



TOURISM TRENDING

THE DYNAMICS AND IMPACTS OF
PEER-TO-PEER LODGING PLATFORMS ON THE
TRADITIONAL LODGING INDUSTRY

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MBA Program 2015 - 2016

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Executive Summary

Travel and hospitality are among the world's leading industries, and today they are some of the largest, contributing \$7.2 trillion to world GDP. With the evolution of the Internet, new technologies, like peer-to-peer platforms, have morphed the lodging industry into a completely different landscape made vaster by the broader array of accommodation options. This fascinated the team, Tourism Trending, and has inspired its members to explore the competitive dynamics within the lodging industry. Specifically, this study aims to determine whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry throughout Los Angeles, California, USA; Vienna, Austria; Athens, Greece; Rome, Italy; and Barcelona, Spain. This study also seeks to determine what strategies traditional lodging organizations and governments should employ in order to stay relevant amidst the growth of peer-to-peer lodging and deliver to stakeholders the most ideal outcome.

Tourism Trending consists of 8 knowledge-hungry MBA students who spent a year immersed in the lodging industry. Primary research was conducted through 24 interviews with hoteliers, governmental agencies, consulting firms, and peer-to-peer lodging platform companies. Secondary data was also gathered from official government websites, hotel association's reports, third party consultant reports, news articles, and other online publications.

Method

In order to make a uniform assessment of the research question, the study focused on the following variables to support a conclusion of whether or not the relational dynamics in a particular location were competitive or complementary to the traditional lodging industry:

- Growth rate of peer-to-peer bookings
- Available supply of peer-to-peer units
- Ratio between entire place rentals versus shared or private rooms
- Hotel ADR premiums/discounts
- Correlation between travel data and overnight stays

City Findings/Conclusions

Los Angeles, USA – Competitive

- Hotel ADR premiums/discounts
 - ADR for hotels and Airbnb is comparable
 - Not just appealing to low-cost accommodation niche
 - Customers across pricing spectrum
- Available supply of peer-to-peer lodging units
 - 7,000 listings added in 2015
 - Peer-to-peer supply vastly outpacing hotel supply
- Correlation between travel data and overnight stays

- In 2015, a 6% increase in airline passenger arrivals and 2.5% increase in visitation was only matched by a 1% increase in hotel overnight stays

Vienna, Austria – Complementary

- Growth rate of peer-to-peer lodging bookings
 - Growth rate has leveled off
 - As of May 2016, number of bookings have not exceeded December 2015 booking numbers
- Available supply of peer-to-peer lodging units
 - 60% housing in city subsidized by government – illegal to operate peer-to-peer lodging units, making it hard for supply to grow
- Hotel ADR premiums/discounts
 - Hotels 17.9% more expensive than peer-to-peer lodging accommodations
 - Low price proposition serves lodging industry

Athens, Greece – Competitive

- Growth rate of peer-to-peer lodging bookings
 - High growth, even faster growth rate in 2016 than 2015
- Available supply of peer-to-peer lodging units
 - Large supply, due to high rate of homeownership and need for extra income
- Ratio between entire place rentals versus shared or private rooms
 - Over 84% of Airbnb units booked are an entire place
- Correlation between travel data and overnight stays
 - Booming travel and tourism industry, yet decreasing hotel occupancy rates

Rome, Italy – Competitive

- Growth rate of peer-to-peer lodging bookings
 - Bookings doubled year-over-year
 - Independent hotels lack strategy
- Ratio between entire place rentals vs. shared or private rooms
 - 71.1% of Airbnb units booked are an entire place
 - Less immersive experience, more hotel comparable
- Correlation between travel data and overnight stays
 - Spikes in tourists arrivals go unmatched by hotel overnights
- Available supply of peer-to-peer lodging units
 - 3,000 more listings year-over-year
 - No regulatory prospects

Barcelona, Spain – Complementary

- Growth rate of peer-to-peer lodging bookings
 - Modest increase
- Ratio between entire place rentals vs. shared or private rooms

- 57% of Airbnb units booked are an entire place; more balanced distribution of travelers living with locals (sharing economy)
- Hotel ADR premiums/discounts
 - 29.8% pricing premium for hotels
 - Lower price value proposition of Airbnb complementing the market

Recommendations for Hotel Competitiveness

- Brand positioning is one of the most critical elements of a company's marketing strategy. How a consumer compares a brand versus the competition and what value they assign to a brand on recall, can immensely help or hurt a business. Therefore the below recommendations help to increase a brand's position.
 - Create "instagramable" moments
 - Create a personality/story
 - Be flexible
- Internal business operations
 - Strategize for more website direct bookings
 - Invest in consumer reviews
 - Establish brand loyalty
 - Embrace technology
 - Optimize current strengths

Improvements for Government Influence

- Step 1: Registration for owner; registration number on every listing; 2 years of booking data retained; nuisance complaints reported to city; fines and license revocation
- Step 2: Non-commercial and commercial categorization
- Step 3: Platforms collect tax; platforms report booking data; platforms assist in enforcement

Emerging Trends and Dynamics, Future Outlook

The Travel and Tourism industry is booming worldwide. Hotels are seeing a rise in occupancy rates and are generating record ADR and RevPAR. As a result, the true disruptions caused by peer-to-peer lodging platforms are masked within the growth of the hospitality industry as a whole. The dynamics differ from location to location, as hoteliers must decide whether or not to view peer-to-peer lodging platforms as competitive or complementary and legislators must decide whether or not to create laws that curtail its growth or promote its future. Hotels can only be successful by adjusting to changing consumer trends and regulations can only be effective when enforcement creates compliance. The latter may pose the more serious threat, as it is the nature of a "shadow economy" to elude governmental control. Among all of the uncertainty, city officials, academics and hoteliers across the globe can agree on one thing; peer-to-peer lodging platforms are making a major impact and they are here to stay.

Introduction

Traveling is an intrinsic need of civilization. From the 53,000 mile network of paved roads¹ built at the peak of the Roman Empire, to the invention of the steamship and railway steam locomotives in the mid-19th century², to the hundreds of airline companies currently operating across the globe, humans have always wanted to experience the world beyond their doorsteps. According to the Encyclopedia Britannica, tourism is, “the act and process of spending time away from home in pursuit of recreation, relaxation, and pleasure, while making use of the commercial provision of services”.³ It goes on to say that international tourism has been a major contributor to the global economy since the 21st century.⁴ As global wealth increases and new modes of faster transportation are created, peoples’ longing to see the world proliferates.

From this everlasting desire to explore the world, the global community has built an industry based on travel. Hospitality, from the Latin word “hospes”, means to welcome newcomers with graciousness and goodwill. When traveling, there are desires to experience the local cultures and in order to do so, a place to stay is needed. Thus, lodging (or accommodation), composed of the places to stay while abroad, is a necessary component of the Travel and Tourism industry. While the idea of paying for a place to stay during a visit is not new, expectations and desires during stays are in a perpetual state of evolution. From the beginning of the Industrial Revolution to the early 1990’s, hotel construction, occupancy and fascination had been at an all-time high.⁵ This started to change though as consumers gained access to the Internet through improved technologies.⁶ Consumers were able to compare prices, research a company’s impact on the environment and have a stronger voice in their purchasing behaviors. Hoteliers saw this movement and started altering their marketing campaigns and offerings to be more satisfying for this new consumer.⁷ As the technology continues to advance, consumers will continue to evolve demanding more from the lodging industry, including new experiences and customized service. These new desires have led to the creation of the Sharing Economy including peer-to-peer lodging platforms, which will be discussed in detail later in this paper. The impacts the evolving consumer have made on the Travel and Tourism industry is undeniable and for this reason the focus of this paper will be on the development of peer-to-peer lodging platforms and their role in the lodging industry. Specifically, it will aim to determine whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry throughout Los Angeles, California, USA; Vienna, Austria; Athens, Greece; Rome, Italy; and Barcelona, Spain, and what strategies can be forecasted for traditional lodging organizations and governments.

¹ “Ancient Journeys: What Was Travel Like for the Romans? | Ancient Origins.”

² “History of Rail Transport.”

³ “Tourism | Britannica.com.”

⁴ Ibid.

⁵ “Hospitality Net - Hotels | A Brief History - By Jacques Levy-Bonvin.”

⁶ Ibid.

⁷ Ibid.

Method

To determine whether peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry it is important to recognize the different accommodation segments within the industry. The North American Industry Classification System, or NAICS, identifies the general Accommodation and Food Sector with the government industry code 721, with subsectors: “(1) traveler accommodation, (2) recreational accommodation, and (3) rooming and boarding houses.”⁸ This study will focus on NAICS codes 7211: Traveler Accommodation⁹, 721110: Hotels (except casino hotels) and motels¹⁰, 72119: Other Traveler Accommodation¹¹, and 721191: Bed-and-Breakfast Inns.¹² Consumers also categorize accommodations within the lodging industry based on their proximity to airports, conference centers, and casinos. A star system segments accommodations according to their level of service and amenities. Bed-and-Breakfast Inns have different segments based on whether or not the property is a private residence and how many rooms it has. There are niche accommodations such as hostels, cabins, and even campsites. Furthermore, hotel companies create separate product lines specifically to fulfill the preferences of different consumer segments within the market. However, when considering the various types of accommodations within the lodging industry as a whole, hotels clearly represent the dominant segment or mass market. They generate the most revenue and outnumber their counterparts worldwide.

What distinguishes the various types of accommodations from one another is their different value propositions, the distinct features intended to appeal to a certain segment of consumers. These value propositions are the basis for selecting one type of accommodation over another. Niche accommodations such as hostels, cabins and campsites are considered as complementary to the industry as a whole because each of them caters to a particular consumer segment of the market. In considering whether or not peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry, what is really asked is whether the phenomenon represents a niche market (complementary) or has the capability of developing into the dominant segment (competitive).

Whether a product will cross over to the mass market is difficult to determine until it actually happens, but niche markets have certain observable characteristics that can aid in identifying them. In order to make a uniform assessment, the following competitiveness variables will be used to support the conclusion of whether or not the relational dynamics in a particular location was competitive or complementary:

- Growth rate of peer-to-peer lodging bookings: Niche markets represent a minority of consumers. Their growth, as a result, will start to slow before gaining mass adoption. A decline in the trajectory of bookings is an indicator that it is exhausting its potential to gain market share and thus will only complement the larger market.

⁸ “721.”

⁹ “7211.”

¹⁰ “721110.”

¹¹ “72119.”

¹² “721191.”

- Available supply of peer-to-peer lodging units: A product is unable to fulfill the needs of the majority of the market if it is in limited supply. When government regulations, for example, reduce the number of legally rentable units, demand from the majority of the lodging industry cannot be satisfied.
- Ratio between entire place rentals versus shared or private rooms: Niche markets have unique features which differentiate themselves from the mass market. Renting a shared room or private room provides a much more immersive experience than do entire place rentals. A higher mix of the former is a stronger indicator of the “live like a local” experience leading to a unique value proposition.
- Hotel ADR premiums/discounts: Another value proposition that can distinguish one product from another is price. Hostels, for example, are a complementary product because in exchange for a lower room rate relative to hotels (mass market), consumers give up some level of privacy. Similarly, where peer-to-peer lodging platforms offer a steep discount to the traditional lodging industry in exchange for certain onsite services not offered by peer-to-peer lodging platforms, price becomes a distinguishing value proposition.
- Correlation between travel data and overnight stays: A weakening in the correlation between overnight travelers to a location and the number of overnight stays in hotels, suggest that the dominant player is losing market share to another segment of the market. Where this trend continues and is coupled by strong growth in the peer-to-peer lodging market, it suggests that there is some potential for it to displace the dominant player.

None of these variables in isolation are sufficient to draw a conclusion, but when considering several of them working together, there is strong evidence for drawing a conclusion one way or the other.

Qualitative data was gathered through 24 in-person, Skype and written interviews from March 2016 to June 2016, as listed in APPENDIX Table 1, in each of the regions studied. Quantitative data was also researched to substantiate the perceived affects, thus requiring a mixed-methodology approach to the empirical-analytical study. The quantitative peer-to-peer lodging platform data received is based on Airbnb figures. Airbnb is by far the most popular among travelers and holds the most market share in the peer-to-peer lodging platform industry. Airbnb has more than 2 million listings worldwide in more than 34,000 cities, in 191 countries and has serviced more than 60 million guests.¹³ Since 2008, at its inception, Airbnb has reached a valuation of almost \$30 billion, making it second to Uber as the highest valued start-up in the United States.¹⁴ For these reasons, Airbnb data will be used when evaluating peer-to-peer lodging platforms’ impact on the lodging industry. The data recovered analyzes Airbnb advertised listings by type, Airbnb vs. traditional lodging industry overnight stays, Airbnb vs. traditional lodging industry 2015 ADR & RevPAR, and Airbnb YOY growth in rooms available and rooms booked. Throughout this paper acronyms and industry terms will be referenced which have been defined in the APPENDIX Table 2.

¹³ “About Us - Airbnb.”

¹⁴ Picker and Isaac, “Airbnb Is Said to Be Seeking Funding Valuing It at \$30 Billion.”

This paper will address the current state of the lodging industry and Sharing Economy, then discuss the above mentioned variables on a city level, provide a decision on whether or not peer-to-peer lodging platforms are competitive or complementary to the traditional lodging industry based on the determined variables and finally supply recommendations for hotels and government influence.

Global Lodging Industry

Global Travel and Tourism Industry

The Travel and Tourism industry is a collection of companies and agencies catering to the needs of people who travel, either for leisure or business. The majority of the industry is composed of airlines, charters, lodging organizations, foodservice establishments, tour suppliers, cruise lines, travel agencies and services.¹⁵ Hospitality and travel are one of the world's first business services and industries, dating back to the Roman Empire, when Roman businessmen had to travel to complete work and stay in guest houses and inns in which hosts would charge a fee.¹⁶ Today, the Travel and Tourism industry is one of the largest industries in the world, contributing \$7.2 trillion to the world GDP in 2015, representing 9.8% of global GDP.¹⁷ The Travel and Tourism industry supported 284 million jobs last year, or 1 in 11 jobs in the world.¹⁸ The lodging industry segment within the Travel and Tourism industry will be the focus of this study.

Global Lodging Industry

The lodging industry consists of companies that provide traveler accommodations, including hotels, motels, resorts, casino hotels, and Bed-and-Breakfast Inns.¹⁹ It is one of the world's most successful industries. In 2014, the global lodging industry grew by 4% and generated \$678.6 billion in revenue.²⁰ The global number of hotels and motels increased with a compound annual growth rate (CAGR) of 0.5% between 2010 and 2014, to reach a total of 444,244 establishments in 2014.²¹ The industry's volume is expected to rise to 472,227 establishments by the end of 2019, representing a CAGR of 1.2% for the 2014-2019 period.²²

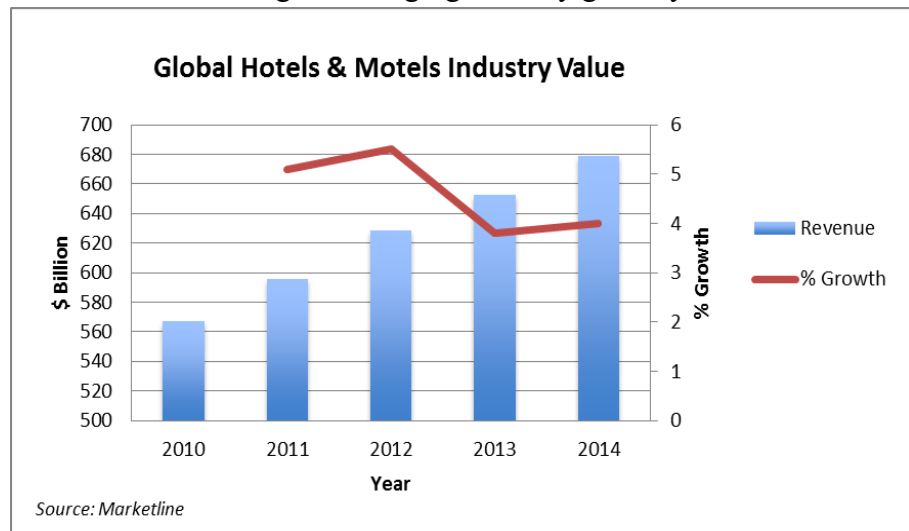


Figure 1.

¹⁵ "Global Edge: Hospitality and Travel."

¹⁶ Ibid.

¹⁷ World Travel & Tourism Council, "Travel & Tourism - Economic Impact 2016."

¹⁸ Ibid.

¹⁹ First Research, "Lodging Industry."

²⁰ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

²¹ Ibid.

²² Ibid.

Global Lodging Industry Competitive Landscape

The lodging industry is dominated by large international hotel companies, who compete intensely for market share amongst themselves and with many smaller independent players. The success of individual companies depends on efficient operations and effective customized marketing. The larger lodging companies have advantages in economies of scale in operations, can easily raise capital, and have strong name recognition. Small lodging companies can compete by offering personalized service and exceptional customer service.²³

Below are the global lodging industry market leaders:

- Marriott International, Inc. is a U.S.-based worldwide operator, franchiser and licensor of hotels and related lodging facilities. The company has four business segments: North American full-service lodging, North American limited-service lodging, luxury lodging and international lodging. Some of their properties include JW Marriott, Renaissance Hotels, Marriott Hotels, and Autograph collection. Marriott International, Inc. has nearly 4,500 properties in over 87 countries²⁴ and over 675,623 rooms²⁵ and they are in the process of getting even bigger. In April 2016, they reached an agreement to acquire Starwood Hotels and Resorts Worldwide, Inc., which will create the world's largest hotel company.²⁶ The company recorded revenues of \$13.79 billion and net income of \$753 million in 2014.²⁷
- Hilton Worldwide Holdings Inc. is a U.S.-based multinational hospitality company. The company owns, manages, and franchises a broad portfolio of hotel brands. Its portfolio includes 4,660 properties with over 765,000 rooms in more than 100 countries.²⁸ It is one of the largest hotel chains in the world by rooms and international presence.²⁹ Hilton Worldwide's portfolio includes Conrad Hotels and Resorts, Canopy by Hilton, Curio, Hilton Hotels and Resorts, DoubleTree, Embassy Suites Hotels, Hilton, Garden Inn, Hampton Inn, Homewood Suites by Hilton, Home2 suites, Hilton Grand Vacations, Waldorf Astoria Hotels and Resorts, and Tru.³⁰ Hilton Worldwide had revenues of \$11.3 billion in 2015³¹ and net income of \$673 million in 2015.³²
- AccorHotels is a French multinational hotel group, which operates in 94 countries.³³ The group owns, operates, and franchises around 3,700 hotels and about 470,000 rooms.³⁴ AccorHotels portfolio has a diverse range of accommodations, from budget lodgings to five-star hotels. They had revenues of \$7.23 billion and net income of \$296 million in 2014.³⁵

²³ First Research, "Lodging Industry."

²⁴ Marriott, "About Marriott Hotels | Marriott Corporate Business Information."

²⁵ Marriott, "MARRIOTT INTERNATIONAL INC /MD/ (Form: 10-K, Received: 02/20/2014 13:28:17)."

²⁶ Crowe, "It's A Deal: Marriott Is Buying Starwood Hotels for \$12.4 Billion."

²⁷ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

²⁸ Hilton Worldwide, "Hospitality Company | About Hilton Worldwide."

²⁹ Ibid.

³⁰ Ibid.

³¹ Morningstar, "Hilton Worldwide Holdings Inc. -HLT."

³² MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

- Best Western International, Inc. is a U.S.-based privately held hotel chain that provides, marketing, reservations, and operational support to independently owned and operated hotels. They have about 4,000 independently owned and operated hotels in over 100 countries with 313,639 rooms.³⁶ In 2015 Best Western International, Inc. recorded revenues of \$7 billion.³⁷
- Wyndham Worldwide offers brands in lodging franchising, vacation ownership, vacation rentals, and vacation exchange. The company is composed of nearly 7,800 hotels under 15 brands spanning 66 countries.³⁸ Wyndham Worldwide's portfolio consists of brands ranging from economy to upscale. They recorded revenues of \$5 billion and net income of \$432 million in 2013.³⁹
- InterContinental Hotels Group PLC is a British multinational hotels company that has over 742,000 rooms and 5,028 hotels across nearly 100 countries.⁴⁰ Some of its brands include Holiday Inn, Holiday Inn Express, Hotel Indigo, InterContinental, Candlewood Suites, and Crowne Plaza. They recorded revenues of \$1.8 billion and net income of \$1.2 billion in 2015.⁴¹

Global Lodging Industry Analysis

The international lodging industry has been experiencing strong growth over the past 5 years, growing 4.3% annually.⁴² This strong growth is driven by a global expansion of international tourism, as tourism has hit record numbers over the past 5 years. More than 1.1 billion tourists traveled the world in 2014 for business, leisure, adventure, visiting family, or other purposes.⁴³ The U.S. and Europe together account for almost 60% of the value in the global lodging industry.⁴⁴ The Asia-Pacific also makes up a significant share of the industry, accounting for 24% of the industry⁴⁵, as see in Figure 2.

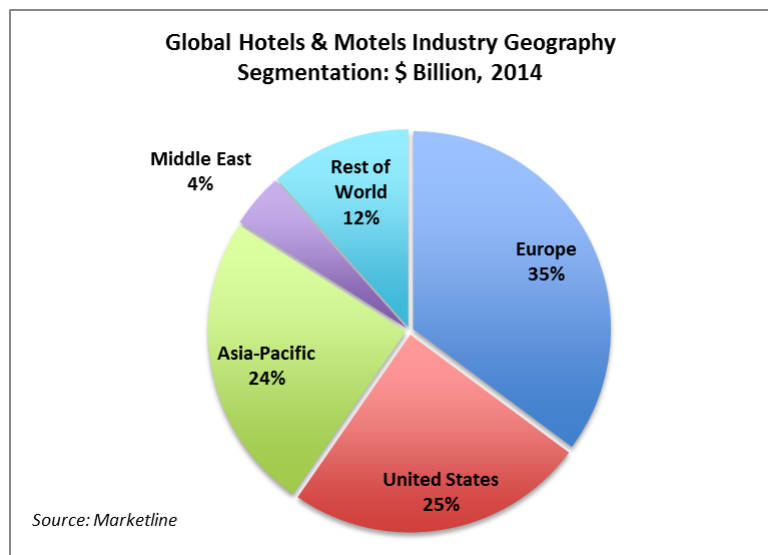


Figure 2.

³⁶ Ibid.

³⁷ Best Western, "Best Western International® | President & CEO - David Kong."

³⁸ Wyndham Hotel Group, "About Wyndham Hotel Group: Learn about Wyndham Hotel Group Hotels at the Official Site for the Best Rate Guaranteed and Earn Wyndham Rewards Points."

³⁹ SEC, "Wyndham Worldwide Corporation-2013.12.31-10K."

⁴⁰ InterContinental Hotels Group, "InterContinental Hotels Group PLC : About Us - Overview."

⁴¹ InterContinental Hotels Group, "InterContinental Hotels Group PLC."

⁴² IBISWorld, "Global Hotels & Resorts Market Research | IBISWorld."

⁴³ First Research, "Lodging Industry."

⁴⁴ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

⁴⁵ Ibid.

Globalization and the evolution of the Internet and online travel agencies (OTAs) have contributed to the global tourism boom, changed the shape of the travel industry, and made it easier for travelers to customize trips throughout the world. These OTAs include Priceline, Travelocity, Expedia, and Hotels.com among others. These sites earned a reputation of searching across brands on one platform to find the best hotel at the best price. The hoteliers were slow to react, and as a result have been tied to the OTAs for better or worse. These relationships cost the hoteliers dearly, as OTAs can charge up to 33% of the booking.⁴⁶ This represents a severe impact on any property's profit margin, and it limits the extent to which hoteliers can compete with competitors, including the often lower priced peer-to-peer lodging platforms. "Expedia used to have a mandate that they would have the lowest price available. The hotel companies could not match or reduce their prices," said Bruce Baltin, Managing Director for CBRE Hotels in Los Angeles.⁴⁷ "But that's gone at this point, and the hotels are now trying to guarantee the lowest price available through their websites".⁴⁸ This push to regain control over their own bookings makes good fiscal sense for hotels; however they are battling an entrenched consumer perception that the OTAs provide greater value. As long as this exists, a complete breakup between hotels and OTAs will be impossible, and profitability will continue to be impacted.

Leisure consumers and business consumers are the two segments that drive demand in the global lodging industry. The leisure segment was the industry's most lucrative in 2014, with total revenues of \$509.3 billion, equivalent to about 75% of the industry's overall value.⁴⁹ The business segment contributed revenues of \$167.8 billion in 2014, equating to about 25% of the industry's aggregate value.⁵⁰ Both segments are affected by the strength of the economy, so with more funds available for discretionary purchases comes more infusion of tourist dollars.

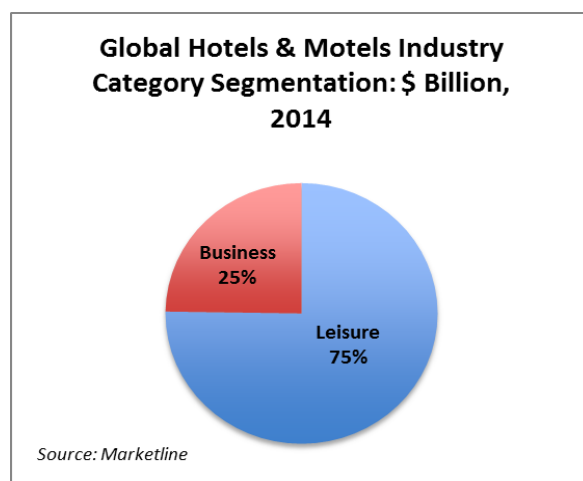


Figure 3.

Global Lodging Industry Outlook

The performance of the industry is forecasted to accelerate, with an anticipated CAGR of 5.6% for the five-year period 2014-2019, which is expected to drive the industry to a value of \$888.7 billion by the end of 2019.⁵¹ Comparatively, the Asia-Pacific and U.S. industries will grow with CAGRs of 8.3% and 4.4% respectively, over the same period, to reach respective values of \$244.5 billion and \$206.3 billion in 2019.⁵²

⁴⁶ Speer, Interview with Sr. Development Director of Hilton Worldwide.

⁴⁷ Baltin, Interview with Managing Director of CBRE Hotels.

⁴⁸ Ibid.

⁴⁹ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid.

Lodging companies will gain an advantage moving forward by offering targeted products, services, amenities, and designs that cater to generational and cultural preferences. Consumer tourism trends show that tourists now want a customized travel experience. Two emerging groups of travelers include the millennial generation (anyone born between 1980 and 2000) and Chinese tourists. As millennials enter their peak earning years over the next decade, this generation is expected to provide the majority of global spending for travel and leisure. Meanwhile, tourists from China spent nearly 30% more on international travel in 2014 than in 2013.⁵³

A new substitute in the form of peer-to-peer lodging, widely available through online platforms such as Airbnb, FlipKey and HomeAway, are a potential threat to the lodging industry. These rentals give tourists the ability to stay with local people in their homes or apartments, either by renting a room or entire property for privacy.⁵⁴ The industry is lobbying for local and state laws that would restrict these peer-to-peer lodging platforms.⁵⁵

Increased globalization through technology will continue to drive growth in the lodging industry. Growing discretionary income levels among the rising global middle class, easing visa policies around the world, and the proliferation of information on outbound travel has heightened the desire to travel abroad. Lodging companies will need to customize and employ new business strategies to account for cultural and regulatory differences.

U.S. Lodging Industry

International travel to the U.S. continues to increase, making the U.S., by far, the top destination for international travel. The U.S. receives a larger share of world international tourism receipts than any other country in the world, and in 2014, international travelers spent an estimated \$220.6 billion. The U.S. share of 2014 world tourism receipts was at the top, with 14.2%.⁵⁶



Like the global lodging industry, the lodging industry in the U.S. has been thriving, growing every year since 2011 at a CAGR of 4.2%. The industry has seen unparalleled growth due to

increases in travel spending, corporate profit, and consumer spending⁵⁷. In 2014, the U.S. lodging industry generated \$176 billion in revenue and had 26.5 million overseas travelers stay in a hotel/motel during their U.S. visit⁵⁸.

\$176 billion
2014 U.S. Lodging
Industry Revenue

26.5 million
2014 Overseas
Travelers in U.S.

⁵³ First Research, "Lodging Industry."

⁵⁴ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

⁵⁵ First Research, "Lodging Industry."

⁵⁶ AHLA, "Lodging Industry Trends 2015."

⁵⁷ IBISWorld, "Hotels & Motels in the US Market Research | IBISWorld."

⁵⁸ AHLA, "Lodging Industry Trends 2015."

U.S. Lodging Industry Competitive Landscape

The lodging industry in the U.S. is dominated by international players, who compete for a share of the market amongst themselves with numerous smaller independent players.⁵⁹ Roughly two-thirds of all rooms are chain affiliated.⁶⁰ The main players in the industry are Hilton Worldwide Holdings Inc. (10% market share), Marriott International, Inc. (10% market share), Wyndham Worldwide Corporation (9% market share), International Hotels Group (8% market share), and Starwood Hotels and Resorts Worldwide, Inc. (3% market share).⁶¹

Larger chain brands have diversified to some extent and own additional businesses, such as restaurants, bars, and clothing stores. To attract and sustain more business, operators try to offer more complex packages and value-added services, such as free breakfast, Wi-Fi, parking, or a free third night. Recently, a rising popularity of lifestyle hotels amongst major chains has been observed. These hotels are catering to the conscientious traveler's demands for eco-friendly practices, social responsibility, and affordable style.⁶²

U.S. Lodging Industry Analysis

The U.S. accounts for about 25% of the global lodging industry and it continues to thrive.⁶³ It is boosting with economic growth, marking five years of consecutive job creation. In 2014, the industry added more than 30,000 new hotel jobs and more than 100,000 new travel-related jobs, resulting in an increase of over \$12 billion in travel-related wages and salaries.⁶⁴

There were 53,432 properties (based on properties with 15 or more rooms) and 4,978,705 rooms by the end of 2014.⁶⁵ Occupancy hit record levels in 2015 at 65.6%⁶⁶, and RevPAR was up 6.3% last year from \$74.12 in 2014.⁶⁷ This solid performance and growth in the U.S. lodging industry is driven by robust economic performances in key feeder markets including Canada and the United Kingdom, as well as increasing tourism from emerging economics such as China.⁶⁸

The leisure segment was the industry's most lucrative in 2014, with total revenues of \$116.8 billion, equivalent to 70.3% of the U.S. industry's overall value.⁶⁹ This business segment contributed revenues of \$49.4 billion in 2014, equating to 29.7% of the industry's aggregate value.⁷⁰

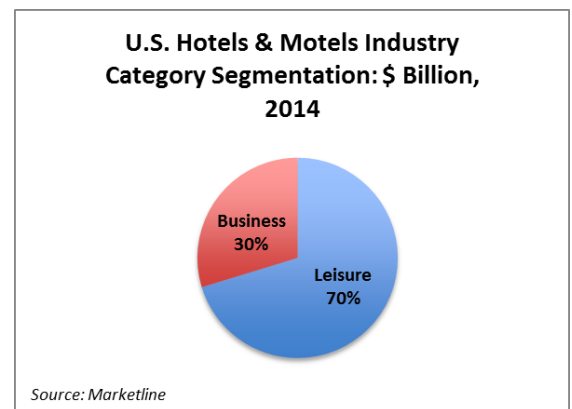


Figure 4.

⁵⁹ MarketLine, "Industry Analysis - Hotels and Motels in U.S."

⁶⁰ Freitag, "Non-Branded Hotels Outperforming the Competition."

⁶¹ Cederholm, "Hilton's Market Share in the Domestic and International Market - Market Realist."

⁶² MarketLine, "Industry Analysis - Hotels and Motels in U.S."

⁶³ Ibid.

⁶⁴ AHLA, "Lodging Industry Trends 2015."

⁶⁵ Ibid.

⁶⁶ STIFEL, "Americas Lodging Investment Summit Takeaways Part #1 2016 Outlook."

⁶⁷ AHLA, "Lodging Industry Trends 2015."

⁶⁸ MarketLine, "Industry Analysis - Hotels and Motels in U.S."

⁶⁹ Ibid.

⁷⁰ Ibid.

U.S. Lodging Industry Outlook

Strong growth in international travel to the U.S. is expected to continue through 2020 with an average annual growth rate of 4.3% in the volume of international visitors.⁷¹ As a result, the lodging industry in the U.S. is forecasted to continue growing. The industry's volume is expected to rise to 56,208 establishments by the end of 2019, representing a CAGR of 1.1% for the 2014-2019 period. In addition, the industry's performance is expected to have a CAGR of 4.4% for the five-year period 2014-2019, which is expected to drive the industry to a value of \$206.3 billion by the end of 2019.⁷²

European Lodging Industry

2015 was a bumper year as record tourist arrivals propelled hotel performance for many destinations in Europe. Tourists appeared to favor European destinations over many alternatives in the Middle East and North Africa. City trips remain a top travel growth segment in Europe and strong demand, together with weak accommodation supply growth meant many hotels enjoyed a remarkable year. Europe, up 5% in tourism numbers, led global growth last year in absolute and relative terms supported by a weaker euro vis-à-vis the U.S. dollar and other main currencies. Arrivals reached 609 million, 29 million more than in 2014.⁷³ Despite economic worries and terrorist attacks, tourism in Europe is thriving, and as a result travel and hotel demand continues to grow.

