

## Literature Review

At its meeting on December 3, 2019, the Standing Policy Committee on Planning, Development and Community Services received an information report prepared by the Administration, providing an update on the regulatory review for short-term accommodations. The Committee resolved:

“That the Administration report further on the potential risks to the attainable housing rental market posed by short-term accommodations, inclusive of a literature scan and review of rental availability across the cost spectrum locally as additional context to vacancy rates.”

This appendix addresses this resolution.

In December 2019, the Administration conducted a literature review of studies published by universities, or printed in peer-reviewed journals, and planning publications. The key finds of this review were:

1. Studies were generalized to the overall housing market, and did not study or isolate for the impacts on long-term rentals in the attainable housing market. Data on rental availability across the cost spectrum in Saskatoon was unavailable.
2. Generally, short-term accommodations reduce the supply of long-term rental stock, which limits choice and puts upward pressure on long-term rental prices; however, at this time, econometric modeling to measure the impact has not been conducted in Canada.<sup>1</sup>
3. The effects that short-term accommodations have on the availability and price of long-term rental housing is highly regionalized and varies considerably across Canada and the United States, with the greatest impact observed in markets with low vacancy rates.
4. The impact was also shown to vary with location of housing, with the greatest affordability impact observed in concentrated areas, such as city centers where demand from the tourism sector is the greatest.

## Findings

Short-term accommodations reduce the supply of long-term rental housing stock, resulting in high rental prices from long-term tenants competing against short-term guests.<sup>2</sup> A study was conducted by McGill University in 2019 on the impacts of short-term rentals in Canada. The key finding was that the proliferation of short-term accommodations in Canadian municipalities, and around the world, has impacted both the availability and affordability of long-term rentals through the conversion of homes

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<sup>1</sup> Jennifer Combs, Danielle Kerrigan and David Wachmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts*, (Forthcoming in the Canadian Journal of Urban Research), 15.

<sup>2</sup> Mike Sheridan, *Short-Term Rentals and the Effects on Housing Affordability* (Urban Land, Fall 2019) 247.

that could have otherwise been used as dwellings, into dedicated short-term accommodations.<sup>3 4</sup>

A decrease in housing affordability due to short-term accommodations could occur from two possible situations:

- The first is through a reduction in housing stock, which otherwise would have been available for long-term renters. As rental housing availability decreases and demand increases, rents may increase.
- The second is that the ability to convert a dwelling to a short-term accommodation could result in the property generating more revenue than it otherwise could if it were available for long-term rental. As a result, short-term and long-term tenants are bidding for housing in the same market as short term guests.<sup>5</sup> Generally in Canada, landlords can make more money providing short-term accommodations than long-term accommodations<sup>6</sup>.

A 2017 study of the largest 100 metropolitan areas in the United States determined the number of short-term accommodations in a neighbourhood increased both rents and house prices. The effect was strongest in neighbourhoods with high rates of rental properties.<sup>7</sup>

Impacts that short-term accommodations have on the availability and price of rental housing varies significantly across Canada and is highly localized. The greatest impact has been in Canada's largest cities, and in resort or vacation communities. For example, in 2018, 10% of the housing units in downtown Montreal were frequently rented on Airbnb. In Tofino, British Columbia, a resort community, approximately 18% of all dwellings were frequently rented on Airbnb. Comparatively, less than 0.05% of dwellings in Lethbridge, Alberta were frequently rented on Airbnb during this same period.<sup>8</sup>

A 2019 study conducted by a consulting firm for the City of Ottawa found that in 2018, 1.2% of units in purpose-built apartment buildings were actively listed as short-term accommodations.<sup>9</sup> In the same period, 740 housing units in Halifax, representing 1% of the entire housing stock, were actively listed as a short-term accommodation.<sup>10</sup>

The 2019 Ottawa study concluded that while a greater number of short term accommodations would tend to push the rental vacancy rate lower, when municipalities

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<sup>3</sup> Combs, Kerrigan and Wachmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts*, 3.

