

Opinion | Betsey Stevenson, Columnist

## Banning Airbnb Won't Solve the Housing Crisis

Allowing residents to rent out their homes can help them recoup some of their investment and make city living more affordable.

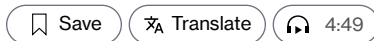
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By **Betsey Stevenson**

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Don't look for these apartments on Airbnb. *Photographer: Manaure Quintero/Bloomberg*



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When it comes to housing, almost all governments say they want to make it more affordable – and then they embrace policies that do the opposite. The latest illustration of this unfortunate trend, a ban on short-term rentals, came to Barcelona just last month, and similar policies are being tried in New York and elsewhere.

The theory is that services such as Airbnb in effect take units off the market, driving up rental costs for city residents. By effectively banning Airbnb, cities are betting that they can make more affordable housing more available.

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That's not what happened in New York. Instead, hotel prices rose and tourists were pushed into New Jersey,

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There has always been tension between visitors to a community and its residents. Visitors are there to have fun, so they may be loud, messy and disrespectful. They also tend to spend a lot of money in restaurants, at shops and for entertainment. That benefits locals both by providing an income and by creating the demand necessary to have such amenities in the community. The crash of the tourism economy during the pandemic hurt many communities and bankrupted many businesses.

People who advocate for Airbnb bans rarely argue that they want fewer tourists. And if places want tourism, they need to provide tourists somewhere to sleep. Those higher hotel prices that come after significant limits on short-term accommodations will ultimately lead to the development of more hotels – using space and capital that could be used for residential housing.

Limiting short-term accommodations can make less space for residences by reducing flexibility in the market. The beauty of letting families make their own decisions about whether to rent out their home is that when demand changes – for example, when the Olympics come to Paris – then supply can elastically respond. High demand drives prices higher, which will convince some people to stay with friends or family, go on vacation to a less crowded place, or even take in a tourist.

This helps density increase during peak times and allows residents to benefit from the ebb and flow of demand in their community. Without such flexibility, a city would need more hotels to accommodate peak travel season, and then those rooms might sit empty for large parts of the year.

Yes, a ban on Airbnb may cause some city residents to put their place on the traditional rental market or take in a housemate. But others may simply leave. There is no doubt that current homeowners are hurt when a city adopts new restrictions on how they can use their home, but future homeowners are also hurt. Some people can afford living in a city only if they can rent out their place on Airbnb.

The development of platforms such as Airbnb has helped democratize the hotel business by allowing any homeowner to tap into the tourist market. But there is a more profound change: The rise of short-term rentals is helping to democratize homeownership, which remains the primary source of wealth for most households. Short-term accommodations offer Americans a way to put this wealth to work for them, giving those with less steady or lower incomes another path to home ownership.

As an economist, I see this change, which allows for the more efficient use of housing capital, as nothing short of miraculous. Living standards improve when people – whether locals or tourists – get more bang for their buck.

Tourists can be more noisy or messy than residents would like. But there are ways to address these problems without an outright ban. Limitations on the number of guests or number of days a property can be rented out, combined with stronger enforcement of local noise ordinances, can help reduce the negative impact on neighbors.

Governments are using the rise of short-term accommodations as a scapegoat for their own failure. Consider some of their other policies: rent control, which indirectly reduces supply by lowering the returns to building housing; limits on density, which directly reduce supply; restrictions or processes that slow down construction and reduce the return to housing development; and tax systems that encourage people to hold onto property even as fewer people live on it.

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