

Katalin Gennburg, Jannis Hertel, Carolin Moje, and Denis Petri

# COZY LOFT WITH A VIEW OF DISPLACEMENT

How the rental platform Airbnb  
is changing Berlin



**ROSA LUXEMBURG STIFTUNG**

Katalin Gennburg, Jannis Hertel, Carolin Moje, and Denis Petri

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is changing Berlin**

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# CONTENTS

<b>Introduction</b>	<b>5</b>
<b>A Airbnb's Development and its Strategies</b>	<b>7</b>
<b>B The impact of Airbnb on Berlin</b>	<b>14</b>
<b>C The different aspects of the problem</b>	<b>16</b>
1 The commodification of housing, skyrocketing rent prices, and loss of living space	16
2 Touristification and urban development	18
3 Tax avoidance and tariff evasion	20
4 Competition with the hotel industry	21
5 Data-driven capitalism	22
6 Local regulations vs. Airbnb	23
7 Conflicts and lobbying by Airbnb at the European level	25
<b>D Strategies for solutions</b>	<b>27</b>
<b>The authors</b>	<b>31</b>

## INTRODUCTION

Since its founding in 2008, the short-term rental platform Airbnb has given people all over the world the opportunity to “share” their living space with guests. In the meantime, the California start-up has become a globally active business. It earned \$4.7 billion<sup>1</sup> in revenue from short-term rentals in 2019 amidst a global housing crisis and is poised to become the main sponsor of the 2024 Olympics in Paris.

In 2020, mention of Airbnb no longer evokes romantic sleeping arrangements in Rome or “sharing is caring”, since the company has become a symbol of platform capitalism and data extractivism, law-breaking, and skyrocketing rent prices. Why have rent initiatives and internet activists made the company into a fiercely fought opponent, and why is the short-term rental platform at the centre of conversations around urban tourism in Europe?

The conflict over Airbnb draws together several different contemporary struggles for the right to the city and for urban space. New mechanisms of profiteering and principles of economic exploitation faced particularly by people living in tourist destinations are at the heart of the fight against Airbnb. Many European cities have already announced their intent to push back against the company, and their numbers are growing. Whether in Amsterdam, Paris, Lisbon, Berlin, Prague, or Budapest—all over Europe and even worldwide—neighbours are fighting for their districts, mayors for the power to act locally, and renters’

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1 David Curry, “Airbnb Revenue and Usage Statistics (2020)”, *Business of Apps*, 30 October, 2020, [www.businessofapps.com/data/airbnb-statistics/](http://www.businessofapps.com/data/airbnb-statistics/); for financial figures since 2015, see Airbnb stock prospectus at: [www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm#toc81668\\_1](http://www.sec.gov/Archives/edgar/data/1559720/000119312520294801/d81668ds1.htm#toc81668_1). Despite a slump in revenue during the Coronavirus pandemic, the company posted a profit of \$219 million in the third quarter of 2020 alone; cf. Jörn Brien, “Airbnb macht Gewinn – und drängt trotz Coronakrise 2020 an die Börse”, *t3n*, 17 November 2020, <https://t3n.de/news/airbnb-gewinn-boersengang-2020-1338202/>.

initiatives against the disappearance of living space. European city governments are now joining forces in a network of solidarity to demand help from the EU and its Commission in the fight against the exploitation of urban space.<sup>2</sup> It is clear that the same people whose business model profits from the commodification of urban space are advocating for this economic exploitation. Due to its monopoly status, Airbnb is treated paradigmatically in this paper.

Airbnb is now at the centre of urban struggles over space and, as an online platform, has become the epitome of a new kind of conflict over analogue urban spaces in the digital age. To show what caused this, this brochure first contextualizes Airbnb as part of a trend of new, digital capitalism, and then examines the situation in Berlin. We outline seven different problematic aspects of the platform's business model to show why it is important to deal with Airbnb now and illustrate what possible solutions already exist.

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2 Leo Klimm, "Europas Städte verbünden sich gegen Airbnb", *Süddeutsche Zeitung*, 17 October 2019, [www.sueddeutsche.de/wirtschaft/airbnb-treffen-paris-muenchen-1.4643054](http://www.sueddeutsche.de/wirtschaft/airbnb-treffen-paris-muenchen-1.4643054).

## A AIRBNB'S DEVELOPMENT AND ITS STRATEGIES

The start-up Airbnb started to grow almost incessantly just four years after its founding. The number of listed accommodations rose from 120,000 in 2012 to seven million in 2019—more than the five largest hotel chains combined—which amounted to 187 million reservations.<sup>3</sup>

Airbnb was one of the first platforms for the renting of private rooms as accommodation to be active worldwide, which partially explains its dominant market position today: the rooms (and later entire houses) on offer and the smartphone app, introduced in 2010, quickly made Airbnb the first choice for overnight guests. This increased demand and prompted accommodation providers to start renting out accommodation via Airbnb, resulting in a self-reinforcing cycle. This network effect can be attributed primarily to the company's timing and the fact that they were the first movers. The widespread use of the internet and the increasing spread of smartphones made it possible to book vacation homes flexibly for a few days while on the road. In this way, Airbnb functions as a platform that connects buyers and sellers. The company could even be considered an archetype of platform capitalism, in which the network effect has enabled a single platform to achieve an almost monopoly-like market power.

In contrast to Facebook, Amazon, or Google, Airbnb is a "lean" platform with only 6,300 employees as of 2020.<sup>4</sup> Other platforms offer their own services: Facebook and Google make money through advertisements, while

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3 Curry, "Airbnb Revenue and Usage Statistics", 2020.

4 Keywords: Airbnb, Wikipedia, The Free Encyclopedia, 30 November 2020, <https://en.wikipedia.org/w/index.php?title=Airbnb&oldid=991466056>.

