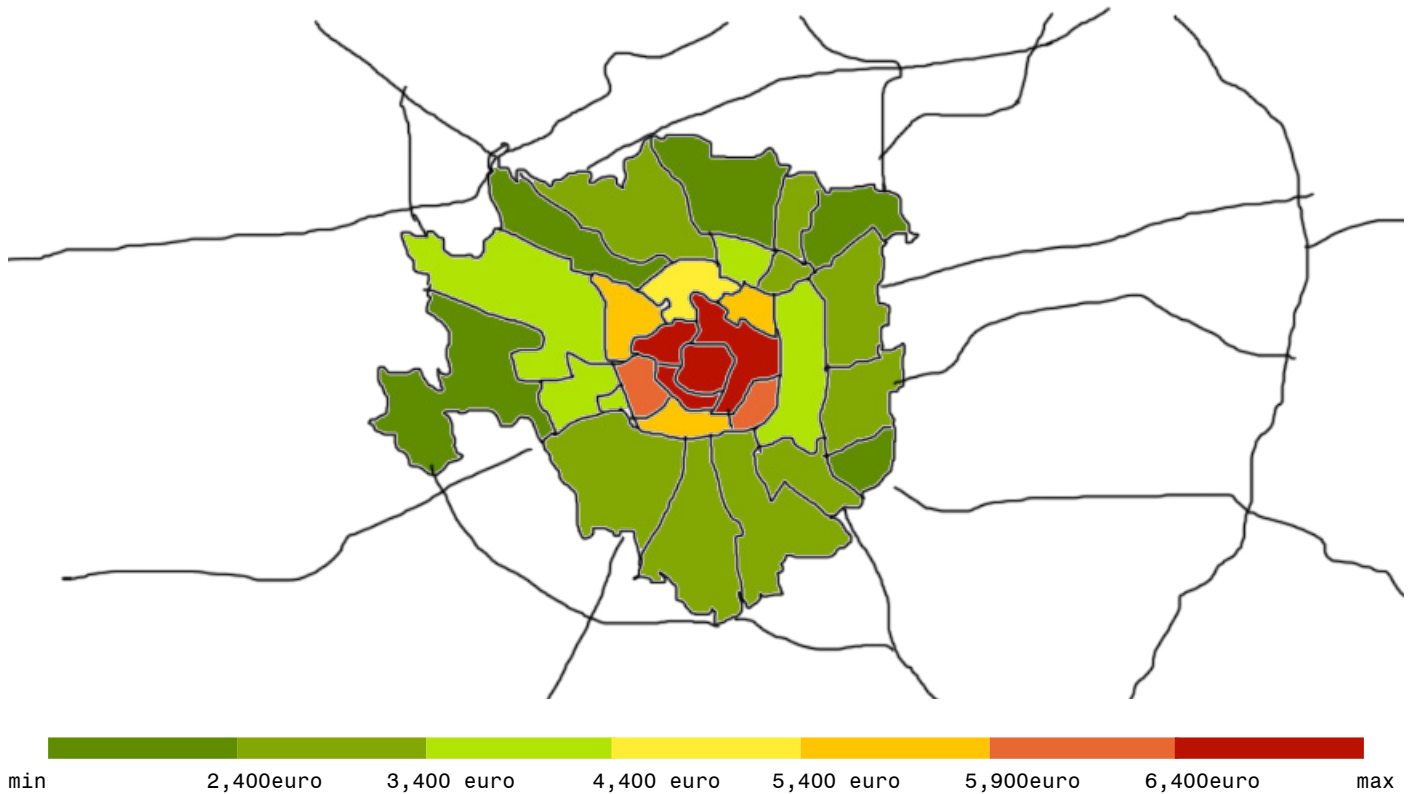


Image 50. Map representing properties's selling price data per square metre according to different areas of the city. Source Immobiliare.it

strict link between rental and selling costs of dwellings.

The newspaper "Il sole 24 ore" published an article the 14th of June 2018 on which they stated that "The demand for rent in Milan has increased by over 84% in one year, with requests more than doubled in the historic center, in the Navigli, Bocconi and Porta Vittoria areas. The offer, on the other hand, contracted with leased buildings, which rose from 10,637 to 9,704 in the last 12 months (-9.6%). The picture

emerges from an analysis of the idealistic real estate portal. The result is the rents that are still rising: + 3.9% in the last year. The requests of the owners are increasing in all neighborhoods, except for some peripheral areas, while they run downtown (+ 9.4%), Forlanini (+ 6.2%) and Famagosta-Barona (+ 5.6%)".

Even though the article was written almost one year ago, the level of expensiveness identified in the different areas of the city still correspond.



5.
**Airbnb and urban
policies**

5.1 The urge of regulation

“The contemporary policy debates surrounding Airbnb can be summarized by the following question: Should Airbnb be regulated and, if so, what is the appropriate type and level of regulation?” (Sheppard and Udell 2018). Airbnb has recently been facing policies issues that before its appearing on the sharing economy umbrella have been barely discussed. Discussions about the need of regulating sharing economy’s activities have been at the centre of many political debates, Tedtalks and so on.

However, certain businesses more than other have managed to avoid the spotlight more than others. The rumours of Ubers externalities caught the attentions of media for example much more (and worldwide) than Airbnb. Why?

First of all, Uber’s competitors are strong, organized, often centralized and have the possibility to strike. Airbnb’s ones instead are hotels, Bed&Breakfasts, Youth hostels which are not grouped under the same category, not in touch

and most of all are competitors between themselves. Nevertheless, the travel agency companies who survived the introduction of trivago, booking, Skyscanner and so on, kept as costumers the most traditional ones, who anyway will be less incline to book as accommodation an Airbnb solution! In other words, the travel agencies companies have not had such a huge impact on their businesses as for hotels and rental housing.

Second, the style in communication between the two companies is very different. On one hand we have Uber which has been synthetic and direct in the communication, I would say efficient but assailable (vulnerable to attack) because it was easier to predict its externalities. On the other hand, Airbnb adopt a different strategy (maybe learning from Uber experience) and adopt the storytelling images and making the users feeling part of innovation.

Finally, hiding data from government under the name of privacy protection has influenced in post phoning the awareness of the externalities magnitude. *“Nonetheless, Airbnb’s impact on cities and housing markets is not well understood, since the company takes great pains to cloud its operations from scrutiny”* (Wachsmuth and Weisler 2018). This impedes or partially limits lawmakers in agreeing upon amendments. While Airbnb advocates that these regulations

must be updated to the presence of the sharing economy, opponents argue that Airbnb’s aim is to just avoid regulation and taxation (which are instead imposed on traditional businesses). This divisions of views goes to the detriment of housing affordability in cities. Arun Sundarajan argues that new regulations need to be developed primarily to protect individuals, both consumers and workers, *“As the scale of peer-to-peer expands, society needs new ways of keeping consumers safe and of protecting workers as it prepares for an era of population-scale peer-to-peer exchange”* (Sundarajan; 2014)

“Cities are struggling to address urgent shortages of affordable housing and there is evidence that commercial interests in the short-term rental industry are removing residential units from housing markets and thereby contributing to even higher rents” the quote here is a passage of a letter to the US Federal Trade Commission signed by lawmakers from across the United States (Partnership for Working Families 2016).

Many protests are taking place in cities around the world, by many factions and the urge of policy maker action plan is a real need for many of us. Hotel associations complain that short-term rentals effectively are substituting their businesses but moreover they are doing so in an unfair competition where

activist of the sharing economy are avoiding taxes and not complying with safety and zoning regulations (Zervas et al.2016). However, as Sheppard and Udell 2018 wrote in their conclusion of "Do Airbnb properties affect house price?" *"Despite the speculative assessment of utility impacts, and the clear evidence for impact on house prices, we advise caution in crafting policies that ban Airbnb or similar short-term private rentals altogether. Public policies that reduce house prices in pursuit of housing*

affordability by diminishing the efficiency with which an owner can make use of his or her property may fail to be welfare-improving, in the same way as a city that creates "affordable" housing by encouraging more crime hardly seems desirable. Evaluating the welfare consequences of Airbnb, and hence the appropriateness of any regulatory action to limit use of Airbnb services, requires deeper analysis than we have provided here and much deeper analysis than appears to have been undertaken to date".

5.2 When Airbnb overtakes a city: The case of New York

The assumptions made for the Milanese case, are based on previous experiences which happened in other cities. Being an American platform who began to perform in the USA, it is not surprising that the biggest impacts, whether they are positive or negative, verified within the same border. The most rooted literature I was able to find regards in fact the cases of San Francisco, Los Angeles and New York.

Researchers from the Urban Planner school, McGill University, from Economic department of the William College and Harvard Law school, investigated the phenomenon. Reading essays from remarkable universities was essential to give structure to my suspects about the Milanese externalities. Therefore, in this paragraph, I will discuss about the situation in New York city in order to give support to my thesis.

Airbnb's presence in New York City

New York city has been the first place where Airbnb took off and during the years of its development it remained one of the principal markets where the platform operates, having records of 450 billion revenues each year. (Gallagher; 2017) During the second half of 2016, the governor Andrew Cuomo signed a law that prohibits advertising the rent of apartments for less than thirty days if the owner is not present, or a large part of the New York business. This law was not the first attempt to limit short-term rental in N.Y. In fact, in 2010 the amendment known as "Multiple Dwelling Law"

was already active to consider as illegal renting properties in buildings composed by more than three housing units for a period less than thirty days. The reason that stand behind this is that the government, (particularly the democratic Liz Krueger was one of the manifesto-face of this amendment) wanted to limit the phenomenon of illegal hotels that were taking advantages of the copious flow of people that the city was facing. In 2010 no many politicians knew about Airbnb platform, but they were already aware of the business possibilities based on the exploitation of the built environment.

There are specific conditions according to Gallagher that made N.Y. one of the platform's biggest market:

- 1- Recession,
- 2- High prices of hotels,
- 3- High prices of housing rents,
- 4- High number of people renting,
- 5- High flow of Millennials.