From 2005-2014, the number of nights spent in tourist accommodation establishments in the EU grew by 18%.⁷⁴ Nearly 45% of these nights were spent among France (15%), Spain (15%), and Italy (14%).⁷⁵ The European lodging industry had total revenues of \$238.6 billion in 2014, representing a CAGR of 2.9% between 2010 and 2014.⁷⁶ Continued economic recovery and a positive travel backdrop are the main drivers of growth in the European lodging industry.

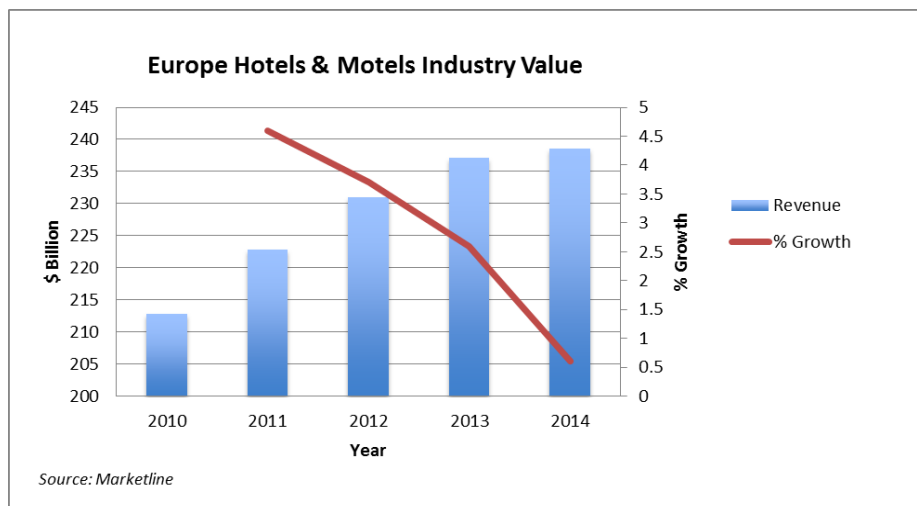


Figure 5.

⁷¹ AHLA, "Lodging Industry Trends 2015."

⁷² MarketLine, "Industry Analysis - Hotels and Motels in U.S."

⁷³ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

⁷⁴ Eurostat, "Tourism Statistics - Annual Results for the Accommodation Sector - Statistics Explained."

⁷⁵ Ibid.

⁷⁶ MarketLine, "Hotel and Motel Industry in Europe."

European Lodging Industry Competitive Landscape

The European lodging industry contains several large hotel operators, with most of the leading players operating several different brand chains. However, there are also a large number of independent players in the industry that create intense competition. The market leaders in Europe are AccorHotels (470,000 rooms), Best Western International (313,639 rooms), InterContinental Hotels Group (686,000 rooms), and Whitbread (50,000 rooms).⁷⁷ In Europe, hotel chains are the minority, while independent lodging establishments dominate the industry. Independents make up more than two-thirds of room supply and more than 90% of all properties.⁷⁸

There were 4 substantial deals in 2015 that changed the dynamics for hotel operators in Europe. These large mergers and acquisitions include:⁷⁹

- Takeover of Louver Hotels Group by Shanghai-based hotel group Jin Jiang International Hotels. The deal allowed the Chinese group to enter the arena of the top ten worldwide hotel operators.
- Starwood Hotels & Resorts will merge with Marriott International following its \$12.2 billion acquisition of mostly stock. Starwood will increase Marriott's portfolio by 173 properties in Europe.
- AccorHotels acquisition of Fairmont Raffles hotels International will increase its European portfolio by 26 high-end properties.
- Carlyle entered exclusive negotiations with private fund PAI regarding disposal of French B&B Hotels Group, comprising 320 B&B properties throughout Europe.⁸⁰

European Lodging Industry Analysis

Europe accounts for the largest value of the global lodging industry at 35.2%.⁸¹ The European lodging industry has reported six consecutive years of RevPAR growth since it experienced double-digit decline following the financial crisis in 2008. Europe's year-end 2015 RevPAR growth reached 6.9% to \$83.94.⁸²

⁷⁷ Ibid.

⁷⁸ Sileo, "Independent Hotels."

⁷⁹ BNP Paribas Real Estate, "Europe - Hotel Market Highlights."

⁸⁰ Ibid.

⁸¹ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

⁸² Hospitality Net, "Hospitality Net - Europe Hotel Industry Passes U.S. in Growth for the First Time since 2010."

In 2014, the EU could offer 31 million bed places to accommodate tourists, spread over more than 570,000 establishments. In terms of bed places, France (5.1 million) and Italy (4.8 million) accounted for nearly one third of total available capacity.⁸³ 2015 saw a 3.1% increase in demand for rooms, while supply growth saw a 0.8% gain and this imbalance is expected to continue. Major cities have been careful to increase supply so to not damage the culture of the community. For most cities, the fast growth in the serviced apartment sector and shared space models like Airbnb adds to the competition facing hotels, as well creating challenges for those seeking to regulate them.⁸⁴

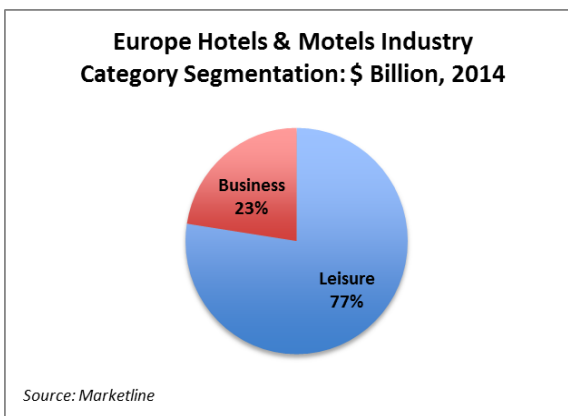


Figure 6.

The leisure segment was the industry's most lucrative in 2014, with total revenues of \$184.8 billion, equivalent to about 77% of the industry's overall value. The business segment contributed revenues of \$53.8 billion in 2014, equating to about 23% of the industry's aggregate value.⁸⁵

European Lodging Industry Outlook

The European lodging industry looks to continue its solid recovery in value terms, after its slump following the 2008 financial crisis. Growth in the number of hotels in Europe is set to grow less rapidly however; causal factors here include the already-well developed nature of the market, continued economic uncertainty in the Eurozone, and recently of the increased threat that traditional hotels face from the peer-to-peer lodging platforms such as Airbnb.⁸⁶ Performance of the industry is forecast to accelerate, with an anticipated CAGR of 4.1% for the five-year period 2014-2019, which is expected to drive the industry to a value of \$291.2 billion by the end of 2019.⁸⁷

Comparison of the European and U.S. Lodging Industries

Europe and the U.S. are the two largest segments in the global lodging industry, contributing to about 60% of the total value.⁸⁸ They both experienced six consecutive years of RevPAR growth since 2009, and 2015 marked the first year since 2010 in which the European hotel industry passed hotels in the U.S. in year-over-year RevPAR.⁸⁹

Both the European and U.S. lodging industries are driven by international tourism growth, global travel rates, increasing room rates, the strength of the economy and, consumer

⁸³ Eurostat, "Tourism Statistics - Annual Results for the Accommodation Sector - Statistics Explained."

⁸⁴ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

⁸⁵ MarketLine, "Hotel and Motel Industry in Europe."

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ MarketLine, "Global Hotels & Motels - MarketLine Industry Profile."

⁸⁹ Hospitality Net, "Hospitality Net - Europe Hotel Industry Passes U.S. in Growth for the First Time since 2010."

discretionary spending.⁹⁰ Global security concerns, like terrorism, also have an effect on the growth of both lodging industries.

Chain hotels dominate the U.S. lodging industry, making up about two-thirds of the market.⁹¹ Independent lodging suppliers operate at a disadvantage, because they lack the same resources that the chain hotels have. They have to rely more heavily on OTAs, like Expedia, in order to market their services. The European landscape is almost an inverted image of the U.S. Independent hotels make up more than two-thirds of room supply in Europe and more than 90% of all properties.⁹² European properties are even more dependent on online travel agencies to succeed. OTAs represent 74% of European independent lodging online bookings in 2015 vs. 58% for the U.S.⁹³

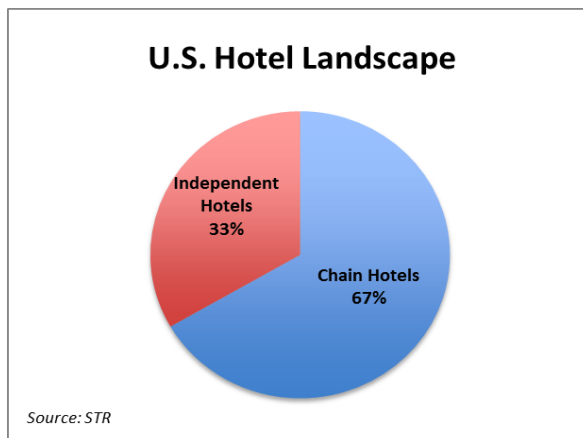


Figure 7.

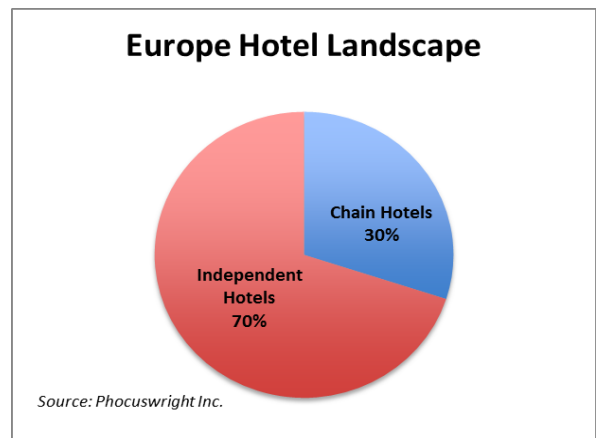


Figure 8.

Strengths of Traditional Lodging

There are three major strengths of traditional lodging organizations in both the U.S. and Europe: continuity of service, breadth of service and loyalty programs.

Airbnb has a well-worn slogan “belong anywhere,” which entices travelers to choose a dwelling rooted in the local flavor - to find hidden gems and experiences that would otherwise remain a mystery. In the franchise hotel model, mystery isn’t always what travelers want. “The biggest thing is someone who wants consistency. Someone says ‘I know I’m going to get a clean room’ or ‘I want a clean bed that I’m used to’...with Airbnb you don’t necessarily know what you’re getting. It’s a different experience every time. The bed could be rock hard or as soft as a piece of wet bread,”⁹⁴ said Patrick Speer Sr. Development Director of Hilton Worldwide. A traveler who stays at an Embassy Suites in Los Angeles will have a firm understanding of what to expect from a stay at an Embassy Suites in Atlanta. This would apply to the cocktail hour, breakfast quality, room size and layout, even the toiletries in the bathroom.⁹⁵ This continuity of

⁹⁰ IBISWorld, “Global Hotels & Resorts Market Research | IBISWorld.”

⁹¹ Freitag, “Non-Branded Hotels Outperforming the Competition.”

⁹² Sileo, “Independent Hotels.”

⁹³ Ibid.

⁹⁴ Speer, Interview with Sr. Development Director of Hilton Worldwide.

⁹⁵ Ibid.

standards, even down to the smallest details, offer a level of comfort and convenience for travelers.

As more hotel brands operate under large parent brands like Hilton or Marriott, loyalty programs have become an increasingly important way to retain customers. The programs offer tangible incentives from free Wi-Fi to free hotel stays, all for simply staying loyal to the parent brand. Adding to the allure is that large brands offer hundreds of properties worldwide across multiple known and trusted sub brands, making it easy to accumulate loyalty points in a hurry. This loyalty is a strong competitive edge that currently only large branded hotels enjoy. In an illustration of just how important loyalty programs are to traditional lodging brands, Hilton recently developed Tru, a new hotel brand equipped with “minimal, yet meaningful” design⁹⁶ that features smaller square footage rooms and more active and social lobby spaces. The smaller footprint keeps costs low and allows Tru to price rooms more aggressively and reach a market segment in which Hilton did not have a presence prior.⁹⁷ One of the most appealing benefits to operating in this segment is it allows Hilton to build brand loyalty from young professionals and retain them as their preferences change - up through the Hampton Inns and DoubleTrees - through their Hilton HHonors loyalty program. “A lot of people that may be new to the industry, young professionals that may not have a huge per diem, they can’t afford a Hampton right now. So the idea was, how do we get a product where we can start to capture these young professionals that are entering the workforce, capture them and get them loyal to our reservation program, and let them grow through our program,”⁹⁸ Speer said.

Another benefit of the traditional lodging space is all the ancillary services that make up a true hospitality experience. Matthew Lehman, General Manager of the Fairmont Miramar Hotel & Bungalows in Santa Monica explains what his property has to offer: “We have a wonderful housekeeping service. We have three restaurants. We have a great bar out front. We have a pool with people there bringing you things – on and on. We have a fun lobby experience. We have a barber shop, a shoe shine guy, a great retail experience, room service... So if that is what you want, there is a convenience to a hotel. There is a level of service that we can offer that doesn’t exist [with peer-to-peer lodging platforms]”.⁹⁹ The supporting infrastructure of such hospitality is not easily replicated in less formal lodging options, and for guests that want it, it is a powerful incentive. Lehman goes on to note that hotels which do not offer the same level of service would find this value proposition less potent, but at the very least, an established service expectation is upheld at all organized legal lodging entities. These include health and safety standards that serve as a strength of traditional hotels.

⁹⁶ “Tru by Hilton.”

⁹⁷ Speer, Interview with Sr. Development Director of Hilton Worldwide.

⁹⁸ Ibid.

⁹⁹ Lehman, Interview with General Manager of the Fairmont Miramar Hotel & Bungalows Santa Monica.

Sharing Economy

While unknown to them, in 1995 eBay and Craigslist launched the evolution of the Sharing Economy.¹⁰⁰ These were the first platforms to connect normal consumers together with the intention to buy, rent or share personal assets over the Internet. This new business model gained rapid popularity. With the increase in demand, came new platforms covering almost all industries including, education, transportation, money, service, lodging, food and retail.¹⁰¹ While each platform might have a slightly different profit model, they all share the common goal of the Sharing Economy; to connect buyers and sellers over the Internet, validate a transaction between them and reduce friction.¹⁰²

PWC, a leading multinational professional services firm, estimates that by 2025, the global Sharing Economy will generate revenues worth up to \$335 billion.¹⁰³ To achieve such a large worth, this economy has important drivers moving it forward. Advancements in technology can claim to be one of the most important drivers for the Sharing Economy.¹⁰⁴ For the Sharing Economy to work, consumers need an Internet connection and a device to connect to the Internet. Since 1995, computers, tablets and smartphones have drastically improved their technologies becoming more economic, ultimately allowing for more consumers to purchase them and have access to the Internet. With access to these technologies and the Internet, consumers are now more interested in social networks and connecting with people throughout the world and the Sharing Economy platforms provide this opportunity for consumers.¹⁰⁵ Economic realities also drive the Sharing Economy.¹⁰⁶ After the 2008 recession, with high unemployment and underemployment, consumers found themselves looking for ways to supplement their income. Viewing their assets differently, consumers turned to the Sharing Economy platforms to sell, rent or share their assets, with the hopes of financial help.¹⁰⁷ Consumers saw the success the Sharing Economy platforms brought them and even after returning to work or emerging from financial strain, they continued to utilize the benefits of these platforms.¹⁰⁸ Lastly, a shift in asset value is driving the Sharing Economy.¹⁰⁹ Consumers are beginning to realize that they do not need to purchase a new car, new table or second home, but instead, can explore the Sharing Economy platforms that cater to these desires.¹¹⁰ There is more value in sharing assets than owning them and this is what the Sharing Economy has flourished on.

¹⁰⁰ James Reinhart et al., “Why The Success Of ‘Sharing Economy’ Startups Hinges On Who Owns The Inventory.”

¹⁰¹ Anastasia, “An Introduction to Sharing Economy.”

¹⁰² James Reinhart et al., “Why The Success Of ‘Sharing Economy’ Startups Hinges On Who Owns The Inventory.”

¹⁰³ PricewaterhouseCoopers, “The Sharing Economy – Sizing the Revenue Opportunity.”

¹⁰⁴ Anastasia, “An Introduction to Sharing Economy.”

¹⁰⁵ Ibid.

¹⁰⁶ “The Sharing Economy Lacks A Shared Definition.”

¹⁰⁷ Anastasia, “An Introduction to Sharing Economy.”

¹⁰⁸ Ibid.

¹⁰⁹ “The Sharing Economy Lacks A Shared Definition.”

¹¹⁰ Anastasia, “An Introduction to Sharing Economy.”

As mentioned earlier, there are Sharing Economy platforms in almost every industry. Below are descriptions of just some of the major platforms.

Transportation

- ZipCar – through a monthly membership, drivers can access ZipCar owned cars which have been strategically placed in specific city destinations.¹¹¹
- Getaround – designed where a driver can rent a car from a private car owner and any private car owner can rent out their personal car.¹¹²
- Uber – a private car owner can act as a taxi upon request of an individual consumer.¹¹³

Service

- TaskRabbit – connects vetted laborers with consumers needing help with everyday physical tasks.¹¹⁴
- Freelancer – a consumer or business can post a highly-skilled project and receive instant quotes from freelancers to complete the job.¹¹⁵
- DesksNearMe – connects individuals searching for a desk or office space with individuals who can supply the space.¹¹⁶

Lodging – the platforms centered on sharing lodging accommodations are very similar in theory. They aim to connect accommodation owners with short-term accommodation seekers. Accommodations can vary from entire homes to living room couches. Major platforms include, HouseTrip, HomeAway and Airbnb. PwC research found that between 2013 and 2025, they expect these Sharing Economy lodging platforms to experience a 31% revenue growth, third highest after crowdfunding and staffing platforms.¹¹⁷

Sharing Economy Outlook

With an expected worth of \$335 billion one can imagine that the Sharing Economy is not going anywhere any time soon.¹¹⁸ The way consumers gain access to goods and services has forever changed. Only growth is forecasted for this industry as the consumer and technology continue to evolve. To realize this potential though, the Sharing Economy will face regulation and authenticity barriers.¹¹⁹ Since the Sharing Economy is still developing there are no determined regulations in regards to taxes or liabilities. Cities and states could be missing out on significant tax revenues and consumer rights could be overlooked as where to assign liability is vague. As these Sharing Economy platforms continue to gain popularity, competition and copy cats will increase. It will be a challenge for platforms to establish a personality and differentiate themselves within the growing marketplace. Regardless of the barriers, the article, “An Introduction to Sharing Economy” forecasts, “one thing is for sure, however: the sharing

¹¹¹ “Car Sharing: An Alternative to Car Rental with Zipcar.”

¹¹² “Getaround.”

¹¹³ “Sign Up to Drive or Tap and Ride.”

¹¹⁴ “TaskRabbit Connects You to Safe and Reliable Help in Your Neighborhood.”

¹¹⁵ “Freelancer - Hire & Find Jobs.”

¹¹⁶ “Desks Near Me | Find a Space to Work.”

¹¹⁷ PricewaterhouseCoopers, “The Sharing Economy – Sizing the Revenue Opportunity.”

¹¹⁸ Ibid.

¹¹⁹ Ibid.

economy is not just a fad or a passing trend. It is one that is sure to stay for years – nay, decades – to come, and we can all expect to see it evolve”.¹²⁰

Peer-to-Peer Lodging Platforms within the Sharing Economy

The focus of this paper will be on the lodging platforms within the Sharing Economy, commonly referred to peer-to-peer lodging platforms. As mentioned earlier, peer-to-peer lodging platforms aim to connect accommodation owners with short-term accommodation seekers. Accommodations can vary from entire homes to living room couches. This industry is expected to have a 31% revenue growth by 2025¹²¹ and by 2019 just the global hotel and motel industry is expected to reach \$890.6 billion.¹²² Although still a small segment within the total lodging industry, it is still an exciting time for peer-to-peer lodging platforms as the industry evolves.

Strengths of Peer-to-Peer Lodging Platforms

While exploring peer-to-peer lodging platforms it is important to recognize their strengths and how they compete. A significant challenge for hotels is that they have been unable to cater to larger groups of travelers who prefer to stay together. In this case booking three or four hotel rooms would still fail to provide a central living space for the family to be together. Some hotels do offer larger multi-room suites, however it is often significantly more costly than renting a home on a peer-to-peer lodging platform like Airbnb. Hotels have acknowledged this consumer need: “The home-like aspect of it can be interesting, because it opens a way for different guest needs that probably are not completely served by the historic hotel-like accommodations,” said Giulio Leporatti, Vice President, Global Strategy at InterContinental Hotels Group.¹²³

The challenge of group accommodation listed above for hotels can confidently be described as one of peer-to-peer lodging platforms’ greatest strengths. Romyana Miteva, Head of Performance Marketing for peer-to-peer lodging platform HouseTrip, says that there are many people looking for those features: “You get more space, perhaps better conditions and facilities that are available, such as a kitchen or a living room. You definitely get a lot more privacy. Those are some of the advantages that are a part of our industry and why they are so attractive to travelers”.¹²⁴ Additionally, peer-to-peer lodging platforms benefit from being able to provide a tremendous variety of properties, allowing consumers to zero in on the exact amount of space or specific accommodation they would value most. For some it could be a modern ranch-style home with a pool in the Hollywood Hills, for others a small 1-bedroom near the beach. Traditional lodging, especially the big brand powerhouses, simply cannot offer such a diverse product.

Perhaps the most talked about strength of the peer-to-peer lodging platforms is the price. While the ADR between hotels and hotel-comparable peer-to-peer lodging platforms is similar, the final cost to the consumer is often lower for peer-to-peer lodging listings, and for good reason. First, many properties do not charge or collect Transient Occupancy Taxes. These taxes

¹²⁰ Anastasia, “An Introduction to Sharing Economy.”

¹²¹ PricewaterhouseCoopers, “The Sharing Economy – Sizing the Revenue Opportunity.”

¹²² MarketLine, “Global Hotels & Motels - MarketLine Industry Profile.”

¹²³ Leporatti, Interview with Vice President, Global Strategy of InterContinental Hotels Group.

¹²⁴ Miteva, Interview with Head of Performance Marketing of HouseTrip.

are levied by local governments to support tourist impact on local infrastructure. However, since many sites like Airbnb do not share their property address data with local governments, the enforcement of any legal requirements can be difficult. Another reason for lower pricing is that there are few barriers to entry for peer-to-peer lodging platforms. In the true spirit of the Sharing Economy, a property owner simply rents out their home while they're not using it, maximizing a resource that is already being paid for. In this sense even a minimum rental fee would be icing on the cake. However, the same argument extends to the professional peer-to-peer lodging listings as well. Entrepreneurs who would like to convert an apartment complex into short-term rentals will not be subjected to the same regulatory scrutiny that a hotel would. Lynn Mohrfeld of the California Hotel and Lodging Association recalled a story of a developer of a hotel in a historic building in Southern California: "He's gone through 2-3 years of city council approvals, development and public forums. Currently they're discussing what shade of beige best represents the historical nature that the photographs show. Now three blocks away, someone who has an apartment building has turned it into short-term rentals at almost the same rate. So the person down the street with no approval process, no health and safety, no regulation...he can open a hotel in a heartbeat. That commercialization is really what we have a problem with".¹²⁵ Being able to operate nimbly, especially in tightly controlled development markets, is a definite strength of peer-to-peer lodging platforms.

Another dimension of peer-to-peer lodging platforms, nimbleness, is the ability to provide instantaneous supply to a market soaked by demand. In 2015 Los Angeles hosted the Special Olympics World Summer Games, and the city was saturated with travelers. In these conditions, hotel rates rise significantly and hotels use the extra profit to support their labor-heavy services during the low season. For the Special Olympics event however, extra supply came online nearly instantaneously through peer-to-peer lodging platforms as residents-turned-opportunists recognized that they could leave for a few days and collect a premium for their dwellings.¹²⁶ This supply came seemingly out of nowhere and vanished when the event was over.

Peer-to-Peer Lodging Platforms Outlook

Oddly, some of the strengths of peer-to-peer lodging platforms may also prove to be their most glaring weakness. While the lack of regulatory burdens is a benefit for peer-to-peer lodging platforms now, there are very real and very vague consequences looming. The future state of regulation is still being formed, and that in itself makes these offerings riskier than they seem. For example, the attention of lawmakers may be divided now, and enforcement funding may be hard to find, but if several serious health or safety issues arise in the peer-to-peer space, the spotlight will turn quickly, especially if the issues could have been prevented by enforcing preexisting lodging regulations. These consequences aren't mild; they extend far past increased compliance measures. They could involve a violation of the Americans with Disabilities Act (ADA). They could stem from the complete lack of keyed access policy over the rented units. If real harm is done there is a question of liability that has yet to be addressed in many destinations. A series of precedent-setting and costly court battles would surely strain the segment's reputation and supply. As one hotelier put it, "There are a lot of red flags that the [peer-to-peer] industry has to come to grips with, primarily with security, safety, insurance coverage, and regulation."¹²⁷

¹²⁵ Mohrfeld, Interview with President & CEO of the California Hotel & Lodging Association.

¹²⁶ Baltin, Interview with Managing Director of CBRE Hotels.

¹²⁷ O'Connor, Interview with Asset Manager of MSD Hospitality.

If the peer-to-peer lodging segment could navigate the above challenges, there would still be another pressing issue that primarily affects the platforms: lack of control over the experience. Ultimately, a company like Airbnb doesn't decide the level of quality its listings provide or how responsive the hosts are. Certainly an engaging review system is meant to self-police quality, however similar systems have been effectively gamed to the point where fake reviews are a reality in most ecommerce spaces now, including Amazon's. In that case the retailer has seen legitimate sellers on its site fail after foreign-copies of their products infiltrate the site and garner sales reputability by utilizing faked reviews.¹²⁸ It is a reasonable assumption that reviews are less reliable today than they were five years prior. Airbnb does attempt to weight search results based on reviews and responsiveness of hosts,¹²⁹ but once the booking is made Airbnb doesn't control what happens next. This could prove to challenge the platform's competitiveness as any booking platform will be linked psychologically to the experience that follows. If a platform elects to police more fervently the offerings listed on their site, they risk trimming supply. For a company like Airbnb with a valuation close to \$30 billion, cutting supply may be a risky proposition.¹³⁰ Conversely, if a platform elects not to control some standard of quality, they risk competition from others who will.

To summarize, the Sharing Economy has a bright future and peer-to-peer lodging platforms have strengths that will continue to drive the evolution of the lodging industry forward. The table below highlights these driving forces as well as notes some possible threats for consideration as mentioned above.




| Driving Forces of Sharing Economy | Strengths of Peer-to-Peer Lodging Platforms | Threats to Peer-to-Peer Lodging Platforms |
|---|--|---|
|  |  |  |
| <ul style="list-style-type: none"> • Advancements in Technology • Economic Realities • Consumer Shift in Asset Valuation | <ul style="list-style-type: none"> • Group Accommodations • Price • Nimbleness • Lack of Barriers to Entry • Instantaneous Supply | <ul style="list-style-type: none"> • Security & Liability • Fake Reviews • Tax Regulations |

Table 1.

¹²⁸ Close, "Amazon Is Cracking Down on Fake Product Reviews - Yahoo Finance."

¹²⁹ "Airbnb Market Report - April 2016 (AirDNA)."

¹³⁰ Picker and Isaac, "Airbnb Is Said to Be Seeking Funding Valuing It at \$30 Billion."

City Findings: Los Angeles County

While Los Angeles may be popularly known for its ties to fashion and entertainment, it is also a major global destination for business and leisure travel. In 2015, the Los Angeles area broke their own visitation record for a fifth consecutive year, hosting 45.5 million travelers, with 30.2 million staying overnight.¹³¹ Of the visitors to Los Angeles, 85% hailed from domestic locations, while 15% were international.¹³² Aside from the weather and attractions, Los Angeles also serves as a gateway to Asia, with LAX servicing many direct routes over the Pacific Ocean.

International Tourism has certainly aided in this growth. Tourist arrivals, representing visitors who remain in the city for at least 24 hours, have grown considerably over the past five years. Los Angeles has seen that number grow from 4.96 million in 2011 to 5.55 million in 2015. Viewed alongside hotel overnight stays, which grew from 25.5 million to 29.7 million over the same period, the two performance metrics have followed similar trajectories. The correlation coefficient over this period was .9576, which indicates a strong upward trajectory.¹³³

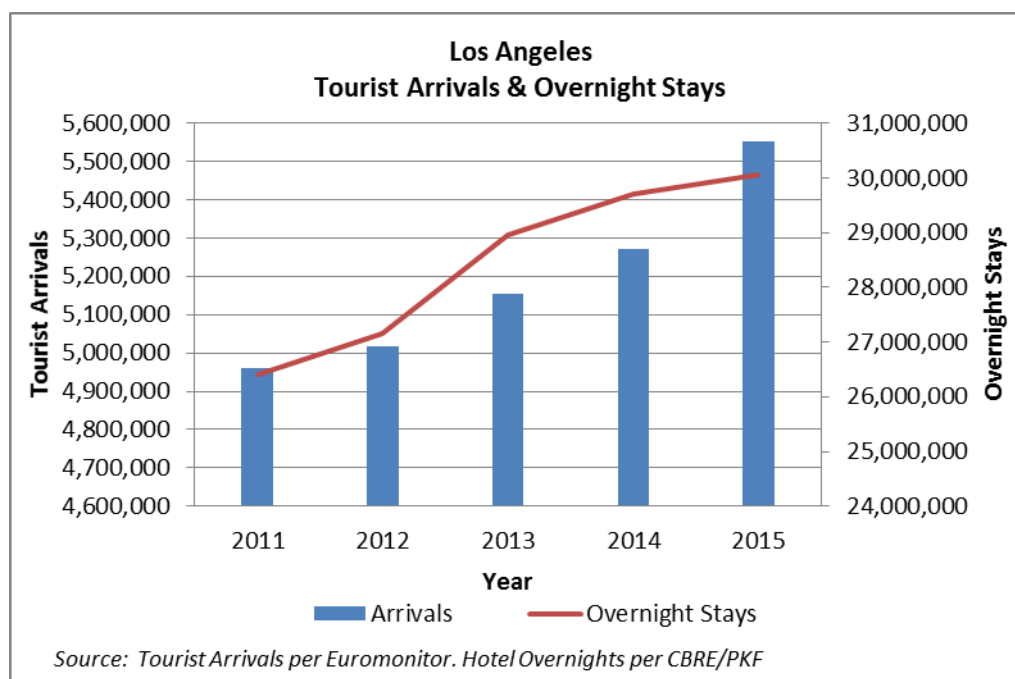


Figure 8.

Los Angeles is also a destination among other destinations. Southern California as a whole has enjoyed a prosperous increase in travel, with San Diego attracting 34.3 million visitors¹³⁴ and Orange County, the home of Mickey Mouse and a booming convention circuit beckoning 47.3 million in 2015.¹³⁵ Like Los Angeles, both areas have enjoyed steady increases over previous years. Even within Los Angeles, different travel and tourism trends are unfolding,

¹³¹ “Research | Discover Los Angeles.”

¹³² “Los Angeles Sets New Tourism Record, Announces 45.5 Million Visitors in 2015.”

¹³³ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

¹³⁴ “San Diego Tourism Industry Research.”

¹³⁵ Martin, “Orange County Breaks Tourism Record with 47 Million Visitors in 2015.”

as unique neighborhoods and municipalities draw differently based on their location, geographic features, revitalization efforts, and business activity. Los Angeles is also both a city and a county. The city of Los Angeles incorporates 472 square miles and is home to 4 million residents. Los Angeles County includes the city of Los Angeles, and is spread out over 4,084 square miles with 10.1 million residents.¹³⁶ This research is focused on Los Angeles County as a whole.

Los Angeles County Lodging Industry

Universally, the industry experts interviewed agreed that the lodging industry in Los Angeles County is currently in the mature stages of a semi-predictable cyclical peak. Patrick Speer, Sr. Development Director of Hilton Worldwide noted this trend in lodging: “A typical cycle is about 7 [years] up and about 3 [years] down. We are somewhere in year 6 or 7.”¹³⁷ Ellis O’Connor, Asset Manager for MSD Hospitality agrees that the industry is doing well: “Lodging is still very good. We still see that there is a lot of runway left. We don’t foresee any downturn until probably 2018 at the earliest, in the context that no geopolitical or world events take place.”¹³⁸

There are many good reasons for travel to be booming in Los Angeles County, however most point to positive economic recovery, new travelers from emerging middle classes in China and India, along with growing sentiment in favor of experiences over goods. Giulio Leporatti, Vice President, Global Strategy at InterContinental Hotels Group sees this trend: “Travel demand grows as an effect of economic growth of course, but also if you think of the changing habits across generations, younger generations have more interest in traveling. And the growth is more than proportionate to the growth of the economy in terms of GDP, because you have more people. That goes beyond the threshold of disposable income, enabling them to travel - they have more access to travel.”¹³⁹

Hotel Room Supply

Los Angeles County is home to 98,135 hotel rooms, 6th most of any area in the United States.¹⁴⁰ These rooms are spread out over 997 properties, all officially registered as hotels within their respective municipalities. These hotels have benefitted from increasing demand, which resulted in over 28.5 million room nights sold in 2015. While this demand represented a 1.2% increase year over year, the growth has slowed compared with 2014 and 2013, which saw demand rise 3.2% and 2.1% respectively.¹⁴¹

Hotel Occupancy

Occupancy rates in Los Angeles County have flattened in the last three years, due partly to new supply. In 2015, net supply of traditional lodging units increased by 157 rooms, which boosted supply just 0.2%. In fact, new traditional supply has been unsteady in recent years,

¹³⁶ “Facts About Los Angeles.”