Amazon now generates a large part of its profits by renting out servers and cloud computing services (Amazon Web Services). Airbnb, on the other hand, seems to offer little more than a website. This means that in order to grow and expand into more and more countries, it has to do little more than increase its server capacity. The easier it is for a company to scale up, the higher the growth rates that can be achieved (thanks to economic effects of scale). Many "classic" Silicon Valley companies must at the very least have space for storing and delivering their products. For Airbnb, however, everything besides running the website is outsourced, and Airbnb leases its servers from Amazon Web Services. These promising growth opportunities at a relatively low cost attracted strong financial investors shortly after the company was founded.

Airbnb is now posting record revenues, and more than a few people eagerly anticipated the company's December 2020 IPO. After a number of disappointing IPOs by tech companies such as Wework in 2019, Airbnb caused euphoria among shareholders with its public market debut, in which it gained more than 100 percent in value.<sup>5</sup> This was despite the fact that the company was hit hard by the Covid-19 crisis, which resulted in a global decline in tourism in the spring of 2020.

A company going public means that financiers and the owners of stock options must have their expectations satisfied and dividends paid, which leads to an increased pressure for value creation. Since this largely depends on accommodation in cities, the company's integration into

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5 Astrid Dörner and Andreas Neuhaus, "Fulminantes Debüt: Airbnb-Aktie legt beim Börsengang mehr als 100 Prozent zu", *Handelsblatt*, 11 December 2020, [www.handelsblatt.com/finanzen/maerkte/aktien/online-zimmervermittler-fulminantes-debuet-airbnb-aktie-legt-beim-boersengang-mehr-als-100-prozent-zu/26707102.html?ticket=ST-7570152-aqS5Pz0Py0A4b7ch2jal-ap6](http://www.handelsblatt.com/finanzen/maerkte/aktien/online-zimmervermittler-fulminantes-debuet-airbnb-aktie-legt-beim-boersengang-mehr-als-100-prozent-zu/26707102.html?ticket=ST-7570152-aqS5Pz0Py0A4b7ch2jal-ap6).

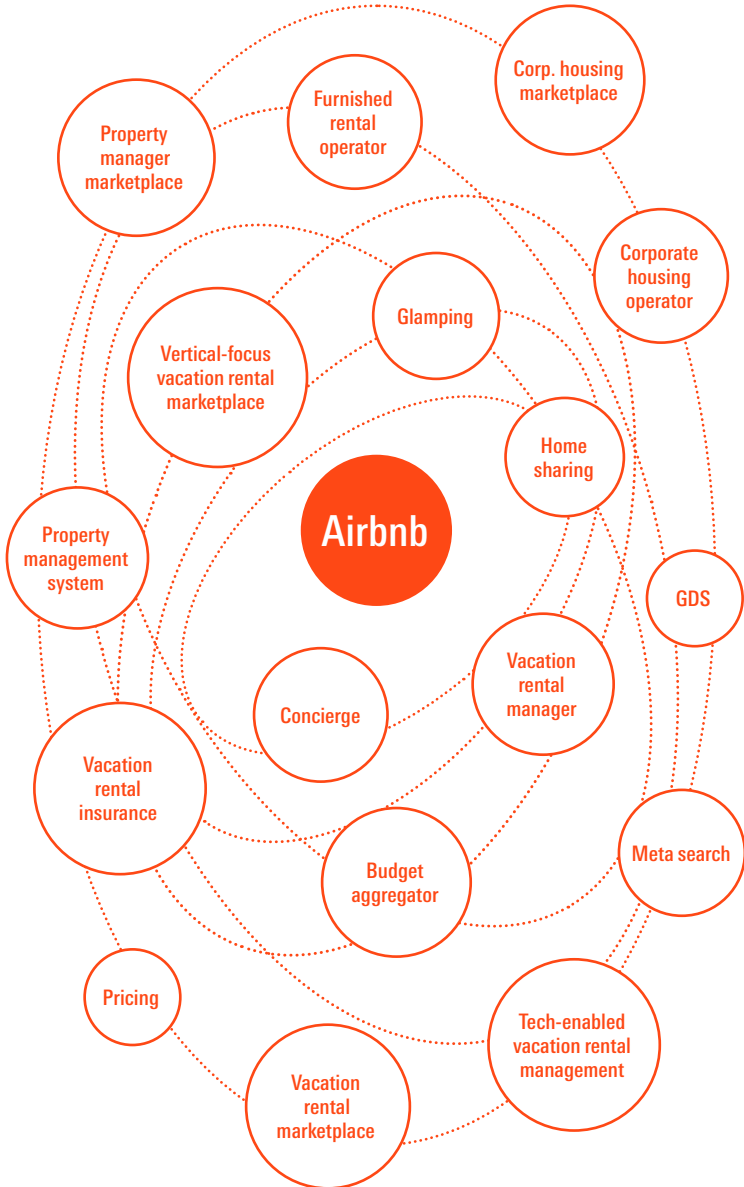


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global markets fuels the exploitation of inner cities, which is already well underway.

Despite the beleaguered cities' attempts at regulation, Airbnb's growth has only increased in recent years. As it has moved further away from its founding idea (or rather, myth) of renting out an air mattress in a living room, an entire network of companies has developed around Airbnb to professionally manage the accommodations it offers. The simple idea of brokering accommodation and collecting five to fifteen percent from guests and about three percent from hosts for each booking has created an ecosystem of companies dependent on Airbnb (see graphic on following page). This is further fuelled by the fact that Airbnb, as a (supposedly) purely intermediary platform, outsources all other tasks arising from the rental to the hosts, who in turn outsource tasks to specialized service providers.