Belinda Jonson, chief of legal department of Airbnb affirms that from 2012 "began to run rumors of a tightening of controls on our hosts". The first case that confirmed those rumors is the when Nigel Warren, a designer who decided to rent on the platform his room in the East Village charging 100\$ per night. Unfortunately for him, the Office of Special Enforcement gave him three fines of 40 000 dollars, later diminished since he rented only the room and not the entire apartment with the help of Airbnb's lawyers. However, more than fifty per cent of listings in New York regards entire properties. This episode is considered to be the turning point of relationship between municipality and founders. The anti-Airbnb "alliance" is composed by:

- 1- Citizen's representative
- 2- Activists of "housing rights"
- 3- Representatives of hospitality labor units
- 4- Some politicians

The first reason politicians

are active is the fact that proliferation of housing units used exclusively for renting out on Airbnb subtracts houses from the market, already facing crisis, increasing the prices. Data shows that if the ninety-four per cent of hosts active on the platform has one or two listings on the website, the last six per cent is formed by "commercial hosts" who make a third of the total reservations, representing the thirty per cent of the business revenue in New York. Looking at the first hundred of most active hosts we can see that they have between nine listing and two hundred and seventy-two, the first one gets an income of almost seven million dollars.

The final result is that the platforms reduces the housing offer of a ten per cent. However, Airbnb lobbyists replies that the data are inaccurate since the municipality does not have the official ones because Airbnb does not deliver them for the protection of their users. In a world where technology is obtaining more and more power, the first instrument that could be turned against a sharing economy platform business is sharing its own data. It is a double edges sward that is too risky to land in the hands of policy-makers. After battles between Airbnb lawyers and Municipality of N.Y., at the end of 2015, Airbnb undertook a data transparency exercise, sharing one-day snapshot of data

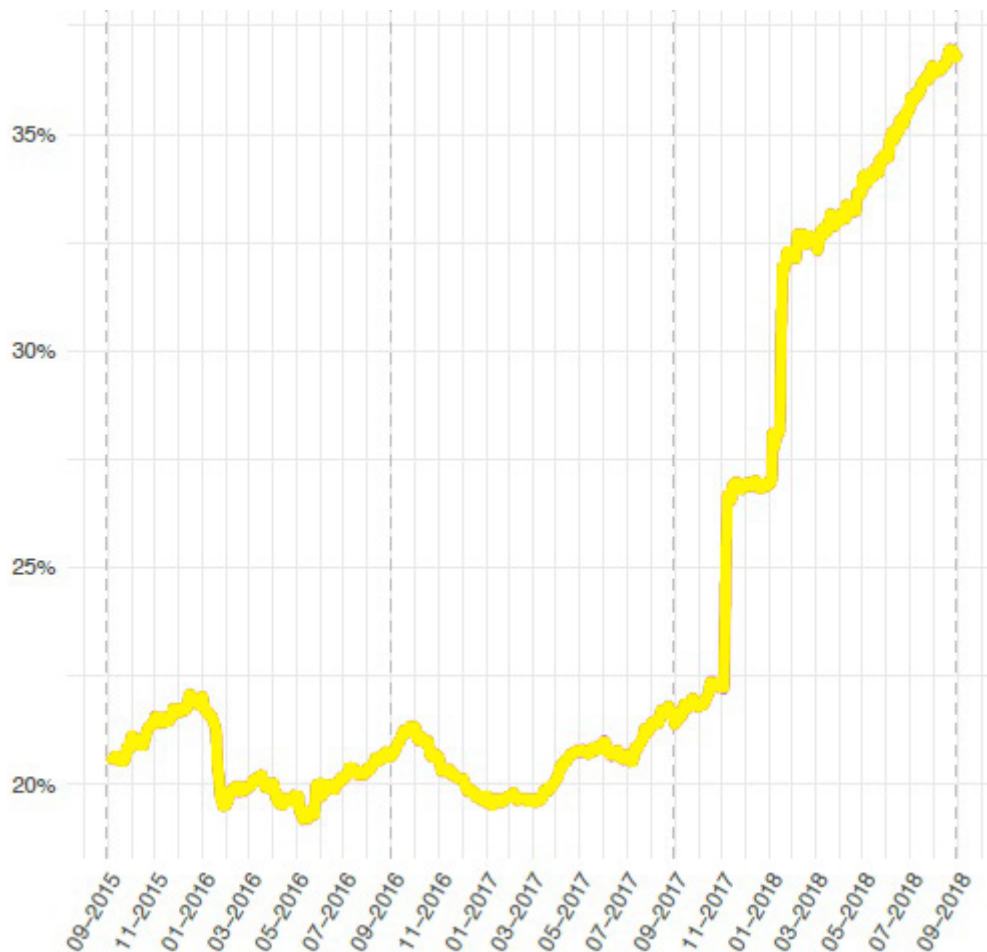


Image 51. Percentage of multi-listings in New York. Source Municipality of New York 2018.

from New York City with lawmakers. However, independent analysts demonstrated that the company had carried out an unprecedented purge of listing just days beforehand, raising persuasive doubts about the data's representativeness and accuracy (Cox and Slee 2016).

The message that founders want to promote is that their platform helps the New Yorker middle class, however many examples of "mis-usage" can be found in the news. One of them that caught my attention is Murray Hill, who

squeezed in two-rooms apartment twenty-two mattresses to rent out on Airbnb. Surely it does not come as a surprise if the hospitality sector, who receives controls of safety and security and get fines if certain standards are not satisfied, decides to create active groups against this business. Another case, is the of a couple who evicted the housemates living in the property they were renting in a long term and built plasterboards to divide each room in three micro-rooms, going much below the minimum

standard of square meter per bedroom, of course the issues of ventilation and lightening were not even considered. The urban standards so much advocated in the past, especially from the 19th century in those cases disappear in favor of a new phenomenon called sharing economy which, since it is based on community who self-regulate themselves, is justified from guaranteeing human living conditions.

The answer Airbnb gives to those attacks is that they are helping the middle-class increasing income to be able to pay rents. They spread this message through the spot "Meet Carol" who represent an Afro-American widow with children who lives in Lower Manhattan and uses Airbnb to feed her kids after having lost her job. Certainly, it conquered the heart of many New Yorkers, especially those who did not have to deal with the controversies. In April 2016, Airbnb released a report "*Airbnb and Economic Opportunity in New York City's Predominantly Black Neighborhoods*", claiming

that their business was helping families in need to save for college, the category which was benefiting more according to them was the Africa-American middle class. In support of their belief they provided information that the usage of their platform had risen more than 50% faster in Black neighborhoods than in the city as whole. "*Critics of the company were quick to point out that the most obvious interpretation of this fact is that Airbnb is helping to gentrify these neighborhoods by taking affordable long-term rental units off the market*" (Wachsmuth and Weisler 2018).

Anti-Airbnb movements started to spread messages like "*I don't want Al-Qaeda in my condominium therefore I don't want Airbnb in my neighborhood*" (Gallagher; 2017). In my opinion neither of those represent what the real situation was, in other words they represented the extreme possibilities of a phenomenon rather than the most usual situations.

Emerging issues

The debate as we could see does not rotate around one and only concept, but there are many issues raised here that of course of impacts not on each group of people in all the cases:

SAFETY

Handing over the keys of the condominium to people passing through means allowing access to common areas to complete strangers, who could for example forget to close the doors well or make a copy of the keys to be used later for a multitude of reasons.

DWELLING DENSITY

In New York residents live in limited spaces, one above the other, sharing walls, ceilings, floors and common areas. Not having a restriction on the number of people per square meters, or when there are, are difficult to control, allows tourists to invite more and more people to share the place they rented. Therefore, the situation risks exacerbating the conflicts between tourists and residents.

QUALITY OF LIFE

Quality of life is also a concern for residents who have seen their neighborhoods transformed into

de facto hotel district (Còcola Gant 2016). Icing on the cake for residents is when there is a constant presence of tourists who knock the door to enter, throw rubbish in wrong bin or the cigarette butts on other's balconies. This is to say that people who do not live there permanently and do not have to deal with the consequences of a mis-behavior are more tempted to care less about condominium rules generating an effect in which instead of adapting to the neighborhood are the neighbors who suffer the new situation without hope. As the David Wachsmuth and Alexander Weisler write in their essay, it is necessary to understand are short-term rentals transforming the fabric of everyday life in the neighborhoods in which they are proliferating, and at other spatial scales? The sharing economy is not just a new economic opportunity for its users, but also a new and perhaps unprecedented commodification of everyday life; it is *"extending a harsh and deregulated free market into previously protected areas of our lives"* (Slee;2016).

RENT PRICES

Over the years, the opponents have highlighted the issue of rents: Airbnb subtracts homes from the free markets, and this raises rental prices. More detailed information will be provided in the next sub-title. The image below shows how profitable is to

rent out on Airbnb in New York rather than renting on long-term market. This rent gap can be very intuitive, as it emerges from the image below and it can be exploited by a different range of housing actors, from developers to landlords, tenants and homeowners, requiring just a minimal new capital to be invested.

A research by "New York Community for Change and Real Affordability for All" discovered that Airbnb took approximately 20 % of units off the market in Manhattan and Brooklyn area, while the percentage can reach the 28% in the East Village neighborhood. The shocking news is that those proportion are estimated after it became technically illegal to rent an entire unit for less than thirty days. Moreover, making a media between the results that came out from the twenty most popular neighborhood in New York, they could affirm that between all those areas the loss amount is of the ten per cent.