<sup>4</sup> Brian Doucet, *AirBnB and the Struggle for the City*, (Plan Canada, Summer 2018, Vol. 58, No. 2), 21.

<sup>5</sup> Combs, Kerrigan and Wachmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts* 15.

<sup>6</sup> Brian Doucet, *AirBnB and the Struggle for the City*, (Plan Canada, Summer 2018, Vol. 58, No. 2), 21.

<sup>7</sup> K Barron, E Kung & D Proserpio, *The Sharing Economy and Housing Affordability: Evidence from Airbnb*, (2017).

<sup>8</sup> Combs, Kerrigan and Wachmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts*, 18.

<sup>9</sup> Prism Economics and Analysis, *City of Ottawa Rental Market Analysis*, (2019), 42.

<sup>10</sup> David Wachsmuth, Charlotte Belot, & Amy Bolt, *Short-term Rentals in Halifax*, (Urban Politics and Governance Research Group, School of Urban Planning, McGill University, 2019), 3.

do experience high vacancy rates the option to provide short-term accommodations can have a moderating effect on the vacancy rate, by providing an alternative use to what may otherwise may have been an unoccupied unit.<sup>11</sup>

Tight housing markets, with low rental vacancy rates nearing zero, and sudden reduction in the supply in long-term rental housing will have a greater and more immediate impact on the price of rent, compared to a housing market with a high rental vacancy rate.<sup>12 13</sup>

Further, concentrating short-term accommodations in a specific area of a municipality has been shown to intensify the impact on long-term rental availability and price.<sup>14</sup>

The impact of short-term accommodations on housing affordability will depend on the extent to which short-term accommodations are removing dwellings from the market that would have otherwise provided housing for long-term tenants. One way this could be measured is to compare the number of housing units converted to short-term accommodations with the number of vacant rental units available for rent;<sup>15</sup> however, there is limited literature and academic research at this time on the specific neighbourhood and housing market impacts of short-term accommodations for either the rental market as a whole,<sup>16</sup> or specific to the attainable housing sector.<sup>17</sup>

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<sup>11</sup> Prism Economics and Analysis, *City of Ottawa Rental Market Analysis*, (2019), 41.

<sup>12</sup> Dayne Lee, *How AirBnB Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations*, (Harvard Law & Policy Review, Vol. 10, 2016), 237.

<sup>13</sup> Nicole Gurran & Peter Phibbs, *When Tourists Move In: How Should Urban Planners Respond to Airbnb?* (*Journal of American Planning Association*, Vol 83, 2017).

<sup>14</sup> Prism Economics and Analysis, *City of Ottawa Rental Market Analysis*, (2019), 35.

<sup>15</sup> David Wachsmuth, Charlotte Belot, & Amy Bolt, *Short-term Rentals in Halifax*, (*Urban Politics and Governance Research Group, School of Urban Planning, McGill University*, 2019), 14.

<sup>16</sup> Gurran & Phibbs, *When Tourists Move In: How Should Urban Planners Respond to Airbnb?*, 86.

<sup>17</sup> Combs, Kerrigan and Wachsmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts*, 15.

## Works Cited

1. Jennifer Combs, Danielle Kerrigan and David Wachmuth, *Short Term Rentals in Canada: Uneven Growth, Uneven Impacts*, (Forthcoming in the Canadian Journal of Urban Research), 2019.
2. Mike Sheridan, *Short-Term Rentals and the Effects on Housing Affordability* (Urban Land, Fall 2019) 2019.
3. Brian Doucet, *AirBnB and the Struggle for the City*, (Plan Canada, Summer 2018, Vol. 58, No. 2) 2018.
4. K Barron, E Kung & D Proserpio, *The Sharing Economy and Housing Affordability: Evidence from Airbnb, 2017*.
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6. David Wachsmuth, Charlotte Belot, & Amy Bolt, *Short-term Rentals in Halifax, (Urban Politics and Governance Research Group, School of Urban Planning, McGill University) 2019*.
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