## The universe of holiday and short-term rentals around Airbnb



To pursue its interests, Airbnb now relies on aggressive and professionally organized lobbying at the local, national, and European levels, and attempts to undermine or avert all attempts to regulate it. Meanwhile, Airbnb has achieved a level of market power and capital that has granted the company privileged access to the market. To this end, as the Corporate Europe Observatory demonstrated in an extensive study, the company is teaming up with other major players in the tourism sector, party-affiliated organizations, peak bodies and other associations.<sup>6</sup>

At the same time, more and more cities are coming to see Airbnb as a threat to their infrastructure and social duties.<sup>7</sup> There are some indications that the Wild West days of the unregulated brand-new market are over. The many court cases brought by state authorities against Airbnb testify to this<sup>8</sup> and also to the fact that municipal governments in particular are visibly countering the constant exploitation of grey areas and the circumvention of local laws.

This applies especially to local regulations against the misappropriation of residential space, which many European cities are now aiming to strengthen. Whenever a new apartment becomes available for overnight guests in a popular inner-city neighbourhood and the local administrative office wants to sanction the prohibited short-term rental, Airbnb informs them that they cannot release any data about the listings.<sup>9</sup> Besides data protection, the company's main argument is that their European

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6 Kenneth Haar, "UnFairbnb: How online rental platforms use the EU to defeat cities' affordable housing measures" published by Corporate Europe Observatory, 2018, <https://corporateeurope.org/sites/default/files/unfairbnb.pdf>

7 John Henley "Ten cities ask EU for help to fight Airbnb expansion", *The Guardian*, 20 June 2019, [www.theguardian.com/cities/2019/jun/20/ten-cities-ask-eu-for-help-to-fight-airbnb-expansion](http://www.theguardian.com/cities/2019/jun/20/ten-cities-ask-eu-for-help-to-fight-airbnb-expansion)

8 Foo Yun Chee "EU top court backs crackdown on short-term home rentals in setback to Airbnb", *Reuters*, 22 September 2020, <https://de.reuters.com/article/us-airbnb-france/eu-top-court-backs-crackdown-on-short-term-home-rentals-in-setback-to-airbnb-idUSKCN26D0YX>

9 Sven Loerzer, "Kampf um jede Wohnung", *Süddeutsche Zeitung*, 7 July 2020, [www.sueddeutsche.de/muenchen/muenchen-zweckentfremdung-wohnungen-1.4958358](http://www.sueddeutsche.de/muenchen/muenchen-zweckentfremdung-wohnungen-1.4958358)

headquarters are in Ireland and therefore must be subject to Irish law. However, Airbnb also takes its users' data seriously because they earn a lot of money from each of these illegally rented vacation homes.

As with most internet companies, a great deal of market power is generated by processing user data. With every rental, the internet company's data landscape expands, which provides information about trends and consumer behaviour in the densely populated urban fabric. At the same time, Airbnb is expanding and has long since ceased to be just a platform for vacation rentals; it now also operates regular hotels with partners, has taken over the last-minute hotel provider *hoteltonight.com*, serves as a travel agency, and is even entering the real estate business.<sup>10</sup> It is now expanding into more and more "classic" kind of business. With its so-called 'experiences', it offers not only accommodation, but also guides for getting to know the local area, and with its new monthly rentals, the company's business is extended into the area of co-living.<sup>11</sup>

Airbnb also tried to join into real estate development. In Orlando and Nashville in the United States, the provider Niido has created entire complexes of short-term rental housing.<sup>12</sup> Regular tenants agree to rent out their apartments via Airbnb on a weekly basis, which provides the company with a double source of income: one from regular rentals and another from routine short-term rentals. The

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10 See, among others, Olivia Solon "Not just homes any more: Airbnb expands into hotels and luxury spots", *The Guardian*, 22 February 2018, [www.theguardian.com/technology/2018/feb/22/airbnb-hotels-expansion-travel](http://www.theguardian.com/technology/2018/feb/22/airbnb-hotels-expansion-travel); Jordan Crook, "Doubling down on business travelers, Airbnb acquires Urbandoor", *Tech Crunch*, 5 August 2019, <https://techcrunch.com/2019/08/05/doubling-down-on-business-travelers-airbnb-acquires-urbandoor/?guccounter=1>; Olivia Zaleski, "Surprise, You Live in a Giant Airbnb", *Bloomberg*, 30 April 2018, [www.bloomberg.com/news/articles/2018-04-30/surprise-you-live-in-a-giant-airbnb](http://www.bloomberg.com/news/articles/2018-04-30/surprise-you-live-in-a-giant-airbnb).

11 Curry, "Airbnb Revenue and Usage Statistics", 2020.

12 Olivia Zaleski, "Airbnb and Niido to Open as Many as 14 Home-Sharing Apartment Complexes by 2020", *Bloomberg*, 14 August 2018, [www.bloomberg.com/news/articles/2018-08-14/airbnb-and-niido-to-open-as-many-as-14-home-sharing-apartment-complexes-by-2020](http://www.bloomberg.com/news/articles/2018-08-14/airbnb-and-niido-to-open-as-many-as-14-home-sharing-apartment-complexes-by-2020).

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tenants are mainly frequent travellers who pay their own rent by renting out their apartments while they are away, thus actually serving Airbnb's original business model. However, many tenants complain that this concentration of tourist accommodation has turned the place they live in into a vacation paradise.