As the image below shows *"While the Lower East Side remains a hotspot on this map, with average fulltime Airbnb revenues in the range of 200-300% of median rents, the other major areas of Airbnb activity—Williamsburg and Midtown Manhattan—have significantly receded in importance. The two previously second-tier neighbourhoods of Harlem in North Manhattan and Bedford-Stuyvesant in Brooklyn have advanced in*

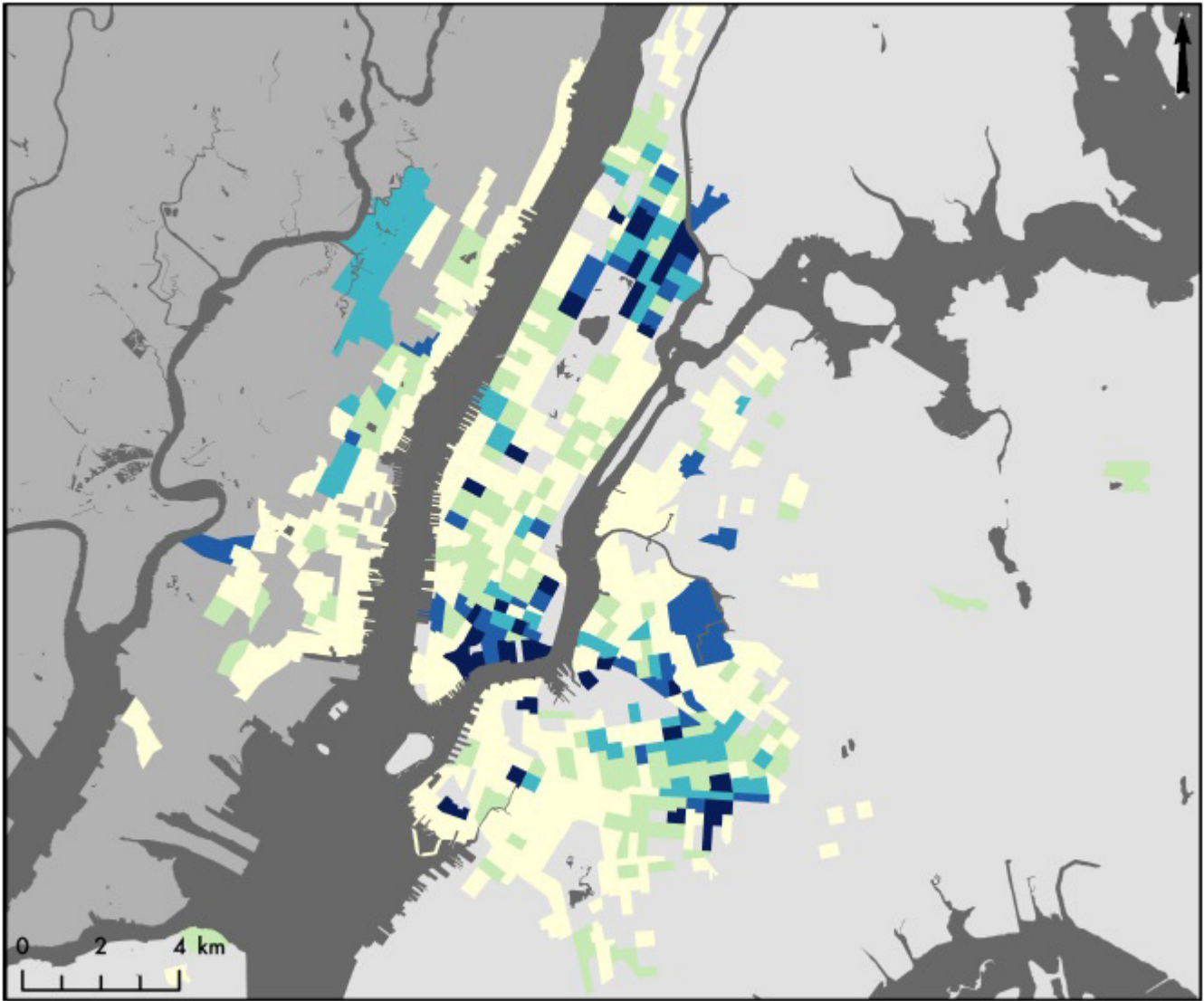


Image 52. The rent gap which is still open, shown by the profitability of an average frequently rented entire-home Airbnb listing compared to the median 12-month rent in the neighborhood. Source D. Wachsmuth and A. Weisler 2018.

importance. These are areas where there is not yet a lot of Airbnb activity in absolute terms, but where the landlords who are using Airbnb are making a lot more money than they would have in the long-term rental market” (Wachsmuth and Weisler 2018).

As mentioned previously the inflection point comes when short-term rents exceed long-term ones. However, there are other factors that need to be taken into account, for example

in order to create this switch, landlords need to remove tenants from their properties and be willing to make extra efforts such as renovate furniture, take care of the management of Airbnb profile, key delivery, cleaning and so on. Reasonably, those are extra activities that landlords can consider the larger diverge between these two income sources is, or in technical words the larger is the diverge between the actual ground rent and the potential one. We can suppose

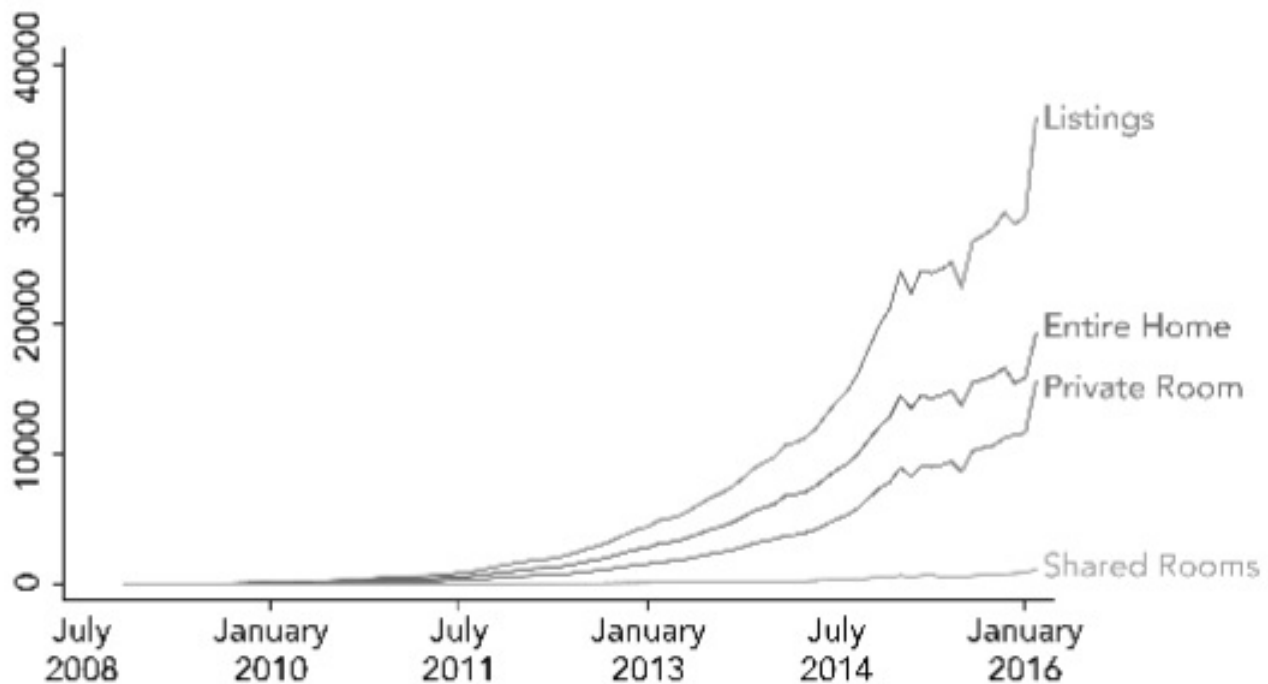


Image 53. Airbnb listing over the time in New York. Source Sheppard and Udell 2018.

that rent prices increase basically for two main reasons:

1- When long-term rentals are converted into short-term rentals the number of housing stock on market reduces. **Reducing the offer and increasing or stabilizing the demand the prices will rise.**

2- By increasing the economic potential of some residential properties, Airbnb **could cause the growth in selling and renting prices also.**

Barron et al. (2018) conducted a study where demonstrated that 10% increase in exogenously-determined Airbnb listing

leads to a 0.42% increase in rents and a 0.76% increase in the house price in the USA.

“Nationwide, they estimate that Airbnb is responsible for a 1% of increase in residential rents and a 2% increase in housing prices from 2012 to 2016, with the effects concentrated in cities such as New York where Airbnb activity is highest” (Wachsmuth and Weisler 2018). Wachsmuth et al. applied the model of Barron to New York and found out that between 2014 and 2017 Airbnb activity led to an increase of rental prices of \$380 per year, reaching much higher peaks in neighborhoods where

# Airbnb	All Distances	Less than 7km	7km to 11.5km	11.5km to 17km	More than 17km
1 to 5	0.1596*** σ 0.004	0.1413*** 0.010	0.1653*** 0.006	0.0855*** 0.007	0.0354 *** 0.011
6 to 10	0.4553*** σ 0.012	0.5838*** 0.010	0.3371*** 0.012	0.2202*** 0.046	-0.0522 0.125
11 to 15	0.5399*** σ 0.030	0.6486*** 0.012	0.4228*** 0.019	-0.1171 0.194	
16 to 20	0.6636*** σ 0.035	0.6712*** 0.014	0.4999*** 0.023	0.4179* 0.241	
21 to 25	0.6403*** σ 0.037	0.6699*** 0.015	0.5361*** 0.027	-0.0761 0.237	
26 to 30	0.6436*** σ 0.043	0.6499*** 0.019	0.5379*** 0.034	-0.3063 0.365	
31 or more	0.7748*** σ 0.018	0.7934*** 0.007	0.5903*** 0.016	-0.0325 0.173	

*** - significant at 1 percent, * - significant at 10 percent

Image54. Estimated effect of different treatment levels. Source Sheppard and Udell 2018.

Airbnb presence is very dominant.

The researchers Stephen Sheppard and Andrew Udell from the Williams College department of economics wrote a paper titled "Do Airbnb properties affect house price?" which is a first attempt to measure this effect in New York City. They used two different approaches to do so:

1-Hedonic approach:

this is a relative traditional way as explained in Rosen (1974), widely used to measure the factors that are affecting property values.

2-Quasi-experimental approach:

this strategy is largely used to estimate the average treatment effect generated by Airbnb through observation of data (Since they had a very large

number of individuals who could be observed).