¹³⁷ Speer, Interview with Sr. Development Director of Hilton Worldwide.

¹³⁸ O’Connor, Interview with Asset Manager of MSD Hospitality.

¹³⁹ Leporatti, Interview with Vice President, Global Strategy of InterContinental Hotels Group.

¹⁴⁰ “Research | Discover Los Angeles.”

¹⁴¹ Ibid.

resulting in a total net contraction of 166 rooms since 2011.¹⁴² This contraction, however, isn't consistent across all hotel classifications. Inventory in the upper end of the market including luxury, upper upscale and upscale classes grew by 2% (939 rooms) since 2011, while inventory in the midscale, economy and independent classes contracted by 2% (1,238 rooms).¹⁴³

Ellis O'Connor, Asset Manager for MSD Hospitality, which owns the luxury Fairmont Miramar Hotel & Bungalows in Santa Monica has seen a portion of the supply come online: "What we have seen in the 7 years of recovery is that hotels in the pipeline in 09, 10 & 11 ceased, and so you had this unbelievable hockey stick recovery of demand and no increase in supply. Now we have record levels of growth, but we're now getting closer to our 20-year average of supply increase. But that is all coming online at once. So while the industry is growing, individual properties are seeing diminished year over year increases, because of the new supply."¹⁴⁴

ADR & RevPAR

This growth in the upper end of the market may be responsible for some positive data trends: Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) are growing by healthy margins. The two benchmarks are scrutinized heavily by the hotel industry to determine market health and individual property performance. ADR grew from roughly \$147 to over \$158 in 2015, and RevPAR jumped from \$116 to \$126.¹⁴⁵ This, coupled with the 79.7% occupancy rate, can be considered encouraging news. Los Angeles outpaced the top 25 markets in the U.S. by a healthy margin in all three metrics.

Peer-to-Peer Market Segment

According to Airdna, an unofficial provider of data and analytics on Airbnb, there were 29,654 Airbnb property listings in the Los Angeles metropolitan area as of May 2016. Of these listings, 40% were for a shared or private room within a residence, and 60% were for full use of an apartment or home.¹⁴⁶ This ratio is important when it comes to the regulatory environment, where some municipalities have forbidden full home rentals. With that product making up 60% of the short-term rental market, the effects are significant. Without the tools and resources to enforce the regulations, peer-to-peer hosts continue to violate the laws unchecked and without assistance from the platforms, the lack of compliance only continues to grow.

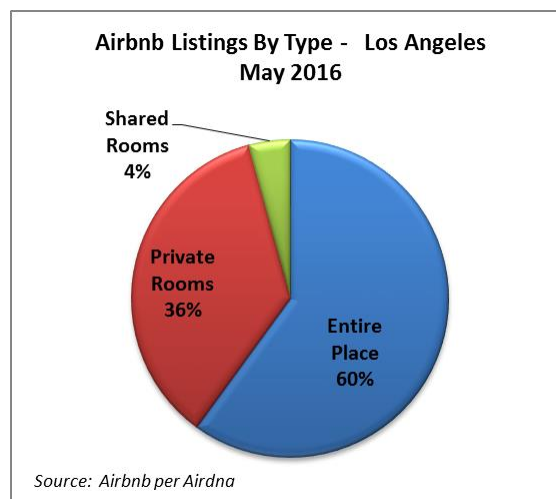


Figure 9.

¹⁴² "Market Pipeline Report: Los Angeles County, CA."

¹⁴³ Ibid.

¹⁴⁴ O'Connor, Interview with Asset Manager of MSD Hospitality.

¹⁴⁵ "Research | Discover Los Angeles."

¹⁴⁶ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

Airbnb continues to experience exponential growth in the Los Angeles area. While bookings follow the typical seasonality you would expect for the lodging industry, the total number of bookings for any month in 2016 has far exceeded the same total a year prior. This spread reached its height in April. Total Airbnb bookings for this month were 9,214 in 2015 compared to 16,874 in 2016, an increase of 83%. Bookings in May also peaked at 18,061 as seen in Figure 10.

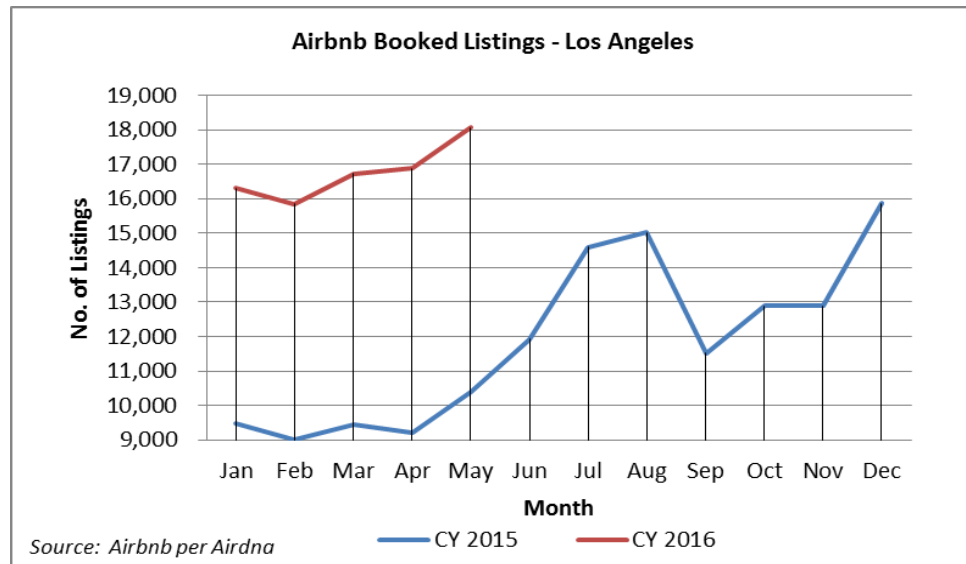


Figure 10.

On the financial side, the ADR of hotel-comparable Airbnb properties averaged \$157.38 and RevPAR averaged \$94.87 in 2015.¹⁴⁷ While the ADR for the hotel-comparable properties was very close to hotels, the RevPAR is a full 27.5% lower. This is due to a major difference in occupancy. There were a total of 1.4 million Airbnb nights listed in Los Angeles County over the course of 2015, however only 842,809 Airbnb nights were booked. As a result, average occupancy for Airbnb properties was 60.2% - decidedly lower than the

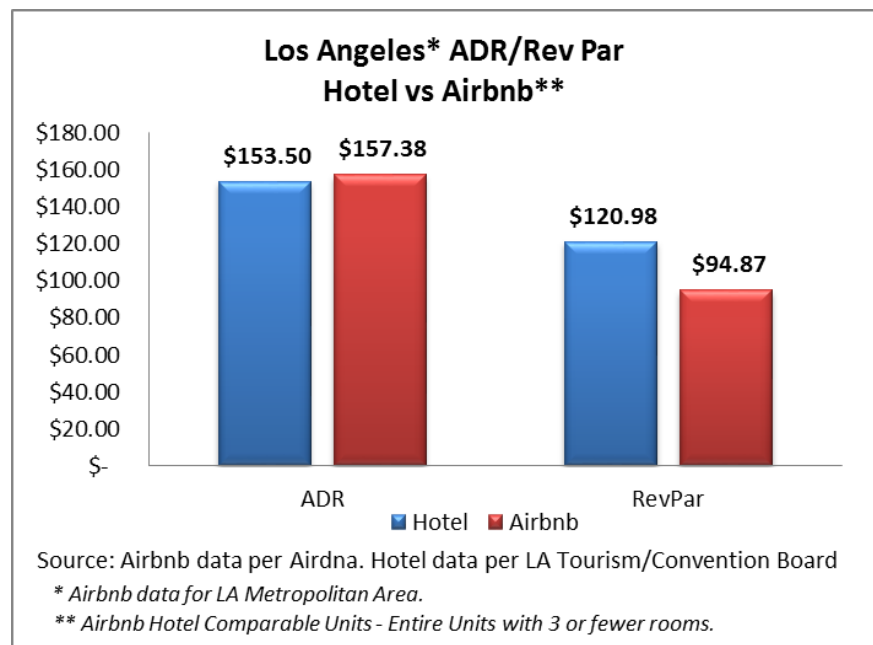


Figure 11.

¹⁴⁷ Ibid.

79.7% rate at traditional lodging facilities.¹⁴⁸

City Specific Dynamics

Mainstream popularity, strong ADR, and low barriers to entry have contributed to a surge in new peer-to-peer lodging listings worldwide. A Los Angeles Times report indicates that Airbnb properties increased 42% in Los Angeles County between June 2015 and January 2016.¹⁴⁹ This rapid growth has opened the door for part-time proprietors and many others who dedicate properties full-time to the short-term rental market. Inside Airbnb, another unofficial provider of Airbnb rental data estimates that nearly 45% of Airbnb listings in Los Angeles County are listed by a host that has multiple properties on the platform.¹⁵⁰

This increase in supply may provide incoming travelers with more unique choices for lodging, however it is also pinching an already tight permanent rental market. In the event that an apartment is rented out full time, or when property owners decide to convert former long term rentals to short-term rentals, that inventory comes off the market and constrains supply for permanent residents. Rents in Los Angeles County are expected to rise 8.9% between 2015 and 2018¹⁵¹, an indication that demand continues to outpace supply. While this increase cannot be fully attributed to the cannibalization caused by the increase in short-term rentals, it has been identified as a significant and possibly governable factor by those investigating the effects of the short-term rental market on the local community.

Government and Regulations

Like so many technological innovations, the Sharing Economy has created business opportunities faster than it can be regulated. The overall impact of government involvement in Los Angeles County is negligible, with many lobbying efforts just now gaining steam. Beach communities like Hermosa Beach, Manhattan Beach, and Santa Monica were some of the first to experience high growth in peer-to-peer lodging rentals, and as such those municipalities have the most mature regulatory evolution to date. Hermosa Beach and Manhattan Beach have flatly outlawed short-term rentals. Not far away in Dana Point, the practice is allowed, albeit with a permit.¹⁵² In May of 2015, Santa Monica made a legal distinction between “home sharing” and “vacation rentals.” Home sharing refers to renting a part of your home while remaining in the home, and vacation rentals refer to the renting of an entire home with the host not on premise for less than 30 days. The distinction of the two classifications came as part of a city ordinance that fully banned all vacation rentals and required home sharing hosts to retain a business license and collect the 14% city hotel tax.¹⁵³ The ordinance included a plan to finance enforcement through the collected tax revenue, and as of June 2016, an analyst and two enforcement officers were on staff. On July 5th, 2016, a multi-unit host named Scott Shatford pleaded “no contest” to a misdemeanor charge of operating an illegal vacation rental business. As a result of a plea deal, Shatford received two years of probation and must cease operations of all his Santa Monica

¹⁴⁸ Ibid.

¹⁴⁹ Martin, “Airbnb and Other Home-Sharing Businesses Have Hotels Worried - LA Times.”

¹⁵⁰ “Inside Airbnb.”

¹⁵¹ Khouri, “Southern California Apartment Rents Are Expected to Continue Rising through 2018.”

¹⁵² Mazza, “Homeowner Sues Hermosa Beach for Short-Term Rental Ban.”

¹⁵³ Sanders, “Santa Monica Cracks Down On Airbnb, Bans ‘Vacation Rentals’ Under A Month.”

illegal vacation rentals. This marked the first case prosecuted against an Airbnb host for violation of the ordinance, and in the peer-to-peer space it was a noteworthy development. Shatford was not just your ordinary host; he authored “the Airbnb Expert’s Playbook”.

Santa Monica’s regulation set a precedent worldwide, and has similar foundational terms to much of the new regulatory language up for debate, including a proposal for the city of Los Angeles. In June 2016 the City’s Planning Commission approved a sweeping Home Sharing ordinance that, if approved by the Los Angeles City Council, would legalize short-term rentals with some explicit rules. Currently it is illegal to operate short-term rentals in most of the City. First, each host would need to register with the City and obtain a Transient Occupancy Registration certificate in order to collect and pay the taxes. Second, the ordinance would only allow rental of a person’s primary residence and for no more than 180 days per year. Vacation homes may also be rented, but for no more than 15 days per year. Third, no individual would be allowed to rent more than one property in the city of Los Angeles. The ordinance also excludes rent controlled units from participating.¹⁵⁴ Perhaps most importantly, the ordinance proposal requires that booking platforms like Airbnb provide monthly reporting to the City, detailing booked nights and registration numbers for all properties. The platforms would also be required to aid the City in investigations, suspending those accounts that do not comply. Fines and possible misdemeanor charges could await both platforms and hosts who violate the ordinance. The ordinance as proposed would also make hosts responsible for nuisance complaints, as well safety standards such as fire extinguishers, carbon monoxide detectors and emergency exit plans. The ordinance will now go before the Los Angeles City Council for consideration. In the meantime, the City announced a preliminary agreement with Airbnb on July 18, 2016 to collect taxes on behalf of short-term rental hosts in the City.¹⁵⁵ The deal is set for three years, and while it doesn’t legalize short-term rentals or regulate them, it allows the City to collect an estimated \$5.8 million in tax revenue while the regulations are hammered out. It also includes an unspecified audit mechanism to allow the City to verify proper tax collection. The deal can be amended as any new regulation comes online.

The prospect of getting platforms to participate in data sharing and enforcement is daunting. Airbnb, the largest platform for short-term rentals in the world, has resisted such measures staunchly. The company recently announced it was suing the city of San Francisco over a law requiring them to ensure all hosts on the platform have registered with the City. In the lawsuit, the company claims protection under Section 230 of the Communications Decency Act of 1996, which protects websites from what their users post.¹⁵⁶ It seems a foregone conclusion that the Los Angeles lodging market will soon be subject to some regulation over peer-to-peer rentals. The larger question is how will municipalities, hosts, and platforms work together to ensure the regulations can be enforced.

¹⁵⁴ Chandler, “Los Angeles Is One Step Closer to Regulating Airbnb.”

¹⁵⁵ Ibid.

¹⁵⁶ Newcomer, “Airbnb Sues San Francisco to Prevent New Rules That Enforce a Law Airbnb Wrote.”

City Findings: Vienna

Vienna is the capital, the largest city and one of the nine states of Austria. It is also home to 1.83 million people accounting for 21% of Austria's total population.¹⁵⁷ Vienna is not only the center for political, cultural, and economic affairs; it is also a major host of many international organizations such as the United Nations, the Organization for Security and Cooperation in Europe (OSCE), and the Organization of the Petroleum Exporting Countries (OPEC).¹⁵⁸ Vienna is said to be the "The City of Dreams" because it was home to the world's first psycho-analyst, Sigmund Freud. The city's roots lie in early Celtic and Roman settlements that transformed into a Medieval and Baroque city. Vienna also later became the capital of the Austro-Hungarian Empire.¹⁵⁹ It is well known for having played an essential role as a leading European music center, from the great age of Viennese Classicism through the early part of the 20th century. Vienna is Europe's cultural capital and its unique charm and liveliness continue to inspire and attract tourists from all over the world to discover this wonderful part of Europe.

Vienna recorded a 5.8% increase in international tourist arrivals, growing from 5.4 million travelers in 2014 to 5.72 million in 2015.¹⁶⁰ According to Travel US news, Vienna holds the 9th spot for the top destinations to visit in Europe. It is also a popular tourism destination for both summer and winter vacation. In fact, Austria leads Europe's market for winter holiday travel with a 50% market share. Vienna is globally ranked as the most prosperous city in the world and, according to State of World's Cities 2012/2013, it is also number one for having the highest quality of life.¹⁶¹ The growth in tourism to the city has certainly been felt by the hotel industry. Hotel



Figure 12.

overnight stays slightly outpaced international tourist arrivals, growing from 12.3 million in 2014 to 13.1 million in 2015, representing an increase of 6.48%.¹⁶² Over the past 5 years, these two performance measures have followed each other very closely. The correlation coefficient for the two measures from 2011 to 2015 is .998, indicating a strong uphill linear relationship.¹⁶³

¹⁵⁷ "STATISTIK AUSTRIA - Statistiken."

¹⁵⁸ mabpfi, "International Organisations and Institutions Based in Austria."

¹⁵⁹ bornintheusa617, *Vienna - City of Dreams*.

¹⁶⁰ "Flughafen Wien - Passagiere."

¹⁶¹ "H1-2014-Hotel-and-Tourism-Markt-Report-Vienna-Salzburg-Austria (1).pdf."

¹⁶² Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

¹⁶³ Ibid.

Vienna Lodging Industry

Hotel Room Supply

Markus Penz, Team Manager for Vienna's Strategic Destination Development, stated that, "Investment in hotel development rose to 50,000 beds in 2005. There are 70,000 beds today and the city expects to reach 80,000 beds by the year 2020, which is about 3% average increase in hotel room which matches the 3% average increase in hotel demand".¹⁶⁴ The tourism success story in Vienna is not only due to the city's unique wealth of cultural attractions, entertainment highlights, excellent shopping opportunities, but also due to the fact that Vienna is a very clean and safe city. Despite the economic crisis in Europe that started in the late 2000's, tourism in Vienna continues to grow. As a result, the lodging industry, including both traditional hotels and peer-to-peer lodging platforms, continues to thrive during the economic down turn.

Hotel Occupancy

The culture of travel and tourism has changed in the last century and people travel more today than ever before. Vienna has been a beneficiary of this travel trend. The demand of today's travelers, young and old, seeking urban areas is on the rise and consequently the lodging industry in Vienna is growing. The city has continued to add many hotel beds over the last few years to meet demand, as building housing and hotels was cheap. As a result, the number of hotel rooms supplied continues to increase upward while the hotel occupancy rates only saw modest gains increasing from 72% in 2014 to 73% in 2015.¹⁶⁵

ADR & RevPAR

Yet another sign of Vienna's continued growth was an increase in ADR from €95 in 2014 to €100 in 2016, the highest it has been since 2007.¹⁶⁶ During the height of the economic crisis, it was the higher end of the market that suffered the most. The 4.4% year over year increase can be attributed primarily to a reversal in the downward trend of 4 and 5 star hotels. RevPAR, driven by both the increases in ADR and occupancy rates, similarly saw an increase from €69 to €72.¹⁶⁷ As the economy gradually recovers, so too does the image of fine luxury and culture to Vienna.

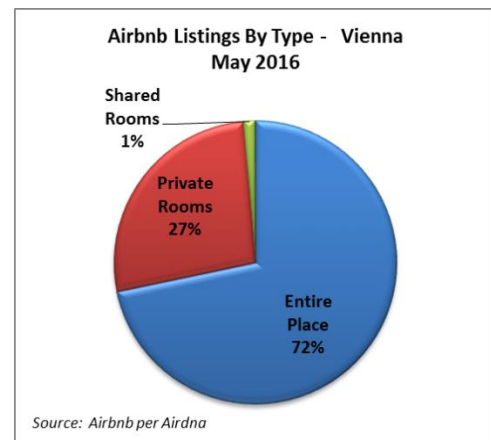


Figure 13.

Peer-to-Peer Market Segment

Similar to the traditional lodging industry, peer-to-peer rentals have also increased over the past year.¹⁶⁸ In May 2016, there were 3,720 Airbnb listings in the city and just one year prior, there were only 1,604, representing growth of 132%. While only 28% of the units this past May were for shared or private rooms, 72% were for use of an entire place, as seen in Figure 13

¹⁶⁴ Penz, Interview with Strategic Destination Development of Vienna Tourist Board.

¹⁶⁵ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ "Pwc-European-Cities-Hotel-Forecast-2014-and-2015.pdf."

above. This larger share suggests that the vast majority of supplied listings provide for a more hotel comparable experience, than it would to stay in a shared or private room.

Airbnb experienced tremendous growth in Vienna throughout 2015. Bookings reached their peak in December 2015 at 4,103.¹⁶⁹ However, as Michaela Reitterer, President of the Austrian Hotel Association, pointed out and Airdna data revealed, this growth seems to be levelling off.¹⁷⁰ Some have suggested that the peer-to-peer lodging market has reached its peak in the city and may even be headed for a downturn. Visitation to Vienna is highest in the winter months, so the fact that no month this year has eclipsed December's total isn't a strong indicator that these bookings have come to a halt. The year-over-year rate of growth, however, has slowed. There are several causes that may be contributing to the slowdown in bookings, but the supply of available units may be the top culprit.

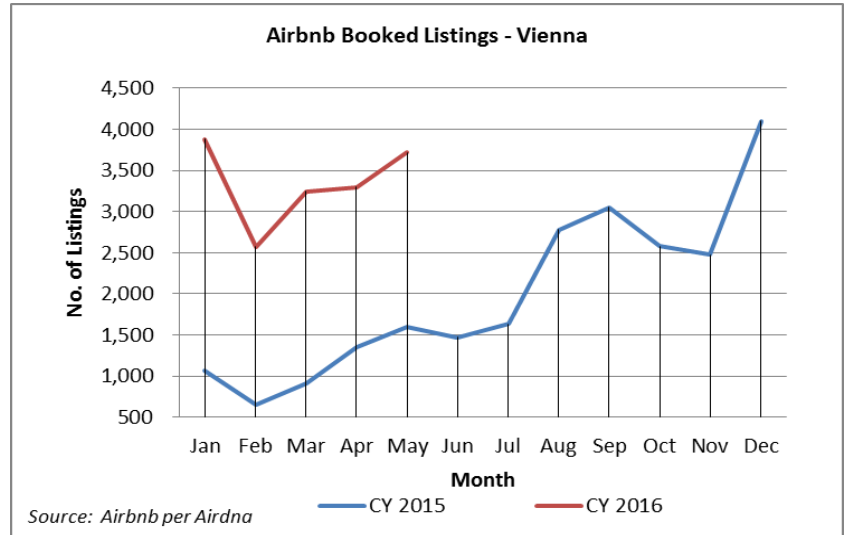


Figure 14.

On average, staying at a hotel in Vienna is more expensive than renting a peer-to-peer unit on Airbnb. In 2015, the ADR for a hotel-comparable unit on Airbnb was €85.33 in Vienna and the €100 ADR for the traditional lodging industry represents a premium of 17.2%. Certain demographics don't mind paying the extra cost. For example, 80% of business travelers choose hotels over peer-to-peer lodging accommodations in Vienna.¹⁷¹ The difference in RevPAR is even more substantial. In 2015, this figure for Airbnb units was just €44.58 compared to €72 for hotels.¹⁷² This differential was affected by the occupancy rate which was 73% for hotels and only 53% for Airbnb. Another factor contributing to this differential, as previously discussed, is the fact the traditional

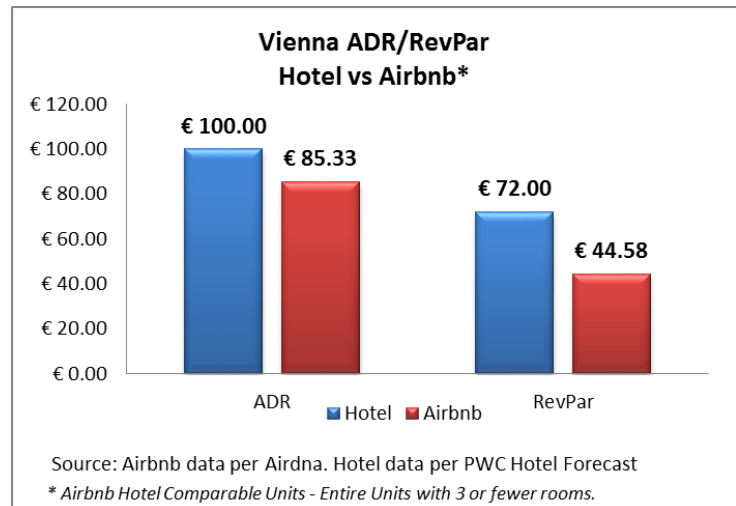


Figure 15.

¹⁶⁹ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

¹⁷⁰ Reitterer, Interview with President of Austria Hotel Association.

¹⁷¹ Penz, Interview with Strategic Destination Development of Vienna Tourist Board.

¹⁷² Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

lodging industry benefitted from a recovery of high end hotels. At the height of the recession, they had to significantly reduce their room rates. Now that there has been some recovery, the higher room rates charged by these accommodations have brought up the ADR.

City Specific Dynamics

One factor slowing down the growth of peer-to-peer lodging platforms in Vienna is the limitation on rentable units within the city. There is a large supply of social housing in Vienna; almost 60% of Viennese residents live in government subsidized housing.¹⁷³ They are legally forbidden from renting out their place of residence on Airbnb or any other peer-to-peer lodging platform.¹⁷⁴ However, if the residence is not subsidized by the government, sharing or renting an actual room is legal in Austria as long as the host meets the following requirements: lives in the same building, does not offer more than 5 rooms or 10 people at any one time and only serves breakfast.¹⁷⁵ However, today most of the units listed in Vienna on Airbnb's website are in districts where tourism is common and over 70% are for use of an entire home or apartment. The argument can be made that only the 28%, which represent shared and private rooms, are conforming to the "live like a local experience" advertised by Airbnb. With the limited supply of legally rentable rooms tied up by opportunistic hosts, the housing market is being compressed and the pressure is on city officials to respond to a growing housing crisis.¹⁷⁶

Government and Regulations

Vienna has developed a reputation for its luxury and prestige. This has aided hotels by allowing them to charge room rates on par with the stature of the city. The lower room rates charged by peer-to-peer lodging platforms tarnish that image. City officials have, as a result, not actively supported these alternative accommodations. In fact, the tourism boards, including the Austrian Hotel Association, which are funded in part by overnight taxes collected by traditional hotels, have continually criticized the platforms offering these short-term rentals. They have called on the city government to demand that they take action and enforce upon these companies the same rules hotels have to comply with. They are arguing for an even playing field.¹⁷⁷ At this time, unlike traditional hotels, Airbnb hosts do not operate under the same city rules in regard to taxes and safety. Complying with existing regulations exponentially increases the overhead and operating costs for traditional hotels. As a result, the city government has started to address these inequalities by trying to build a working relationship with Airbnb to gather host data. This data will be used by the government to collect city tourism taxes and enforce city laws. However, these efforts, particularly with Airbnb, have not yet flourished. Peer-to-peer lodging platforms have had some success in hiding behind European data protection laws, which legally prevent them from being required to provide host information.¹⁷⁸

¹⁷³ Wieser, Interview with City of Vienna Economic Affairs.

¹⁷⁴ Ibid.

¹⁷⁵ "Vienna Official Website."

¹⁷⁶ Reitterer, Interview with President of Austria Hotel Association.

¹⁷⁷ "Vienna Tourism Data & Facts."

¹⁷⁸ ktv_adittrich, "Vermieten von Wohnungen für touristische Zwecke."

The tourism industry is regulated on a provincial level and not on a national level in Austria. Vienna can therefore independently make decisions that affect its city and its citizens. The City of Vienna is cognizant of the presence of peer-to-peer lodging platforms and acknowledges the Sharing Economy is here to stay and will continue to grow. The possibilities offered by the new technologies are far from being fully exploited. However, government officials are looking to regulate this new and developing industry in a way that protects the interest of its citizens. The City of Vienna endeavours to turn the Share Economy absolutely into a fair economy.¹⁷⁹ The city wants courageous entrepreneurs to act within the rules and regulations of the city. Vienna is committed to fair competition and the principle of “good jobs” (good pay and fair working conditions), which means the same rules apply to all businesses, no matter whether business is done online or offline.

In order to even the playing field between Airbnb hosts and traditional hotels, State legislators are expected to pass regulations by December 2016.¹⁸⁰ The city has already started the information campaign and plans to launch online resources of the city laws so that people hoping to rent their apartments are updated and know the current rules and regulations. The city also introduced a new reporting obligation for platform operators as accommodation agencies. The data to be reported will include the name of the accommodation provider as well as the addresses of all accommodations. When the city government began to monitor Airbnb hosts, raise fines (up to €2000), and request that hosts provide exact addresses, Airbnb coincidentally began to cooperate with city officials. As a result, several European governments are considering creating registry numbers to list units so governments can track and collect taxes with relative ease.

¹⁷⁹ “Turning the Sharing Economy into a Fair Economy in Vienna - Share-Economy-in-Wien-Stadt-Wien-En.pdf.”

¹⁸⁰ Ibid.

City Findings: Athens

Athens is the capital and largest city of Greece, with a population of 3.7 million people. The Athens metropolitan surface area covers approximately 2,928 square kilometers. The city itself has a population of approximately 665,000 people, which usually doubles during business hours. Athens is home to the vast majority of companies, private and state-owned, in the country. It is the undeniable business center of Greece and plays an important role for business in the entire area of the Balkans.¹⁸¹

Athens' tourism industry suffered greatly from the economic downfall of Greece from 2008 onwards. After five rough years, during which the market experienced a correction in key metrics, 2013 saw a turnaround of this negative trend, displaying an increased number of arrivals as well as a significant increase in hotel occupancy rates. This long-awaited trend reversal can be greatly attributed on one hand to the general lack of public unrest and thus the vanishing of negative publicity in the international press.

Athens is serviced by one airport, Eleftherios Venizelos – Athens International Airport, located 34 km east of the city center. Piraeus is the main seaport of the city and is the largest port in Greece (second largest in the Mediterranean Sea after Marseilles in France). From 2011 to

2013, Athens saw steady drops in international tourist arrivals dropping from 2.9 million to 2.6 million over the period. This trend has completely reversed climbing to 4.16 million arrivals in 2015.¹⁸² Over the same period, overnights for hotels and similar accommodations took a very similar path to recovery. Hotel overnight stay data for 2015 was not readily available at the time of this writing, but given its relationship with

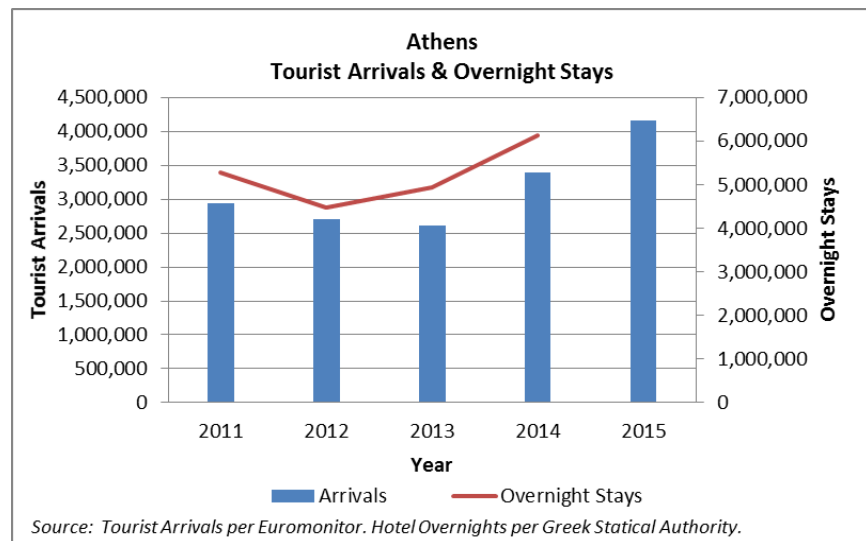


Figure 16.

international arrival figures, there is likely to be a year over year gain. From 2011 to 2014, these two performance measures had a positive correlation coefficient of .932, suggesting a strong dependence on tourist arrivals to drive overnight stays.¹⁸³

"The Athens International Airport recorded an increase of 10.1% year over year in international arrivals in Q1 2016. However, this increase is not reflected in the occupancy of the Athens hotel sector as an improvement of only 3.5% year over year was recorded in Q1 2016.

¹⁸¹ "In Focus- Athens, Greece."

¹⁸² Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

¹⁸³ Ibid.