## B THE IMPACT OF AIRBNB ON BERLIN

In Berlin, too, the accommodation offered on Airbnb provides a very vivid illustration of how spaces of digital capital shape analogue space. Because Airbnb protects its users when they break local laws against short-term rentals by not releasing the data, there is hardly any oversight of the apartments offered by Airbnb users.<sup>13</sup> Not all of these listings are illegal, but in a tenant city with an acute housing shortage, every short-term rental apartment is a problem. Political initiatives in Berlin have been drawing attention to these grievances for years and in the summer of 2019 some of them even called for Airbnb to be expropriated.<sup>14</sup>

Misappropriated housing refers to apartments that are not permanently used for residential purposes. According to Berlin's law preventing the misappropriation of housing, this includes not only (speculative) vacancies and apartments converted to commercial use, but also illegal vacation rentals. In order to reclaim this misappropriated living space, and in addition to political will, insight into Airbnb's data is needed, specifically the exact addresses of the listings. There are many of them in Berlin: according to its own data for an expert report commissioned by the German Federal Ministry of Economics,<sup>15</sup> Airbnb has around 22,500

13 Manuel Reich, "Zahl der Airbnb-Vermietungen in Berlin um die Hälfte gesunken", *rbb24*, 8 October 2020, [www.rbb24.de/wirtschaft/thema/2020/coronavirus/beitraege\\_neu/2020/10/airbnb-wohnungen-vermietungen-anstieg-corona-berlin.html](http://www.rbb24.de/wirtschaft/thema/2020/coronavirus/beitraege_neu/2020/10/airbnb-wohnungen-vermietungen-anstieg-corona-berlin.html)

14 Claudia Krieg, "Es geht Airbnb an den Kragen", *neues deutschland*, 19 May 2019, [www.neues-deutschland.de/artikel/1119075.zweckentfremdung-es-geht-airbnb-an-den-kragen.html](http://www.neues-deutschland.de/artikel/1119075.zweckentfremdung-es-geht-airbnb-an-den-kragen.html)

15 Bundesministerium für Wirtschaft und Energie (BMWi) "Sharing Economy' und Wirtschaftspolitik. Gutachten des Wissenschaftlichen Beirats beim Bundesministerium für Wirtschaft und Energie", 23 October 2017, [www.bmwi.de/Redaktion/DE/Publikationen/Ministerium/Veroeffentlichung-Wissenschaftlicher-Beirat/gutachten-wissenschaftlicher-beirat-sharing-economy-wirtschaftspolitik.pdf?\\_\\_blob=publicationFile&v=18](http://www.bmwi.de/Redaktion/DE/Publikationen/Ministerium/Veroeffentlichung-Wissenschaftlicher-Beirat/gutachten-wissenschaftlicher-beirat-sharing-economy-wirtschaftspolitik.pdf?__blob=publicationFile&v=18).

listings (2017)<sup>16</sup> in the city of Berlin, about half of which are entire apartments. This is roughly equivalent to 0.5 percent of the city's housing stock. This number compares to over 600 hotels in Berlin with a total of around 140,000 beds. Berlin is thus an Airbnb stronghold in Germany and joins New York, Paris, Lisbon, and Barcelona among the cities most affected by the conversion of apartments to Airbnbs.<sup>17</sup>

The example of the Irish capital Dublin demonstrates that many of these apartments are being taken out of the regular housing market.<sup>18</sup> There, the number of regular rental apartments on offer grew by over 50 percent compared to previous years in parallel with the slump in tourist travel caused by the Covid-19 pandemic in spring 2020, and an increase was also observed in Berlin.

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16 Christoph Busch, et al., "Sharing Economy im Wirtschaftsraum Deutschland", published by the Bundesministerium für Wirtschaft und Energie (BMWi), 2018, [https://www.bmwi.de/Redaktion/DE/Publikationen/Studien/sharing-economy-im-wirtschaftsraum-deutschland.pdf?\\_\\_blob=publicationFile&v=3](https://www.bmwi.de/Redaktion/DE/Publikationen/Studien/sharing-economy-im-wirtschaftsraum-deutschland.pdf?__blob=publicationFile&v=3)

17 However, short-term rentals are gradually spreading to rural communities and contributed to the company's recovery from the Covid-19 crisis; see Alexander Demnling, "Wie deutsche Touristen Airbnb aus der tiefsten Krise helfen", *Handelsblatt*, 18 September 2020, [www.handelsblatt.com/unternehmen/dienstleister/reiseplattform-wie-deutsche-touristen-airbnb-aus-der-tiefsten-krise-helfen/26189236.html](http://www.handelsblatt.com/unternehmen/dienstleister/reiseplattform-wie-deutsche-touristen-airbnb-aus-der-tiefsten-krise-helfen/26189236.html).

18 Anna Joyce, "Tourism Slump in Dublin Lays Bare Airbnb's Damage to Rental Markets", *The New York Times*, 27 October 20, [www.nytimes.com/2020/09/21/world/europe/airbnb-dublin-rent.html](http://www.nytimes.com/2020/09/21/world/europe/airbnb-dublin-rent.html).

## C THE DIFFERENT ASPECTS OF THE PROBLEM

### 1 The commodification of housing, skyrocketing rent prices, and loss of living space

Even though the Airbnb offerings in Berlin only make up a small percentage of the available housing in Berlin (if we assume we are talking about entire apartments, there are increasing indications that more entire apartments are being rented out, divided into individual rooms), this phenomenon leads to an intensified commodification of housing, i.e. elevating housing's commodity value over all other uses. Housing is being used less and less by permanent residents of the city, and even the smallest rooms are put on the market for short-term rental. These daily or weekly rental offers primarily target tourists, but also people on business trips and other people who live or work in Berlin on a short-term basis. If we consider a thesis by conservative experts who claim that a functioning capitalist housing market requires a certain amount (one to three percent) of vacant apartments in order for people to move in-between apartments, then the impact of the seemingly small fraction of 0.5 percent of apartments withdrawn from the market becomes apparent. Given the current vacancy rate of 0.8 percent, removing these living spaces from the platform would provide significant relief to Berlin's housing market.

The short-term rental market is more lucrative than regular rentals, which provides an incentive to owners and renters to make a profit by marketing their housing as vacation homes. At the same time, a local shortage in housing offers poses as an incentive for landlords to raise rent prices. This mechanism allows the increasing rent prices to flow into the local rent index, normalizing these higher rents and causing the price level to rise even more. This development is already perceptible in various Berlin



neighbourhoods.<sup>19</sup> It shows that the interests of corporate landlords and Airbnb complement each other — to the detriment of the city's residents.

