

Executive Summary

Key findings

The digital economy, based on increasing global digital accessibility, has stimulated many new business models. Among these, the ability to employ the free capacity of private assets for non-professional entrepreneurs (individuals), and thus grow the economic value of such assets. Airbnb, one of the leading short-term accommodation platforms, is an example of this type of business model.

Airbnb has a significant, positive influence on the development of tourism. Through Airbnb's operations, the V4 countries experienced a positive economic impact of 2,275 billion EUR in 2018.¹ This positive impact on the V4 economies creates socio-economic benefits through the improvement of social amenities and, more importantly, the development of entrepreneurship. Post-communist countries in the CEE region have had a long-term deficit compared to Western European countries.

Airbnb and the associated ecosystem of economic activities have had a significant impact on reducing economic disparities. In regions with a shortage of opportunities for citizens on maternity or paternity leave or significant labour market discrimination (leading to local structural-economic problems), digital platforms like Airbnb develop active involvement of women, statistically discriminated-against employees, and individuals over 60 years of age in economic activities. This is especially beneficial outside large metropolitan areas. Opportunities generated by collaborative environments as short-term rental platforms help people seek for alternative profitable activities besides other options such as part-time jobs. Thus, Airbnb contributes towards building careers, eliminating income inequalities, and improving the financial stability of households with children.

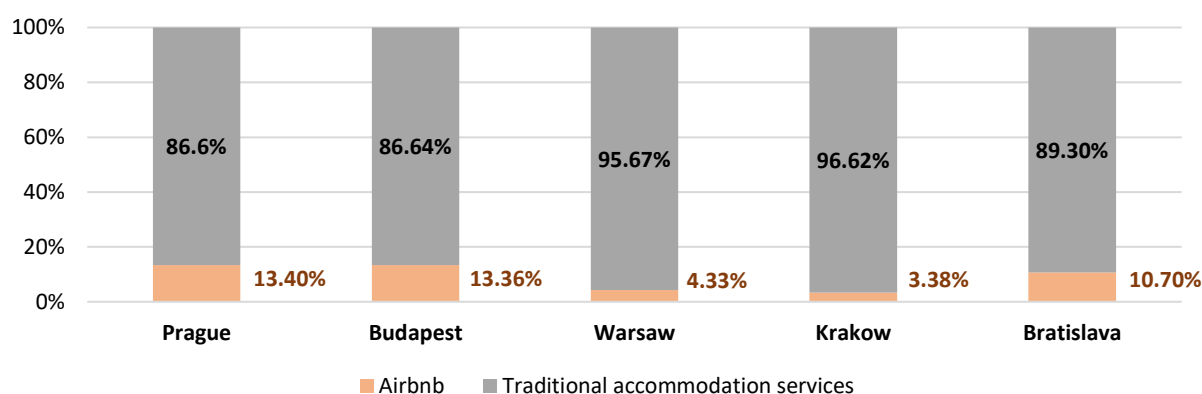
Airbnb has followed² the growth trajectory of global tourism. The total number of listings (volume of accommodation) accessible through Airbnb in the V4 countries reached 104,400 in 2019. Approximately 4,63 million visitors made use of accommodations offered in the V4 countries. About 810,000 of these visitors were staying in accommodations in their country of residence, demonstrating the importance of domestic travel via short-term rentals.

¹ Within the analysis, for estimation and quantification of multiplier effects, the authors use data related to the pre-pandemic situation (2018, 2019) which reflect the natural situation not affected by a major external shock such as the COVID-19 pandemic and related government security measures. A standard expenditure multiplier for an open economy is used to calculate the total economic impact. The expenditure multiplier captures the change in total production in an economy caused by additional units of expenditure on consumption, investment etc.

² This statement does not consider the COVID-19 pandemic.

Analysis: Airbnb socio-economic footprint in the Visegrad Group

Figure 1: Layout of tourists in V4 cities (2019)