The Athens Hotel Association contributes this difference to the booming Sharing Economy in Athens, where the supply on platforms like Airbnb is increasing at a rapid pace. In the winter periods, the difference cannot be attributed to tourists leaving directly to the islands.¹⁸⁴

Depressed prices have made Athens, and the country in general, a more desirable destination for tourists to travel. The lodging industry is heavily dependent on tourist visiting from abroad. Foreign travelers have accounted for more than 65% of Athens overnight stays for nearly every year over the last decade.¹⁸⁵ Key markets in Northern Europe, in particular, have been particularly important to the recovery of the industry. Germany and the United Kingdom, for example, represented 22% of all arrivals in 2015. In total, the 28 countries which make up the European Union were responsible for 15 million arrivals, representing 63% of the total.¹⁸⁶

Athens Lodging Industry

Summer is the peak time for tourists in Athens. Most tourists visiting Greece during the summer months only spend a few days in Athens. From there they continue on to the Greek islands for the remainder of their trip. During the winter months the Greek islands are not visited by tourists. As a result, many of the hotels there have to shut down operations. About 50% of 5, 4 and 3-star hotels in Greece operate on a seasonal basis and can be characterized as ‘resort’ hotels while the other half operate all year round and are categorized as ‘city’ hotels. The seasonality of the industry has an even greater effect on hotels categorized with less stars. About 60% of these hotels only shut down during the off season.¹⁸⁷

Hotel Room Supply

The supply of hotels in Athens has fluctuated significantly over the last couple of years, and larger hotels that closed were replaced by smaller ones that opened. Per GBR Consulting, for the period 2007 through 2013, 37 hotels, representing 2,156 rooms, shut down. Over the same period, 36 hotels opened, but with just 671 rooms.¹⁸⁸ This compression alongside an influx of tourism, created an ideal environment for peer-to-peer lodging platforms to grow. The hotel industry has recovered some of this lost supply. At the end of 2014, the city of Athens, including its suburbs, had 15,049 rooms, 52% of which are categorized as either 4 stars or 5 stars.¹⁸⁹

Hotel Occupancy

Despite the significant increases in international tourist arrivals throughout 2015, several months during the latter part of the year saw an occupancy rate decrease. During the months of September, October, and November, month over month occupancy rates dropped by 3.8%, 6.1%, and 4.6%, respectively.¹⁹⁰ The gap seems unexplainable, if not for the impact of peer-to-peer lodging platforms stealing away customers from hotels. In total, the occupancy rate for the year increased from 72.2% in 2014 to 74.9% in 2015, a gain of 3.6%.¹⁹¹ Over the same period,

¹⁸⁴ “2016Q1 Greek Hospitality Industry Performance.”

¹⁸⁵ “Lodging_in_Greece.”

¹⁸⁶ “2016Q1 Greek Hospitality Industry Performance.”

¹⁸⁷ “Hospitality_Report_2015_NAIHellas.”

¹⁸⁸ “2016Q1 Greek Hospitality Industry Performance.” on the Athens Hotel Industry.”

¹⁸⁹ Ibid.

¹⁹⁰ “Athens: Hotel Occupancy Rates Decline Despite Rising Visitor Arrivals.”

¹⁹¹ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

international tourist arrivals grew from 3.39 million to 4.16 million, a gain of 22.65%.¹⁹² The occupancy rates stated exclude the islands, but that still doesn't account for the difference during the winter months, when visitations to islands are low.

ADR & RevPAR

Athens saw significant increases in both ADR and RevPAR over the course of 2015. ADR grew from €85.96 in 2014 to €90 in 2015, representing a gain of 4.7%. Over the same period, RevPAR grew from €62.11 to €67.38, representing a gain of 8.5%.¹⁹³ This is an interesting dynamic. Travelers are being drawn to the city because they have a perception that since the country is experiencing an economic crisis that things will be inexpensive. Yet the influx in tourism is actually driving prices up. Staying in less expensive peer-to-peer lodging units, however, better aligns their perception with reality.

Peer-to-Peer Market Segment

In May 2016, Athens had 3,540 listings of which 2,210 received a booking. The vast majority, or 84%, was for use of an entire home or apartment. This disproportion in listings types has caused the Hellenic Chamber of Hotels to dub much of the emerging peer-to-peer lodging market as the “shadow economy”, a play on words from the wider recognized “Sharing Economy”.¹⁹⁴ Entire place rentals act as a much more direct competitor to the wider lodging industry, and opportunistic Greeks are seizing in on the opportunity to cash in on this growing phenomenon.

Airbnb is also experiencing tremendous year over year growth. Bookings peaked over the summer months in 2015, but the 2016 totals for April and May are higher than at any point last year. The peak at 2,210 bookings in May 2016 will likely be exceeded in the next several months, if last year is any indication of the ongoing trend. The rate of growth has not slowed at all. In fact, 2016 appears to be growing at an even faster pace than the previous year.

Hotel room rates in Athens far exceed those of Airbnb units.

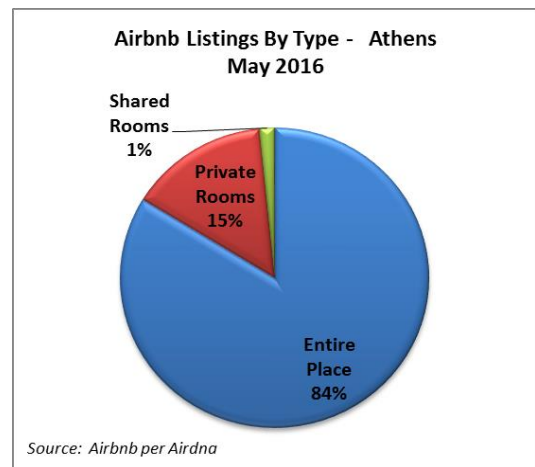


Figure 17.

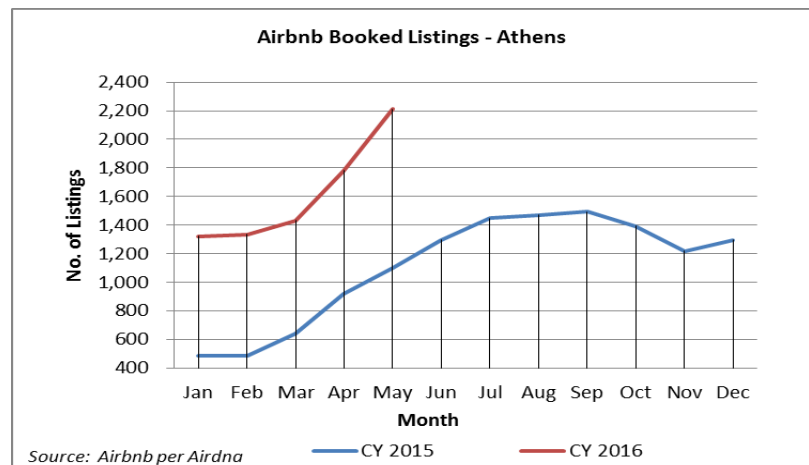


Figure 18.

¹⁹² Ibid.

¹⁹³ Ibid.

¹⁹⁴ Christidou, Interview with Director of Hellenic Chamber of Hotels.

In 2015, the ADR for hotels in Athens was €90 compared to €58.88 for Airbnb Hotel comparable units. This represents a premium of 52.9% and provides economic travelers all the incentive they need to take a chance on a peer-to-peer lodging platforms. RevPAR for hotels in 2015 was €67.38, compared to the €32.43 earned by Airbnb hosts.¹⁹⁵ On average, hotels are earning a higher rate for renting a room, but much of this gain is lost once the labor and maintenance costs are factored in.

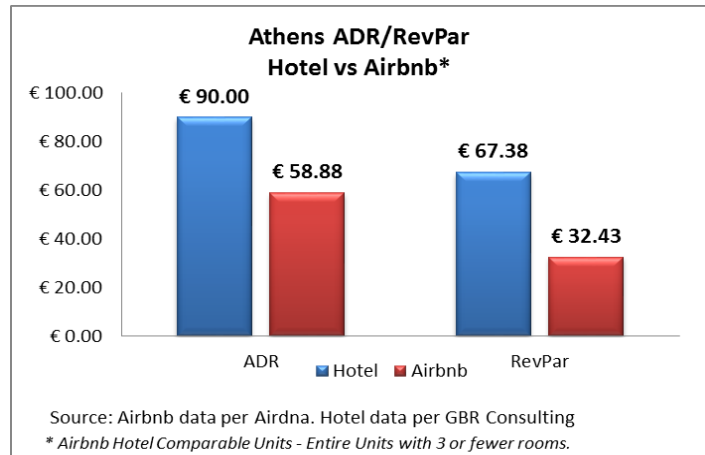


Figure 19.

City Specific Dynamics

One factor contributing to the success of peer-to-peer lodging platforms in Athens is the plentiful supply of homes and apartments to rent.¹⁹⁶ According to Maria Theofanopoulou, President and CEO of Danae Travel and Media Group, “a lot of Greek people, because we have a hot summer, and because many of our parents used to live in a village or an island or somewhere outside Athens, they have a house there.”¹⁹⁷ In fact, about 50% of Greece’s population owns a second home.¹⁹⁸ When you combine an abundance of supply, financial hardship faced by homeowners, and a heavy influx of tourists hoping to benefit from lower prices, you create the perfect growth environment for peer-to-peer lodging platforms.

Government and Regulations

Peer-to-peer lodging platforms in Greece are neither regulated, nor controlled by government and institutions, it does not fit in any legislative framework and, generally, it is not supervised by an (independent) mechanism. Due to the increasing popularity of peer-to-peer lodging platforms, not only the government revenue but also hotel revenue has certainly lost. According to leading business adviser, Grant Thornton, the Greece economy misses out on taxes adding up to €350 million per year due to the operation of illegal tourism accommodations.¹⁹⁹ The hosting of tourists in illegal accommodations equals to hotels losing 12 million overnight stays, which translates to €554 million of lost revenue.²⁰⁰ If such revenue were available to hotels, they could create an additional 15,000 jobs annually. Another industry report said these peer-to-peer lodging platforms cause an annual loss to the Greek state fluctuating from €260 to €276 million.²⁰¹ If now a similar tax is applied to peer-to-peer lodging platforms, public revenues can be further strengthened by an amount from €322 to €353 million annually.²⁰²

¹⁹⁵ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

¹⁹⁶ “Profile of Greece.”

¹⁹⁷ Theofanopoulou, Interview with President and CEO of Danae Travel and Media Group.

¹⁹⁸ “Profile of Greece.”

¹⁹⁹ “The ‘Sharing Economy’ in Tourism Deprives Greece of Millions of Euros.”

²⁰⁰ Ibid.

²⁰¹ “Operation and Impact of the Sharing Economy on the Greek Hotel Industry.”

²⁰² Ibid.

City Findings: Rome

Home to many religious and cultural sites, Rome is the 14th most visited place in the world and the 3rd most visited place in the European Union (EU).²⁰³ Visitation to the city can fluctuate widely, depending on whether or not it is a Holy year. While the city on average receives 7-10 million tourists a year, Vatican City alone welcomes 4.2 million.²⁰⁴ Rome is the biggest and most populated city in Italy. UN World Urbanization Prospects estimates the city's 2016 population has grown to over 3.73 million residences, a growth of 0.5% year over year. This ranks the city as the fourth most populous in the European Union.²⁰⁵ Rome is the capital of Italy and the seat of the Italian government. Rome's population consists primarily of Italians and only includes a legally registered foreign minority population of 9.5%. It is made up primarily of Filipino, Polish, North American, Spanish and Romanian people.²⁰⁶ Rome's economy, like all of Italy, has been depressed by the economic crisis throughout Europe. It is dominated primarily by the service sector, research, banking, and of course tourism.²⁰⁷

Rome Lodging Industry

Despite large fluctuations in international tourist arrivals, overnight stays have consistently risen in Rome over the past four years. The 20.4 million in overnight stays from 2011 rose to 25.4 million in 2015.²⁰⁸

Some of the ebbs and flows in arrivals have resulted from religious events. For example, Pope Francis announced a special Jubilee from December 8, 2015 until November 20, 2016, which is expected to bring 25 million visitors.²⁰⁹ Nevertheless, the 9.56 million in international tourist arrivals in 2015 was a five year high. From 2011 to 2015, the

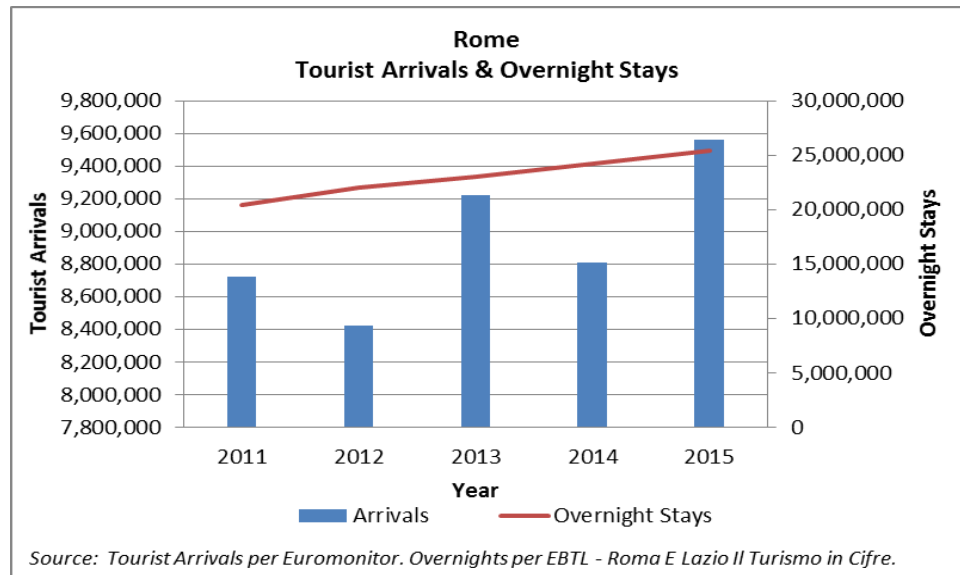


Figure 20.

²⁰³ "World's Most Visited Cities."

²⁰⁴ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²⁰⁵ "2016 World Population Review"

²⁰⁶ "Rome Population 2016 - World Population Review."

²⁰⁷ ATKearney. "Global Cities 2016"

²⁰⁸ EBTL, "Analysis Of Application In The Tourist Hotels In Rome and Province 2015"; EBTL, "Analysis Of Application In The Tourist Hotels In Rome and Province 2014."

²⁰⁹ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

correlation coefficient between these arrivals and hotel overnights stays was .7335. Though it is still suggest a relatively strong connection, tourism to Rome is not as dependent on international tourist arrivals as the other locations in this study.

Rome receives a wide variety of both national and international tourists traveling to the city for leisure and business. Impressions from the hotel managers interviewed in Rome suggest that the industry is growing slowly (less than 3%), but feels stagnant.²¹⁰ Italy is an example to the world in terms of hospitality; however, it is losing its reputation and business to other countries like China and Spain.²¹¹ Rome's hotel market was affected by the economic downtown, but there was an initial lag in the industry feeling the repercussions of the crisis. At the onset, many reservations were already booked and most people didn't cancel their plans. There is also a sense that while they were slow to feel the effects, they will also be slow to feel the recovery.²¹²

Hotel Room Supply

According to Ente Bilateral Territorial for Tourism, Rome had about 49,213 rooms available in 2015.²¹³ In a city with so many historical monuments and historical sights, areas for hotel development are limited. According to STR Global, however, two hotels are under construction that will offer 500 rooms with an additional 300 rooms in the planning stage.²¹⁴ These will be a welcome addition to the city as tourism continues to grow. During compression nights, when visitation to the city spikes from special events, the increase in supply will allow hotels to accommodate more guests and increase revenues.

Hotel Occupancy

Occupancy rates in Rome have fluctuated only slightly over the past couple of years with a low of 67% and a high of 69%, the latter occurring in 2014; it dipped back down to 68% in 2015, but is expected to have a significant recovery in 2016.²¹⁵ The influx of tourists into the city from a special Jubilee announced by Pope Francis will put pressure on the lodging industry to accommodate guests in the tens of millions. It also creates an opportunity for peer-to-peer lodging platforms to step in to handle the overflow.

ADR & RevPAR

After 3 years of steady ADR at €142, it surged up 4.9% in 2015 to €149. RevPAR also grew from €97 in 2014 to €102 in 2015, taking advantage of strong occupancy rates. Despite Savoy Hotel Manager, Riccardo Cocco's, description of the economic state in Italy as "World War III", he also concedes that travelers have grown weary of being in the recession, "We are selling rooms at very high prices that we wouldn't even imagine last year."²¹⁶ Still, these hotels may not be realizing their full potential. One of the effects of an industry dominated by small family-owned businesses and small groups, is the lack of reinvestment in some of the hotel properties. The economic crisis is also at fault for some of the deferred maintenance at luxury

²¹⁰ Cocco, Interview with Hotel Manager of Hotel Savoy.

²¹¹ Ibid.

²¹² Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²¹³ EBTL, "Analysis Of Application In The Tourist Hotels In Rome and Province 2015."

²¹⁴ "Pwc-European-Cities-Hotel-Forecast-2014-and-2015.pdf."

²¹⁵ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²¹⁶ Cocco, Interview with Hotel Manager of Hotel Savoy.

hotels which have prevented them from reaching the rooms rates of hotels in London and Paris.²¹⁷

Peer-to-Peer Market Segment

Hotels are not the only lodging option when in Rome. In recent years peer-to-peer lodging platforms have arrived on the scene giving consumers additional options. In May 2016, there were 16,440 Airbnb listings in Rome of which 12,278 received at least one booking during the month. The vast majority, or 69%, was for use of an entire place. Virtually none were for shared rooms, leaving the remaining 31% for private rooms.²¹⁸ The higher mix of Airbnb hotel comparable listings suggests a more competitive stance to the traditional lodging industry.

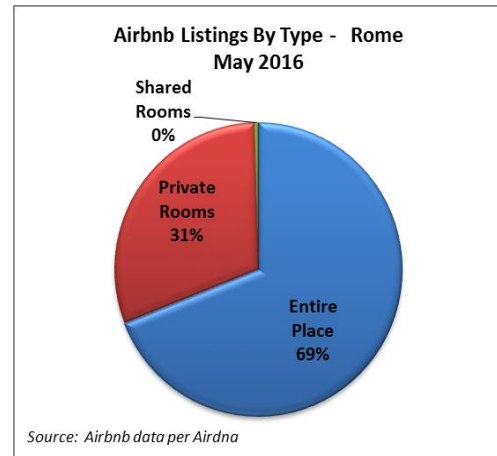


Figure 21.

When adding room nights for Airbnb listings to the overnight stays for hotels, it is found that this alternative lodging option has a mere 2.2% of the market.²¹⁹ Traditional hotels in Rome still have greater mass market appeal. Further evidence of this comes from a comparison of occupancy rates. In 2015, Airbnb's occupancy rate in Rome was 54% compared to 68% for hotels.²²⁰ Some of this disparity may arise from the fact that not many travelers to are aware of these emerging peer-to-peer lodging platforms.

Airbnb continues to experience strong growth in both the number of listings and the number of bookings. Advertised listings have grown from 13,054 in May 2015 to 16,440 in May 2016.²²¹ Travelers to Rome have taken notice of this additional supply and have shown their preference for the alternative lodging option. This is reflected in the growth in the number of Airbnb bookings. In May 2016, they grew to a 17-month high of 12,278, which also represents a 108% increase over May 2015.²²² With the influx of tourists expected for the Jubilee, these

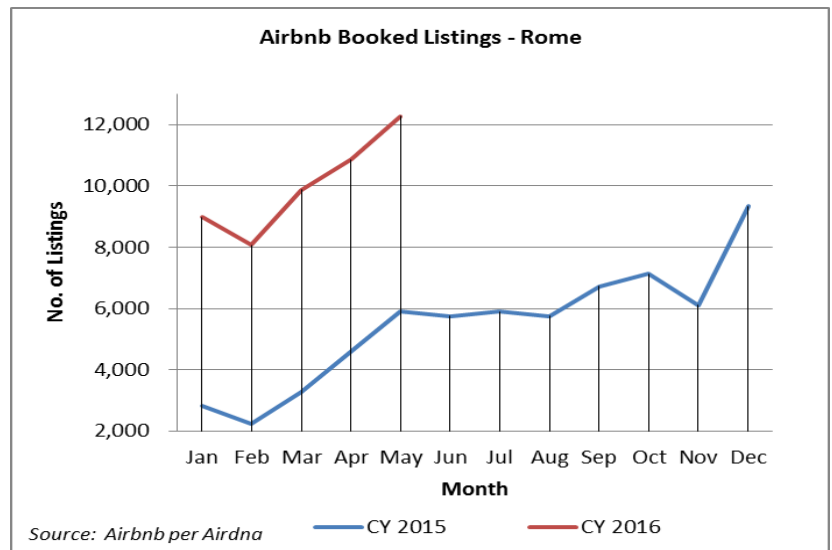


Figure 22.

²¹⁷ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²¹⁸ Doby, Fesshatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²¹⁹ Ibid.

²²⁰ Ibid.

²²¹ Ibid.

²²² Ibid.

numbers are only expected to increase as the year progresses.

Hotels in Rome, on average, are substantially more expensive than peer-to-peer lodging platforms. Airbnb's 2015 ADR for hotel comparable units in Rome was €101.53. The €149 ADR charged by hotels represent a 47% premium.²²³ This variance is surely contributing to Airbnb's growth in the city. Travelers, who previously may have been unable to afford the trip, now have a cheaper alternative. Also, visitors into the city for special religious events may stay for longer periods of time. The difference in daily room rates is only magnified under these circumstances. The variance in RevPAR, €102 for hotels and €55.14 for Airbnb units, is also substantial. In addition to the gap in ADR, this variance is spread wider by the difference in occupancy rates, 68% for hotels and 54% for Airbnb hotel comparable units.²²⁴

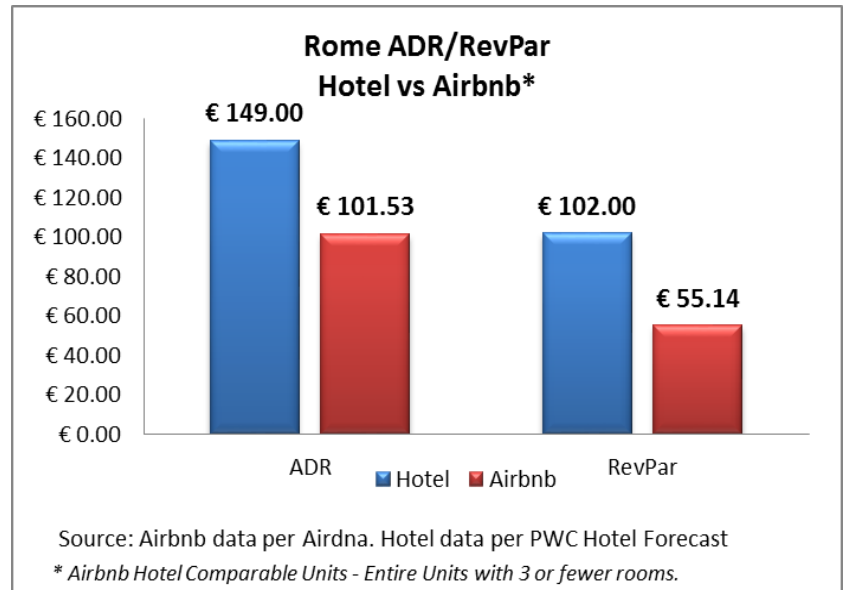


Figure 23.

City Specific Dynamics

The lodging industry in Rome is characterized by a large proportion of family owned hotels and small syndicates. Per Riccardo Cocco of the Hotel Savoy, international hotel chains only make up 5% of the market in Rome, which consist of small hotels with an average capacity of 30 to 35 rooms.²²⁵ One of the implications of this dynamic is that you have a lot of small companies all competing with each other and information is disjointed. Large international chains commit a lot of their resources to research. This information allows them to make more informed decisions. Family owned businesses that have been in the hospitality industry for generations are less likely to react to changing dynamics in the market as quickly as an international chain would. Their goals may be less about maximizing profit and more about beating the hotel next door.

Hoteliers in the city are likely unaware or unconcerned about the growing threat peer-to-peer lodging platforms may pose. As a result, they are not maintaining a competitive posture by adjusting their prices or improving their services. As Ercole Di Baia, owner of the Blue Hostel in Rome points out, “the lodging industry in Rome is a bit different than the rest of the world. Because the city is a very heavily visited tourist destination, there is no marketing needed to help

²²³ Ibid.

²²⁴ Ibid.

²²⁵ Cocco, Interview with Hotel Manager of Hotel Savoy.

hotels improve their occupancy rates. The flow of visitors is pretty constant all year long.”²²⁶

Government and Regulations

The lodging industry in Rome is also subject to many different types of taxes. Depending on the hotel’s rating, the rates may vary. The different types, however, include city taxes, value added taxes (VAT), and others. To remain competitive, the hotels in Rome are ultimately betting on the continued attractiveness of the city. As a result, hoteliers in Rome are hoping the government will continue to invest in marketing the city’s many attractions to a worldwide audience. Competition from up-and-coming travel destinations like Barcelona, threatened to take away visitors from the city, offering them hotel prices at a steep discount.

Taxes paid by hotels in Italy clearly put them at a disadvantage compared peer-to-peer lodging platforms. They are also relatively high compared to other countries. The VAT, for example, is 20% in Italy where it is only 10% in Spain.²²⁷ According to Lisa Guido, Director of European Programs at SAI Programs, Italy has very strict laws and regulations regarding hotels, however the rules are not the same across all the lodging industry.²²⁸ Where hotels have strict regulations and have to pay multiple taxes, peer-to-peer lodging platforms like Airbnb do not have to pay anything and are not subject to any specific regulations, except that Airbnb hosts must not list rooms for 3 months out of the year.²²⁹ From a competitive standpoint, this puts hotels at a severe disadvantage and explains why hotels prices are at such a premium compared to Airbnb units in Rome. As hotel manager Riccardo Cocco noted, “A hotel might generate 30% profit for a room where Airbnb generates 95% profit”.²³⁰

Most hotel owners agree that the government should level the playing field and find a way to collect taxes from peer-to-peer lodging platforms; however, nothing has been done. Since the government hasn’t created any regulations for peer-to-peer lodging platforms, it cannot enforce anything on those particular services. The Italian government is having a hard time dealing with this new phenomenon and does not seem to have a clear vision on how to attack it. Airbnb and HomeAway are not helping, and are in fact being uncooperative by restricting the government from accessing their data. Hosts are also unwilling to help because charging additional taxes will decrease their profits. The result is millions of dollars in taxes going uncollected. The fact that the Italian economy is not doing well is not helping the case. Many Italian are struggling to make ends meet and the less they pay in taxes the better off they feel. As Lisa Guido points out, “Italy has one of the highest rates of tax evasion in the Europe, reflecting the fact many of its citizens have little faith in their government”.²³¹

²²⁶ Ibid.

²²⁷ “IVA (VAT Tax) in Italy.”

²²⁸ Guido, Interview with Director of European Programs of SAI Programs (Rome).

²²⁹ Ibid.

²³⁰ Cocco, Interview with Hotel Manager of Hotel Savoy.

²³¹ Guido, Interview with Director of European Programs of SAI Programs (Rome).

City Findings: Barcelona

The 1992 Olympic games, hosted by the city of Barcelona, put Barcelona on the map as one of the top tourist destinations in the world and since then it has experienced exponential growth in the travel and lodging industries. Barcelona is the second largest city in Spain and the leading international tourist destination in the country. In the last few years, Barcelona has experienced phenomenal tourist growth and is now one of the five most visited cities in Europe.²³²

International tourist arrivals, in particular, have been strong. From 2014 to 2015, that number increased from 6.26 million to 6.61 million, a gain of 5.68%.²³³ This growth has been brought on, in part, by new international flights and in 2015 the Barcelona airport achieved a 5.7% increase in passenger arrivals from 2014.²³⁴ These arrivals have also greatly contributed to the growth in hotel overnight stays which have gone from 15.6 million in 2011 to 18.4 million in 2015. The correlation coefficient for these two performance measures was .9949, which indicates a strong uphill linear relationship.²³⁵



Figure 24.

Barcelona Lodging Industry

Hotel Room Supply

The lodging industry in Barcelona has witnessed strong growth in hotel room supply. In 2010, Barcelona counted a total of 31,776 hotel rooms, distributed over 328 hotels and by 2015, this supply has grown to a total of 40,379 hotel rooms, distributed over 639 hotels.²³⁶ Over this period, the total number of hotels increased by 95%. Despite the lodging industry's efforts to ratchet up supply, demand continues to grow at a faster relative pace, and as a result hotel occupancy continues to increase.²³⁷

Hotel Occupancy

Barcelona's enticing tourist attractions including the beach, Gaudi architecture, gastronomy, and nightlife continue to attract more tourists every year, driving an exponential

²³² PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²³³ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²³⁴ Ibid.

²³⁵ Ibid.

²³⁶ Ibid.

²³⁷ PWC, "Room for Growth: European Cities Hotel Forecast for 2015 and 2016."

increase in demand in the lodging industry. Hotel occupancy rates grew from 68% in 2010 to 75% in 2015.²³⁸ In addition to Barcelona's attractive tourist activities, it is also a leading MICE (meetings, incentives, conventions, and exhibitions) destination, hosting nearly 2,000 events a year. 40% of tourists visiting Barcelona in 2014 cited a convention or exhibition as their prime motivation to visit. Barcelona also hosts the world's largest exhibition, conference and networking event for mobile operators, GSMA Mobile Congress, which brings more than 87,000 people to the city.²³⁹

ADR & RevPAR

Barcelona's significant growth in tourism has propelled a strong performance in the lodging industry. Hotel ADR has consistently increased since 2010, from €110.20 to €124 in 2015. In addition, Barcelona hotels have experienced a substantial growth in RevPAR, increasing from €74.61 in 2010 to €94 in 2015.²⁴⁰ Last year's RevPAR ranks 9th in all of Europe and is forecasted to move up to the 8th highest RevPAR by 2017. The strong growth in RevPAR was driven in part by marginal hotel room supply growth and healthy occupancy levels.²⁴¹ A series of events and conferences planned for 2016 and 2017, as well as a hotel moratorium, are expected to drive more growth in RevPAR, largely through price increases. RevPAR is forecasted to increase to €97 in 2016 and €103 by 2017, and ADR is expected to grow 3.2% this year, taking it to €129 by the end of 2016.²⁴²

Peer-to-Peer Market Segment

The recent rise of peer-to-peer lodging platforms is becoming increasingly threatening to the traditional lodging industry in Barcelona. The most popular of these services in Barcelona are Airbnb, HomeAway, and FlipKey and these services have proven to be very successful in recent years. For example, there were 18,474 active Airbnb listings in May 2016. In addition, Airbnb grew its number of rooms available by 121.61% from August 2014 – May 2015 vs. August 2015 – May 2016, increasing from 675,855 to 1,497,774 rooms available.²⁴³ The number of active listings in Barcelona also reveals a more balanced distribution of the different types of units than some of its peers. During May 2016, 54% of the active listings were for use of the entire place and 46% were for private and shared rooms. The latter of which provides a more immersive experience. There is no better way to live like a local than to actually live with a local. In order to determine if peer-to-peer lodging platforms are a threat to hotels, it is important to examine their

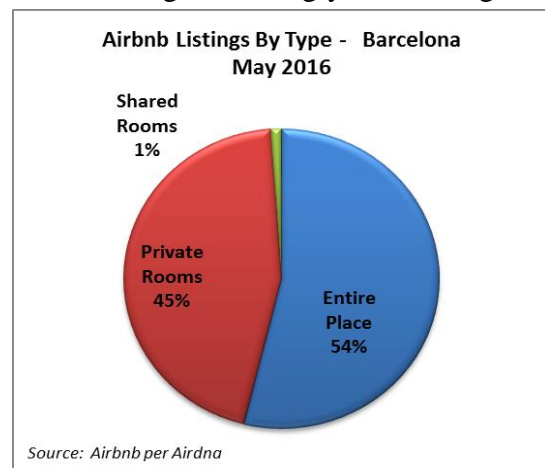


Figure 25.

²³⁸ Ibid.

²³⁹ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²⁴⁰ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²⁴¹ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

²⁴² Ibid.

²⁴³ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

performance compared to traditional lodging companies' performance in Barcelona. In 2015, Airbnb had a 60% occupancy rate, with 759,812 listing nights booked out of 1,267,099 listing nights available. The traditional lodging industry stated occupancy levels at 75% in 2015. During that time, 3.8% of total overnight bookings in the lodging industry were from Airbnb overnights.²⁴⁴

Airbnb's ADR was €96.29 in 2015, which was lower than hotels' ADR of €125 during the same time period. This represents a 29.8% pricing premium for hotels. The lower price point is an advantage that peer-to-peer lodging platforms have over hotels, and tourists often choose the lower price when looking for a place to stay in Barcelona. In 2015, Airbnb had a RevPAR of €57.36, which was also lower than hotels' RevPAR of €94 during the same time. This suggests that hotels were able to generate 63.9% more revenue per room than Airbnb hotel comparable listings were.²⁴⁵

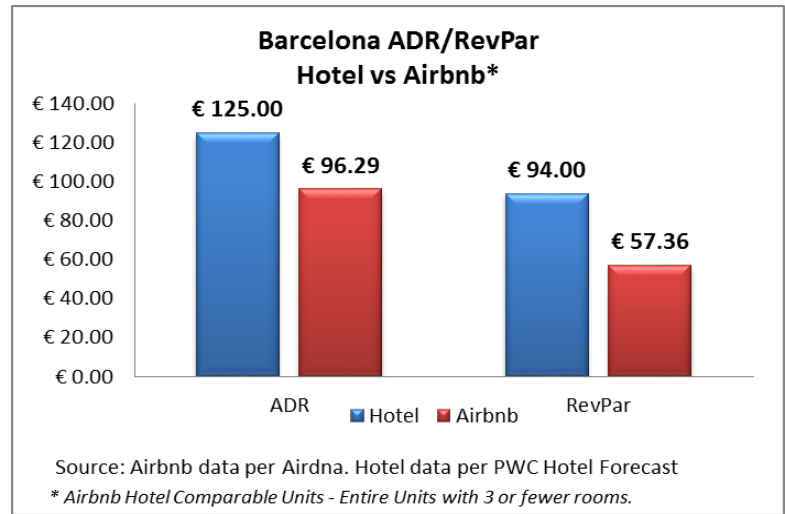


Figure 26.