Speculation comes full circle when Airbnb claims that many renters can only keep their increasingly expensive housing if they rent them out part-time, effectively supplementing their income with Airbnb. The capitalist imperatives of profit maximization are thus used as arguments to make every last corner of the city open to exploitation and to fuel the commodification of housing. If housing is only affordable by renting it out on a short-term basis as vacation accommodation, then Airbnb is not an opportunity, but part of the problem.

Closer investigation is needed to determine whether this is solely due to the housing shortage and rising rent prices or whether the overlaps in ownership structures of real estate groups and the funds and financiers that supply Airbnb with new venture capital play a role. At any rate, the asset manager BlackRock Inc. holds 4.53 percent of the shares of Google's parent company Alphabet Inc.<sup>20</sup> In turn, Alphabet is one of the largest providers of capital to Airbnb through its investment arm CapitalG.<sup>21</sup> At the same time, BlackRock holds 10.2 percent of shares in Deutsche Wohnen SE and 8.22 percent in Vonovia SE<sup>22</sup> — two housing

19 Tomaso Duso et al., "Airbnb and Rents: Evidence from Berlin", published by the German Institute for Economic Research Berlin, 2020, [www.diw.de/de/diw\\_01.c.796644.de/publikationen/diskussionspapiere/2020\\_1890/airbnb\\_and\\_rents\\_evidence\\_from\\_berlin.html](http://www.diw.de/de/diw_01.c.796644.de/publikationen/diskussionspapiere/2020_1890/airbnb_and_rents_evidence_from_berlin.html).

20 As of 4 November 2020; for up-to-date transaction data, see: <https://money.cnn.com/quote/shareholders/shareholders.html?symb=GOOGL&subView=institutional%20>.

21 John Mannes, "Airbnb files \$555M round with the SEC led by Google Capital and TCV", *Tech Crunch*, 22 September 2016, [https://techcrunch.com/2016/09/22/airbnb-files-555m-round-with-the-sec-led-by-google-capital-and-tcv/?\\_ga=2.219614032.8902390.1604488502-1034490379.1604488502%20](https://techcrunch.com/2016/09/22/airbnb-files-555m-round-with-the-sec-led-by-google-capital-and-tcv/?_ga=2.219614032.8902390.1604488502-1034490379.1604488502%20).

22 Response of the Federal Government to the small inquiry of the Members of Parliament Fabio De Masi, Jörg Cezanne, Klaus Ernst, among others, and the Die Linke parliamentary group, 21 January 2019, <https://dip21.bundestag.de/dip21/btd/19/071/1907190.pdf>.

companies that are profiting from and driving exorbitant rent increases in Berlin.

In addition to the social costs for residents, Airbnb accommodation in cities like Berlin also generate significant financial expenses for the general public. If the roughly 10,000 apartments currently deprived of permanent tenants through Airbnb were to be build anew by local housing construction companies, the resulting additional costs would be in the billions. This is money is lacking elsewhere for investment in schools, in public transportation, or the development of digital infrastructure for the common good. Consistently penalizing Airbnb accommodation that violates the laws against the misappropriation of housing could help to alleviate the pressure to address the current housing crisis through construction alone. However, this does not include the impact on already scarce building land and on dwindling urban green spaces such as parks and small gardens, which are otherwise threatened by the current building frenzy.

## 2 Touristification and urban development

The fact that the app-based short-term rentals are concentrated in certain parts of the city makes the aforementioned situation even worse: in addition to the increasing commodification of housing, entire neighbourhoods are being transformed into tourism hotspots. Lisbon is a cautionary example in this regard: its entire inner city has now been devastated by the vacation market.<sup>23</sup>

The expansion of the short-term rental market goes hand in hand with the touristification of neighbourhoods. The increase in vacation rentals is having its own disruptive effect on daily life in the city. On the micro level,

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23 Leon Ginzler "Beste Lage, zu viele Touristen", *Der Spiegel*, 3 May 2019, [www.spiegel.de/reise/europa/airbnb-in-lissabon-der-kampf-um-die-stadt-a-1265396.html](http://www.spiegel.de/reise/europa/airbnb-in-lissabon-der-kampf-um-die-stadt-a-1265396.html).

this includes noise pollution and constantly changing neighbours who sometimes show no consideration for other residents. Rising rents in particularly touristy neighbourhoods displace local tenants and businesses alike. As more traditional businesses serving everyday needs disappear, large restaurant chains and tourism-oriented supply networks are now paying the exorbitant rent prices. Vital everyday infrastructure in the form of grocery stores or childcare facilities is disappearing, for these enterprises often cannot keep up with the sharp rise in commercial rents. Because of this gentrification of neighbourhoods, the profit expectation for commercial rents increases and with it the turnover required by a commercial tenant. This is why large chains often take over commercial spaces, as they can afford to cross-finance their flagship stores in prestigious areas.

In Berlin, the majority of Airbnbs are located in a few central districts. This indicates that Airbnb is primarily used to earn money and not for people to cover their rent while they go on vacation. The geographic clustering of listings illustrates the location of popular tourist destinations - rather than how often residents of different neighbourhoods go on vacation and sublet their apartments. Neighbourhoods that have become desirable destinations for new urban tourists precisely because of the local population and the associated urban lifestyle are losing not only their charm, but also their residents. Businesses for the needs of everyday life have disappeared to make way for tourist attractions, and stores that once sold vegetables now sell souvenirs. The exploitation of residential neighbourhoods as tourist districts thus leads to displacement and to a thinning out of local services for those who live there permanently and do not want to or cannot move away.

### 3 Tax avoidance and tariff evasion

In terms of government revenue, whether through taxes or for funding social support systems, states and cities lose out on four distinct levels.