What the results of the hedonic model shows is that a doubling (which correspond to 100% increase) in the number of Total Airbnb accommodation is associated with a percentage of increase in property value between 6 and 11 per cent. According to Sheppard and Udell those numbers are encouraging since are "almost identical to those obtained by Barron et al. (2017), who find associative impacts of between 3% and 35% on the house price indices with 7% in their most completely specified model" (Sheppard and Udell 2018).

The result presented in the preceding subsection cannot be given a clear causal

interpretation. In order to properly evaluate the causality of those effect they would have chosen two identical properties and analyzed over the time the effect on their prices having one of them surrounded by nearby properties and the other isolated from this phenomenon. However, the impracticality of such approach is obvious. Therefore, they decided to use a quasi-experimental approach where they took into account the several properties since the large size and extensive time over which their data were observed made reasonable the usage of such approach.

The image below represents the increase (or eventual decrease) of property value in the moment of selling observed through the presence of Airbnb properties in a certain distance. In the first column are expressed the number of Airbnb listing that surround the house (1 to 5, 6 to 10, 11 to 15, 16 to 20, 21 to 25, 26 to 30, more than 31) the other columns give information about the distances within which the listings are from the properties taken into consideration. The values inside the table are the estimated effect on prices significant at 1 per cent (apart from a value significant at 10 per cent).

As expected, it is possible to see that distance does effect properties value. Properties sold within 7 kilometers of 1 to 5

Airbnb properties sell for about 14% more, while those exposed to 31 or more properties sell for a 79% premium. In addition, it is visible that effects tend to decline if considering more than 11.5-kilometer distances. Sheppard and Udell also provided a three-dimensional figure that helps to clarify the effect of Airbnb presence on prices in New York City.

The diagram is a figurative representation of the table above. Each color identifies a column of distances from the center. The red dots are the closest to the properties, followed by blue, green and yellow. Intuitively, is visible how *“the increase in house prices (and presumably the price of space) is greater at central locations and diminishes to the point of insignificance as we move toward the periphery of the city”* (Sheppard and Udell; 2018). One of the factors that can possibly be responsible for the price increase is associated with the decline in equilibrium utility levels of residents. *“The increase in population, as desirable as it might be for certain individuals and the temporary occupants of the properties, is associated overall with a decline in equilibrium utility in the urban area. This observation helps to explain the concern of policy makers and the (occasional) vehemence of local opposition to Airbnb properties”* (Sheppard and Udell; 2018).

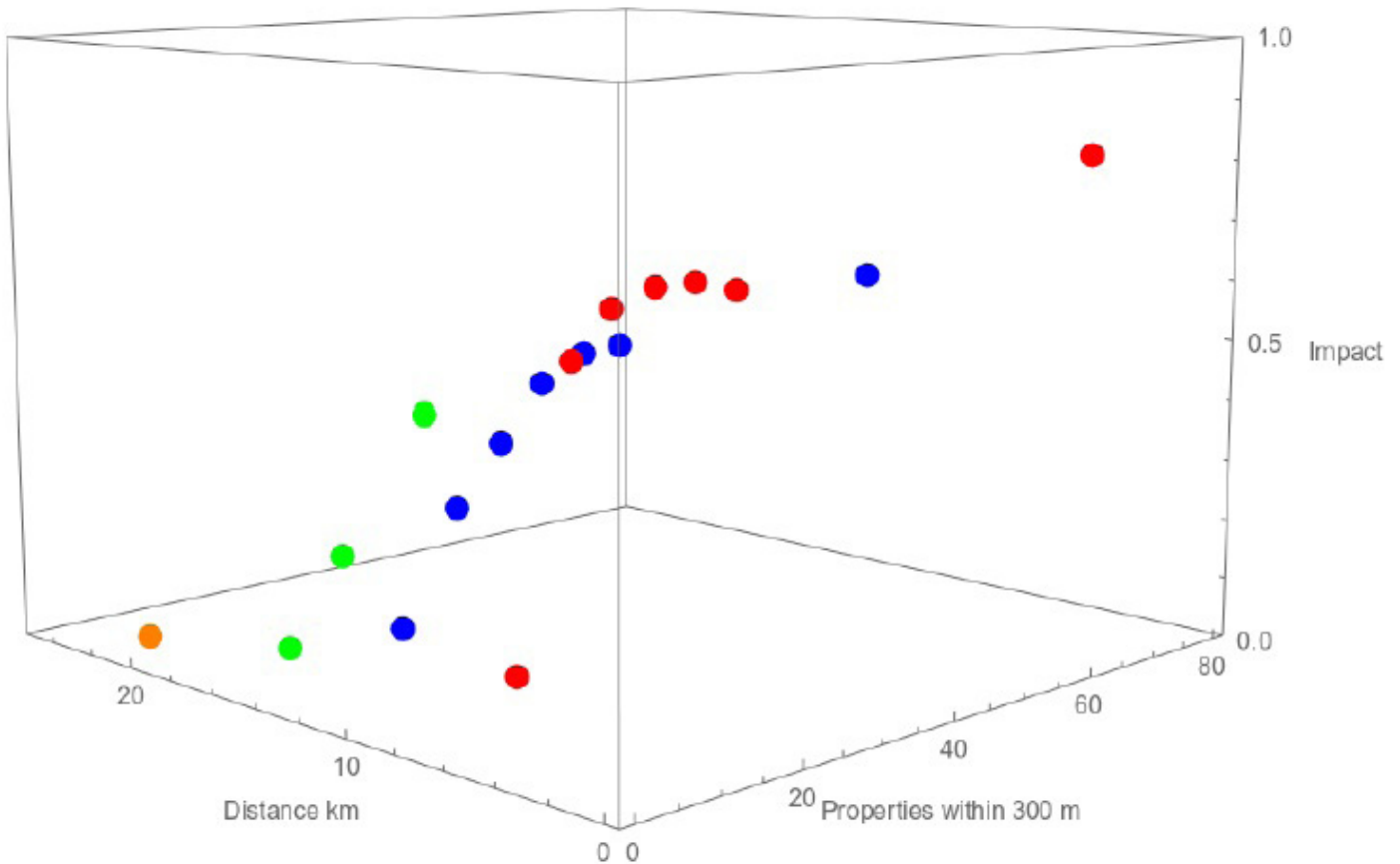


Image 55. Impact on house price of different treatment levels at various distances in New York. Source Sheppard and Udell 2018.

UNEVEN DEVELOPMENT

As the examination of New York made by David Wachsmuth and Alexander Weisler demonstrates, short-term rental activity is distributed in a highly uneven fashion across the urban landscape. In New York the cluster were most pronounced in the city’s traditional tourism area and in several neighborhoods, which have not historically been major tourism draws but at the same time still do have international

recognizable cultural cachet. Furthermore, the neighborhoods with the most Airbnb activity are not necessarily the ones where the impact on existing rental housing is strongest.

LABOR

Despite the label “Sharing economy”, Airbnb along with Uber does not actually involve sharing in the sense of non-monetary exchange. They have both rolled out a kind of flexibility/precarity for their users, operators and



Image 56. The percentage of active entire-home listings which are multi-listings
 Source: Source D. Wachsmuth and A. Weisler 2018.

intermediaries. “Airbnb operators frequently outsource cleaning and key management labor which is generally unionized in the hotel sector, simultaneously rendering this work more precarious and less visible to guests, who experience short-term rentals as peer-to-peer exchange”. (D. Wachsmuth, A. Weisler; 2018)

GENTRIFICATION

Airbnb has introduced a new flow of potential revenue into housing markets which is systematic but geographically uneven. This generate a new form of rent gap in culturally desirable and internationally recognizable area of the city. Moreover, since it is proved that not-white people have more difficulties in being accepted by hosts, it is essential to underline that we are talking

about racialized gentrification and displacement. Understanding when gentrification processes do initiate in a territory is theoretically easy to grasp as a concept. Gentrification tend to occur when the potential ground rent exceeds the actual (or capitalized) ground rent. However, according to Wachsmuth and Weisler (2018) only Clark's paper on Malmo city in Sweden has been fully successful in proving so, this is because the concepts of "potential ground rent" and "capitalized ground rent" are abstract rather than concrete. Therefore, the analysis made by Wachsmuth and Weisler is not a direct measure of potential or capitalized ground rent, however, there are *"compelling theoretical reasons to believe they will describe the existence and relative size of rent gaps"*. The two major empirical indicators used to root the research are:

- The proportion of total residential contract rent generated from Airbnb
- The proportion of neighbourhood median long-term contract rent earned on average by hosts of frequently rented entire-home listing on Airbnb.

It is essential to underline that in the case of Airbnb, when talking about gentrification, we are not expecting the processes of renovation and gentrification to happen. Property owners can simply renovate inside their

dwellings, switching their units from residential to short-term rentals.

Looking at data, in 2017 Airbnb almost accounted the 2% of all residential rent payments in New York. More dramatically it has been an exponential growth between 2015 and 2016 which is of about 20% if considering the entire New York City, but it reached the 50% only in Manhattan as the image below shows.

The new stream of housing has consistently been more intense in Times Square, Lower East Side and Williamsburg. In those areas Airbnb created a rent gap, in other words landlords have switched from renting on long-term to short-term. What is relevant to highlight here, is that those are areas of the city where gentrification had already taken place, they saw a massive increase of rent and displacements over the last decades and have been transformed into "wealthy neighborhoods". The fact that Airbnb becomes more popular in the post-gentrified neighborhoods it means that *"it intensifies gentrification and displacements where those dynamics have already been acute"*.