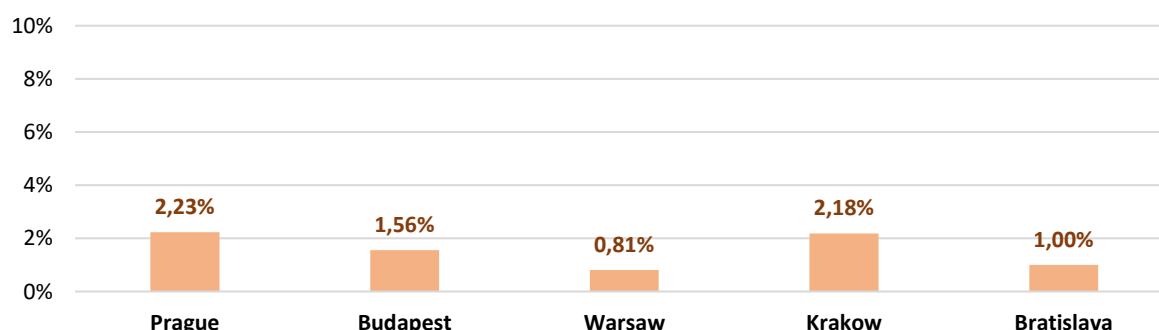


Source: Airbnb, National Statistics Bureaus

Airbnb complements traditional accommodation services. While most tourists relatively still prefer traditional accommodation services, various studies show Airbnb has contributed to inclusive growth of tourism with very own base of tourists. In Warsaw and Krakow, more than 95% of tourists chose traditional accommodation, such as hotels or motels; less than 5% of tourists booked their stay via Airbnb (i.e., shared apartments or rooms). In Bratislava, about 90% of tourists chose traditional accommodations (10% of tourists accommodated via Airbnb). Airbnb's market share of accommodation bookings is approximately 13.4% in Prague and Budapest (figure 1), however, a significant share of guests claim that they wouldn't travel without opportunity to use Airbnb listing in the tourist destination. Despite the growing popularity of Airbnb, a share of Airbnb listings on the total housing stock is still relatively low with 0.8% in Warsaw and 2.23% in Prague (figure 2) – the number of apartments used primarily as short-term rental assets (+180 days a year) are significantly lower.

On the other hand, Airbnb represents an important market player who is undoubtedly an essential part of the future development in the tourism industry. Thanks to the wide range of accommodation options it offers, families with children, freelancers, remote workers, and ordinary tourists can choose their optimal preference. Many people might not have travelled to some destinations at all if there weren't accommodation options that sharing economy platforms provide.

Figure 2: Share of Airbnb listings on housing stock

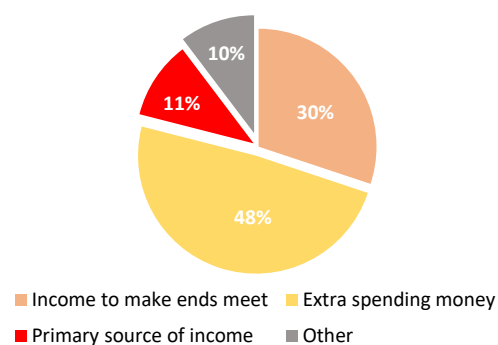


Source: Airbnb, National Statistics Bureaus

Analysis: Airbnb socio-economic footprint in the Visegrad Group

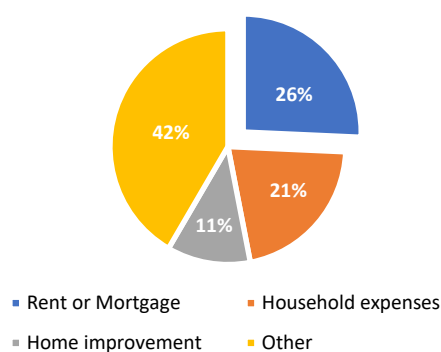
Airbnb hosts in V4 countries spend 26% of their income on rent or mortgages. Another 21% hosts spend their income on household expenses and 11% on home improvement (figure 4). Income earned through Airbnb is a primary source of income for 11% of hosts and on the other hand, it is a supplementary income that is necessary to make ends meet for 30% of V4 hosts (figure 3).

Figure 3: Description of income earned through Airbnb in V4



Source: Airbnb

Figure 4: Percentage of income spent in V4 (categories)



Source: Airbnb

Key points for further policy development

The concept of a digital (sharing) economy certainly raises various potential concerns and opportunities. These concerns may not only be related to the platform itself, but also to third parties. Negative impacts (negative externalities) matter most. The following points reflect the most important topics related to home sharing platforms, that need to be addressed in the future:

- **TAXATION: Introducing cooperation with institutions responsible for the proper fulfilment of tax liability.** Airbnb can collect and remit accommodation taxes and other similar taxes in partnership with municipalities on behalf of its hosts. This helps ensure a streamlined process that lightens the administrative burden for both hosts and local governments. Airbnb has already created more than 500 agreements globally and developed various tools to ensure the sustainable development of responsible tourism and its harmonious fiscal co-existence with local communities. Moreover, income generated through Airbnb is considered and taxed as a business income in many countries.
- **REGULATION: Effective enforcement of existing regulatory conditions.** Short-term rental platforms are continuously under pressure from new restrictions or city ordinances. However, (potential) negative externalities neither correspond with the existence of the platform itself nor the lack of sufficient regulatory rules. The problem primarily lies with insufficient compliance and inconsistent enforcement of existing rules and laws. **Moreover, short-term rental platforms face significant regulatory fragmentation (from the point of view of both actors - hosts and service providers) when local rules conflict with the EU legal framework.** It is desirable to consider the continuous creation of an EU-wide approach to short-term rental regulation in the connection with the proposed Digital Services Act and other EU-wide regulations, such as registration schemes.
- **COMPLIANCE: Exclusion of users who behave inappropriately from the platform.** Hosts who do not meet the responsibilities that Airbnb requires of them are not desirable members of the platform. The same is true of guests who systematically violate house rules, local ordinances, or Airbnb user terms and conditions. Several tools have already been deployed by Airbnb, such as the