Airbnb does not pay local taxes on the revenue it generates in different areas; it only pays the extremely low tax rates at the company's headquarters in Ireland.

In addition to this, many hosts do not declare their Airbnb earnings in their tax returns. The Mannheim ZEW Institute estimates that the state misses out on more than two hundred million in income and sales taxes per year as a result.<sup>24</sup> Verifying these numbers is hardly possible, since Airbnb regularly denies the tax authorities access to rental data on the grounds that not the company, but hosts are themselves responsible for renting out the accommodation.

The company acts with similar disdain for local tourism taxes such as the Berlin city tax, an overnight tax of five percent of the accommodation fee which providers are responsible for paying. Airbnb's lack of transparency makes it much harder to control than the traditional overnight accommodation industry, meaning that its business model is virtually an invitation to tax evasion, which costs Berlin an estimated five million euros annually.

And finally, the low wages paid to the service and maintenance workers who tend to the accommodation cheat the public sector out of further revenue in taxes and contributions to social support systems due to lower taxes paid on these incomes. However, because of the lack of insight into actual rental practices this only remains an assumption.

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<sup>24</sup> Rainer Bräutigam et al., "Steuerlicher Reformbedarf bei Service-Plattformen. Eine Analyse anhand des deutschen Airbnb-Marktes", *ZEW-Kurzexpertise*, no. 19-01, Mannheim 2019, [www.zew.de/fileadmin/FTP/gutachten/ZEW\\_Expertise\\_Airbnb\\_2019.pdf](http://www.zew.de/fileadmin/FTP/gutachten/ZEW_Expertise_Airbnb_2019.pdf).

#### 4 Competition with the hotel industry

In large cities such as Berlin, Airbnb competes with the existing hotel industry. The latter has a competitive disadvantage due to the aforementioned trend away from mass tourism and towards a new urban tourism. Airbnb's flexibility compared to classic hotels also gives it a clear advantage: as a platform, it does not rely on building its own infrastructure, but makes use of a city's existing housing stock. Hosts are responsible for their (rental) apartments themselves, which means that collective urban issues such as housing shortages or the precariousness of jobs in the hotel industry are often overlooked.

The "working conditions" in Airbnb's business sector provide it with another advantage: while the accommodation industry in Berlin is paid in accordance with collective wage agreements, it remains unclear how the activities around Airbnb are remunerated. By setting the accommodation fee, hosts are responsible for generating their own profit. Other areas of work remain entirely unregulated: how much cleaners of Airbnb apartments earn is as obscure as the possible wage costs for administrative staff of vacation rental providers, who sometimes manage multiple apartments at the same time.

There are also differences between the registered hotel industry and privately offered Airbnb apartments in terms of guest and operational safety. Certain standards, for instance those concerning accessibility and fire safety, are rightly required of hotels. Privately rented out apartments do not offer the same safety standards and this has already led to some serious accidents.<sup>25</sup>

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25 Erin Griffith, "Airbnb fights its 'Party House Problem'", *The New York Times*, 27 October 2020, [www.nytimes.com/2020/10/27/business/airbnb-party-house-coronavirus.html](https://www.nytimes.com/2020/10/27/business/airbnb-party-house-coronavirus.html).

## 5 Data-driven capitalism

Airbnb's business model of temporarily subletting living space over the internet has made a major impact. Short-term apartment rentals existed before digitization, but the platform has turned it into a globally networked business model with lush revenues. Since this business sector is growing across the globe, it is giving rise to countless new applications in the Airbnb environment.

New companies are appearing in both analogue fields of business, such as cleaning and servicing the accommodation, as well as in the digital field. Thus, new kinds of data analytics are emerging around the platform operator's collection of data. These include programmes for better marketing and utilization of vacation homes as well as investment analyses for buyers of residential space, i.e. for data-based and algorithmically driven investment strategies, which further encourage the commodification of housing. For example, the start-up AirDNA offers location analyses and price potentials for providers of short-term rentals, which allows apartments to be profitably "managed" like companies.

Airbnb itself is anything but transparent about the data it collects. This is not surprising, given the fact that data ownership has become an essential component of market power as well as a new currency for internet corporations in general and for platforms in particular. Every time the platform is used, algorithms apply the data collected to calculate probabilities. In turn, these calculations enable precise forecasts of demand, trends, estimates of overnight rates, and more. Based on this information, hosts then receive price recommendations. In this way, accommodation costs are increasingly controlled by the data that the company receives from providers and users, data which is eventually designed to increase Airbnb's revenues and thus successively raise the general price level. This is another

aspect of the price spiral outlined above, which also occurs in regular housing rentals.

## 6 Local regulations vs. Airbnb

Meanwhile, opposition to Airbnb and its implications for local governments is growing around the world—from Europe to the U.S. to Asia. Cities like Munich and Paris are suing Airbnb and demanding data transparency in order to be able to determine the legality of short-term rentals. Local governments in these cities passed laws against the misappropriation of housing to protect the public interest and to prioritize the right to housing for city residents over the interests of Airbnb and vacation rental providers.

Such regulations have since been upheld in the European Union, sometimes by the highest courts.<sup>26</sup> However, the city of Paris lost a case against Airbnb in the European Court of Justice at the end of 2019: the city had wanted to stipulate that Airbnb needed a broker's license because it was brokering housing in Paris. However, the court ruled the company to be merely an internet platform.<sup>27</sup> This ruling may be legally correct, but it gives European cities no chance to fight against their commercialization by the company.