Apart from this category of areas in the city, there is another one that could be even more problematic, which generally refers to the peripheral areas of the city. Those parts are

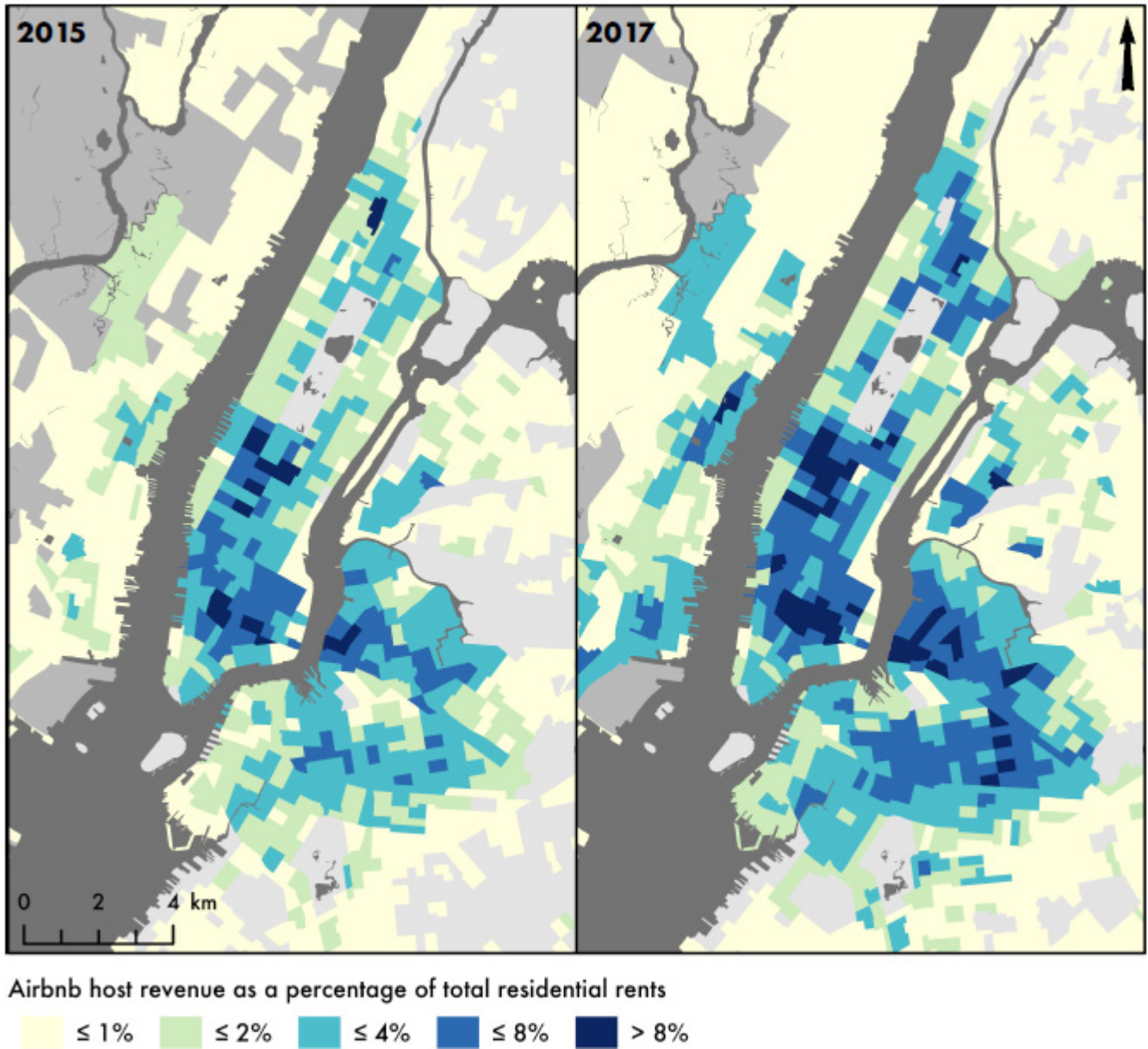


Image 57. Percentage of residential rent payments which now flow through Airbnb in 2015 and 2017.

residential district, not classified as touristic but which have been considered trendy and popular, in New York those would be North Manhattan and Bedford-Stuyvesant in Central Brooklyn. These two neighborhoods are at greater risk for Airbnb-induced gentrification in the near future

since the relevant diverge between actual ground rent and potential one as we have seen in the rent prices paragraph.

The way the authors decided to operate in order to understand where it happened gentrification and where is going to happen

is by analyzing some factors and interpreting them both individually and together.

1. Percentage of housing revenue that now flows through Airbnb. This first pattern indicates where Airbnb has opened and closed already a rent gap.

2. The percentage of the median rent on Airbnb, which indicates where there is still money to be made for landlords by converting long-term rental housing into short-term rentals. In technical words it refers to where Airbnb has opened a rent gap which has not been closed yet.

3. The intersection of those two indicators shows where rent gaps are closing but not yet closed, where new Airbnb revenue has been considerable, but landlords continue to face incentives to introduce new short-term rentals.

The image below represents an attempt of identifying where those areas are in New York city. The first category is highlighted in blue, where there is a high current impact, neighborhoods who belong to this group are Midtown Manhattan, Lower Manhattan and Williamsburg. The red color identifies areas which are at risk in the near future (because of the disproportion of income generated by renting on Airbnb, therefore there is an open rent gap) although are not in this situation currently.

As mentioned before, Harlem in Manhattan and Bedford-Stuyvesant in Brooklyn fit this profile. The last one shows the intersection of those two concepts, in purple are figured neighborhoods where Airbnb had its high impact already, opening and closing rent gaps but new opportunities for higher revenues are appearing on the market, therefore there are high chances that the same pattern will repeat one more time.

Researches realized that the areas of the city differentiated by color on the map, are actually divergent also for color of population inhabiting there. In fact, Airbnb has had the greatest impact in the non-Hispanic white neighborhoods while the areas at risk for future are the Hispanic and African American ones. Putting numbers into perspective, *“households in areas suffering high current impact of Airbnb in New York are only 34% non-white, while household in areas at risk of future impact are on average 71% non-white. Given emerging research demonstrating the prevalence of racial discrimination on Airbnb (Cox 2017; Edelman et al. 2017), the pattern identified here implies the impending arrival of a new intensification of racialized gentrification in New York”*.

“A challenge for students of rent gap theory is to illustrate

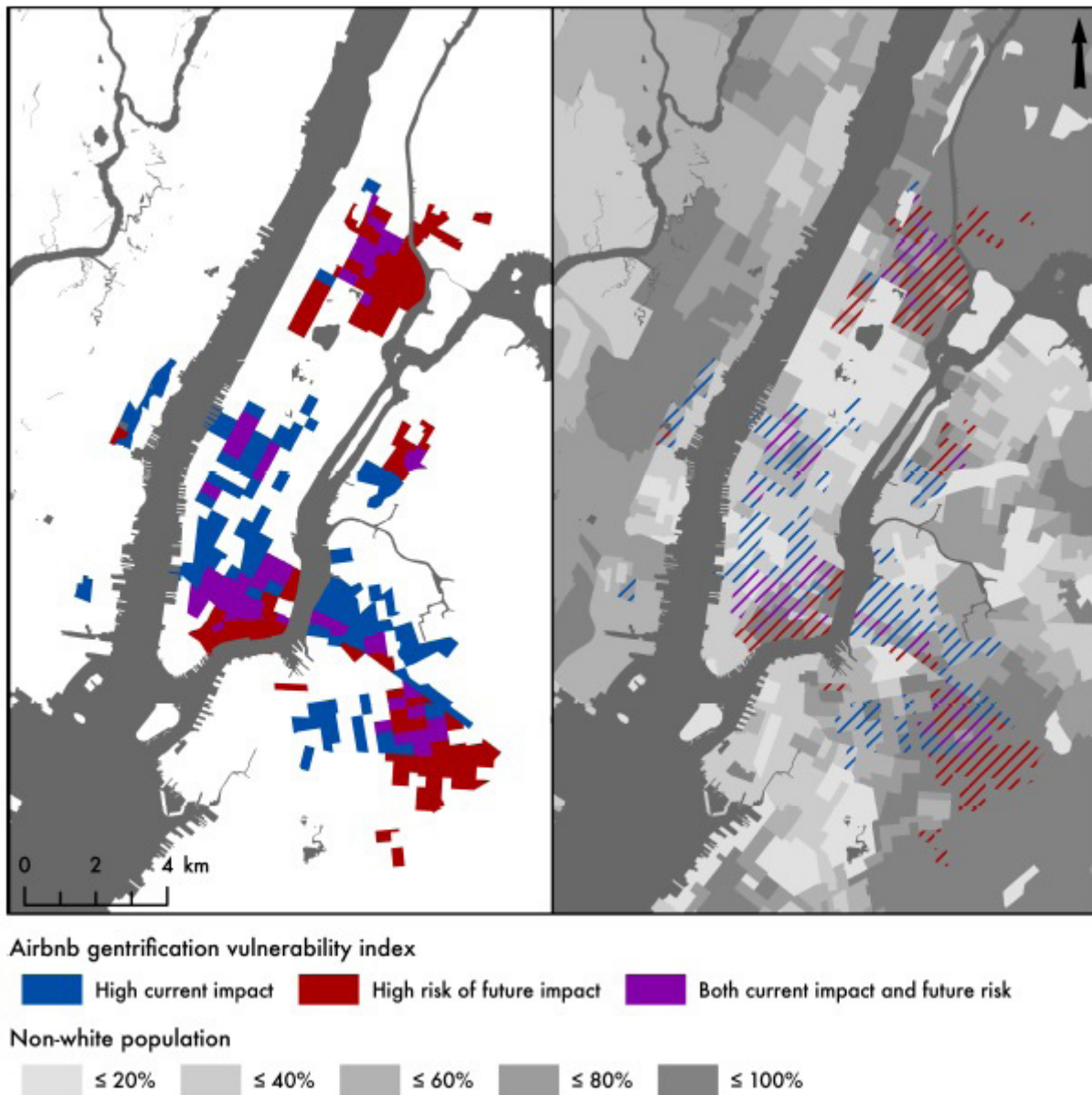


Image 58. Gentrification in New York city. Source D. Wachsmuth and A. Weisler 2018.

specifically how the opening and closing of rent gaps leads to the agony of people losing their homes” (Slater 2015).

In the case of Airbnb and short-term rentals those consequences are straightforward. We have two types of results:

1- Reduction of housing stocks

available for long-term residents
 2- Increased rents and housing prices.