Analysis: Airbnb socio-economic footprint in the Visegrad Group

feedback mechanism, Neighbour Support Line, Good Neighbour Guide, party bans, distribution of noise meter devices, etc.

- **FAIR COMPETITION: Securing fair market conditions for all subjects providing accommodation services.** If one group of providers pays taxes and another group does not, unfair competition arises. There is no space for fiscal free-riders on the platform and thus, developing and enforcing fair legal rules needs to be strengthened in cooperation with local authorities. The simpler and more transparent the system is, the less negative externalities occur, fiscal policies included. Importantly, the underlying rules should always be proportionate to the nature of the activity being regulated - with the lightest obligations for “peers” (for example an obligation to provide a contact number and declare compliance with relevant local rules) and, depending on the policy goals defined at the national and local level, potentially additional layers of regulation for professional operators, whilst ensuring the latter are still able to offer their services freely across the EU. Non-STR, traditional hospitality offered via an STR platform should continue to be subject to separate rules, as is the case today.
- **SUSTAINABLE TRAVEL: Preventing excessive tourism in cities.** The Airbnb platform is often blamed for contributing to challenges related to overtourism in V4 cities, although there is no proper definition of this phenomenon. In fact, rising tourism has been a trend since the 1990s, when the borders of post-communist economies were opened. Individual countries have invested billions of euros into PR activities and tourism marketing, regardless of the existence of Airbnb. Instead, Airbnb helps to prevent over-tourism through its wide range of accommodation offerings throughout the entire country, especially outside the traditional tourist areas. Recommendations by hosts and guests play significant role promoting accommodations outside traditional tourist areas.
- **HOUSING: Influence on occupancy and the cost of housing in cities.** Housing supply and affordability have become public issues in V4 countries. The social costs of shared housing in cities is overestimated by many citizens, as various studies conclude. Price formation on the housing market is influenced by several factors with a data-based explanation. Unfortunately, many myths, including the influence of short-term rental platforms, are prevalent but might be debunked. Rising prices are primarily driven by urbanization (net migration into cities), demographic factors (increasing life expectancy), supply constraints (insufficient construction of new housing), inflation, the expansive monetary policy of central banks in the EU, and growing purchasing power.³ Airbnb has not played any significant role in housing affordability in V4 countries, so any regulation of Airbnb cannot solve the problem of rising prices of residential housing.

Conclusion & Recommendations

In the context of the COVID-19 pandemic, shared accommodation will undoubtedly play a very important role in reviving the tourism industry, revitalizing local economies, and meeting the resurgent appetite for travel and experiences. Therefore, now more than ever, it is crucial to

³ Econometric time-series analyses contained in “Analysis of the market for residential housing in Prague” by CETA from 2017 identified these variables as statistically significant factors that stand behind the growing prices of housing in Prague. The influence of Airbnb on property costs was found to be statistically insignificant.

Analysis: Airbnb socio-economic footprint in the Visegrad Group

continuously seek a common path to set up fair and transparent rules that work for all stakeholders, including public administration, the Airbnb community, homeowners, and travellers themselves.

The pandemic has changed how people want to work and travel. Airbnb allows travellers to find unique accommodation that meets their needs. Hosts, who help connect their guests with the local community and offer entire homes with private amenities, are often the most successful. Those services are not provided by hotels.

Healthy and sustainable tourism determines the future growth of the whole tourism industry. The high concentration of tourists in the most-known locations creates several threats, mostly related to the sustainability and residents' life quality. A horizontal development of tourism is Pareto efficient approach – it brings crucial benefits to people in new tourist areas without creating negative externalities related to over-tourism.