Airbnb's growth in 2016 appears to have stalled a bit in Barcelona compared to the prior year. The summer months are definitely the most popular time to visit the city, so the numbers are likely to climb again. However, while the number of bookings in 2016 is likely to exceed 2015, the current trajectory is not as steep. The number of bookings actually began to level out at the beginning of the year and fell slightly from December 2015 to Jan 2016.

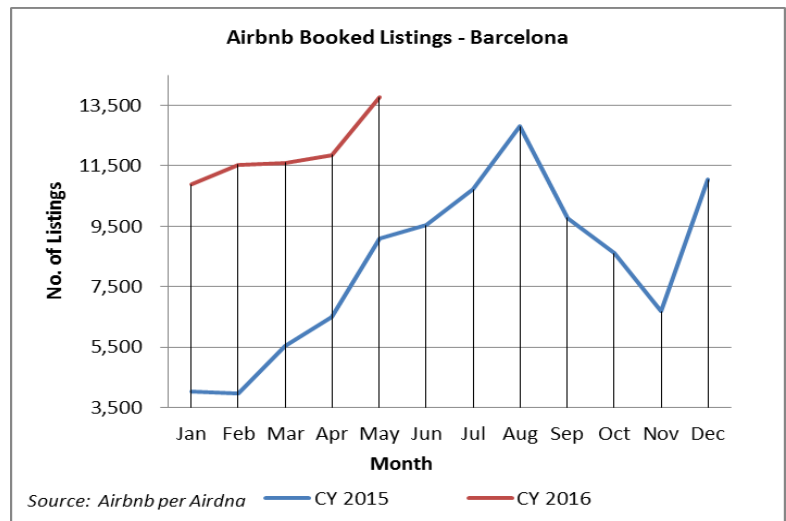


Figure 27.

City Specific Dynamics

With unemployment at high levels in Barcelona, 22.3% in 2015²⁴⁶, locals are in need of ways to generate income, and peer-to-peer lodging platforms provide a great way to make extra income. Airbnb completed a study of the economic impact of its services in Barcelona and found

²⁴⁴ Ibid.

²⁴⁵ Ibid.

²⁴⁶ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

that Airbnb generated \$175 million in economic activity in one year and supported more than 4,000 jobs.²⁴⁷ According to the study, 75% of Airbnb hosts earn at or below Catalonia's average household income.²⁴⁸ From an economic standpoint, peer-to-peer lodging platforms are an ideal match for Barcelona because of the city's high unemployment matched with the growing consumer trend of wanting to "live like locals" with an authentic experience. As a result, Barcelona's lodging industry has seen a dramatic growth in peer-to-peer lodging platforms.

Government and Regulations

Tourist revenue generating activities in Catalonia benefit the area in which they provide business, and as a result there is legislation in place to tax hotels and tourist accommodations. Since 2012, tourist accommodations are required to pay a VAT of 10% of their overall revenue.²⁴⁹ Apartment and house rentals are exempt from this VAT; however there is a massive amount of units and rooms, 202,530 total Airbnb listings in 2015 alone²⁵⁰ that are rented out for tourism purposes, thus bringing in revenue like a normal tourist accommodation. There is a discrepancy between how traditional lodging accommodations and peer-to-peer lodging platforms are providing tax to the city of Barcelona. The International Hotel and Restaurant Association describes peer-to-peer lodging platforms as partially unfair to competition²⁵¹, in part because they haven't been taxed the same way as traditional tourist accommodations, creating an unlevelled playing field.

In 2012, the Catalan government started the process of creating legislations to regulate apartment establishments and homes for tourist use. The regulation requires all hosts of tourist rental accommodations to register their unit as an official tourist rental accommodation and obtain a government license. Hosts must also register with the Tourism Register of Catalonia (RTC). They are then given an NIRTC, which is the identification number required for all advertised tourism accommodations in Catalonia. The government is then able to collect the data from all the registered vacation rental accommodations and appropriately tax them.²⁵²

Progress has been made in leveling the playing field amongst tax regulation of tourist rental accommodations. 81,100 tourist rental homes and 446,051 people registered with the RTC between 2013 and 2015.²⁵³ Hosts have been providing their data in order to be taxed as a travel accommodation, although there are still many who don't register their homes. The Catalonia Strategic Tourism Plan estimates that half a million beds in Catalonia are illegal accommodations, because they aren't following the regulations in place.²⁵⁴

²⁴⁷ "Airbnb Economic Impact."

²⁴⁸ Ibid.

²⁴⁹ Agencia Tributaria, "New VAT Tax Rates - Spain."

²⁵⁰ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²⁵¹ MarketLine, "Hotel Industry Analysis - Spain.pdf."

²⁵² Generalitat de Catalunya, "European Tourism Forum - Luxembourg 2015."

²⁵³ Ibid.

²⁵⁴ Ibid.

City Comparisons

Legal/Regulation & Taxes

Tourist and value added tax provide millions of dollars to local economies and serve as a way for tourist accommodations to give back to the economy in which they operate. This tax differs per city and country. Los Angeles County has a transient occupancy tax of 12%. In Barcelona tourist accommodations pay a VAT of 10% of their overall revenue.²⁵⁵ Vienna requires a similar tax, in which tourist accommodations pay 3.2% of the accommodation cost.²⁵⁶ Similar to Los Angeles, Vienna, and Barcelona, Athens tourist accommodations must pay a tax of 24% of their revenue.²⁵⁷ In contrast, Rome tourist accommodations collect and pay a different tax depending on the type of lodging accommodation. This tax ranges from €2-7 per night.²⁵⁸

Airbnb and other peer-to-peer lodging platforms have not been held to the same standards of paying taxes as hotels have been. These peer-to-peer lodging platforms have been reluctant to hand over data to governments that would be used for taxing them, thus making it difficult for governments to enforce tourist tax regulations. Los Angeles and Santa Monica are setting a new precedent, by establishing an agreement with Airbnb to collect transient occupancy taxes on their behalf. In Barcelona, Vienna, Rome, and Athens it is the host's responsibility to collect those taxes on their own and then submit them to the government.

Barcelona, Vienna, and Los Angeles County (more specifically Santa Monica) have all started fining hosts of peer-to-peer lodging platforms for not disclosing their units and paying taxes to their governments. Vienna fines hosts up to €2,000²⁵⁹, while Barcelona hosts pay up to €3000 for illegally renting out their flats.²⁶⁰ Similarly, Santa Monica recently fined a host \$3,500 for illegally operating a vacation rental business without city permits.²⁶¹ Barcelona has even gone so far to fine Airbnb directly. They administered a €30,000 fine to Airbnb to send a message, although the minimal fine was really too small to make a significant impact thus far.²⁶² In contrast, cities like Rome and Athens have done little to combat tax issues with peer-to-peer lodging platforms, as they haven't started administering fines to hosts.

Licenses/ Permits

Barcelona and Santa Monica have led the way in implementing processes to track and collect taxes from peer-to-peer lodging platforms. Barcelona requires hosts to register with the government to obtain a specific tourist accommodation license. This has been somewhat successful in helping the government track and collect tourist taxes from peer-to-peer lodging platforms. Santa Monica, and soon to be Los Angeles, require hosts to register with the city to obtain a Transient Occupancy Registration certificate in order to collect and pay taxes. Vienna is

²⁵⁵ Agencia Tributaria, "New VAT Tax Rates - Spain."

²⁵⁶ Brownlow, "Is There a Hotel or Tourism Tax in Vienna?"

²⁵⁷ Theofanopoulou, Interview with President and CEO of Danae Travel and Media Group.

²⁵⁸ Turismo Roma, "The New Tourist Accommodation Tax Measures in ROME - Turismo Roma."

²⁵⁹ Wieser, Interview with City of Vienna Economic Affairs.

²⁶⁰ País, "Barcelona Cracks down on Illegal Subletting through Airbnb."

²⁶¹ Ganezer, "Rent AIRBNB, Go To Jail."

²⁶² Abad, Interview with Director of General Tourism Regulation of Government of Catalonia.

not far behind Barcelona and Santa Monica, as they are working with Airbnb to gather exact addresses of hosts, as well as collecting data directly from hosts. In addition, Vienna has a private accommodation law that says residents cannot rent out more than 10 beds without a license from the government.²⁶³

Unlike Barcelona, Vienna, and Los Angeles County, Athens and Rome have done little to help their cause in collecting tax from hosts of peer-to-peer lodging platforms. Their governments are putting their trust in the hands of the hosts, as they are just hoping hosts will come forward and pay the tax on their own without any regulations to guide them. The government in Athens used to require hosts using peer-to-peer lodging platforms for 30 days to be professional organizations, but have recently abolished that.²⁶⁴ Rome and Athens have not put in place processes to collect the appropriate taxes from peer-to-peer lodging platforms and as a result they are missing out on millions of dollars in tax revenue.

Social/Cultural

Comparing the social/cultural aspects of peer-to-peer lodging platforms in the researched cities, there are some interesting conclusions. Most notable were the residents of Vienna²⁶⁵, Athens²⁶⁶ and Rome, whom view peer-to-peer lodging platforms as a necessary means to supplement their current incomes.²⁶⁷ Financially, residents of these cities feel they must have additional sources of income to maintain a standard of living and renting their homes through peer-to-peer lodging platforms provides them this opportunity with little effort. Owner of the Delice Hotel Apartments in Athens, Eirini Benetou, explained that most Athenians have an apartment in the city and a second home in the countryside that has been passed down through family generations.²⁶⁸ Due to recent government mandated increases on property taxes, Athenians are now having difficulty paying for these second homes.²⁶⁹ Therefore, with the establishment of peer-to-peer lodging platforms came some relief for the Athenians. They could host their properties to help them meet the increased homeowner expenses they now have. One would argue however, why these individuals don't just rent their properties out for long term leases and move away from the peer-to-peer lodging platforms. Benetou²⁷⁰ and Lisa Guido, Director of European Programs at SAI Programs, Rome, both mentioned that long term renters have a plethora of rights that protect them from many requests of landlords.²⁷¹ Landlords do not want to bother with unreasonable renters or be forced into a situation where a renter does not pay rent but due to renter rights, they cannot be removed from the unit.²⁷² The peer-to-peer lodging platforms however, prevent any of this from happening, making it a very attractive alternative.

²⁶³ Penz, Interview with Strategic Destination Development of Vienna Tourist Board.

²⁶⁴ Christidou, Interview with Director of Hellenic Chamber of Hotels.

²⁶⁵ Balint and Indra, Interview with Senior Advisor and Senior Manager, KPMG.

²⁶⁶ Benetou, Interview with Owner of Delice Hotel Apartments.

²⁶⁷ Guido, Interview with Director of European Programs of SAI Programs (Rome).

²⁶⁸ Benetou, Interview with Owner of Delice Hotel Apartments.

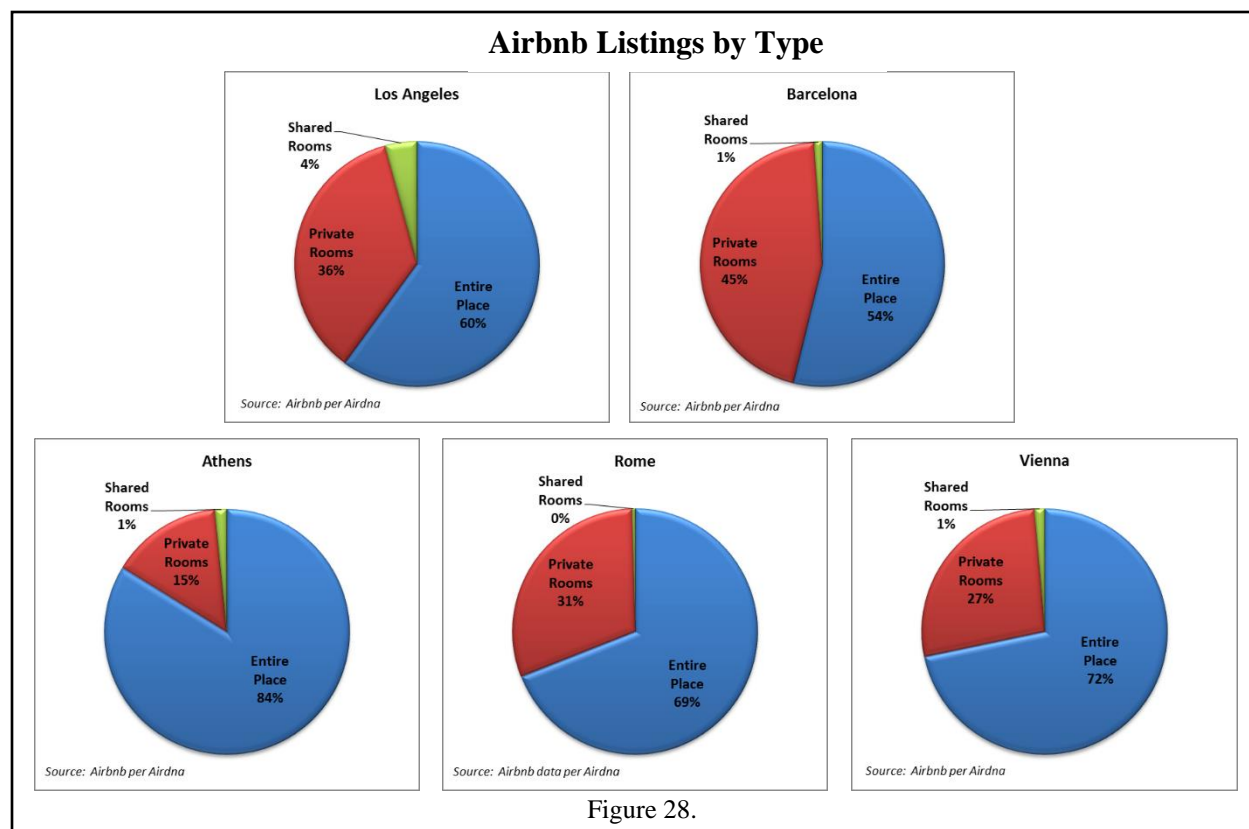
²⁶⁹ Ibid.

²⁷⁰ Ibid.

²⁷¹ Guido, Interview with Director of European Programs of SAI Programs (Rome).

²⁷² Ibid.

While residents of Vienna, Athens and Rome may view peer-to-peer lodging platforms as a necessary tool to supplement their incomes, Barcelona and Los Angeles appear to be using the platforms the way they were intended to be used. The brand positioning of peer-to-peer lodging platforms has traditionally been focused on making connections, “living like the locals” and sharing space. Therefore, listings of private and shared rooms would comply with this position. In Barcelona and Los Angeles, the percentage of private and shared rooms listed exceed those of



other countries, as seen below, allowing for the conclusion that residents of these cities view peer-to-peer lodging platforms closer to its intended purpose.

It is also interesting to compare the growth of available Airbnb listings from December 2014 to December 2015, in each city researched, as seen in Figure 29. Each of the cities experienced growth, but Athens saw the largest growth with 115.4%, then Vienna with 91%, Rome with 57.4%, Barcelona with 47.5% and Los Angeles with 42.8%.²⁷³ This is significant growth for each city, really

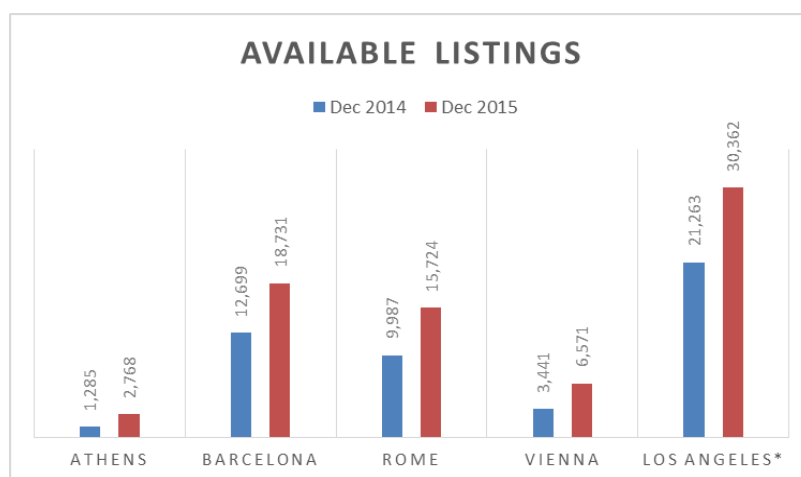


Figure 29.

²⁷³ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

portraying residents' social acceptance of peer-to-peer lodging platforms.

Economics

Comparison of ADR Premiums

A comparison of the various performance measures reveals different economic dynamics at play across the various locations. In a recent report, CBRE indicated that in the US, for the 12 month period ending September 2015, the average daily rate (ADR) for Airbnb units was \$29.31 (25%) higher than hotels over the same periods.²⁷⁴ This contradicted the widespread notion of Airbnb being a less expensive alternative to hotels. Furthermore, it dispels the notion of price as a distinguishing value proposition for peer-to-peer lodging platforms in the U.S. This is true even in Los Angeles where this study found that hotels actually offer a 2.5% discount to Airbnb units. For the European locations included in this study, however, just the opposite is true. In fairness, comparing the ADR for a shared or private room to a hotel room may not be equitable. However, even when the analysis is limited only to Airbnb hotel comparable listings, defined as entire place listings with 3 or fewer bedrooms, the comparison still reveals substantially higher hotel premiums. Analysis shows hotel premiums for the targeted European locations ranging from 17.2% in Vienna to as much as 52.9% in Athens.

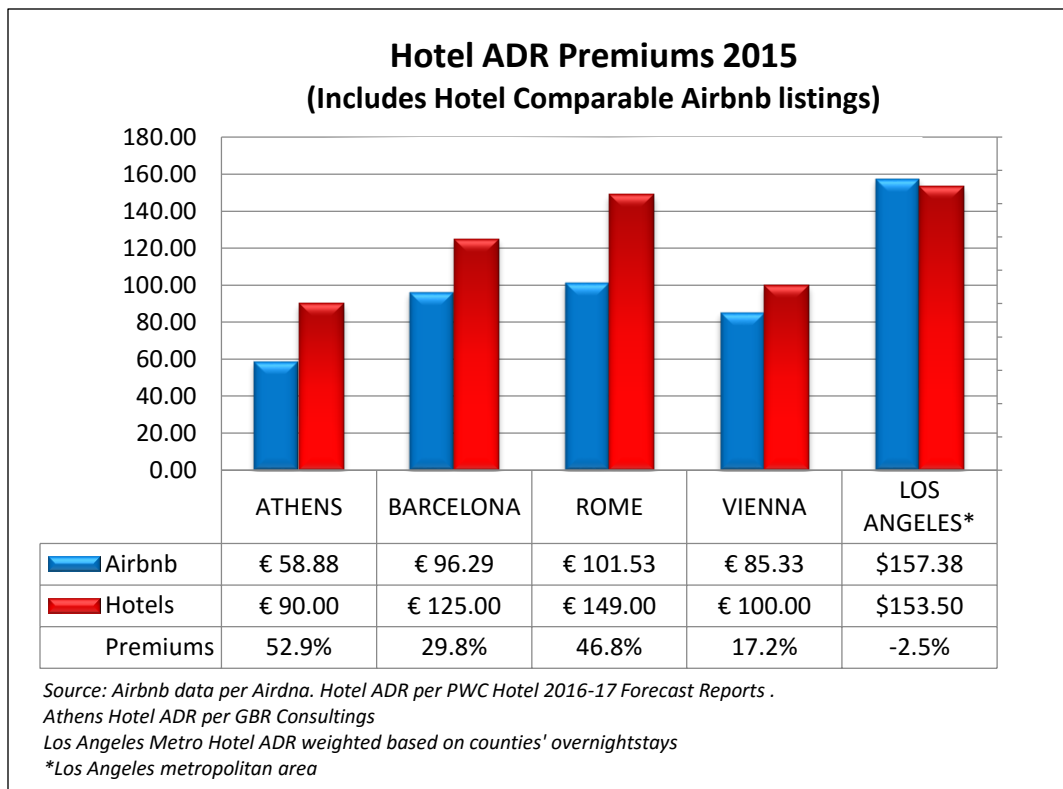


Figure 30.

²⁷⁴ Lane and Woodworth, "An Analysis of Airbnb in the United States."

The CBRE report also suggested that Airbnb units' premium amenities may be the cause of their higher ADRs. In particular, they cited that 90% of the units in the U.S. offer access to a kitchen and 68% offer access to a washing machine. By contrast, they also noted that only 60% of hotels in the U.S. even offer a microwave.²⁷⁵ This logic however does not explain the relationship between hotel and peer-to-peer lodging platforms' ADRs in the targeted European locations. With the exception of Rome, the percentage of Airbnb properties with access to a kitchen are all similarly greater than 90% and access to a washer/dryer range from 72% in Athens to 82% in Vienna.²⁷⁶ In fact, Athens with the lower percentage of washer/dryer access actually has a more substantial Hotel ADR premium than does Vienna. Rome, on the other hand, may be an outlier because the value of a kitchen just isn't as high as it is in other locations. Eating at an Italian restaurant is just as big a part of the tourist experience in Italy as is visiting St. Peter's Basilica or the Colosseum.

| Percentage of Properties with Amenities April 2016 | | | | | |
|--|--------|-----------|------|--------|--------------|
| | Athens | Barcelona | Rome | Vienna | Los Angeles* |
| Kitchen | 96% | 92% | 81% | 97% | 91% |
| Washer/Dryer | 72% | 80% | 57% | 82% | 78% |
| Air Conditioning | 80% | 53% | 77% | 11% | 74% |
| Wi-Fi | 95% | 95% | 93% | 97% | 97% |
| Free Parking | 11% | 4% | 5% | 7% | 63% |
| Breakfast | 14% | 8% | 23% | 5% | 8% |
| <i>Source: Airbnb data per Airdna. * Los Angeles metropolitan area</i> | | | | | |

Table 2

So what is causing the hotel premium in Europe? One difference between the hotel markets in the U.S. and Europe is the distribution of independent versus branded hotels. While approximately one-third of the hotel supply in the U.S. is made up of independent hotels²⁷⁷, this percentage jumps to nearly 60% in Europe.²⁷⁸ What makes this dynamic important is the influence OTAs have on hotels in terms of setting room rates. Independent hotels have a higher reliance on these agencies, and as a result pay them higher fees. These rates have only grown over the years. Back in the 1990s when OTAs were growing in notoriety, commissions were around 5%. Today they range from 15% to 30%, and hotel companies with less than 50 properties pay an even higher rate.²⁷⁹ Companies of this smaller size characterize the vast majority of the hotel market in Europe. When coupling the fact that tourism is on the rise with

²⁷⁵ Ibid.

²⁷⁶ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²⁷⁷ "HNN."

²⁷⁸ "Everything You Wanted to Know About the Hotel Industry's Gripes Against OTAs – Skift."

²⁷⁹ Ibid.

the cost pressures created by using OTA's, a better sense of why hotels in Europe are not adjusting their prices in response to the peer-to-peer lodging platform phenomena is apparent. More people visiting these cities increases the demand for lodging and increased costs from OTAs eat into their margins.

Furthermore, the cities of Rome and Athens, where hotel premiums are highest, are homes to some of the most culturally iconic sites in Europe. According to Leisure and Travel, St. Peter's Basilica and the Colosseum in Rome are the 6th and 7th most visited tourist attraction on the continent with annual visitors of 7 million²⁸⁰ and 6.9 million²⁸¹, respectively. Athens is also home to some of the world's most visited ancient ruins including the Acropolis with 2 million annual visitors.²⁸² According to Riccardo Cocco, hotel manager of the Hotel Savoy in Rome, "the culture of Italy is like our oil."²⁸³ These cities have a certain draw and image created by their preserved historical sites and culture. Hotels in these locations, particularly those in close proximity to these historical sites, are able to maintain and even increase the amount they are able to charge their guest, further widening the gap with peer-to-peer lodging platform rates.

Comparison of Overnight Stays

Two relevant measures in assessing peer-to-peer lodging platforms' threat to the lodging industry are its concentration of the market and its rate of growth. By evaluating Airbnb's share

of total overnight stays, a better sense of what percentage of travelers, with the option to stay at either accommodation type, chose to stay at a peer-to-peer lodging unit. Even though the practice of renting out a home to tourist and travelers has been around for decades, the proliferation of this activity is still only in its infancy. So while these single digit percentage rates may seem non-threatening, they are merely the starting point. Furthermore, an understanding of the growth rate in these different locations may provide some insight as to

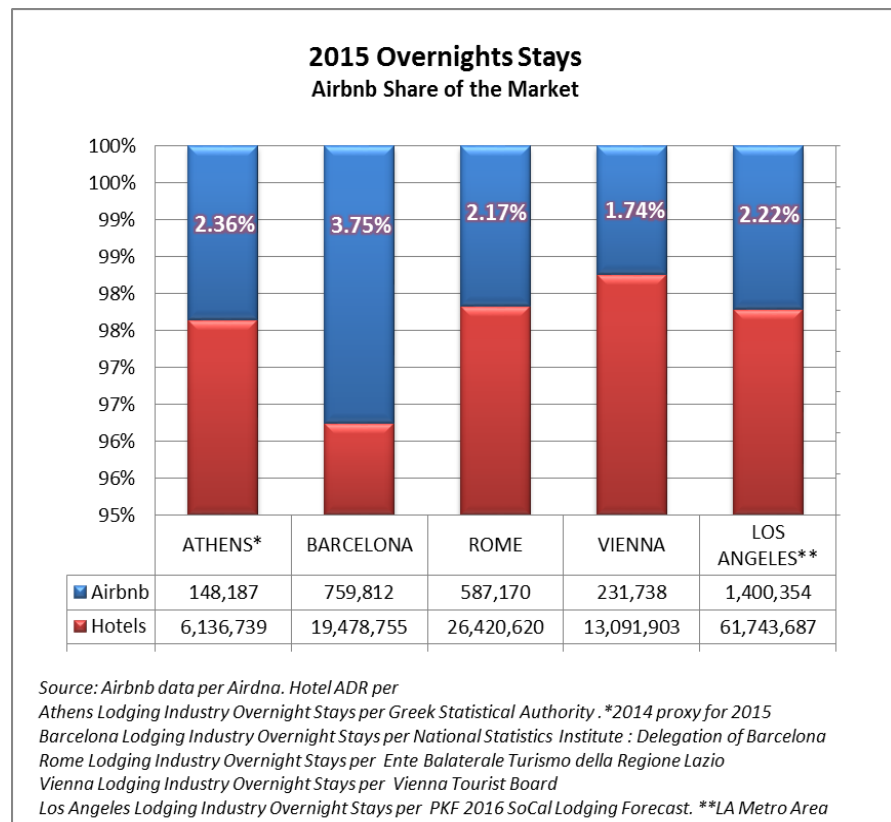


Figure 31.

²⁸⁰ "No. 6 St. Peter's Basilica, Vatican City, Rome - Europe's Most-Visited Tourist Attractions | Travel + Leisure."

²⁸¹ "No. 7 Colosseum, Rome - Europe's Most-Visited Tourist Attractions | Travel + Leisure."

²⁸² "No. 7 Acropolis, Athens - World's Most-Visited Ancient Ruins | Travel + Leisure."

²⁸³ Cocco, Interview with Hotel Manager of Hotel Savoy.

what this segment of the lodging industry may become.

Barcelona is an interesting case in terms of peer-to-peer lodging platform's concentration of the lodging industry. At 3.75% of total overnight stays, it is the highest of the locations included in this study. Tourism for the city has experienced exponential growth. Becoming the fifth most visited city in Europe²⁸⁴ has created some pressure on the infrastructure of the city to support that growth. The supply of hotels just hasn't been able to catch up. For the lodging industry, peer-to-peer lodging platforms can and likely do step in and absorb the excess supply of overnight travelers. A counter argument might suggest that if that were the case, occupancy rates should rise until the point where hotels are turning customers away. This may very well be the case during peak seasons, but this phenomenon likely occurs along different segments of travelers. For example, when budget hotels meet their capacity, the overflows of tourists are not going to naturally move into the premium end of the market. They are more likely to flow into similarly priced peer-to-peer accommodations. This may come about by sacrificing some of the services and conveniences offered by a hotel, but for some travelers, access to a kitchen and washer/dryer may be a welcomed exchange.

Comparison of Available and Booked Rooms

Traditional hotels are generally considered to be special purpose assets, with a fixed inventory of saleable rooms.²⁸⁵ Of course, new hotel construction will periodically add to supply, but this does not happen overnight. In contrast, the supply of peer-to-peer lodging accommodations can fluctuate widely as hosts with minimal barriers to entry add and remove their listings on a whim. While the number of booked Airbnb rooms follows the typical seasonality of a peak during the summer months and a trough thereafter, the growth in the number of available rooms for this sample has steadily risen, irrespective of the time of year. This consistency of supply acts as a sort of assurance to travelers that there will be available supply when they need it. Remarkably, this trend appears to hold true for all of the locations included in this study.

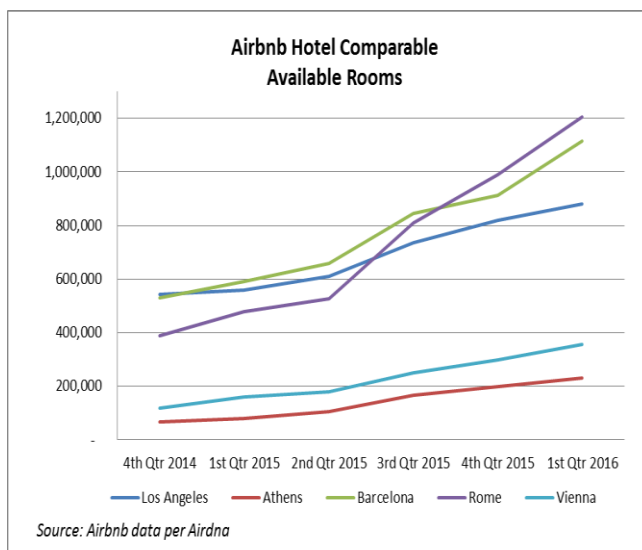


Figure 32.

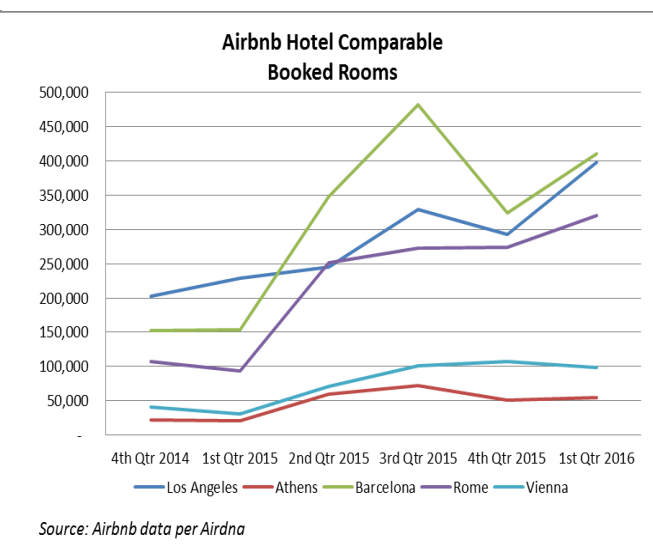


Figure 33.

²⁸⁴ Lane and Woodworth, "An Analysis of Airbnb in the United States."

²⁸⁵ PWC, "Staying Power - European Cities Hotel Forecast for 2016 and 2017."

Rome's growth, however, in both the number of available rooms as well as the growth in booked rooms, has been particularly substantial. There are a couple of factors that may be contributing to this trend. First, inbound city arrivals to Rome are the highest of those in this study. As previously noted, the Pope declared a Holy year beginning at the end of December 2015. The rapid growth in the available Airbnb rooms may merely be responding to the high level of demand. Second, Rome also has the highest ADR in this sample. Higher room rates for hotels in Rome may have prevented or maybe just delayed some travelers from making the trip there. Lower priced peer-to-peer units may provide consumers the opportunity to travel to the city on a budget. This argument is further supported by the fact that Rome has the second largest hotel premium in this study. Hotel rooms are 46.8% more expensive on average than their Airbnb hotel comparable counterparts. Hoteliers do not see peer-to-peer lodging platforms as a threat in Rome so they are not adjusting their pricing. As Riccardo Cocco, hotel manager of the Hotel Savoy in Rome noted, "when people come here [to Rome], they want to stay at a hotel".²⁸⁶ Airbnb's growth in the city could suggest otherwise. Consumer trends are changing and peer-to-peer lodging platforms could become the new normal.