Each of them leads to displacement in different ways. According to Marcuse (1985) there is a deep distinction between direct displacement and exclusionary

displacement. The first one in the case of Airbnb would happen if landlords expel residents to switch properties into short-term source of revenues, therefore they are directly displacing them. While exclusionary displacement manifest if (in this case through Airbnb) prices of housing become prohibitive so that families cannot afford anymore to live in the neighborhood and are excluded from the market as a target, therefore we talk about exclusionary displacement.

However, this situation would not occur if the listings on the platform would be casually available when owners are not in town or it refers to spare rooms underutilized. Unfortunately, in

New York a high percentage of listing are available on Airbnb for more than a third of the year, which make difficult to have a full-time tenant living there and a consisting percentage of listing is possible to book for more than eight months in a year, so it is certainly impossible. The positive side of it is that such forms can be regulated and there is room for improvement. Data needed to fully continues in this research are about the number of tenants who were forcibly evicted from their apartments to free up units for Airbnb (direct displacement) and number of units were simply converted into Airbnb listings after they "naturally" became vacant (exclusionary displacement).

Attempt of regulations

REGULATION AND REGULATORY CONFLICT

Existing research suggest that a commonality to the business model of firms in the corporate sharing economy is disruption of existing governance arrangements more than existing market structures (Geobey 2018). Many attempts have been made by politicians around the globe to regulate short-term rentals however not many have proven to be effective. Regarding the regulation in New York, regulators do not always speak with one voice or demonstrate

interest to the sharing economy phenomenon, which however is probably going to be present in the business scene still for a while. In the meanwhile, not having a common view of what is in the best interest for the city, the platforms continue to play the game with their own rules.

Since the situation of affordable housing is diminishing in New York, politicians found an agreement and in 2018 have introduced new short-terms regulations that were

going to become mandatory from the 2nd of February 2019. Taking as reference the paper from UPGO (Urban Politics and Governance research group) "The impact of new short-term regulation in New York City" written by David Wachsmuth, Jennifer Combs and Danielle Kerrigan there few things that are relevant to considerate in order to understand which approach is thought to be most suitable in certain situation especially from a Municipality which has seen the Airbnb phenomenon growing exponentially. This overview may help to enlarge the visions and evaluation of how municipality of Milan is responding to the same issues. According to the researchers, without new regulation over the next year

1- *"The number of housing units which would be taken off the New York long-term housing market by Airbnb, and thus would become unavailable for New York residents, would increase by 1,800 to 10,800"*;

2- Listing revenues that will be earned by illegal reservation would increase of 68%;

3- *"Airbnb's growth will lead to \$8.6 million in rent increases for New Yorkers looking for apartments next year (and \$60 million in rent increases over three years), in addition to the \$616 million in previous*

rent increases identified by NYC Comptroller Stringer (2018)";

While with new regulations effects will be mitigated since the City will target mostly commercial operators and full-time hosts:

1- Average daily listing will decline of the 46% so it means from 56,800 to 31,000;

2- *"8,700 housing units will be back on the market: 8,700 housing units which had previously been taken off the market by Airbnb would be returned to the market, reducing rents and increasing vacancy rates"*. Rental vacancy rate will increase again, mostly where Airbnb presence is high, some neighbourhoods in New York city are particularly at risk, having less than 5% vacancy rate. In particular in the neighbourhoods of Williamsburg and Greenpoint the expected return for the next year is approximately of 720 units, while 730 for Chinatown and the Lower East Side, 290 returned in Park Slope and Red Hook, 400 in Bedford-Stuyvesant and 1160 in Chelsea, Clinton and Midtown;

3- Illegal revenues will decrease of about 69%.

The scheme compares the number discussed above, before and after the new regulation.

	Without new regulations	With new regulations
Active daily listings	57,300 (0.8% increase)	31,000 (46% decrease)
Illegal revenue	\$548 million (13% increase)	\$170 million (69% decrease)
Housing removed from or returned to the market	1,800 units removed	8,700 units returned

Image new 59. Comparison on regulation. Source New York Wachsmuth, scenario Combs before and after the Kerrigan 2019.

This new regulation introduced in August 2018, requires short-term rental booking to share their information with the municipality, however it has been blocked by a judicial injunction which it means that at the moment Airbnb's activity will further commercialize. The amendment requires STR booking services to share all STR-related transaction information with the city, including:

- The physical address of the STR;
- The full legal name, physical address, phone number and email address of the host;
- The name, number and URL of the listing;
- Statement as to if the transaction was an entire dwelling unit or part of a unit;
- The number of days that the unit was rented
- The total amount of fees received by such booking service, and, if the booking service collects rent on behalf of hosts,

the total amount of the rent.

Even though the new regulation seems not to be drastic on Airbnb's activity, as said in chapter four, the most powerful tool that governments might have in the sharing economy scenario is the data. Only through information they can predict future consequences, understand causes-effect relationships and formulate proper amendments to avoid negative externalities. Researchers have considered three hypothetical scenarios, one if the law does not come into effect because of the judicial injunction, one if there is a moderate law enforcement and the last with a strong enforcement scenario.

Baseline scenario is the situation in which the law does not become effective.

For the moderate scenario, they predicted that the major immediate effect is similar to

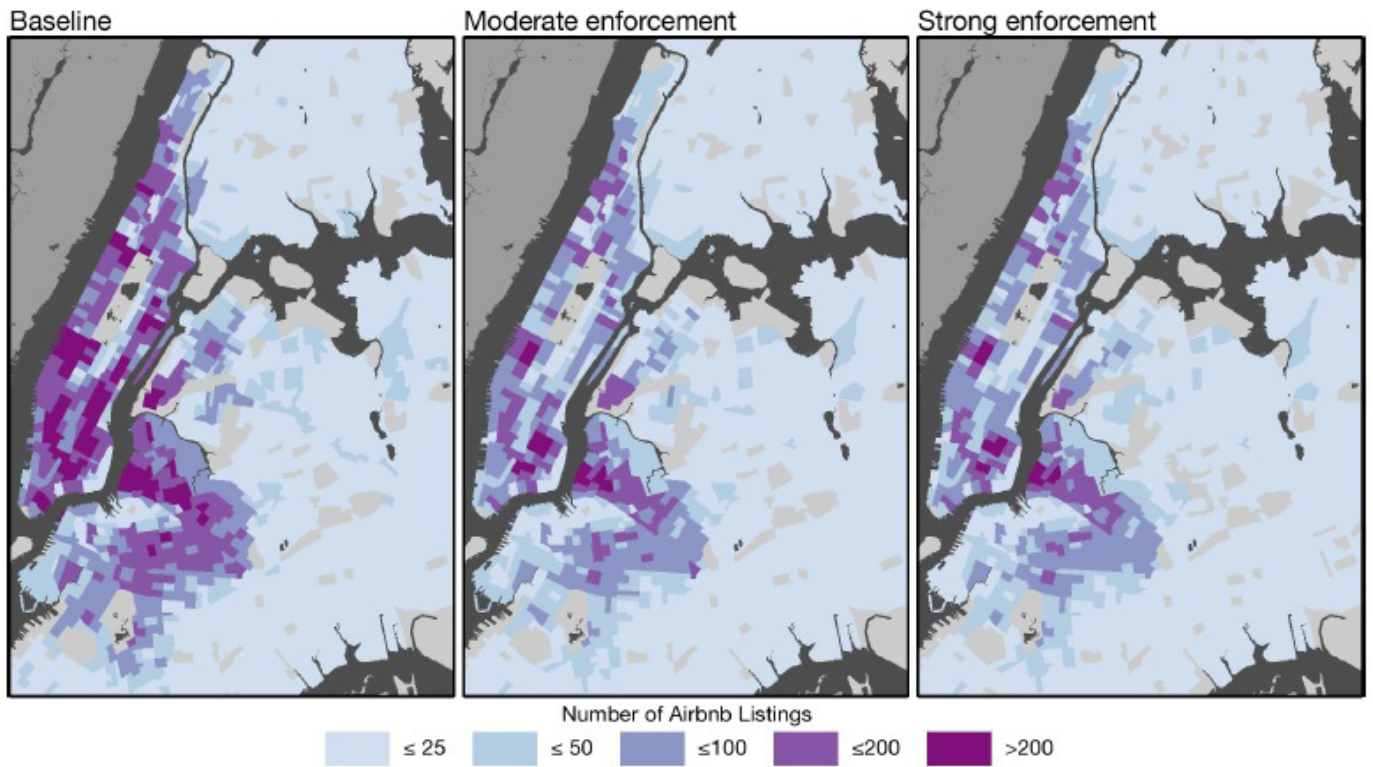


Image 60. Representation of the three possible scenarios in New York City. Source (Wachsmuth, Combs and Kerrigan 2019)

what happened in San Francisco (after new STR regulation) where it was to remove a large number of relatively low-performing listings from the market because people were feeling uncomfortable to share their own data with the municipality and afraid of possible repercussions. *“We furthermore assume that the City would choose to use the information about host activities it will gain under the new regulations to increase the effectiveness of its current enforcement activities, with a particular focus on restricting hosts to a single entire-home listing”* (Wachsmuth, Combs and

Kerrigan 2019). In terms of data, they assume that 73% of entire home-listing will be removed from the market which often correspond to commercial operators which are exactly the ones municipality is aiming to eliminate from the competition.