The challenges mentioned above must be solved by regulators in cooperation with the platform. That is the only way to reach a fair and sustainable solution for all stakeholders. The restarting of the tourism industry around the world represents a unique opportunity to establish strong cooperation and to find the desired compromise between the Airbnb platform and city administrations. COVID-19 lockdowns showed cities face many challenges, but Airbnb is not one of them. Thus, the study concludes with a set of recommendations for V4 countries:

- 1) Support increased housing construction with new zoning plans.** The most efficient way of making housing more accessible is to allow more housing units on the market.
- 2) Reduce bureaucracy, especially in construction permit procedures.** V4 countries, except for Poland, do very badly in housing construction permit issuance procedures rankings.
- 3) Regulate negative externalities, not results of economic growth.** Growing prices are not automatically a negative aspect but could also be a sign of V4 countries catching-up with more developed economies (growing wealth).
- 4) Define between entrepreneurship and home-sharing properly.** There is a significant difference between speculating investors, owning dozens of housing units, and individuals sharing their own flat or renting a unit when they are away. Efficient enforcement of existing regulatory frameworks, such as registration schemes, should regulate the former group, which is common and efficient regulatory tool, with no negative impacts on the latter.
- 5) Collect taxes and fees in cooperation with Airbnb.** Tax and fees (un)paid by hosts are an important issue related to short-term rental hosting. The platform has shown it can efficiently cooperate with fiscal authorities; authorities can outsource collection responsibilities to the Airbnb platform. It solves the legal standards-compliance issue with minimum costs.
- 6) Promote efficient communication.** Use motivating policies to push online platforms to establish up more efficient communication with both hosts and guests, especially about the terms and conditions related to their participation on the platform. Focus especially on elimination of negative externalities.
- 7) Respect economic synergies of tourism and local development.** Cities and whole regions can significantly benefit from tourism, as well as individuals with low opportunities in the labour market. Do not undercut economic growth with inefficient regulation, which could force economic activities related to tourism and accommodation into the shadow economy. Cooperation among

Analysis: Airbnb socio-economic footprint in the Visegrad Group

the platforms and municipal governments, and between the platforms' users and neighbours, brings great results.

- 8) **Respect private property.** Property owners should have the sovereign right to decide how to utilize his or her assets within the limits of existing regulation.

Summary of Country Reports

- **Czech Republic**

Pre-pandemic data (2018) shows that Airbnb guests contributed EUR 860 million to the Czech economy with an overwhelming majority of guests (66%) staying in Airbnb apartments and travelling with family. According to CzechTourism's latest analysis, the decline in tourism and a slump in sales in all related industries is expected to result in a loss of 324 billion CZK (approx. 12.2 billion EUR) and the disappearance of almost 200,000 jobs.

Airbnb's business empowers communities to drive economic recovery and growth at the grassroots level. Moreover, every fifth guest claimed that they would not have visited the neighbourhood where they stayed if it had not been related to the Airbnb booking. Thus, hosts on Airbnb help to spread visitors throughout the whole city or region so the most popular tourist areas are not overcrowded.

- **Poland**

In 2019, Airbnb guests spent 301 million EUR on amenities and attractions during their stay (nearly 50% of guests confirmed that they spent more on attractions/activities during their stay as a result of savings made by staying in Airbnb accommodation). Money spent by guests fuels local economies while, during 2019 alone, hosts earned nearly 62 million EUR. For just over half, this provided additional disposable income, but 25% of hosts said this income was necessary to make ends meet.

Income received by hosts and spent by guests circulates through the economy, bringing the platform's total economic impact to just under 555 million EUR in Poland (2018). Moreover, Airbnb enabled more than 1 million foreign visitors to explore Poland in one year alone (2019) and two-thirds of guests were foreigners, which is also confirmed by the data by the Polish Statistical Office.

- **Hungary**

Airbnb hosting revenues are of vital importance for many families. The income generated is "of outstanding importance" for 42% of hosts and it is the primary source of income for 11% of hosts. However, it is not only accommodation service providers that benefit from Airbnb. Businesses offering goods and services related to tourism benefit as well. The COVID-19 pandemic is undoubtedly a game changer - due to lower levels of social contact required, very usual at airports, big hotels or famous tourist areas, Airbnb is expected to play a crucial role in restoring consumers' confidence in travel. This corresponds with the data focusing on consumers behaviour: 18% of Hungarians would not plan to travel abroad or domestically in the close future and 10% had not decided yet.

In 2018, tourists booking accommodation via Airbnb spent 418 million EUR (141 billion HUF) in Hungary. The total economic impact of the platform generated 765 million EUR due to multiplication and spillover effects.

Analysis: Airbnb socio-economic footprint in the Visegrad Group

- Slovakia

During 2019, more than 250,000 guests stayed overnight via Airbnb in Slovakia. Annually, guests spent about 50 million EUR on local attractions/activities, bringing the estimated overall economic contribution to million 95 EUR (2018). Almost one-fifth of the guests confirmed their stay would have been shorter by four days on average if not booked via Airbnb.

Airbnb has a much smaller economic footprint in Slovakia than in other Visegrad countries. However, significant growth is expected. Only one third of Airbnb accommodation is in Bratislava, which brings significant potential for economic development in rural or non-urban areas of the country.