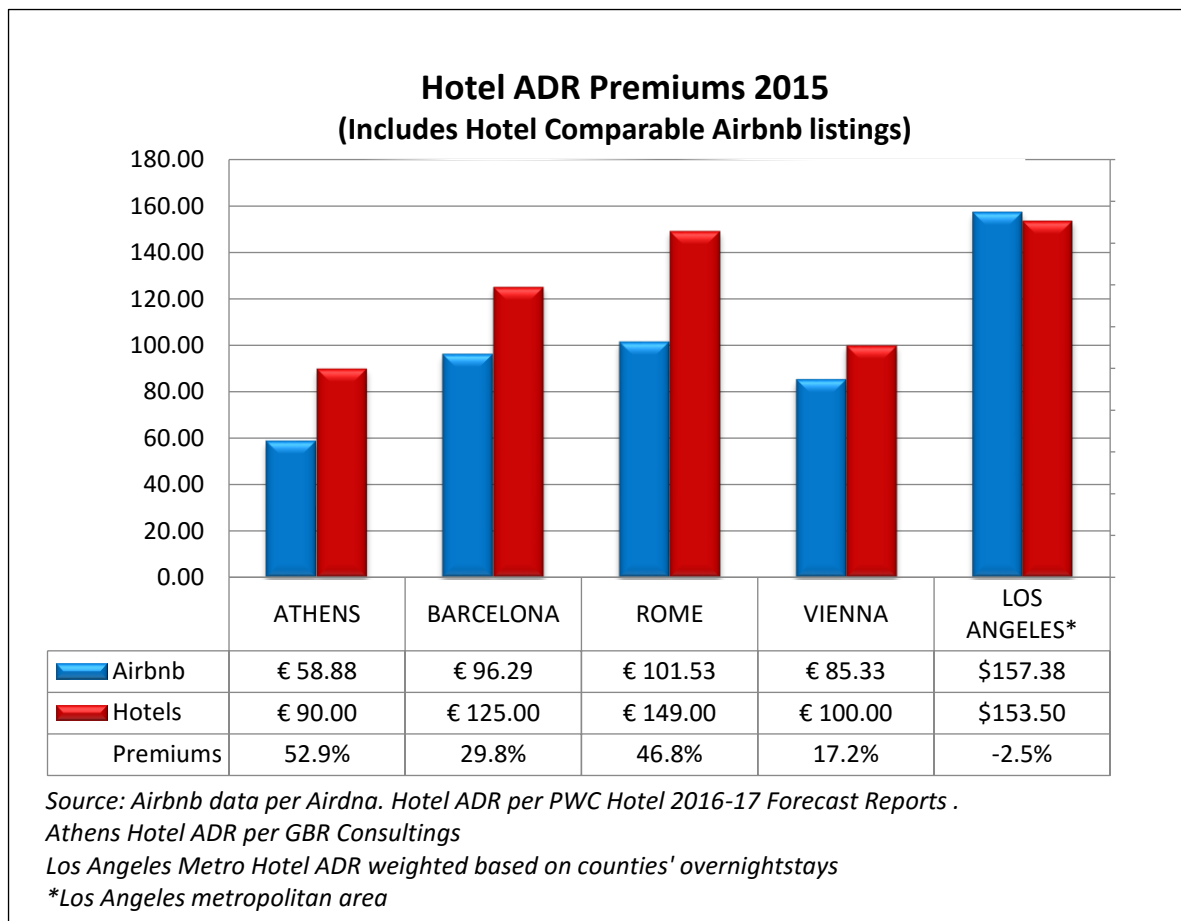


Figure 34.

²⁸⁶ Cocco, Interview with Hotel Manager of Hotel Savoy.

City Results

Now that each city has received a detailed analysis of its current lodging industry status and the competitiveness variables have been addressed, a determination on the original question of, are peer-to-peer lodging platforms competitive or complementary to the traditional lodging industry throughout Los Angeles, California, USA; Vienna, Austria; Athens, Greece; Rome, Italy; and Barcelona, Spain, and what strategies can be forecasted for traditional lodging organizations and governments, can be answered. Below, city decisions are concluded based on the competitiveness variables.

Los Angeles

It can be concluded that peer-to-peer lodging platforms are competitive to traditional lodging organizations in Los Angeles based on the following variables.

- *Hotel ADR premiums/discounts* – price is not the primary value proposition utilized by peer-to-peer lodging platforms to appeal to consumers in Los Angeles. An economic traveler can find inexpensive lodging in a shared or private room, but celebrities like Beyoncé and Justin Bieber are spending \$10,000 a night for an entire home advertised on Airbnb.²⁸⁷ The implication, therefore, is that this alternative lodging option does not only appeal to a budget focused niche market or really any specific market at all. Travelers to Los Angeles who are utilizing peer-to-peer lodging platforms come from a wide social and economic spectrum. These services are competitive to the traditional lodging industry as a whole because both draw from a largely overlapping consumer base representing the majority of the market.

The ADR for hotels in Los Angeles is nearly the same as hotel comparable Airbnb listings. In fact, it was \$3.88 higher than that of hotels in 2015.²⁸⁸ Airbnb and mainstream peer-to-peer lodging platforms have only been exposed to positive demand growth in Los Angeles.²⁸⁹ As a result, their ADR may be artificially high. Additionally, when factoring in the additional taxes, resort fees, and parking charges, staying in a hotel may even cost consumers more. Ultimately, while differences in regulatory treatment and labor costs affect the profitability of operating a hotel versus renting out a home or apartment via a peer-to-peer lodging platform, both are competing for the same customers across the full spectrum of price.

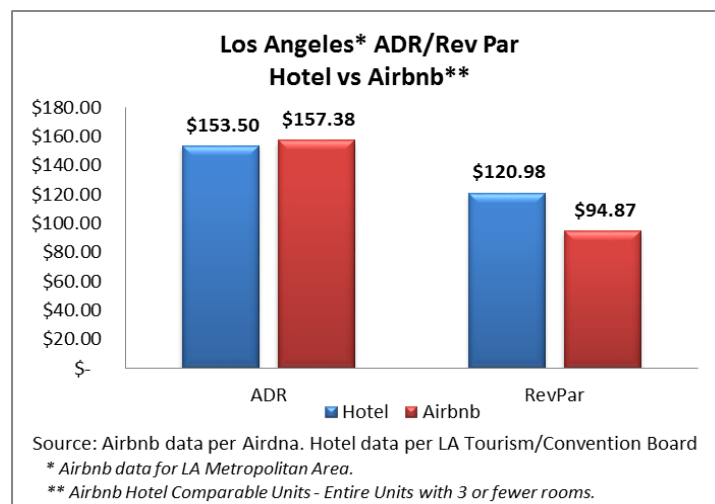


Figure 35.

²⁸⁷ “Justin Bieber Stays at Beyoncé’s \$10,000-a-Night Airbnb | Celebuzz.”

²⁸⁸ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

²⁸⁹ Mohrfeld, Interview with President & CEO of the California Hotel & Lodging Association.

- Available supply of peer-to-peer lodging units* - there is another significant factor in the Los Angeles market unique to the rise in the Sharing Economy. As previously discussed, one of the strengths of peer-to-peer lodging platforms was the ability to generate supply from residential units when demand at a destination is maxed out. Net supply of traditional lodging facilities stayed relatively flat in 2015. Airbnb properties, however, grew at a torrid pace: There were nearly 7,000 more private room and full home Airbnb listings added during 2015. This represents a 7% addition to the Los Angeles County supply, albeit with a previously mentioned caveat; unlike hotels, a portion of peer-to-peer lodging units are not available for rent at all times. This means that the true supply of peer-to-peer lodging units fluctuates daily. Bookings however are a more appropriate indicator of market share: full home bookings on Airbnb rose 61% while private room bookings rose 91% during the same period. In these terms of completed sales, it is estimated that Airbnb properties alone accounted for 1.7% of all listing nights booked in Los Angeles County.²⁹⁰ In an industry where even the largest brands only make up 5-6% of a given market,²⁹¹ the rapid integration of a player at 1.7% of the market is a significant competitive factor.

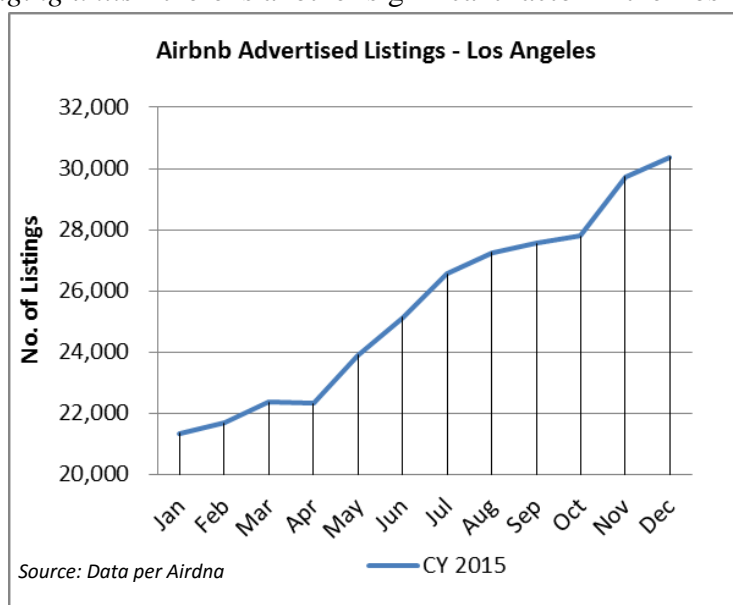


Figure 36.

- Correlation between travel data and overnight stays* - the correlation between ancillary travel data for 2015 and traditional lodging overnight stays further supports the competitive nature of peer-to-peer lodging platforms. The number of airline passengers arriving in Los Angeles increased 6% in 2015. Total visitors to LA County increased 2.5%. Overnight rooms booked rose 1%. These data suggest that traditional lodging bookings are increasing at a slower rate than overall



Figure 37.

²⁹⁰ Doby, Fessehatsion, and Tillipman, "LMU MBA Hotel & Airbnb Data Tables."

²⁹¹ Leporatti, Interview with Vice President, Global Strategy of InterContinental Hotels Group.

travel figures in Los Angeles. ADR has risen 7% year over year, however occupancy only grew 1%.²⁹² This resulted in RevPAR gains, however the increase is more a product of ADR growth rather than occupancy growth. With an increase in travelers to Los Angeles County and a stagnation of occupancy, it is plausible that new supply of lodging inventory is being utilized.

Vienna

It can be concluded that peer-to-peer lodging platforms are complementary to traditional lodging organizations in Vienna based on the following variables.

- Growth rate of peer-to-peer lodging bookings* - despite incredible growth throughout 2015, the count of Airbnb listings receiving at least one booking during the month appears to be leveling off. In fact, no month this year (as of May 2016), has eclipsed the 4,103 total from December of 2015. Such a trend is typical for niche products when they enter a market. Appealing to a minority segment, they grow for some time, but soon become exhausted never reaching the broader consumer base. While Airbnb is experiencing exponential growth in other locations, a slowdown in Vienna may be an indication that these alternative accommodations have reached their full potential in the city.

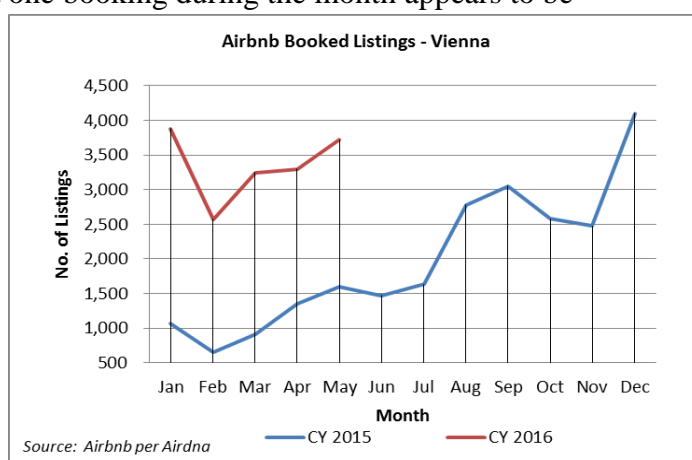


Figure 38.

- Available supply of peer-to-peer lodging units* - one contributing factor curtailing the expansion of peer-to-peer lodging platforms is the lack of legally available units to rent. As noted by Peter Wieser, “when 60% of the Viennese people are living in social housing, that is somewhat financed by the state, [they are] not allowed to rent this room via Airbnb.”²⁹³ Officials are doing what they can to stop violators and have even launched a campaign to inform the public. Opportunistic renters won’t be allowed to turn their apartments, partially subsidized with tax payer money, into their own rental property. The number of Airbnb advertised listings has fallen this year, a clear sign that they are slowly starting to get the message.

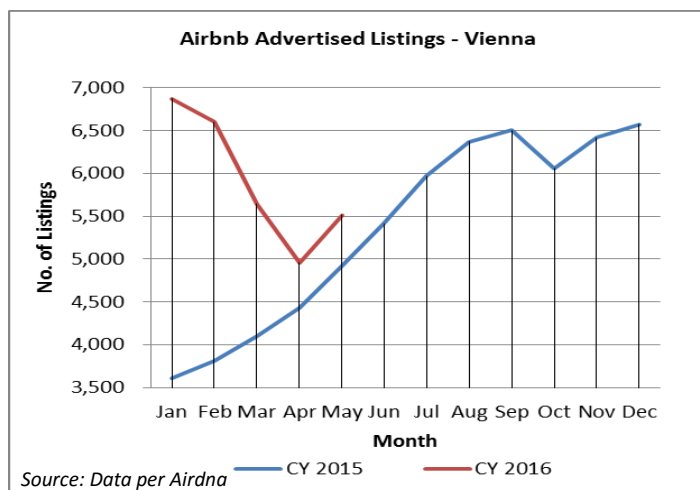


Figure 39.

²⁹² “Research | Discover Los Angeles.”

²⁹³ Wieser, Interview with City of Vienna Economic Affairs.

Without the necessary supply to accommodate the mass market, peer-to-peer lodging platforms will be relegated to compete amongst themselves for a smaller group of consumers.

- *Hotel ADR premiums/discounts* - peer-to-peer lodging platforms are poised to take advantage of a “low price” value proposition. This is a common strategy used by niche products to attract budget conscience consumers. In order to stay at a hotel, as measured by ADR, visitors to Vienna are paying a 17.9% premium over the cost of an average Airbnb hotel comparable unit. In addition to the savings from room rates, visitors can also take advantage of the fact that 82% of the Airbnb units in Vienna have a washer/dryer, 97% have free Wi-Fi, and 97% have a kitchen.²⁹⁴ Taking advantage of these amenities while in another country does provide a unique experience different from staying in a hotel. As noted by Michaela Reitterer, tourists are even providing the locals with new experiences. “If you live in the city center, you are used to tourists. You are also used to meeting them in the supermarket, but you are not used to meeting them at the meat counter... They are everywhere because they buy things to cook in their [rented] apartment. It changed. Everything changed.”²⁹⁵ The “live like a local” niche market is alive in Vienna, but in a city known for classical music and luxurious palaces, hotels will continue to dominate the market.

Peer-to-peer lodging platforms face a strong challenge in Vienna. Opposition within the city is strong, with officials going so far as to fine violators who are not following all the proper regulations. They have even been so successful as to get Airbnb to add a link to the city rules on their website. Growth in tourism has coincided with new development, allowing new hotels to compete for every tourist visiting the city. Airbnb and others are left to contend for a smaller segment of the market.

Athens

It can be concluded that peer-to-peer lodging platforms are competitive to traditional lodging organizations in Athens based on the following variables.

- *Growth rate of peer-to-peer lodging bookings* - the rate of growth in the count of Airbnb listings, receiving at least one booking during the month, has shown no indication of slowing down. In fact, comparing the upward trajectory for the first 5 months in 2016 to the same period in 2015, it clearly appears to be growing at an even faster rate. The economic crisis within the country has created the perception amongst tourists that Athens is a cheap place to visit right now. As room rates within the hotel industry increase in response to the influx of tourism, this perception is slowly becoming less

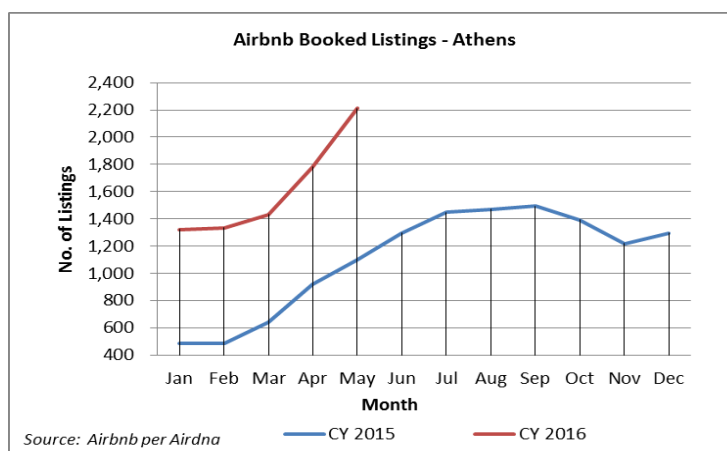


Figure 40.

²⁹⁴ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

²⁹⁵ Reitterer, Interview with President of Austria Hotel Association.

and less of a reality. Relatively inexpensive peer-to-peer lodging units, however, bring that perception back in view. Soon, these rentals could be indistinguishable from hotels. As noted by Agni Christidou, Director of the Hellenic Chamber of Hotels, “In the end, they are going to be like [a] hotel because they are going to be standardized having the same furniture and things like that. So you are not going to get the feeling of a Greek home because in the end, it’s not a Greek home. It’s a special apartment for a tourist.”²⁹⁶

- *Available supply of peer-to-peer lodging units* - one contributing factor to the success of peer-to-peer lodging platforms in Greece is the bountiful supply of rentable units. The country has one of the highest rates of homeownership in the EU and about half of the country’s citizens own a second home.²⁹⁷ This creates a vast pool of potential listings for peer-to-peer lodging platforms and enough supply for it to develop into the dominant segment of the market. The economic crisis has been difficult for the people in Greece and many have fallen on hard times. Using their home to generate income, may be the only option some of them have to pay their mortgage and an increasing property tax burden. When considering that many of them also have a second home, and subsequently two tax payments to make, renting one of them out to pay the bills just makes sense.
- *Ratio between entire place rentals versus shared or private rooms* - the fact that many Greeks also have a second home is reflected in the distribution of listings provided on Airbnb’s website. Over 84% of them are for use of an entire place, home or apartment.²⁹⁸ They need not worry about where to go if they rent out their home; they can just go to their other one. What it also reveals is a market much more capable of entering into direct competition with hotels. Sharing a room or renting a private room in someone’s home is much more of a niche market. For some, the lack of privacy would be too much to bear. Entire place listings provide a much more comparable experience to what you would expect from a traditional accommodation. Furthermore, as complementary services emerge, like Laundrapp, which provides “hotel-quality laundry hire and cleaning services for Airbnb hosts”, visitors to Athens may soon not even know the difference.²⁹⁹
- *Correlation between travel data and overnight stays* - the correlation between incoming tourist arrivals and overnights stays is also very revealing. Despite the country’s economic woes, the travel and tourism industry in Athens is booming. At the rate tourists are visiting the city; hotels should have to turn consumers away. Instead, for three months late in 2015,

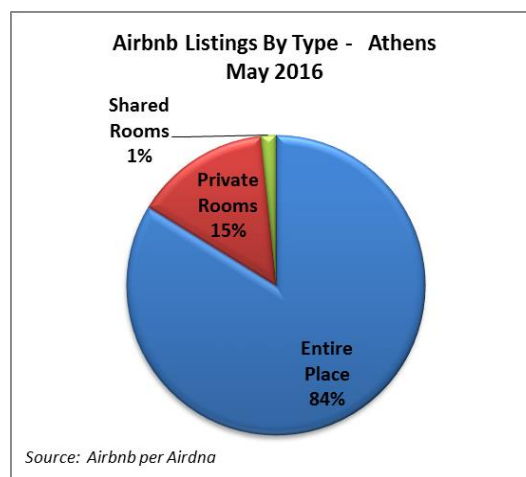


Figure 41.

²⁹⁶ Christidou, Interview with Director of Hellenic Chamber of Hotels.

²⁹⁷ “Profile of Greece.”

²⁹⁸ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

²⁹⁹ “Laundry Services for Airbnb Hosts in London | Laundrapp.”

they actually saw their occupancy rates fall. This is a significant development. It suggests that given the choice to stay in either a hotel or a peer-to-peer lodging unit, enough visitors chose the latter, that despite an uptick in arrivals, the overall overnight stays in hotels fell. For that brief time, peer-to-peer lodging platforms knew what it felt like to be the dominant segment of the market.

Peer-to-peer lodging platforms pose a serious threat to the traditional lodging industry in Athens. These alternative accommodations certainly have the potential to overthrow the hotel industry to become the dominant segment of the market. International hotel brands do not have a strong presence in the city. Instead, the market is dominated by family owned businesses whose proprietors, as Maria Theofanopoulou noted, “do not have a degree that supports the operation of such a lodging.”³⁰⁰ They are, as a result, not properly equipped to suppress the threat posed by this emerging phenomenon. In fact, they are at a complete disadvantage. Labor costs, taxes, and the expense associated with complying with city regulations, all create a burden not borne by their emerging competitor.

Rome

It can be concluded that peer-to-peer lodging platforms are competitive to traditional lodging organizations in Rome based on the following variables.

- Growth rate of peer-to-peer lodging bookings* – in figure 42 it can be seen that the 2016 number of peer-to-peer lodging bookings is mirroring 2015 numbers but at a much higher rate. More people are booking with peer-to-peer lodging platforms. The reason for this, as Riccardo Cocco, hotel manager of the Hotel Savoy explains, could be strictly economic and will start to change.³⁰¹ He explains, shortly after the 2008 economic recession, “the only lever [for lodging selections] [was] the price. So there is no need for stars. [Consumers] didn’t care if you are one star or five star. The only thing that matters is the price”.³⁰² The quality of services as a result was highly discounted as a basis for deciding where to stay. This is a trend that benefitted peer-to-peer lodging platforms like Airbnb and HomeAway, since units offered on their site are often cheaper and do not offer all of the services found at a hotel. However, Cocco concedes that this trend is slowly starting to dissipate as travelers have

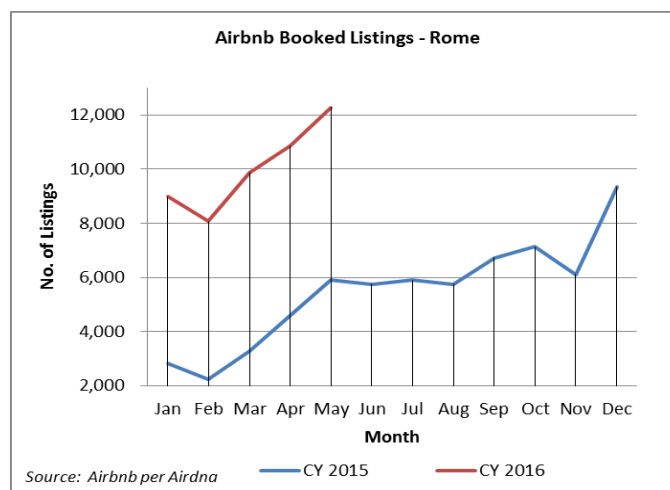


Figure 42.

³⁰⁰ Theofanopoulou, Interview with President and CEO of Danae Travel and Media Group.

³⁰¹ Cocco, Interview with Hotel Manager of Hotel Savoy.

³⁰² Ibid.

grown tired of not receiving the level of service they are used to.³⁰³ For Rome, the trend definitely seems to be shifting back toward quality of service as the leading value proposition upon which travelers will make their choice in accommodation. Businesses which complement peer-to-peer lodging by providing hotel like services may help mitigate the differences in quality. Until consumers start to alter their booking behaviors, trends are showing a continued increase in peer-to-peer lodging platform bookings, making them competitive in Rome.

- Booking ratio between entire place rentals versus shared or private rooms* - examining the distribution of the various types of listings provides some insight as to how consumers are using the peer-to-peer lodging platforms. The way that consumers view these platforms and what they expect from them can determine their future success. In figure 43 it can be seen that 71.1% of the bookings made were for an entire place. Meaning travelers stayed in the rented unit without the host. This is a significant amount of bookings dedicated only to entire places. From this one can infer that travelers to Rome prefer to be individualistic and view peer-to-peer lodging platforms as providing accommodations and do not place too much value on “living like the locals”. Therefore, one can conclude that peer-to-peer lodging platforms are not supplying a unique value proposition for travelers in Rome, making them competitive to the traditional lodging organizations.
- Correlation between travel data and overnight stays* – as previously discussed and depicted in figure 44, international tourist arrivals to Rome fluctuate dramatically as a result of significant religious events at the Vatican. In 2013, for example, when Jorge Bergoglio was elected as Pope Francis, tourist arrivals increased 9.47% from 8.4M in 9.2M. The following year, they dropped right back down to 8.8M.³⁰⁴ The fact that hotel overnight stays are not fluctuating along the same lines suggest that many of these tourists are staying in alternative accommodations. As noted by Thomas Caton, Chief Revenue Officer for Airdna, where hotels

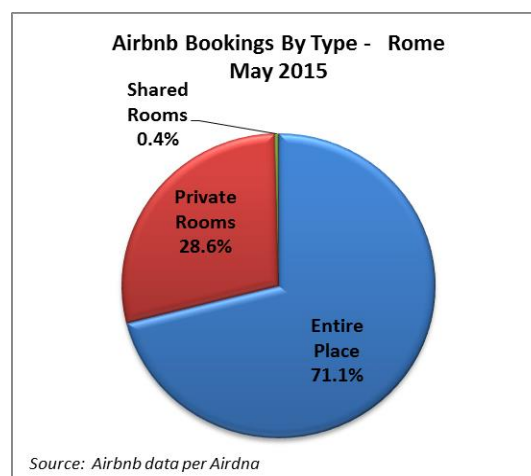


Figure 43.

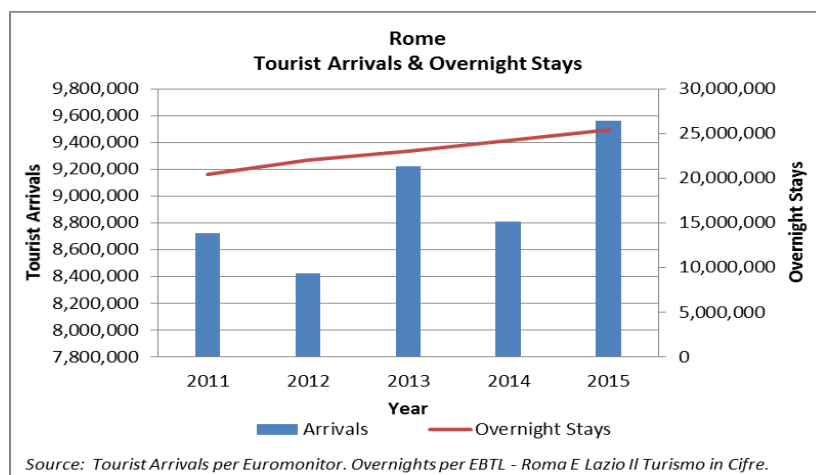


Figure 44.

³⁰³ Ibid.

³⁰⁴ Eurostat, “Tourism Statistics - Annual Results for the Accommodation Sector - Statistics Explained.”

are convinced they are being impacted the most from peer-to-peer services is on compression nights.³⁰⁵ These represent nights of the year that are the most popular for tourists and subsequently the demand for accommodations spikes. Such nights are created for various religious occasions in Rome. As these peaks go unmatched by hotel overnight stays, the growth in peer-to-peer bookings suggest that many tourists are choosing to stay in these alternative accommodations. Stealing customers away from the market leader is certainly indicative of a competitive posture.

- *Available supply of peer-to-peer lodging units* - to keep with the growing demand of bookings, as mentioned above, there will need to be an equal or greater increase in units listed. As demand increases, supply will need to increase as well. In figure 45 it can be seen that for the first four months in 2016, listings are not following a consistent increase as seen in 2015. In fact, from February to the end of April, the number of listings actually fell below the total in Dec 2015. Without the supply of

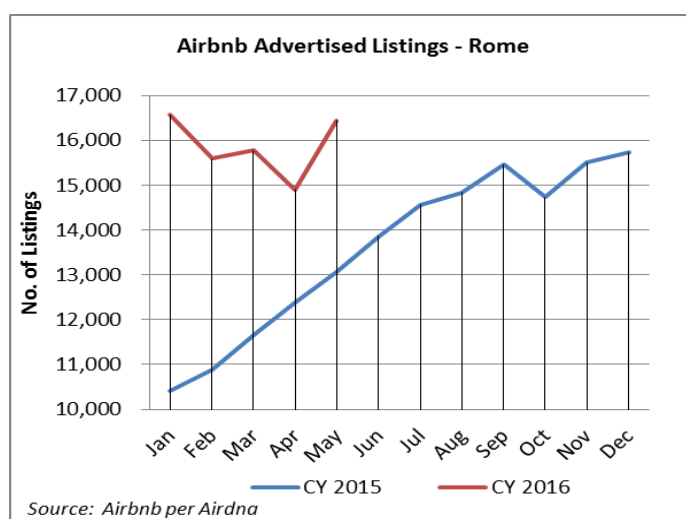


Figure 45.

peer-to-peer lodging in Rome would be unable to serve the needs of the mass market. At first glance, this would relegate peer-to-peer services in the city to contend for a minority share and thus only complement the hotel industry. The problem for hotels in Rome, however, is that they were unable to take advantage of the slowdown in peer-to-peer lodging supply. Despite the influx of tourism, Rome has seen no new development and its current hotels are suffering from under investment.³⁰⁶ Slow growth in supply trumps no growth in supply. Furthermore, the 16,440 Airbnb advertised listings in May 2016, represents a peak higher than any month in 2015 or 2016 thus far.³⁰⁷ Data for the summer and fall months, which saw strong gains in 2015, may also reveal a surge in listings as hosts respond to another expected spike in tourism. The slowdown appears to be temporary and hotels could potentially find themselves falling behind.

Rome is displaying a clear example of, “the consumer is king”. Travelers to Rome are booking with peer-to-peer lodging platforms at increasing rates and they are booking entire places. They view peer-to-peer lodging platforms as providing a standard accommodation and value the economic feasibility of it. This could be very dangerous for traditional lodging organizations in Rome if they do not start listening to the consumer and providing a unique value proposition that peer-to-peer lodging platforms cannot. For these reasons, peer-to-peer lodging platforms are competitive to traditional lodging organizations in Rome.

³⁰⁵ Caton, Interview with Thomas Caton, Chief Revenue Officer for Airdna.

³⁰⁶ PWC, “Staying Power - European Cities Hotel Forecast for 2016 and 2017.”

³⁰⁷ Doby, Fessehatsion, and Tillipman, “LMU MBA Hotel & Airbnb Data Tables.”

Barcelona

It can be concluded that peer-to-peer lodging platforms are complementary to traditional lodging organizations in Barcelona based on the following variables.

- *Growth rate of peer-to-peer lodging booking* – the slowdown in growth of peer-to-peer bookings in Barcelona is indicative of a market exhausting the supply of its potential customers. Shown in figure 46, 2015 booking volume increased rapidly in the beginning of the year and peaked during the summer months. The growth in 2016 has shown only modest

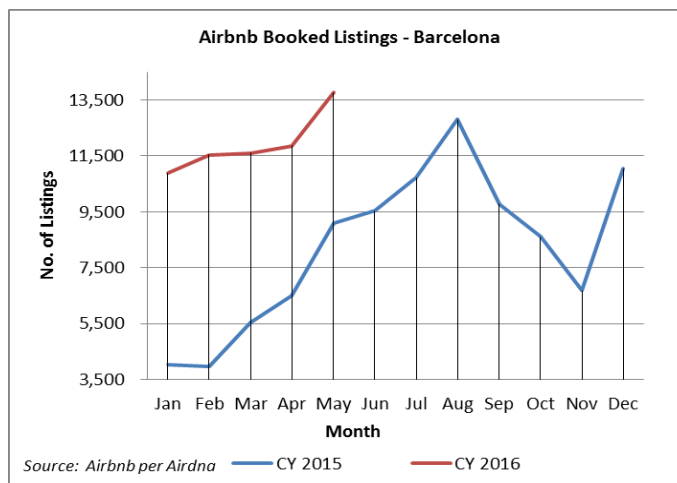


Figure 46.

for.³⁰⁸ The ability to cook your own meal in a foreign place is important for travelers.

Location is also very important, and travelers want to be in a unique neighborhood that they might not enjoy by staying at a hotel. For these reasons, peer-to-peer lodging in Barcelona provides a unique value proposition to a particular type of traveler. These travelers, however, may not represent the majority of market and thus peer-to-peer bookings have slowed down as it reaches the point of exhaustion. Time will tell if peer-to-peer lodging in Barcelona has settled down completely, but for now, the significant fall off suggest that these alternative accommodations will remain on the fringe of the market, complementing the lodging industry as a whole.