Cities regularly file lawsuits against Airbnb in order to prosecute the illegal misuse of residential space. They seek data on suspicious apartments, which proves difficult in individual cases. According to a legal opinion from the Berlin House of Representatives, Airbnb would be legally obliged to hand over the data if asked, but there are obstacles to the enforcement of this regulation in other European

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26 Deutsche Presse-Agentur report, "EuGH: Frankreich darf Airbnb-Vermietung einen Riegel vorschieben", *Handelsblatt*, 22 September 2020, [www.handelsblatt.com/unternehmen/dienstleister/wohnungsmangel-eugh-frankreich-darf-airbnb-vermietung-einen-riegel-vorschieben/26207686.html?ticket=ST-3419411-neH7T07Z3dpeGwTmnbKC-ap3](http://www.handelsblatt.com/unternehmen/dienstleister/wohnungsmangel-eugh-frankreich-darf-airbnb-vermietung-einen-riegel-vorschieben/26207686.html?ticket=ST-3419411-neH7T07Z3dpeGwTmnbKC-ap3).

27 Deutsche Presse-Agentur report, "Airbnb braucht keine Maklerlizenz", *Zeit Online*, 19 December 2019, [www.zeit.de/wirtschaft/2019-12/airbnb-frankreich-maklerlizenz-tourismus-eugh-urteil](http://www.zeit.de/wirtschaft/2019-12/airbnb-frankreich-maklerlizenz-tourismus-eugh-urteil).

countries. Local tax authorities have been more successful. For example, a special unit of the Hamburg tax investigation department succeeded in forcing Airbnb to hand over data for tax control purposes in an international lawsuit;<sup>28</sup> Berlin also received a data set comprising 11,000 entries.

In Berlin, handing over the data would help to identify Airbnb providers who, despite the law prohibiting the misappropriation of housing, offer their accommodation without having received a registration number from the city administration.<sup>29</sup> However, the immediate use of such data is currently impossible due to the provisions of the federal tax code, so the Berlin city administration is also pursuing lawsuits against Airbnb on suspicion of the misappropriation of housing.

Airbnb's willingness to cooperate—especially when it comes to handing over data—seems to vary widely by location. The company likes to boast that it offers comprehensive models for cooperation. However, these are regularly designed in such a way that the corporation itself, rather than democratic institutions, dictates the terms of data exchange, and it does so in order to consolidate its own dominant market position. For cities that do not engage with this model, Airbnb's supposed willingness to cooperate often ends quite quickly. This makes the corporation an unreliable cooperation partner for cities and municipalities.<sup>30</sup> Those who want clarity and for the common good to hold sway, cannot do without precise regulations that impose clear obligations on the company and prohibit its activities in the event of non-compliance.

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28 Haufe Online Redaktion: "Airbnb: Deutsche Steuerfahnder werten Daten von Vermietern aus", *Haufe*, 3 September 2020, [www.haufe.de/immobilien/wirtschaft-politik/vg-muenchen-airbnb-muss-daten-von-wohnungsbesitzern-preisgeben\\_84342\\_480126.html](http://www.haufe.de/immobilien/wirtschaft-politik/vg-muenchen-airbnb-muss-daten-von-wohnungsbesitzern-preisgeben_84342_480126.html).

29 Reich, "Zahl der Airbnb-Vermietungen in Berlin um die Hälfte gesunken"

30 See Murray Cox, et al., "Short-Term Rentals: Data, Negotiation and Collaboration Strategies for Cities", Sharing Cities Action Report, 2020, [www.sharingcitiesaction.net/wp-content/uploads/2020/06/Short-Term-Rentals-Data-Negotiation-and-Collaboration-Strategies-for-Cities-Report.pdf](http://www.sharingcitiesaction.net/wp-content/uploads/2020/06/Short-Term-Rentals-Data-Negotiation-and-Collaboration-Strategies-for-Cities-Report.pdf).



## 7 Conflicts and lobbying by Airbnb at the European level

The European Union is tasked with the regulation of internet platforms as part of its responsibility for the European Single Market. This prompted a group of ten cities (Amsterdam, Barcelona, Berlin, Bordeaux, Brussels, Krakow, Munich, Paris, Valencia, and Vienna) to file a letter requesting support from the EU Commission.<sup>31</sup> They requested the Commission to initiate a reworking of the outdated e-Commerce Directive on the creation of the Digital Services Act, and to define harsher penalties for big platforms. These measures are all the more urgent, since the aforementioned European Court of Justice ruling currently considers Airbnb only as a digital service provider and not as a broker, which limits the cities' room for manoeuvre. Regulation is necessary at the European level not least because the permanent conflicts and court cases between local governments and Airbnb tie up valuable resources which are subsequently no longer available to use in the fight for effective control of housing protection laws or for urban development that is geared toward the common good. This is another example of global platforms burdening taxpayer-funded infrastructure without contributing to it. Meanwhile, at the European level experts are actually arguing that issues related to tenancy law and housing policies should be excluded from negotiations over the Digital Services Act (DAS), so as to prevent national housing protection laws being 'deregulated' through these channels, and to ensure that decision-making power in

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31 John Henley, "Ten cities ask EU for help to fight Airbnb expansion", *The Guardian*, 20 June 2019, [www.theguardian.com/cities/2019/jun/20/ten-cities-ask-eu-for-help-to-fight-airbnb-expansion](http://www.theguardian.com/cities/2019/jun/20/ten-cities-ask-eu-for-help-to-fight-airbnb-expansion).

these policy areas remains firmly with the member states and local governments.<sup>32</sup>

The Corporate Europe Observatory study mentioned earlier<sup>33</sup> reveals that Airbnb counteracts Europe-wide regulation through intensive lobbying. For example, the company is represented in the European Commission's advisory bodies on the development of the digital single market through several channels, either directly or through associations in which it plays a leading role; at times it is even active on their steering committees.

The EU Commission has already warned that the unclear price structures on Airbnb could be an additional conflict at the EU level. For example, the Airbnb service fee, i.e. the agency commission, varied according to demand and often the customers could only see the final sum price after the booking was complete. This controversy has led Airbnb to at least display clearer pricing in Europe since 2019.