The strong scenario is similar to the previous one, just adding pressure on the hosts who are very frequently renting entire homes listings, meaning by frequently as rented for more than four months per year. *“We assume that 25% of such listings remain unchanged, because they are operating in buildings unregulated by the*

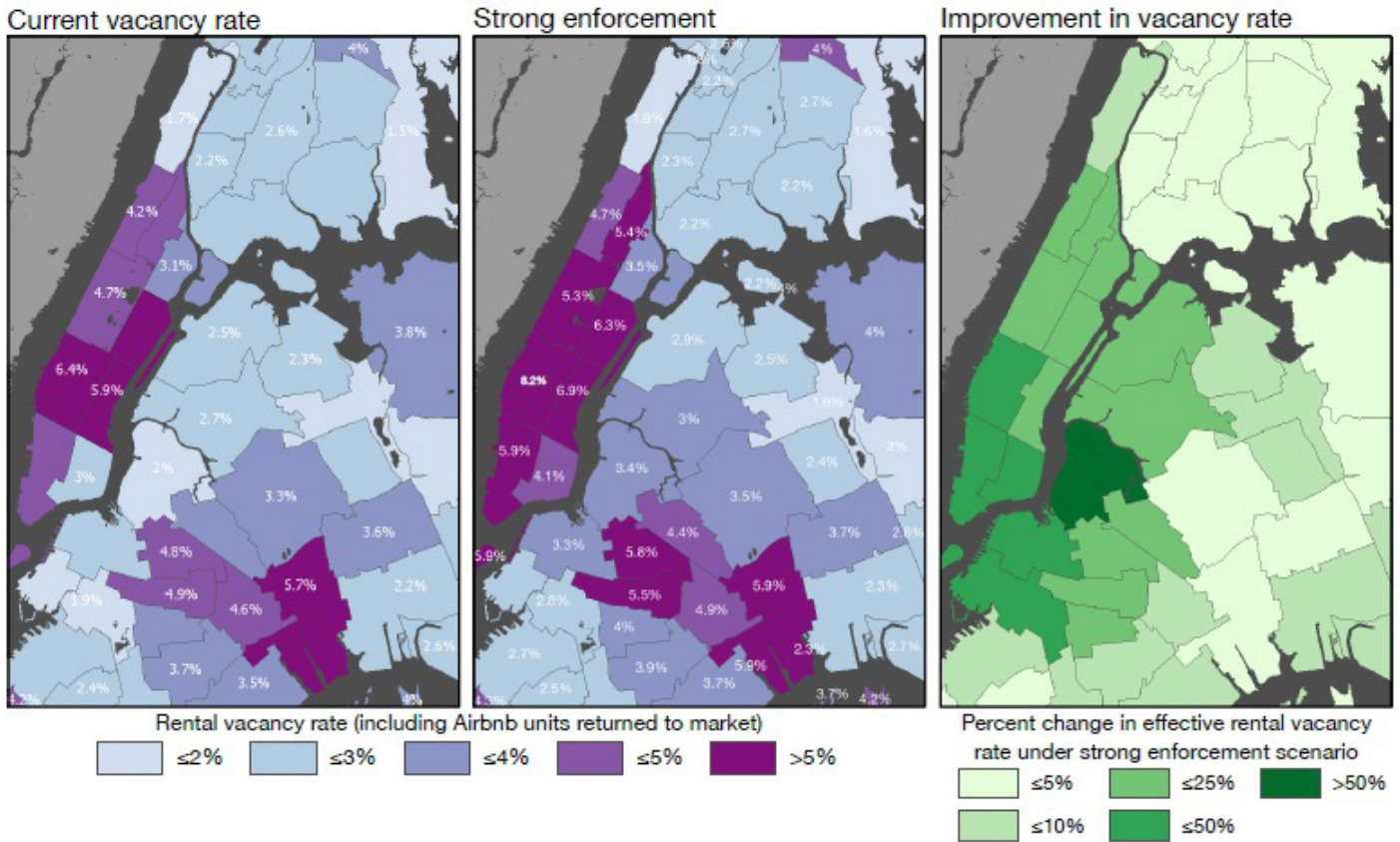


Image 61. The impact of returning Airbnb units to the market on neighbourhoods vacancies rent. Source Wachsmuth, Combs and Kerrigan 2019.

Multiple Dwelling Law or because they shift their activities to 30-night-or-longer rentals, which are permitted under the Multiple Dwelling Law, that 25% limit their activity to 120 nights booked per year, and that 50% leave the platform altogether”.

In terms of housing affordability what is expected to come back on the market in terms of listings number, is 2,700 dwellings in

case of moderate enforcement (predicting a decrease of listing on the platform of 24.8%), while in case of strong enforcement is expected that 8,700 housing units returns to the long-term rental market.

The image above shows the cases of baseline model, strong scenario enforcement and the actual return of listings on the market in case of strong scenario takes place.

5.3 Comparing other policies

In this chapter I would like to bring as an example the experiences and the strategies adopted by different local authorities around the world (especially in Europe). I feel it is extremely important to do so for two reasons, first of all because it remarks the fact that if municipalities from different countries are adopting measures to limit the spread of Airbnb in their territory it confirms that there is an emergent issue that need to be addressed. Second of all, once agreed on this assumption the comparison was enlarge the vision of what has been done already in Milan and what could be improved.

Sunny Angulo from the municipality of **San Francisco**, the heart of Airbnb, says that

the platform was encouraging the relocation of the inhabitants, entire buildings became out of the traditional housing market. When the municipality started to prove that there was a need for regulating this phenomenon Airbnb opposed forcefully, spent 8 million of dollars, hired lobbyists and tried to push back the rules that at the end had been approved. Today there three requirements to be able to put an online announcement:

- be a resident
- put only one property
- be approved by Municipal office

In case of violation, your permit will be removed. However, it is not too difficult to predict how to register fake information. (information's taken from "Report AAA Affittasi Italia")

In Italy politicians feel they have less power. The mayor of **Florence** founds unacceptable that he does not have the power to limit the number of Airbnb in the city centre. While it is possible when we are talking about hotels, it is not legal when we are talking of the usage of a private property. Is it stripping the city of its local? From the data there are no evidence, although the chances of tricking the system are numerous, for example being a resident in town and hosting via Airbnb. Researchers discovered that one out of five flats in the historic centre of the city is listed on Airbnb. (information taken from "Report AAA Affittasi Italia")

In **Paris** an existing law was tightened. "The rule of compensation obliges a person who takes an apartment off the rental market to buy a commercial property and turn it into a residential one".(Unfairbnb, 2018) The relevant fact is that the compensational apartment needs to be bought within the same district, to prevent traders from taking off the housing market a listing from an appealing neighbourhood replacing with another one in a less attractive area of the city. However, we can predict that Airbnb is very steadfast and fought back Paris, there is not a final agreement yet. *"Too many homes are diverted and used as a cash machine year round. This phenomenon*

feeds real estate speculation contributes to the sharp rise in prices, and generates strong neighbourhood nuisances" Maxime Cochard, an advisor to Ian Brossat, told CEO.

In 2014 **Barcelona's** government decided to suspend the permits to use apartments for short-term rental in Ciutat Vella (a group of central neighbourhoods of the Catalan city. *"The following years would be marked by serious conflict between AirBnB and the municipality, culminating with a fine of 600,000 euros to both AirBnB and HomeAway for breaking the rules, and an intensified hunt on illegal listings that would result in many fines, some at a high level.*²¹ In the case of AirBnB there has even been threat of banning the company from operating in the city" (Unfairbnb, 2018) By April 2018, Airbnb has still not accepted to include in its website a tourist licence registration number that would help the municipality to fight illegal listings.

Amsterdam's municipality tried a totally different strategy in 2014. The government set up as rule "to not rent an apartment on Airbnb for more than two months per year". The agreement was signed by both City council and Airbnb, under the conditions that the municipality would facilitate the possibility of renting an apartment while

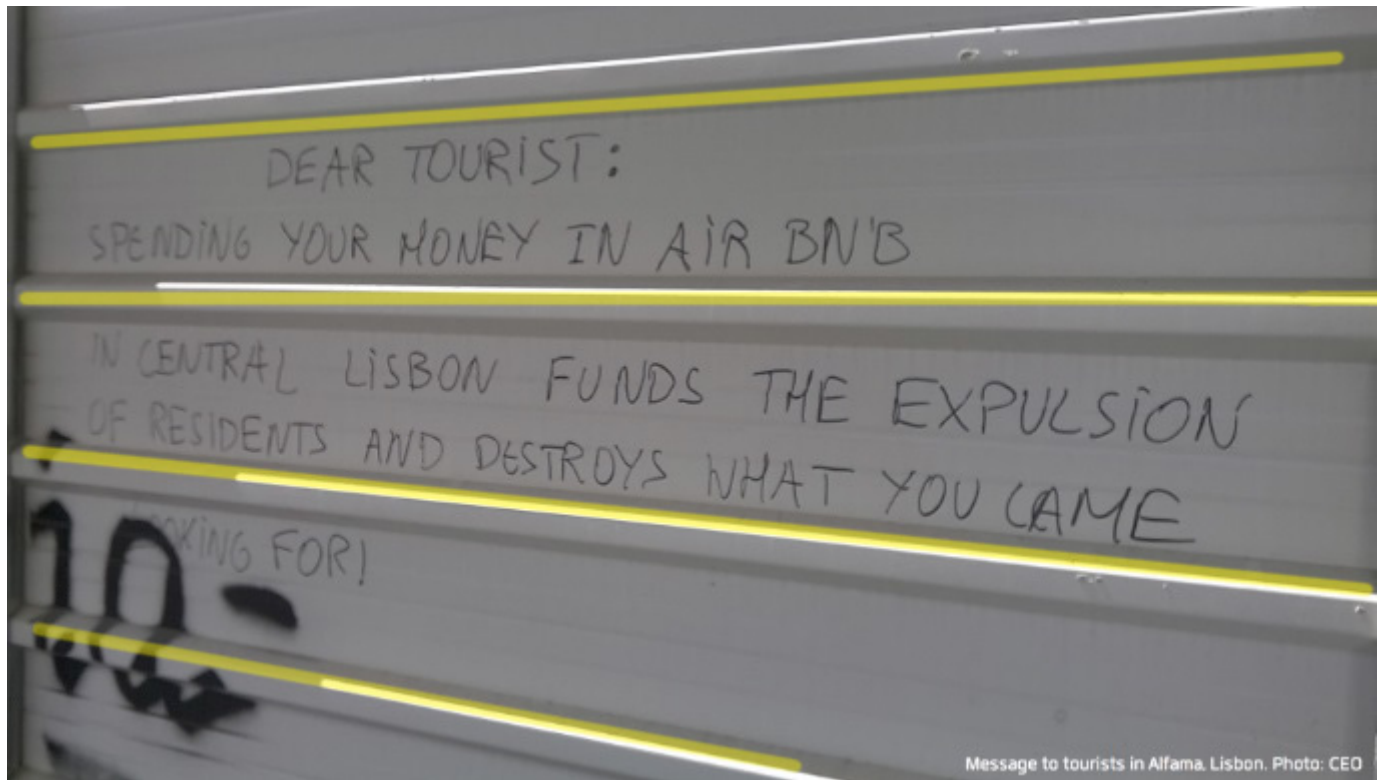


Image 62 . Message of frustration along the streets in Lisbon. Source Unfairbnb,2018.