- *Ratio between entire place rentals versus shared or private rooms* - in figure 47, it can be seen that in Barcelona, 57% of travelers booked an entire place. While 57% is more than half, it is the lowest percentage compared to the other cities studied. This is a significant finding as the percentage of travelers who stayed in private or shared rooms almost matches that of entire places. This is a more balanced distribution of the different types of units. Barcelona peer-to-peer lodging platforms offer social benefits

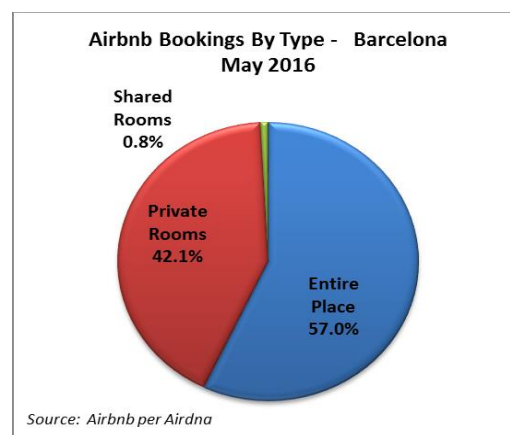


Figure 47.

³⁰⁸ FEVITUR, Salvetti & Llombart, and ESADE, "Study of Holiday Rentals."

and a “local experience” differing from a hotel. 91% of travelers want to live like a local.³⁰⁹ Consumers want the authentic local experience when they travel now and the most preferred and best way to accomplish that is to live in a local’s house, just like a local would, and Barcelona peer-to-peer lodging platforms are achieving this. Travelers are able to get insider recommendations from their host, meet and interact with someone who is part of the Barcelona community, and cook and do laundry like an ordinary member of the community. The experience consumers have staying at someone’s loft in the middle of Las Ramblas provides for a completely different experience than a hotel stay. This leads to conclude that peer-to-peer lodging platforms are complementary because travelers are using them in Barcelona for a unique value proposition.

- *Hotel ADR premiums/discounts* - there is a significant difference in the average daily rate between hotels and peer-to-peer lodging platforms in Barcelona. Shown in figure 48, Airbnb

ADR was €96.29 in 2015, which was lower than hotels’ ADR of €125 during the same time period. This represents a 29.8% pricing premium for hotels. The lower price point is an advantage that peer-to-peer lodging platforms have over hotels, and tourists often choose the lower price when looking for a place to stay in Barcelona. Consumers face an economic benefit when choosing to stay with peer-to-peer lodging platforms instead of hotels in Barcelona. Travelers often decide on where to stay based on the

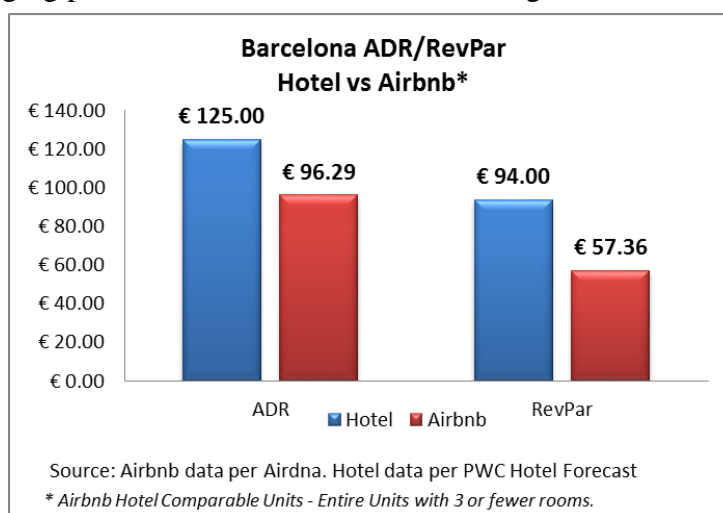


Figure 48.

lower price. Laia Papiol, sales manager of the H10 Casanova in Barcelona said, “peer-to-peer lodging platforms are complementary because they service lower budget guests, and have a different concept and customer than hotels do”.³¹⁰ Again, in Barcelona, peer-to-peer lodging platforms are providing a different value proposition, concluding that they are complementary.

³⁰⁹ “Airbnb Economic Impact.”

³¹⁰ Papiol, Interview with Sales Manager of H10 Casanova Hotel.

Recommendations for Hotel Competitiveness

Despite the many challenges hoteliers must now consider due to the emergence of peer-to-peer lodging platforms, there are opportunities that these lodging organizations can capture to stay competitive in the shifting industry. The industry will continue to change and as George Pertesis, Director of the COCO-Mat Hotel Athens states, this change is “evolution”.³¹¹ The consumers’ needs are changing and lodging organizations must adjust. He believes that all the controversy around these new peer-to-peer lodging platforms will be resolved with time, but the consumer will never stop evolving. If the issue was not centered on the current peer-to-peer lodging platforms, then it would be on something else. The most productive mindset they can have is focusing on making themselves better.³¹² Having a positive and proactive outlook will aid hoteliers in facing new industry challenges in stride. This study has led to the following recommendations on how hoteliers can stay competitive as the lodging industry and consumers change.

Brand Positioning

Positioning is one of the most critical elements of a company’s marketing strategy. How a consumer compares a brand versus the competition and what value they assign to a brand on recall, can immensely help or hurt a business. For this reason, it is incredibly important to know the targeted consumer and understand their changing needs. This of course, is always easier said than done. The lodging consumer is now more than ever, well educated, well researched, price sensitive, socially aware, technology adaptive and accessible among many other developments. To maintain a strong position with their consumers, hotels should take the following steps:

- Create “Instagramable” moments – the establishment of peer-to-peer lodging platforms is the result of the consumer demanding a different lodging experience. They want to “live like the locals”, be adventurous and share their experiences through social media. Therefore, hoteliers should understand the motivation of the guest’s visit and provide those “instagramable” moments for them. In an interview with Matthew Lehman, General Manager of the Fairmont Miramar Hotel & Bungalows in Santa Monica, he spoke to how his hotel has been able to partner with extreme adventure tour companies to create “instagramable” activity packages for their guests that are unique to their hotel experience. Additionally, upon request, guests can have a stylist visit their bungalow to provide them with the latest trends in swimwear.³¹³ While all hotels might not have the resources to provide such extreme experiences, there are other smaller moments that can be created. At the H10 Casanova Hotel in Barcelona, a complimentary glass of champagne is offered at check in and at the Hilton DoubleTree a fresh chocolate chip cookie is available at the check in counter. Guests will share these moments with their social networks and associate your hotel with great memories.
- Create a personality/story – hoteliers, may have no control over the changing consumer or evolving industry, but they do have the power to control their “house” as George Pertesis,

³¹¹ Pertesis, Interview with Director of COCO-Mat Hotel Athens.

³¹² Ibid.

³¹³ Lehman, Interview with General Manager of the Fairmont Miramar Hotel & Bungalows Santa Monica.

Director of the COCO-Mat Hotel Athens states.³¹⁴ To withstand the instability of any industry, a reason for why a business exists is important to portray. How do you differentiate yourself from your competition? The COCO-Mat Hotel Athens provides a great example of differentiation. Their philosophy is to help their guests live well by providing them a place to eat well and of course, sleep well.³¹⁵ Exceptional sleep systems and furniture, all hand-crafted from sustainable materials create COCO-Mat's attractive personality.³¹⁶ Hilton Hotels and Resorts recently established a new brand of hotel entitled, Tru. Offering a unique personality, Tru positions itself with the desires of today's new traveler. "Tru by Hilton is a category disrupter. It's built from a belief that being cost conscious and having a great stay don't have to be mutually exclusive. Tru focuses on what matters most to guests, with a hotel that is more than just a place to sleep, it's a true travel experience".³¹⁷ Consumers will know that when they stay at a Tru location, they will receive a safe, affordable and great experience.³¹⁸

- Be flexible – a major strength of peer-to-peer lodging platforms, besides their average daily rate being lower than most hotels, is their ability to satisfy an array of custom requests. Such requests can be recommendations for local restaurants and events, laundry services, space to fit a large family or kitchen facilities. This personalized attention is what keeps consumers of all demographics coming back to peer-to-peer lodging platforms. Therefore, a hotelier should be open and willing to accommodate the changing requests of consumers. Leaving a personalized card in guest rooms, offering late check-out when available and ensuring the staff provides the best customer service are just some examples of being flexible.³¹⁹ Michaela Reitterer, President of the Austria Hotel Association, emphasizes the importance of catering to families. As groups and families are among the majority of peer-to-peer lodging platform users, she states that her facilities always strive to accommodate families to the best of their ability by reserving adjoining rooms and even offering discounts for children.³²⁰ Matthew Lehman, General Manager of the Fairmont Miramar Hotel & Bungalows in Santa Monica, summarizes this concept perfectly, "we can fight it all we want, but instead why don't we accept it as our new reality and try to understand where it is going to take us and figure out how to be successful within it".³²¹

Internal Business Operations

While altering the mind of a consumer may not be the easiest task, a hotelier can alter internal business operations with a greater success rate. From a small adjustment on a website to a large implementation of new systems, this may be what a hotelier needs to stay current in the ever-changing lodging industry. Below are a few internal business operation suggestions that can be optimized for greater industry success.

³¹⁴ Pertesis, Interview with Director of COCO-Mat Hotel Athens.

³¹⁵ Ibid.

³¹⁶ "About Us | COCO-MAT."

³¹⁷ "Our Story."

³¹⁸ Speer, Interview with Sr. Development Director of Hilton Worldwide.

³¹⁹ Socialdraft, "How Hotels Can Beat AirBnB at Their Own Game."

³²⁰ Reitterer, Interview with President of Austria Hotel Association.

³²¹ Lehman, Interview with General Manager of the Fairmont Miramar Hotel & Bungalows Santa Monica.

- Strategize for more website direct bookings – as was mentioned in sections prior, online travel agencies (OTAs), emerged with the arrival of the Internet and today’s new traveler. Scanning the Internet, platforms such as Priceline, Travelocity, Expedia and Hotels.com claim they can provide the best hotel rates when booking through them. These OTAs though, can charge up to a 33% booking fee, which must be paid by the hotels.³²² This fee can make a significant impact on a hotel’s profit. Additionally, these platforms can lead to consumer confusion, “sometimes consumers think they are booking reservations that can be canceled without charge, only to find out later that is not the case - or they arrive at a hotel to discover that they do not actually have reservations”.³²³ This confusion can instill a negative perception of a hotel in a consumer, regardless if the hotel is responsible or not. Therefore, while today’s traveler might view these OTAs as providing a stronger value than booking directly with a hotel, it behooves hoteliers to strategize how they can pull away from OTAs and gain more control over their bookings. Marriott Hotels and Hilton Hotels and Resorts have already begun campaigns encouraging consumers to book direct with their hotels. Offering incentives, such as free Wi-Fi, special rates and fast check in are enticing consumers to book direct and place trust in a hotel’s website.³²⁴
- Invest in consumer reviews – historically, when a consumer would search for a hotel they would filter their options based on location, luxury ranking and price. Today’s traveler however, is more likely to first look at a hotel’s consumer reviews before considering location or price.³²⁵ Consumers trust each other more than industry driven categorization, such as luxury rankings. In an interview with Ercole Di Baia, owner of the Blue Hostel, he states that many times, hotels that would be considered a 5 star hotel in the industry will have lower average consumer reviews than his hostel. This, Di Baia claims, is his competitive advantage. Their mission is guest satisfaction, not money, and it shows, with an average consumer review of 4.5 stars out of 5 and a “Certificate of Excellence” on TripAdvisor.³²⁶ To achieve such high ratings, The Blue Hostel provides personalized touches from the moment a guest books to the moment that guest departs. Gestures such as travel recommendations, customized city maps, multi-country outlet adapters, coffee machines and updated accommodations keep The Blue Hostel ranking as a favorite among guests.³²⁷ Consumer reviews can also increase a hotel’s search engine ranking. When search engines, such as Google, perform their search engine optimization (SEO), it crawls the web for mentions of a specific search term and verified links from other websites. The more reviews a hotel has on trusted review sites such as TripAdvisor, the higher chance that hotel will appear in a consumer’s search results. Ultimately, leading to a higher chance a consumer will book with that hotel. Consumer reviews are gaining more power in the purchasing process and are proving to have a high return on investment.

³²² Speer, Interview with Sr. Development Director of Hilton Worldwide.

³²³ Tugend, “Hotel Chains and Travel Websites in a Tug of War for Customers.”

³²⁴ Ibid.

³²⁵ Di Baia, Interview with Owner of The Blue Hostel.

³²⁶ “Blue Hostel (Rome, Italy) - Hostel Reviews - TripAdvisor.”

³²⁷ Di Baia, Interview with Owner of The Blue Hostel.

- Establish brand loyalty – brand loyalty is the “Holy Grail” of marketing.³²⁸ Consumers who are loyal to a brand will spend more than first-time consumers. They are less price sensitive and are brand advocates.³²⁹ In an interview with Patrick Speer, Senior Development Director of Hilton Worldwide, he explains how Hilton Hotels and Resorts has created a brand portfolio for their consumers to grow through.³³⁰ Offering accommodations in the lower end market all the way to the highest end market, Hilton can capture consumers at an early stage and let them progress through their brands.³³¹ Establishing the Hilton HHonors program has encouraged consumers to stay loyal to Hilton through perks such as discounts, rewards and special offers. Speer shared that Hilton HHonors members will travel an extra 20 minutes to stay at a Hilton property just so they can receive their perks or points and something catastrophic has to happen to break their loyalty.³³² These types of loyalty programs are a great way to inspire repeat business and have been proven effective, but for boutique or family-run hotels, these resources might not be available. To maintain loyalty with limited resources, Entrepreneur Magazine suggests 3 practices. First is constant innovation. For a hotel this might be something simple to installing Wi-Fi throughout the hotel or implementing keyless room entry technologies. Being open to new trends in the industry and listening to consumers’ requests will make a positive impact on consumers. The second practice is hiring positive and capable employees and keeping them happy. The staff is responsible for portraying the mission and goals of the organization. It is the staff’s hands to determine how enjoyable a consumer’s stay will be. This leads to the third practice of, excellent customer service. How a guest is greeted or how an issue is resolved will influence a consumer’s perception of a hotel. If their experience has exceeded their expectations they are more likely to return to that hotel and become a loyal guest.³³³ Since repeat consumers can be the largest revenue generators, it is imperative to invest in brand loyalty practices.
- Embrace technology – a survey conducted by YouGov found that 89% of hotel guests want hotels to adopt “stay-enhancing technology”.³³⁴ Hotel guests concluded that technologies such as mobile check in, keyless room entry and the capability to order room service all through smartphones would save them time and enhance their stay experience at a hotel.³³⁵ Of the 89% of participants who yearn for new technologies, 39% said that they would be more likely to book with a hotel that had these technologies, over a hotel that did not.³³⁶ This is a significant amount of hotel guests that can have tremendous impact on revenues. These numbers and the demand for technologies will continue to grow as the consumer and industry forever evolve. It would be foolish not to mention social media as a technology that hotels must embrace as well. Social media includes, “blogs, forums, business networks, photo-sharing platforms, social gaming, microblogs, chat apps, and last but not least social networks”.³³⁷ By 2018, it is expected that there will be 2.5 billion users of social media, a

³²⁸ Ayyar, “The 3 Characteristics of Brands That Command Customer Loyalty.”

³²⁹ “What You Never Knew About Repeat Customers and What to Do Now.”

³³⁰ Speer, Interview with Sr. Development Director of Hilton Worldwide.

³³¹ Ibid.

³³² Ibid.

³³³ Ayyar, “The 3 Characteristics of Brands That Command Customer Loyalty.”

³³⁴ “HNN.”

³³⁵ Ibid.

³³⁶ Ibid.

³³⁷ cycles and Text, “Topic.”

third of the Earth's entire population and Facebook alone, captures 1.5 billion users.³³⁸ Globally, the average daily time spent on these networks is almost two hours, creating an opportunity for companies to interact with their consumers on a deeper personal level than ever before.³³⁹ Consumers use these networks to connect with peers, share their opinions, research topics and stay informed with world events. The PewResearchCenter found that, "half of all adult Facebook users have more than 200 friends in their network...and the average (mean) number of friends is 338".³⁴⁰ Meaning, when a user shares their opinion on Facebook, it will reach 200-338 other impressionable individuals. If a user posts about their experience with a company it could lead to a positive or negative impact for that company. Matthew Lehman, General Manager of the Fairmont Miramar Hotel & Bungalows in Santa Monica, states he views social networks as a free marketing opportunity.³⁴¹ Of course, he would prefer posts about his hotel be positive as he understands the impact of peer-to-peer recommendations, so he manages his hotel aiming to provide guests with positive content to post on social media. The numbers for Facebook alone, provide reason for why a company must invest in social media. Through social media, a company can monitor consumer opinion of their business, respond to negative and positive feedback, connect with potential consumers and share promotions, special offers and their company values.

- Optimize current strengths - throughout this research a myriad of hotel strengths were discovered. Strengths that resonated the most were safety, consistency, quality service, cleanliness, amenities and standards. When a consumer reserves a hotel room these attributes are expected, however, when reserving a peer-to-peer lodging accommodation, these attributes are not necessarily what come to mind first. Hotels offer a wider range of benefits for the consumer and this should be optimized. These strengths are what will keep consumers staying at hotels. Therefore it is essential for a hotel to promote them, ensure they are performing at their highest capacity and update them when necessary. Also, be open to feedback from guests and adjust when consumers are demanding a change. Another under-recognized strength of hotels and a benefit hotel guests receive daily is housekeeping. Peer-to-peer lodging platforms typically do not provide this benefit, ultimately, creating an opportunity for hotels. Depending on the situation, it might benefit a hotel to utilize their housekeeping staff and provide daily housekeeping for peer-to-peer units.

The lodging industry will continue to see new challenges, new competition and an evolving consumer, regardless of enforced regulations. The recommendations above will however, help hoteliers be open to consumer feedback and stay relevant in the lodging industry. Studying the consumer, understanding their motivations and following through on requests will allow the hotelier to be one step ahead of their competition. In an interview with the InterContinental Hotels Group, they spoke to how they consider the consumer. They try to capture the consumer during the dreaming, planning and booking phases of travel.³⁴² Following the consumer through these phases of travel, in conjunction with the recommendations, hoteliers can withstand the challenges of the evolving lodging industry.

³³⁸ Ibid.

³³⁹ Ibid.

³⁴⁰ comments, "6 New Facts about Facebook."

³⁴¹ Lehman, Interview with General Manager of the Fairmont Miramar Hotel & Bungalows Santa Monica.

³⁴² Leporatti, Interview with Vice President, Global Strategy of InterContinental Hotels Group.

Improvements for Government Influence

Below key areas are identified in which governments can leverage their authority to forge an environment where peer-to-peer lodging platforms and traditional lodging facilities can operate in fairness and the competitive spirit can be encouraged. As the City of Vienna notes, the goal is to “turn the sharing economy into a fair economy.”³⁴³ There are three key issues in which government must act in order to create a rich and prosperous lodging marketplace for the twenty first century.

- Ensure that the market is fairly competitive - there is a distinction between occasional home sharing or renting and full-time “commercialized” property rentals. Both benefit from destination marketing, infrastructure, and safety. Travel and tourism tax revenue is used to make the destination attractive and pleasing to all travelers, so it is reasonable for peer-to-peer lodging platforms to contribute their fair share. Commercialized rentals however, should be subjected to more robust regulatory requirements in line with small traditional lodging organizations like Bed-and-Breakfast Inns. This is important because their properties host the largest number of visitors, representing the greatest liability risk and community impact. Additionally, many regulations govern commercial engagement to ensure fair treatment and access is made available to all. This includes regulations such as the Americans with Disabilities Act and a host of other civil rights protections. These rights are available in any place open to the general public, and commercialized short-term rentals should be duly classified in this way.
- Impose minimum safety standard - operators of traditional lodging facilities, like all businesses, have a duty to provide a safe environment for customers. This includes keyed access, pool safety, as well as health standards and inspections. This is important for many reasons, chief among them the fact that consumers have the right to reasonably expect a safe environment. But safety is also a destination-issue. As Lynn Mohrfeld, President and CEO of the California Hotel & Lodging Association puts it: “When we have story of a visitor who stays in a short-term rental platform and they get injured or have bodily harm, that [story starts with] ‘A visitor to Sacramento...’ and then the details come out. So that’s bad for the destination.”³⁴⁴ Existing safety and health regulations have been deemed critical to supporting a tourism industry that is prosperous in the long term. As such, all players in the industry, including peer-to-peer lodging platforms should be compliant.
- Enact zoning regulations for peer-to-peer lodging units - the problem caused by not properly regulating these type of accommodations is amplified in the short-term rental market, as many new rentals are located in residential areas not usually trafficked by tourists. As normal housing units in residential neighborhoods are increasingly converted to short-term rentals, the occupant dynamic can change considerably. This results in late-night noise, unpredictable interpersonal interactions, and insensitive use of common facilities. This has frustrated permanent residents, with many claiming to have lost the feeling of safety and well-being in their communities.³⁴⁵ As zoning laws were specifically crafted to segregate or at the very

³⁴³ “Turning the Sharing Economy into a Fair Economy in Vienna - Share-Economy-in-Wien-Stadt-Wien-En.pdf.”

³⁴⁴ Mohrfeld, Interview with President & CEO of the California Hotel & Lodging Association.

³⁴⁵ Mazza, “Homeowner Sues Hermosa Beach for Short-Term Rental Ban.”

least minimize conflicting attributes of business and residential areas, the distinction needs to be applied to businesses in peer-to-peer lodging space as well. In areas with compressed housing markets, conversion of residential units to short-term rentals also takes needed long term inventory off the market. Zoning protections can also prevent this from occurring.

While each city notes unique impacts stemming from the rapid rise of short-term rentals, a common, foundational approach to regulation is the most valuable product of this study. The following framework will allow municipalities the ability to regulate and enforce a fair lodging marketplace, while allowing for flexibility to tailor the program to best fit the local environment. The other benefit of a high-level framework is that it will set common and known expectations for the peer-to-peer lodging platforms like Airbnb. Their participation is critical in order to allow both peer-to-peer lodging platforms and traditional lodging to thrive. If the current fragmented approach is continued, platforms will struggle to manage wildly different regulations in thousands of cities worldwide. With a common framework, the platforms can operate efficiently to deploy common standards and countless municipalities will avoid the labor-intensive burden of reinventing the wheel in terms of research and policy development. The regulatory framework is as follows:

First, each short-term rental provider (property owner or lease holder) should be registered within the local municipality. This registration would require a social security number or employer ID number, and would cover all properties rented out by the registration holder. One unique registration number would be provided for each registrant and that number would be required to be posted on every listing detail page available before and after booking. The registration number would be a unique 10-digit alphanumeric ID that includes a 4-digit municipality prefix and a 6-digit registration number. This will ensure the registration can be implemented universally. Registration will be subject to renewals annually. Additionally, each registration holder will be required to keep two years of booking and revenue data on file at all times for audit purposes. In terms of liability, each registration holder will be responsible for their listed properties. Nuisance and misuse complaints are to be made to the municipality and each municipality should enforce a steep graduation of fines culminating in the revocation or suspension of registration for the property owner.

Above and beyond the standard registration requirements listed above, the registration will come in two varieties: Non-Commercial and Commercial. In an article written by Airbnb owner Brian Chesky, he calls the accommodations on his site, “regular people renting out their own homes ...who...should be able to do so.”³⁴⁶ This speaks strongly for what are considered non-commercial registrants, but does not address the large number of those who aren’t sharing their homes, but rather managing units like a hotel enterprise. Our recommendations include differing requirements for non-commercial and commercial registrants.

Non-Commercial Registration Guidelines

- Unit(s) may be listed as available up to 365 nights per calendar year.
- Registrant may book no more than 180 nights combined for all of their registered units per calendar year.

³⁴⁶ “Who We Are, What We Stand for.”

- No single customer may stay for a period lasting longer than 30 days.
- Registration ID may be applied to a shared dwelling or an entire home listing.
- Non-commercial registrant's properties will not be classified as alternative accommodations, and no special zoning rules will apply.
- Anyone leasing, renting, or otherwise not in complete ownership of the unit to be registered must submit written consent from the chief tenant of the unit during registration.
- Those receiving aid from a government subsidized housing programs would not be eligible participate in any form of registration.
- Safety and fire precautions must meet municipal standards for long-term rental units.

Commercial Registration Guidelines

The commercial registration would apply to all other listings. While not all of these units are currently considered competitive to the traditional lodging industry, such as single family homes and tree houses, one can consider them to be extraordinarily commercialized due to the number of nights booked. The following recommendations are in addition to the non-commercial guidelines:

- Commercial registrants will have no limits to the number of booked nights for their properties.
- Commercial registrant's properties will be considered alternative accommodations, and shall be governed by zoning laws that apply to other alternative accommodations, such as Bed & Breakfast Inns. The exact laws are to be determined and modified by each municipality's planning commission.
- Commercial registrants would be held to the same liability standards for fire and safety regulations as alternative accommodations. This will include annual fire safety inspections and accommodation-specific hygiene standards.

Finally, all platforms like Airbnb or HomeAway will be subjected to specific requirements with respect to tax collection and data reporting. First, each listing must be accompanied by a registration ID. Additionally, the platform will be required to collect tax on each night booked and transfer the funds quarterly to the appropriate municipality. Tax information will need to be maintained and updated by the platforms upon receiving a request by the municipality. The platforms will also be required to transmit quarterly booking details including registration ID, nights booked, revenue collected, and tax collected. Upon request from a municipality, platforms will be required to remove all listings with invalid or suspended/cancelled registration IDs.

The regulatory framework listed above attempts to remedy several challenges with current policy. First, it creates an environment where governments, platforms and users can co-exist in a reasonable fashion. Governments have a duty to promote their destination and keep it safe. This requires travel and tourism taxes, which can only be verified and collected through a partnership with the transaction-executing platforms. On the other hand, these platforms have been burdened unduly with complex legal and regulatory disparity, and they have been asked to enforce much of the behavior of their users including caps on booking nights. This is unreasonable because the platforms cannot endlessly customize their practices and user experience to fit each municipalities' desires. Even if they could, true enforcement could never occur because many listings are posted on multiple platforms. It is simply not possible for Airbnb to regulate a booking night cap in coordination with competitors like HomeAway or VRBO. The true

enforcement burden must fall to the municipality, and they must make requirements of the people and businesses in their local jurisdiction.

The registration framework outlined is a simple and transparent process that provides owners and leaseholders with flexibility to rent full or part time. Non-commercial registration is very simple and non-intrusive, while commercial registration ensures certain standards in terms of safety and zoning are met. It makes an important distinction between the entities renting out the facilities and the facilities themselves. This ensures that any prolonged commercialized activity must abide by standards expected of such commercial behavior, but it doesn't cripple the recreational users who are so critical to the spirit of the Sharing Economy. The key is the combined booking night cap. Without limiting the property type or shared/private dwelling, the cap effectively targets the primary registrant across all properties they own. This ensures commercial status for any entity that endeavors to participate in regular commercial lodging activity. Current penalties for violations of misdemeanor infractions such as those against zoning regulations within regions of Los Angeles like Long Beach may include fines up to \$500 and/or up to a six (6) month jail sentence.³⁴⁷

For the commercial segment of peer-to-peer lodging rentals, a new approach to zoning will be required. The ability to house transient occupants depends on licensure as a hotel or alternative accommodations similar to a bed and breakfast. To achieve this, zoning regulations will need to change to increase the allotment of alternative accommodations allowed within certain residential zones. The specific increase should be left to each municipality; the positive economic impact of these listings being balanced with housing constraints and neighborhood sensitivities. Additionally, most alternative accommodation licenses require the owner to live on or adjacent to the premises.³⁴⁸ Changing this part of the zoning code to incorporate those companies managing properties within their municipality so long as they comply with all other rules and regulations will suffice.

As far as the peer-to-peer lodging platforms, they have long fought the sharing of their user data, and a muddying of regulatory protections at the city, state and federal levels have set this issue up for a prolonged period of legal argument. While the platforms continue this fight, many local municipalities have instituted complete bans on short-term rentals and are working to remove them from the market. Meanwhile, the owners and operators of short-term rentals are forced to plan amidst an uncertain future. This is a contributing factor to the slowdown in the growth of listings. The result is a loss for all parties.

To retain this valuable new segment of the lodging marketplace, it will require mutual cooperation and responsibility from all three parties: governments, peer-to-peer lodging platforms and property owners/lease holders. Rather than wait for legal precedent to guide action, a self-managed partnership could breathe new life into an industry experiencing rapid growth from an increasingly diverse and savvy customer. With predictable rules guiding this service, traditional lodging companies can participate as well. Hyatt's investment in and

³⁴⁷ "21.10.010 - Title. | Municipal Code | Long Beach, CA | Municode Library."

³⁴⁸ "21.15.360 - Bed and Breakfast Inn. | Municipal Code | Long Beach, CA | Municode Library."

collaboration with OneFineStay³⁴⁹ and Expedia's acquisition of HomeAway³⁵⁰, have proven that interest and opportunity are present.

³⁴⁹ Schaal, "It's Beginning."

³⁵⁰ Schaal, "The Inside Story Behind Expedia's Purchase of HomeAway."

Conclusion

The Travel and Tourism industry is booming worldwide. Hotels are seeing a rise in occupancy rates and are generating record ADR and RevPAR. As a result, the true disruptions caused by peer-to-peer lodging platforms are masked within the growth of the hospitality industry as a whole. The outperformance of these various metrics may actually be underperforming relative to where they could be if peer-to-peer lodging platforms did not exist. As Thomas Caton, Chief Revenue Officer for Airdna, noted “there is this conviction that we see a lot in the hotel industry that Airbnb people, if there wasn’t Airbnb, [would] be sleeping on a couch, sleeping on the street, [or] not going on the trip. If you accept that some proportion of people would have made that trip otherwise, then you have to accept that those people would have been staying in a hotel and that that has in some way affected either your occupancy or the rate you can charge in different areas.”³⁵¹ It is undeniable that some percentage of travelers who have chosen to stay in peer-to-peer accommodations would have otherwise stayed in a hotel. Whether that percentage continues to grow will largely depend on how the industry and its regulators respond to this phenomenon. The dynamics differ from location to location, as hoteliers must decide whether or not to view peer-to-peer lodging platforms as competitive or complementary and legislators must decide whether or not to create laws that curtail its growth or promote its future. Hotels can only be successful by adjusting to changing consumers trends and regulation can only be effective when enforcement creates compliance. The latter may pose the more serious threat, as it is the nature of a “shadow economy” to elude governmental control. Among all of the uncertainty, city officials, academics and hoteliers across the globe can agree on one thing; peer-to-peer lodging platforms are making a major impact and they are here to stay.

³⁵¹ Caton, Interview with Chief Revenue Officer of Airdna, Barcelona.

Appendix

List of Interviews Table 1

| Interviewee (Last, First) | Organization | Location |
|--------------------------------------|---|-----------------|
| Pertesis, George | Director of COCO-Mat Hotel Athens | Athens |
| Christidou, Agni | Director of Hellenic Chamber of Hotels | Athens |
| Mavragani, Eleni | Professor at International Hellenic University | Athens |
| Benetou, Eirini | Owner of Delice Hotel Apartments | Athens |
| Theofanopoulou, Maria | President and CEO of Danae Travel and Media Group | Athens |
| Abad, Joan | Director of General Tourism Regulation of Government of Catalonia | Barcelona |
| Zubicaray, Pablo | President of FEVITUR Federacion Espanola de Asociaciones de Viviendas y Apartamentos Turisticos | Barcelona |
| Papiol, Laia | Sales Manager of H10 Casanova Hotel | Barcelona |
| Caton, Thomas | Chief Revenue Officer at Airdna | Barcelona |
| O'Connor, Ellis | Asset Manager of MSD Hospitality | Los Angeles |
| Habasque, Elodie | Director of Sales and Marketing of Hilton DoubleTree Marina Del Rey | Los Angeles |
| Lehman, Matthew | General Manager of the Fairmont Miramar Hotel & Bungalows Santa Monica | Los Angeles |
| Miteva, Rumyana | Head of Performance Marketing of HouseTrip | Los Angeles |
| Baltin, Bruce | Managing Director of CBRE Hotels | Los Angeles |
| Mohrfeld, Lynn | President & CEO of the California Hotel & Lodging Association | Los Angeles |
| Speer, Patrick | Sr. Development Director of Hilton Worldwide | Los Angeles |
| Leporatti, Giulio | Vice President, Global Strategy of InterContinental Hotels Group | Los Angeles |
| Guido, Lisa | Director of European Programs of SAI Programs (Rome) | Rome |
| Cocco, Riccardo | Hotel Manager of Hotel Savoy | Rome |
| Di Baia, Ercole | Owner of The Blue Hostel | Rome |
| Wieser, Peter | City of Vienna Economic Affairs | Vienna |
| Reitterer, Michaela | President of Austria Hotel Association | Vienna |
| Balint, Gergely; Indra, Daniel | Senior Advisor and Senior Manager, KPMG | Vienna |
| Penz, Markus | Strategic Destination Development of Vienna Tourist Board | Vienna |

Acronyms and Industry Terms Table 2

| Term | Defined By | Definition |
|--------------------------|-------------------|---|
| ADR (Average Daily Rate) | Airdna | The average daily rate charged per booked listing. ³⁵² |
| Advertised Listings | Airdna | The count of Airbnb listings those were live on the website at any point in the given month. ³⁵³ |

³⁵² “Airbnb Market Report - April 2016 (AirDNA).”

| | | |
|---------------------------|-------------|--|
| Booked Listings | Airdna | The count of Airbnb listings that had at least one booked day in the month. ³⁵⁴ |
| Hotel Comparable Listings | Airdna | Entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which are not consider to be competing with hotel supply. ³⁵⁵ |
| Inbound City Arrivals | Euromonitor | International tourists visiting another country for at least 24 hours, for a period not exceeding 12 months, and staying in collective or private accommodation for leisure, business, visiting friends/family and other purposes (religious, medical, education etc). Recorded in terms of trips as opposed to visitors, whereby a visitor may make more than one trip during the recorded period. An inbound trip starts as soon as an international tourist enters another country until they leave again. ³⁵⁶ |
| Listing Nights | Airdna | The sum of all nights that were available for rent or booked in the month. Only listing with at least one booked day in the month are included. ³⁵⁷ |
| Occupancy | Airdna | Occupancy is the sum of booked listing nights, divided by the sum of available listing nights. This calculation excludes nights that were blocked from receiving a booking and only includes properties that had one booked day in the month. ³⁵⁸ |
| RevPAR | Airdna | Revenue Per Available Room is the total revenue divided by the number of all available entire place listings. Differing from the hotel industry, consider all separate Entire Place listings as a "room". ³⁵⁹ |
| Room Nights | Airdna | The sum of all nights of entire place rentals that are available for rent or booked multiplied by the number of bedrooms of each listing. A listing must have been advertised in the given month or had a booking in the month to be included. Airdna uses a maximum bedroom multiplier of 3. For Example: A two bedroom listing counts as two Room Nights and a five bedroom listing is only counted as three Room Nights. Room nights is used to evaluate the maximum supply of entire place rentals available on the market. ³⁶⁰ |

³⁵³ Ibid.