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32 Quelle: Cox, Muttay/Haar, Kenneth: How short-term rental platforms like Airbnb fail to cooperate with cities and the need for strong regulations to protect housing, 2020, unter: [www.martin-schirdewan.eu/wp-content/uploads/2020/12/Platform-Failures-How-short-term-rental-platforms-like-Airbnb-fail-cities.pdf](http://www.martin-schirdewan.eu/wp-content/uploads/2020/12/Platform-Failures-How-short-term-rental-platforms-like-Airbnb-fail-cities.pdf).

33 Haar, "UnFairbnb".

## D STRATEGIES FOR SOLUTIONS

In recent years, awareness of the problems the rental company causes for local communities has spread widely. Nevertheless, the existing regulations and sanctions cannot adequately deal with an internet corporation that deliberately circumvents local rules, lobbies against existing laws, and exploits the grey areas of outdated laws. A necessity for a set of institutional arrangements capable of taking action at several levels is obvious. We have gathered a number of suggestions for this.

### **1. Enacting and enforcing bans on the misappropriation of housing**

In Germany, the federal governments can enact bans on the misappropriation of housing. These allow for the misappropriation of residential space to be prosecuted, punished, or even reversed. In times of skyrocketing rents in almost all major cities, this would be a good start to taking some pressure off the current housing conditions. Where laws already exist, they must be enforced consistently, violations must be punished, and further action is necessary to force Airbnb to release data.

### **2. Pooling and supporting of legal resources**

In order to enforce existing laws, collective agreements surrounding data policy are needed. These agreements must also stipulate the disclosure of data to local authorities. Only then can regulatory law be enforced. Since legal disputes with a multi-billion-dollar company quickly exceed the financial capabilities of many municipalities, this effort must be supplemented, among other things, by the allocations of funds at the state level. To this end, a fund for legal action is needed to provide municipalities with the financial means to take legal action against the company, possibly

through various courts of law, and to gather legal expertise in a centralised repository where this is feasible.<sup>34</sup>

### **3. Hold platforms accountable for their content**

Airbnb must be obliged to comply with local legislation and to remove any non-compliant rental listings from the platform. The current manoeuvring in legal grey areas is unsustainable and must be punished with hefty fines in order to prevent the company from offering illegal listings and to ensure all due taxes are paid.<sup>35</sup> Where tourism tax is due, it should be paid directly during the booking process and transmitted by Airbnb to the relevant tax offices. Furthermore, Airbnb should be held responsible for ensuring fair pay. A first step in this direction could be to include the accommodation industry's collective wage agreement as a condition of rental in its terms and conditions.

### **4. Alliances between European cities**

Experience shows that urban and rural areas face very different problems when it comes to Airbnb. On the other hand, many European cities face similar problems. Cooperation and mutual support, as exemplified in the aforementioned letter to the EU Commission, should be expanded in order to facilitate the development of joint strategies.

### **5. Revision of the tourism development plan**

Local governments' strategies for tourism must include an active approach to dealing with new urban tourism, i.e. the promise that tourists will be able to immerse themselves in local networks and atmospheres. Appropriate regulation should be developed to Stop the touristification of residen-

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34 Anke Evers, "Airbnb: Steuerfahndung bekommt Zugriff auf Vermieterdaten", *eRecht24*,

8 September 2020, [www.e-recht24.de/news/datenschutz/12340-airbnb-vermieter-daten.html](http://www.e-recht24.de/news/datenschutz/12340-airbnb-vermieter-daten.html)

35 Reich, "Zahl der Airbnb-Vermietungen in Berlin um die Hälfte gesunken."

tial neighbourhoods. The growth of the tourism industry must no longer be viewed only in positive terms; its negative effects should also be discussed as a political issue and incorporated into urban development plans.

## **6. Regulation of the digital market at European level**

A Europe-wide digital tax for platform companies must be created and enforced in order to redistribute a portion of the exorbitant profits for the common good. Profits should be taxed at the place where they are made in order to effectively combat companies from placing their headquarters in tax havens such as Ireland.

Stronger regulation of the platform economy at EU level is also necessary. The Digital Services Act (DSA) legislative package could lay the foundations for this. Many details about the DSA are still unclear, but there are indications that Airbnb will also be addressed.<sup>36</sup> These developments must be followed closely with the goal of having a digitization policy for the people and of ensuring digital sovereignty.

## **7. Platform cooperatives and transparency platforms as alternatives**

Since there is an obvious need for vacation rental brokerage, alternatives to Airbnb that are oriented towards the public good need to be developed and financed. A good example is Fairbnb, which only offers housing that complies with local legislation and—in addition to paying taxes—also supports local projects. For example, cities could also set up their own transparency registers:

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<sup>36</sup> Silvia Amaro, "Airbnb under scrutiny in Europe ahead of ground-breaking regulation", *CNBC*, November 2020, [www.cnbcm.com/2020/11/09/airbnb-under-scrutiny-in-europe-ahead-of-digital-services-act.html](https://www.cnbcm.com/2020/11/09/airbnb-under-scrutiny-in-europe-ahead-of-digital-services-act.html); see also: <https://fairdigitaleurope.eu/>.

websites that only include renters who comply with local rules, as Barcelona has already done.

### **8. Data and city activism**

In many cities, local activist networks are involved in the fight against the company's operations. They extract and publish data from the portal to highlight the scale of the touristification of individual neighbourhoods, they flag Airbnb apartments, and organize protests.<sup>37</sup> Often, these initiatives generate or maintain pressure on local governments and administrations to act. In addition to all regulations, urban appropriation by activists from below is therefore also a central component of the solution for the preservation and expansion of a housing policy oriented toward the common good.

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<sup>37</sup> An example of such an independent, non-commercial set of tools and data can be found at <http://insideairbnb.com/>.

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