Airbnb would help to tackle illegal businesses. However, in 2016 still three quarters of the listing were breaking the rules and managed to work illegally despite the twenty-two-inspector devoted to the “witches hunt” full time! Unsatisfied, politicians put an additional limit in 2018, restricting the allowed time of renting from two months per year in only one.

In Berlin the authorities, in response to the rapid growth of short-term rentals, put a freeze on new permits for

letting apartments and houses in the city in May 2016.

“On that occasion, on 22 March, majority speaker in the City Council of Berlin Iris Spranger (SPD) introduced the bill that would increase fines for illegal listings, but her first remark was of a more general nature. Referring to recent statistics that showed the rules in force had returned a full 8,000 apartments to the long-term rental market³¹ she said, “This shows we got it right!” (Unfairbnb,2018).

5.4 How Lombardy regions tries to regulate Airbnb

If it can seem surprising that the title of this paragraph is about Lombardy rather than Milan, let me start by saying that in Italy tourism competences are regional therefore this the following laws applies in Milan as in Branzi (town of 800 inhabitants up in the mountains).

One of the challenges while writing my thesis was to find data as previously said, however while in the case of New York the municipality provided information

regarding rental prices, people in need of accommodation and through regulation they achieved an agreement with Airbnb's founders to share information. Unfortunately the same root has not been paved in the case of Milan.

In 2015 the article "Milan embraces Airbnb & Simplify rules" showed how the city was supporting Airbnb business. The achievements for hosts in Milan and the business in Silicon Valley were:
-Lombardy residents are free to share their houses

-Home sharing is classified as nonprofessional activity
 -Hosts will not have to deal with complex registration requirements designed for professionals or have to display signals outside their homes
 -Hosts will benefit from new notification requirements designed for regular people.

In 2016 the article “Affitti casa con Airbnb anche occasionalmente? Ecco tutti gli obblighi” from the Milano Today page, turned the situation around.
 - Maximum price must be shown inside the house in Italian and at least other two languages
 - Need to report guests ID to the public security authority (questura di Milano)
 - Obligation to take out insurance policy
 Since the new Regional Law on tourism n27 / 2015 “Regional policies on tourism and attractiveness of the Lombard territory” has come into force, according to article 58 which regulates the common provisions for all hotels and non-hotel structures. These laws categorize the non-accommodation structures into five types and establishes their legal obligation (see table n...). Airbnb belongs to the last category “Case e appartamenti per vacanze CAV (houses and apartments for holidays).

However, the new law provides for restrictive measures also for non-occasional holiday homes,

in practice those that can be found on Airbnb or other sites. Many people in Milan prefer not to include their apartments in the long-term rental market, but rather on Airbnb and similar online platforms. Furthermore, other requirements have been introduced by the act of August 5, 2016 concerning rental housing for a duration not exceeding 30 consecutive days. What does it mean? That two different cases like: case A, an investor who puts a different tenant inside the accommodation every 30 days, or case B an old lady who rent out a spare room fifteen days in a year period to help the nephew are basically put on the same level.

For the Regione Lombardia the activity is not to be considered entrepreneurial if the total number of apartments rented are less than four per person, and if the activity is occasional. However, it has not been precisely defined what is occasional and what not, leaving space for interpretation. To show how encouraging this list of requirements can be I decided to report it here.

ENVIRONMENT

- Compliance with heating regulations;
- Compliance with water regulations;
- Compliance with energy regulations

NUMBER OF BEDS

- One bed each 8mq if flat measures

less than 48mq;
-One bed each 12mq if flat measures less than 84mq;
-One bed each 14mq if flat measures more than 84mq

BATHROOM

-It is granted a bidet exemption but only for technical impossibilities;
-The alarm call button is mandatory

BEDROOM

-It is mandatory to have a bed;
-It is mandatory to have a wardrobe;
-It is mandatory to have a bedside table with lamp;
-It is necessary to have a basket and a mirror inside the room

KITCHEN

-There have to be at least two cookers;
-The fridge needs to be minimum 130 litres if the number of beds inside the house is less than four, while minimum 200 litres if the number of beds is higher;
-It is mandatory to have the sink; there may not be an oven if there is a microwave;
-There need to be extra chairs for optional guests,
-It is mandatory to have a kettle;
-Either in the kitchen or living room, the sofa's sitting need to accommodate at least 3 people

ACCOMMODATION

-The washing machine is not optional;
-The fire extinguisher and the

safety deposit box are mandatory;
-There must be the tourist brochure in Italian and English (the format must necessarily be in paper form);
-There must be a list of the equipment of the house and the manuals of each existing appliance in Italian and English;
-It is not mandatory, but it is preferable to have TV at home

HOUSING TOOLS

-For each guest needs to be included two sets of cutleries, one soup plate, one plate, one coffee cup and one tea cup;
-Also need to be inside the house one milk jug, one cheese grater, two dish cloths;
-The electric plug needs to be close to the mirror.

This "minimal standard" also raise the question of the possibility for the Region or any surrogate institution to check if hosts have applied those rules. how does rules are going to be monitored? Who is in charged to control? Nobody. There is not a public body who is in charged to check the listing and you do not need a degree to understand how to abstain from adopting those rules. Since certainly Airbnb does not volunteer in doing so, I would say they are not respected. However, this list of requirements I find to be intimidating for someone who would like to rent once in a while.

Conclusion

“The rise of the sharing economy phenomenon and its exponential growth is generating a variety of consequences especially in the most developed countries” was the first sentence of my introduction.

What became clearer during the research phases was that one of the reasons of the sharing economy's platforms success is that they spread an advertised message of helping middle class to raise extra money, giving the illusion to simply be an integration of income. In other words this business model is “socially accepted”. Many goods are shared helped by the platforms as a way to connect to more users, generating a sense of online community who share the same values. Among those goods, there are dwelling as well, once again this “service” is called “home-sharing” to underline the positive meaning that home rather than dwelling has in English language.

One platform which paved its way on those basis is Airbnb, on which my thesis is focused on. However, going deeper evidence shows that the revenues generated through Airbnb are incredibly high and concentrated in only 20% of the total amount of hosts (even though has partly contributed to some families' income). In some cases, has been even advertising that it helps women, sponsoring the fact that there is a high concentration female hosts involved in this market which might be true, however, according to newspapers and media black users (in some cases even homosexual couples had the same issues) are having a harder time in being able to book an accommodation, feeling discriminated and isolated.

Apart from the ethic point of view in these regards, what bothers me as new urban planner is the risk of racial and social

gentrification which might lead to urban segregation of some who share the same characteristics pushing further from the economic center of the city. Risk that is amplified by the rising of rental prices. This raises the question of what is left inside the city center, the answer can be found in two main groups, the wealthy class resident and the tourists flow. As a consequence, this leads to an over-touristification of the city where citizens may have the feeling to have lost the quietness of their neighborhood, in favor of parties, music and noise or simply the sound of trolley's wheels because more and more residents are leaving the area not being able to fully trust their surrounding anymore. This situation surely adds more pressure to the peripheries and the sense of renovated center often does not tell the uneasiness that encumber outside the city center. The new city users, whom residents left the space for, where do pay taxes? In the case of Airbnb, they do not contribute to local fiscal system, therefore their money are not re-invested in public sector and citizens do not beneficiary from the economic "revitalization" tourism is supposed to bring to towns. However, some, the ones who open businesses tourism-related, do have more chances to increase their revenues. It does not have to surprise that if the number of travelers goes up in a certain area, also the

services will start to change. The risk that the explosion of city markets and services for tourists increases the price of living in any given city compared to "regular shops" creating the saturation of commerce. Therefore, the entire aim of the city changes, passing from being for citizens to being for tourist. One of the most discussed cities in which this phenomenon is manifesting is New York, which was pioneer of the Airbnb unregulated business (Wachmuth and Weisler;2018).

In other cities in Europe, administration is trying to regulate Airbnb's business by limiting the amount of days a listing can be "rentable" or setting the number of dwelling that a host can place on the website in order to prevent the possibility that more houses are taken off from the traditional rental market. It was interesting for me was to understand if the situation is comparable with the situation in New York at any scale. From the information I was able to identify, it seems that Milan is at the beginning of the same process of over-touristification, however data are not official on both side (Airbnb and the Municipality) therefore they should be looked at but not fully precise. Even though consequences are hidden or not evident yet, Milan is the second biggest market place in Italy for Airbnb activity and it

is significant enough the fact that its diffusion started only just around Expo 2015, and Italy is the third most profitable country among 192 where Airbnb operates. It would have been interesting to be able to support theory through practice and experimental approaches.

As Gianluigi Chiaro and Enrico Bergami discuss in their presentation "Airbnb and the City" when Airbnb compromises the housing affordability by putting at risk students and workers on call who are in need of rents, increases prices and dislocate families generating sublocation phenomenon, it does bring up the topic of fiscal eviction where Online platforms do not pay taxes to local municipalities and professional hosts see in these markets an opportunity to pay less taxes than they would otherwise do in the traditional market field.

Facing the reality, since there was no possibility to access

official data, actually raised the question of "Does the municipality have them? How are they trustable?" As we have seen in chapter 4, population growth in Milan is one of the urgent topics that needs to be addressed. Comparing with other cities in Europe and more specifically the case of New York, apparently administrations have (and are not shy to provide) information regarding average rental prices, some of them even fixed conditions to allow people to have the right access to the housing system.

The spiral of arguments discussed above, warns and warms me enough to believe that planners and policy makers should respond through regulation now, and not later in the future, to address those topics and first of all ensure the functionality and the affordability not only of housing but of the city itself, for the citizens, workers and students who are looking for a place to call home ●

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