³⁵⁴ Ibid.

³⁵⁵ Ibid.

³⁵⁶ Euromonitor International, "Top 100 City Destinations Ranking."

³⁵⁷ "Airbnb Market Report - April 2016 (AirDNA)."

³⁵⁸ Ibid.

³⁵⁹ Ibid.

³⁶⁰ Ibid.

Calculations

| Correlation Between International Tourist Arrivals & Overnight Stays | | | | |
|---|--------------|---|----------------------------------|------------------------------------|
| Location | Years | International Tourist Arrivals | Hotel Overnight Stays | Correlation Coefficient |
| Vienna | 2011 | 4,728,900 | 10,551,585 | 0.9981 |
| Vienna | 2012 | 4,963,200 | 11,208,975 | |
| Vienna | 2013 | 5,187,600 | 11,617,735 | |
| Vienna | 2014 | 5,405,400 | 12,295,743 | |
| Vienna | 2015 | 5,718,900 | 13,091,903 | |
| Barcelona | 2011 | 5,431,500 | 16,815,050 | 0.9949 |
| Barcelona | 2012 | 5,459,100 | 16,855,833 | |
| Barcelona | 2013 | 5,699,300 | 17,352,719 | |
| Barcelona | 2014 | 6,256,900 | 18,389,423 | |
| Barcelona | 2015 | 6,612,200 | 19,478,755 | |
| Rome | 2011 | 8,723,000 | 22,021,993 | 0.7335 |
| Rome | 2012 | 8,423,000 | 22,962,129 | |
| Rome | 2013 | 9,221,000 | 24,160,505 | |
| Rome | 2014 | 8,807,000 | 25,377,967 | |
| Rome | 2015 | 9,558,700 | 26,420,620 | |
| Athens | 2011 | 2,935,400 | 5,286,775 | 0.9320 |
| Athens | 2012 | 2,703,000 | 4,485,357 | |
| Athens | 2013 | 2,618,000 | 4,940,253 | |
| Athens | 2014 | 3,388,300 | 6,136,739 | |
| Los Angeles | 2011 | 4,959,000 | 25,515,497 | 0.9576 |
| Los Angeles | 2012 | 5,018,500 | 26,410,989 | |
| Los Angeles | 2013 | 5,154,000 | 27,164,821 | |
| Los Angeles | 2014 | 5,272,600 | 28,955,331 | |
| Los Angeles | 2015 | 5,552,000 | 29,712,406 | |

| Airbnb Listings Distribution | | | | |
|---------------------------------------|-----------------|------------------|-----------------|-------------------|
| 2015 to May-16 YTD | | | | |
| Los Angeles metropolitan area | | | | |
| | Entire Place | Private Rooms | Shared Rooms | Total Listings |
| Airbnb Listings | | | | |
| Jan-15 | 13,421 | 7,295 | 618 | 21,334 |
| Feb-15 | 13,588 | 7,447 | 648 | 21,683 |
| Mar-15 | 13,968 | 7,731 | 669 | 22,368 |
| Apr-15 | 13,771 | 7,873 | 669 | 22,313 |
| May-15 | 14,704 | 8,444 | 759 | 23,907 |
| Jun-15 | 15,512 | 8,833 | 785 | 25,130 |
| Jul-15 | 16,253 | 9,426 | 874 | 26,553 |
| Aug-15 | 16,678 | 9,669 | 910 | 27,257 |
| Sep-15 | 16,686 | 9,891 | 968 | 27,545 |
| Oct-15 | 16,826 | 9,993 | 968 | 27,787 |
| Nov-15 | 17,920 | 10,781 | 1,040 | 29,741 |
| Dec-15 | 18,277 | 10,996 | 1,089 | 30,362 |
| 2015 Total | 187,604 | 108,379 | 9,997 | 305,980 |
| <i>% of Total</i> | <i>61.3%</i> | <i>35.4%</i> | <i>3.3%</i> | <i>100.0%</i> |
| Jan-16 | 18,885 | 11,499 | 1,194 | 31,578 |
| Feb-16 | 17,758 | 10,986 | 1,156 | 29,900 |
| Mar-16 | 17,315 | 10,376 | 1,113 | 28,804 |
| Apr-16 | 16,738 | 9,981 | 1,118 | 27,837 |
| May-16 | 17,800 | 10,610 | 1,244 | 29,654 |
| May-16 Total | 88,496 | 53,452 | 5,825 | 147,773 |
| <i>% of Total</i> | <i>59.9%</i> | <i>36.2%</i> | <i>3.9%</i> | <i>100.0%</i> |
| May % of Total | 60.0% | 35.8% | 4.2% | 100.0% |
| Total Listings | 276,100 | 161,831 | 15,822 | 453,753 |
| Total Bookings | 143,963 | 74,635 | 7,483 | 226,081 |
| <i>% of Total Bookings</i> | <i>63.7%</i> | <i>33.0%</i> | <i>3.3%</i> | <i>100.0%</i> |
| <i>Booking % of Listings</i> | <i>52.1%</i> | <i>46.1%</i> | <i>47.3%</i> | <i>49.8%</i> |
| <i>Source: Airbnb data per AIRDNA</i> | | | | |

| Airbnb Listings Distribution 2015 to May-16 YTD | | | | |
|---|-----------------|------------------|-----------------|-------------------|
| Vienna | | | | |
| | Entire Place | Private Rooms | Shared Rooms | Total Listings |
| Airbnb Listings | | | | |
| Jan-15 | 2,700 | 877 | 31 | 3,608 |
| Feb-15 | 2,838 | 939 | 33 | 3,810 |
| Mar-15 | 3,035 | 1,023 | 40 | 4,098 |
| Apr-15 | 3,252 | 1,138 | 45 | 4,435 |
| May-15 | 3,534 | 1,338 | 54 | 4,926 |
| Jun-15 | 3,750 | 1,601 | 61 | 5,412 |
| Jul-15 | 4,040 | 1,860 | 71 | 5,971 |
| Aug-15 | 4,263 | 2,020 | 87 | 6,370 |
| Sep-15 | 4,331 | 2,071 | 99 | 6,501 |
| Oct-15 | 4,161 | 1,807 | 94 | 6,062 |
| Nov-15 | 4,377 | 1,944 | 97 | 6,418 |
| Dec-15 | 4,472 | 1,999 | 100 | 6,571 |
| 2015 Total | 44,753 | 18,617 | 812 | 64,182 |
| <i>% of Total</i> | <i>69.7%</i> | <i>29.0%</i> | <i>1.3%</i> | <i>100.0%</i> |
| Jan-16 | 4,606 | 2,159 | 108 | 6,873 |
| Feb-16 | 4,456 | 2,045 | 101 | 6,602 |
| Mar-16 | 3,964 | 1,599 | 77 | 5,640 |
| Apr-16 | 3,623 | 1,266 | 68 | 4,957 |
| May-16 | 3,953 | 1,485 | 74 | 5,512 |
| May-16 Total | 20,602 | 8,554 | 428 | 29,584 |
| <i>% of Total</i> | <i>69.6%</i> | <i>28.9%</i> | <i>1.4%</i> | <i>100.0%</i> |
| May % of Total | 71.7% | 26.9% | 1.3% | 100.0% |
| Total Listings | 65,355 | 27,171 | 1,240 | 93,766 |
| Total Bookings | 31,158 | 8,842 | 414 | 40,414 |
| <i>% of Total Bookings</i> | <i>77.1%</i> | <i>21.9%</i> | <i>1.0%</i> | <i>100.0%</i> |
| <i>Booking % of Listings</i> | <i>47.7%</i> | <i>32.5%</i> | <i>33.4%</i> | <i>43.1%</i> |
| Source: Airbnb data per AIRDNA | | | | |

| Airbnb Listings Distribution 2015 to May-16 YTD | | | | |
|---|-----------------|------------------|-----------------|-------------------|
| Athens | | | | |
| | Entire Place | Private Rooms | Shared Rooms | Total Listings |
| Airbnb Listings | | | | |
| Jan-15 | 1,110 | 199 | 15 | 1,324 |
| Feb-15 | 1,165 | 207 | 15 | 1,387 |
| Mar-15 | 1,260 | 225 | 16 | 1,501 |
| Apr-15 | 1,368 | 253 | 17 | 1,638 |
| May-15 | 1,549 | 291 | 23 | 1,863 |
| Jun-15 | 1,704 | 345 | 40 | 2,089 |
| Jul-15 | 1,884 | 387 | 41 | 2,312 |
| Aug-15 | 1,991 | 419 | 43 | 2,453 |
| Sep-15 | 2,084 | 435 | 42 | 2,561 |
| Oct-15 | 2,073 | 446 | 44 | 2,563 |
| Nov-15 | 2,185 | 477 | 50 | 2,712 |
| Dec-15 | 2,239 | 484 | 45 | 2,768 |
| 2015 Total | 20,612 | 4,168 | 391 | 25,171 |
| <i>% of Total</i> | <i>81.9%</i> | <i>16.6%</i> | <i>1.6%</i> | <i>100.0%</i> |
| Jan-16 | 2,377 | 501 | 48 | 2,926 |
| Feb-16 | 2,379 | 491 | 46 | 2,916 |
| Mar-16 | 2,349 | 445 | 48 | 2,842 |
| Apr-16 | 2,478 | 448 | 47 | 2,973 |
| May-16 | 2,965 | 519 | 56 | 3,540 |
| May-16 Total | 12,548 | 2,404 | 245 | 15,197 |
| <i>% of Total</i> | <i>82.6%</i> | <i>15.8%</i> | <i>1.6%</i> | <i>100.0%</i> |
| May % of Total | 83.8% | 14.7% | 1.6% | 100.0% |
| Total Listings | 33,160 | 6,572 | 636 | 40,368 |
| Total Bookings | 17,815 | 3,248 | 248 | 21,311 |
| <i>% of Total Bookings</i> | <i>83.6%</i> | <i>15.2%</i> | <i>1.2%</i> | <i>100.0%</i> |
| <i>Booking % of Listings</i> | <i>53.7%</i> | <i>49.4%</i> | <i>39.0%</i> | <i>52.8%</i> |
| Source: Airbnb data per AIRDNA | | | | |

| Airbnb Listings Distribution 2015 to May-16 YTD | | | | |
|---|-----------------|------------------|-----------------|-------------------|
| Rome | | | | |
| | Entire Place | Private Rooms | Shared Rooms | Total Listings |
| Airbnb Listings | | | | |
| Jan-15 | 7,079 | 3,298 | 35 | 10,412 |
| Feb-15 | 7,407 | 3,444 | 35 | 10,886 |
| Mar-15 | 7,920 | 3,688 | 39 | 11,647 |
| Apr-15 | 8,400 | 3,927 | 47 | 12,374 |
| May-15 | 8,878 | 4,126 | 50 | 13,054 |
| Jun-15 | 9,394 | 4,409 | 52 | 13,855 |
| Jul-15 | 9,821 | 4,684 | 53 | 14,558 |
| Aug-15 | 9,975 | 4,795 | 60 | 14,830 |
| Sep-15 | 10,389 | 5,007 | 63 | 15,459 |
| Oct-15 | 9,889 | 4,769 | 68 | 14,726 |
| Nov-15 | 10,379 | 5,049 | 76 | 15,504 |
| Dec-15 | 10,487 | 5,166 | 71 | 15,724 |
| 2015 Total | 110,018 | 52,362 | 649 | 163,029 |
| <i>% of Total</i> | <i>67.5%</i> | <i>32.1%</i> | <i>0.4%</i> | <i>100.0%</i> |
| Jan-16 | 10,967 | 5,524 | 72 | 16,563 |
| Feb-16 | 10,335 | 5,196 | 64 | 15,595 |
| Mar-16 | 10,816 | 4,901 | 57 | 15,774 |
| Apr-16 | 10,415 | 4,424 | 56 | 14,895 |
| May-16 | 11,348 | 5,023 | 69 | 16,440 |
| May-16 Total | 53,881 | 25,068 | 318 | 79,267 |
| <i>% of Total</i> | <i>68.0%</i> | <i>31.6%</i> | <i>0.4%</i> | <i>100.0%</i> |
| May % of Total | 69.0% | 30.6% | 0.4% | 100.0% |
| Total Listings | 163,899 | 77,430 | 967 | 242,296 |
| Total Bookings | 85,130 | 29,992 | 495 | 115,617 |
| <i>% of Total Bookings</i> | <i>73.6%</i> | <i>25.9%</i> | <i>0.4%</i> | <i>100.0%</i> |
| <i>Booking % of Listings</i> | <i>51.9%</i> | <i>38.7%</i> | <i>51.2%</i> | <i>47.7%</i> |
| Source: Airbnb data per AIRDNA | | | | |

| Airbnb Listings Distribution 2015 to May-16 YTD | | | | |
|---|-----------------|------------------|-----------------|-------------------|
| Barcelona | | | | |
| | Entire Place | Private Rooms | Shared Rooms | Total Listings |
| Airbnb Listings | | | | |
| Jan-15 | 7,760 | 5,381 | 22 | 13,163 |
| Feb-15 | 8,123 | 5,678 | 23 | 13,824 |
| Mar-15 | 8,623 | 6,072 | 29 | 14,724 |
| Apr-15 | 9,065 | 6,532 | 51 | 15,648 |
| May-15 | 9,514 | 7,065 | 84 | 16,663 |
| Jun-15 | 10,080 | 7,824 | 134 | 18,038 |
| Jul-15 | 10,588 | 8,709 | 172 | 19,469 |
| Aug-15 | 9,683 | 8,498 | 179 | 18,360 |
| Sep-15 | 9,836 | 8,563 | 188 | 18,587 |
| Oct-15 | 9,246 | 7,758 | 176 | 17,180 |
| Nov-15 | 9,749 | 8,213 | 181 | 18,143 |
| Dec-15 | 9,940 | 8,597 | 194 | 18,731 |
| 2015 Total | 112,207 | 88,890 | 1,433 | 202,530 |
| <i>% of Total</i> | <i>55.4%</i> | <i>43.9%</i> | <i>0.7%</i> | <i>100.0%</i> |
| Jan-16 | 9,749 | 8,721 | 194 | 18,664 |
| Feb-16 | 9,366 | 8,324 | 194 | 17,884 |
| Mar-16 | 9,501 | 7,878 | 177 | 17,556 |
| Apr-16 | 9,133 | 7,257 | 166 | 16,556 |
| May-16 | 9,947 | 8,328 | 199 | 18,474 |
| May-16 Total | 47,696 | 40,508 | 930 | 89,134 |
| <i>% of Total</i> | <i>53.5%</i> | <i>45.4%</i> | <i>1.0%</i> | <i>100.0%</i> |
| May % of Total | 53.8% | 45.1% | 1.1% | 100.0% |
| Total Listings | 159,903 | 129,398 | 2,363 | 291,664 |
| Total Bookings | 95,186 | 61,621 | 1,139 | 157,946 |
| <i>% of Total Bookings</i> | <i>60.3%</i> | <i>39.0%</i> | <i>0.7%</i> | <i>100.0%</i> |
| <i>Booking % of Listings</i> | <i>59.5%</i> | <i>47.6%</i> | <i>48.2%</i> | <i>54.2%</i> |
| Source: Airbnb data per AIRDNA | | | | |

Hotel ADR Discount/Premium

2015 Average Daily Rate (ADR) & Revenue Per Available Room (RevPAR)

Los Angeles Metropolitan Area

| | ADR | RevPar |
|---------------------------------|----------|----------|
| <i>Airbnb Hotel Comparables</i> | | |
| Jan-15 | \$147.10 | \$82.14 |
| Feb-15 | \$150.34 | \$96.15 |
| Mar-15 | \$153.14 | \$94.96 |
| Apr-15 | \$155.56 | \$90.30 |
| May-15 | \$156.48 | \$94.10 |
| Jun-15 | \$158.89 | \$102.98 |
| Jul-15 | \$167.58 | \$117.69 |
| Aug-15 | \$168.58 | \$114.82 |
| Sep-15 | \$159.96 | \$83.30 |
| Oct-15 | \$157.16 | \$93.36 |
| Nov-15 | \$156.69 | \$87.87 |
| Dec-15 | \$156.40 | \$80.44 |

| | | |
|-------------------|----------|----------|
| AirBNB USD (2015) | \$157.38 | \$94.87 |
| LA County Hotels | \$158.35 | \$126.19 |

| | | |
|-----------------------------------|-------------|--------------|
| Hotel Discount/Premium (%) | 0.6% | 33.0% |
|-----------------------------------|-------------|--------------|

| | | |
|-------------------|----------|----------|
| AirBNB USD (2015) | \$157.38 | \$94.87 |
| OC County Hotels | \$156.74 | \$121.95 |

| | | |
|-----------------------------------|--------------|--------------|
| Hotel Discount/Premium (%) | -0.4% | 28.5% |
|-----------------------------------|--------------|--------------|

| | | |
|-----------------------|----------|---------|
| AirBNB USD (2015) | \$157.38 | \$94.87 |
| Ventura County Hotels | \$118.26 | \$87.16 |

| | | |
|-----------------------------------|---------------|--------------|
| Hotel Discount/Premium (%) | -24.9% | -8.1% |
|-----------------------------------|---------------|--------------|

| | | |
|----------------------|----------|---------|
| AirBNB USD (2015) | \$157.38 | \$94.87 |
| Inland Empire Hotels | \$99.76 | \$74.93 |

| | | |
|-----------------------------------|---------------|---------------|
| Hotel Discount/Premium (%) | -36.6% | -21.0% |
|-----------------------------------|---------------|---------------|

| | | |
|-------------------|----------|---------|
| AirBNB USD (2015) | \$157.38 | \$94.87 |
|-------------------|----------|---------|

LA, OC, Ventura, Inland Empire

| | | |
|-----------------------------|----------|----------|
| County Weighted Avg* | \$153.50 | \$120.98 |
|-----------------------------|----------|----------|

| | | |
|-----------------------------------|--------------|--------------|
| Hotel Discount/Premium (%) | -2.5% | 27.5% |
|-----------------------------------|--------------|--------------|

* Weighted based on Occupied Rooms

Source: Airbnb data per AIRDNA

Hotel ADR/RevPar per CBRE/PKF Hotel Industry Forecast

Hotel ADR Discount/Premium

2015 Average Daily Rate (ADR) & Revenue Per Available Room (RevPAR)

Vienna

| | ADR | RevPar |
|-----------------------------------|--------------|--------------|
| <i>Airbnb Hotel Comparables</i> | | |
| Jan-15 | \$99.16 | \$29.00 |
| Feb-15 | \$95.89 | \$42.94 |
| Mar-15 | \$97.97 | \$45.65 |
| Apr-15 | \$99.97 | \$57.64 |
| May-15 | \$99.47 | \$57.21 |
| Jun-15 | \$98.57 | \$57.21 |
| Jul-15 | \$98.27 | \$56.90 |
| Aug-15 | \$88.57 | \$54.44 |
| Sep-15 | \$84.54 | \$50.94 |
| Oct-15 | \$87.80 | \$49.49 |
| Nov-15 | \$83.84 | \$40.98 |
| Dec-15 | \$101.90 | \$50.84 |
| | | |
| AirBNB USD (2015) | \$94.68 | \$49.47 |
| Exch Rate (2015 Avg) | 0.9012 | 0.9012 |
| | | |
| AirBNB EUR (2015) | € 85.33 | € 44.58 |
| Hotel EUR (2015) | € 100.00 | € 72.00 |
| Hotel Discount/Premium (%) | 17.2% | 61.5% |

Source: Airbnb data per AIRDNA

Hotel ADR and RevPar per PWC Hotel Forecast Report

Hotel ADR Discount/Premium

2015 Average Daily Rate (ADR) & Revenue Per Available Room (RevPAR)

Athens

| | ADR | RevPar |
|-----------------------------------|----------------|----------------|
| <i>Airbnb Hotel Comparables</i> | | |
| Jan-15 | \$65.54 | \$25.38 |
| Feb-15 | \$65.06 | \$32.45 |
| Mar-15 | \$66.22 | \$31.28 |
| Apr-15 | \$70.07 | \$41.71 |
| May-15 | \$70.42 | \$47.97 |
| Jun-15 | \$70.98 | \$48.82 |
| Jul-15 | \$70.04 | \$45.35 |
| Aug-15 | \$68.98 | \$39.93 |
| Sep-15 | \$59.80 | \$36.15 |
| Oct-15 | \$60.67 | \$33.13 |
| Nov-15 | \$56.65 | \$25.19 |
| Dec-15 | \$59.41 | \$24.43 |
| | | |
| AirBNB USD (2015) | \$65.33 | \$35.99 |
| Exch Rate (2015 Avg) | 0.9012 | 0.9012 |
| | | |
| AirBNB EUR (2015) | € 58.88 | € 32.43 |
| Hotel EUR (2015) | € 90.00 | € 67.38 |
| Hotel Discount/Premium (%) | 52.9% | 107.7% |

Source: Airbnb data per AIRDNA

Hotel ADR and RevPar per GBR Consulting for Attica (excl the Islands)
and apply to 2/3/4/5 Star hotels only

Hotel ADR Discount/Premium

2015 Average Daily Rate (ADR) & Revenue Per Available Room (RevPAR)

Rome

| | ADR | RevPar |
|-----------------------------------|-----------------|-----------------|
| <i>Airbnb Hotel Comparables</i> | | |
| Jan-15 | \$104.04 | \$32.15 |
| Feb-15 | \$101.88 | \$49.74 |
| Mar-15 | \$104.98 | \$50.06 |
| Apr-15 | \$109.20 | \$70.58 |
| May-15 | \$111.91 | \$77.42 |
| Jun-15 | \$113.37 | \$74.51 |
| Jul-15 | \$114.26 | \$70.69 |
| Aug-15 | \$113.44 | \$64.08 |
| Sep-15 | \$115.73 | \$70.51 |
| Oct-15 | \$128.87 | \$85.16 |
| Nov-15 | \$108.86 | \$45.61 |
| Dec-15 | \$124.18 | \$43.08 |
| AirBNB USD (2015) | \$112.66 | \$61.18 |
| Exch Rate (2015 Avg) | 0.9012 | 0.9012 |
| AirBNB EUR (2015) | € 101.53 | € 55.14 |
| Hotel EUR (2015) | € 149.00 | € 102.00 |
| Hotel Discount/Premium (%) | 46.8% | 85.0% |

Source: Airbnb data per AIRDNA

Hotel ADR and RevPar per PWC Hotel Forecast Report

Hotel ADR Discount/Premium

2015 Average Daily Rate (ADR) & Revenue Per Available Room (RevPAR)

Barcelona

| | ADR | RevPar |
|-----------------------------------|--------------|--------------|
| <i>Airbnb Hotel Comparables</i> | | |
| Jan-15 | \$95.87 | \$33.32 |
| Feb-15 | \$96.02 | \$43.40 |
| Mar-15 | \$100.41 | \$52.21 |
| Apr-15 | \$100.52 | \$69.14 |
| May-15 | \$106.10 | \$72.46 |
| Jun-15 | \$112.43 | \$73.99 |
| Jul-15 | \$121.06 | \$89.90 |
| Aug-15 | \$119.76 | \$89.36 |
| Sep-15 | \$108.06 | \$70.10 |
| Oct-15 | \$113.16 | \$78.01 |
| Nov-15 | \$98.33 | \$49.33 |
| Dec-15 | \$109.10 | \$40.87 |
| AirBNB USD (2015) | \$106.84 | \$63.65 |
| Exch Rate (2015 Avg) | 0.9012 | 0.9012 |
| AirBNB EUR (2015) | € 96.29 | € 57.36 |
| Hotel EUR (2015) | € 125.00 | € 94.00 |
| Hotel Discount/Premium (%) | 29.8% | 63.9% |

Source: Airbnb data per AIRDNA

Hotel ADR and RevPar per PWC Hotel Forecast Report

Airbnb vs. Traditional Lodging Industry

2015 Overnight Stays

Los Angeles Metropolitan Area

| | Listing Nights Available | Occupancy Rate | Listing Nights Booked |
|---------------------------------|-----------------------------|-------------------|--------------------------|
| <i>Airbnb Hotel Comparables</i> | | | |
| Jan-15 | 107,263 | 56% | 59,893 |
| Feb-15 | 89,375 | 64% | 57,157 |
| Mar-15 | 99,873 | 62% | 61,932 |
| Apr-15 | 94,126 | 58% | 54,639 |
| May-15 | 103,926 | 60% | 62,493 |
| Jun-15 | 113,200 | 65% | 73,368 |
| Jul-15 | 139,089 | 70% | 97,684 |
| Aug-15 | 140,124 | 68% | 95,438 |
| Sep-15 | 112,279 | 52% | 58,468 |
| Oct-15 | 123,582 | 59% | 73,415 |
| Nov-15 | 120,296 | 56% | 67,462 |
| Dec-15 | 157,221 | 51% | 80,860 |
| Airbnb Total (2015) | 1,400,354 | 60.2% | 842,809 |
| LA County Hotels (1) | 36,840,198 | 79.7% | |
| OC County Hotels (1) | 19,480,136 | 77.8% | |
| Ventura County Hotels (1) | 1,670,058 | 73.7% | |
| Inland Empire Hotels (1) | 3,753,295 | 75.1% | |
| Total | 63,144,041 | | |
| Airbnb % of Total | 2.2% | | |

Source: Airbnb Data per AIRDNA. Los Angeles Rooms Occupied
and Supplied estimates per CBRE/PKF Hotel Industry Forecast

Hotel Comparable Listings - defined as hotel comparable listing as entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which we do not consider to be competing with hotel supply

Airbnb vs. Traditional Lodging Industry

2015 Overnight Stays

Vienna

| | Listing Nights Booked | Listing Nights Available | Occupancy Rate |
|--|--------------------------|-----------------------------|-------------------|
| <i>Airbnb Hotel Comparables</i> | | | |
| Jan-15 | 7,203 | 24,627 | 29% |
| Feb-15 | 6,238 | 13,930 | 45% |
| Mar-15 | 9,857 | 21,157 | 47% |
| Apr-15 | 15,745 | 27,310 | 58% |
| May-15 | 19,325 | 33,598 | 58% |
| Jun-15 | 17,769 | 30,617 | 58% |
| Jul-15 | 20,158 | 34,812 | 58% |
| Aug-15 | 26,725 | 43,478 | 61% |
| Sep-15 | 27,856 | 46,232 | 60% |
| Oct-15 | 23,939 | 42,465 | 56% |
| Nov-15 | 21,842 | 44,690 | 49% |
| Dec-15 | 35,081 | 70,310 | 50% |
| AirBNB Total (2015) | 231,738 | 433,226 | 53% |
| Traditional Lodging Overnight Stays | 13,091,903 | | 73% |
| Total | 13,323,641 | | |
| Airbnb % of Total | 1.7% | | |

Source: Airbnb Data per AIRDNA

Vienna Lodging Industry Overnight Stays per Vienna Tourist Board

Hotel Comparable Listings - defined as hotel comparable listing as entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which we do not consider to be competing with hotel supply

Airbnb vs. Traditional Lodging Industry

2015 Overnight Stays

Athens

| | Listing Nights Booked | Listing Nights Available | Occupancy Rate |
|---------------------------------|--------------------------|-----------------------------|-------------------|
| <i>Airbnb Hotel Comparables</i> | | | |
| Jan-15 | 4,027 | 10,401 | 39% |
| Feb-15 | 4,638 | 9,298 | 50% |
| Mar-15 | 6,410 | 13,570 | 47% |
| Apr-15 | 10,640 | 17,873 | 60% |
| May-15 | 14,942 | 21,936 | 68% |
| Jun-15 | 17,148 | 24,933 | 69% |
| Jul-15 | 18,727 | 28,921 | 65% |
| Aug-15 | 16,869 | 29,141 | 58% |
| Sep-15 | 17,329 | 28,666 | 60% |
| Oct-15 | 15,066 | 27,587 | 55% |
| Nov-15 | 10,924 | 24,567 | 44% |
| Dec-15 | 11,467 | 27,886 | 41% |

| | | | |
|--|------------------|----------------|------------|
| AirBNB Total (2015) | 148,187 | 264,779 | 56% |
| Traditional Lodging Overnight Stays | 6,136,739 | | 75% |

Total 6,284,926

Airbnb % of Total **2.4%**

Source: Airbnb data per AIRDNA

Hotel Overnights per GBR Consulting for Attica (excl the Islands)

and apply to 2/3/4/5 Star hotels only

Hotel Comparable Listings - defined as hotel comparable listing as entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which we do not consider to be competing with hotel supply

Airbnb vs. Traditional Lodging Industry

2015 Overnight Stays

Rome

| | Listing Nights Booked | Listing Nights Available | Occupancy Rate |
|--|--------------------------|-----------------------------|-------------------|
| <i>Airbnb Hotel Comparables</i> | | | |
| Jan-15 | 17,021 | 55,081 | 31% |
| Feb-15 | 18,683 | 38,268 | 49% |
| Mar-15 | 27,830 | 58,369 | 48% |
| Apr-15 | 46,078 | 71,296 | 65% |
| May-15 | 62,011 | 89,640 | 69% |
| Jun-15 | 59,037 | 89,829 | 66% |
| Jul-15 | 59,107 | 95,539 | 62% |
| Aug-15 | 53,717 | 95,090 | 56% |
| Sep-15 | 66,674 | 109,429 | 61% |
| Oct-15 | 73,593 | 111,369 | 66% |
| Nov-15 | 44,839 | 107,019 | 42% |
| Dec-15 | 58,580 | 168,849 | 35% |
| AirBNB Total (2015) | 587,170 | 1,089,778 | 54% |
| Traditional Lodging Overnight Stays | 26,420,620 | | 68% |
| Total | 27,007,790 | | |
| Airbnb % of Total | 2.2% | | |

Source: Airbnb data per AIRDNA

Rome Lodging Industry Overnight Stays per Ente Balaterale Turismo della Regione Lazio

Hotel Comparable Listings - defined as hotel comparable listing as entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which we do not consider to be competing with hotel supply

Airbnb vs. Traditional Lodging Industry

2015 Overnight Stays

Barcelona

| | Listing Nights Booked | Listing Nights Available | Occupancy Rate |
|--|--------------------------|-----------------------------|-------------------|
| <i>Airbnb Hotel Comparables</i> | | | |
| Jan-15 | 22,192 | 63,857 | 35% |
| Feb-15 | 25,436 | 56,276 | 45% |
| Mar-15 | 41,644 | 80,086 | 52% |
| Apr-15 | 55,611 | 80,856 | 69% |
| May-15 | 72,798 | 106,594 | 68% |
| Jun-15 | 74,809 | 113,672 | 66% |
| Jul-15 | 92,383 | 124,400 | 74% |
| Aug-15 | 111,119 | 148,917 | 75% |
| Sep-15 | 76,761 | 118,330 | 65% |
| Oct-15 | 74,796 | 108,499 | 69% |
| Nov-15 | 50,383 | 100,420 | 50% |
| Dec-15 | 61,880 | 165,192 | 37% |
| AirBNB Total (2015) | 759,812 | 1,267,099 | 60% |
| Traditional Lodging Overnight Stays | 19,478,755 | | 75% |
| Total | 20,238,567 | | |
| Airbnb % of Total | 3.8% | | |

Source: Airbnb data per AIRDNA

Hotel Overnights are from Instituto Nacional de Estadística

Hotel Comparable Listings - defined as hotel comparable listing as entire place listing that are Apartments, Condos, Bed and Breakfasts, Lofts, Bungalows, Dorms, or Townhomes with 3 or fewer bedrooms. This excludes single family homes, tree houses, igloos and other property types which we do not consider to be competing with hotel supply

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