

New Competition: The Impact of House Sharing on Traditional Lodging Facilities

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Introduction

House sharing is a subset of the sharing economy where individuals can “rent” out their house to other individuals for a fee. House sharing in its antiquity was prevalent in the 1880’s (O’Connell & Scopilliti, 2008). Here, the tenancy was long-term, possibly spanning over the course of multiple years, and individuals lived in small or large group house settings where relationships ranged from familial to unrelated. With the rise of technology and the online market place, the concept of modern house sharing where individuals could rent out a single room of an entire, single residential unit. Currently, house sharing transactions have spread and become popularized on other online applications, such as FlipKey, HomeAway, VRBO, VayStays, VacayHero, Roomorama, and Wimdu (Chan, 2016).

Since the onset of house sharing, local governments and federal governments have struggled to provide adequate and fair restrictions on both house sharing applications and traditional hotel and lodging facilities that promote unbiased competition. This study will examine the areas of contention between house sharing applications and traditional hotel and lodging facilities that could promote unfair competition.

Method

- Create a clear definition of house sharing and traditional lodging facilities
- Define the types of house sharing hosts
- Explore the areas of contention: taxation, zoning, insurance, and code compliance
- Discuss the impact of the areas of contention on competition between house sharing applications and traditional lodging facilities

Results

Overall, the rise of house sharing in real estate through technology has caused a major disruption in the traditional lodging industry. Hotels and lodging facilities are required to follow regulations that increase the overall cost of running the facilities while having to compete with a number of house sharing companies that defy these same regulations. House sharing companies that fail to adhere to regulations and leverage their positions with municipalities provides unfair competition between traditional and non-traditional lodging facilities.

Although there are typically differences between the level of operation, services provided, and types of facilities, federal or local governments need to define house sharing properties as either commercial or private residential to solve the issues with regulation. Additionally, federal and municipal governments need to reconsider the current regulations that are unsuitable for the growth and unique business models that technology will bring to real estate. Rigid conformity to current regulation will hinder economic growth in the real estate industry, which totaled approximately three trillion dollars in 2014 (Ross, 2015). Creating sustainable parameters for companies to operate within and expand into will ensure fair competition in the future.

Conclusions

- House sharing applications have created a platform for individuals to conduct commercial activity outside the realm of key areas of regulation
- Unfair competition between house sharing applications and traditional lodging facilities exist in terms of taxation, zoning, and code compliance
- Unfair competition between house sharing applications and traditional lodging facilities does not exist in terms of insurance requirements
- The federal government needs to clearly define house sharing homes as commercial or private, residential properties

Future Work

It would be interesting to conduct a localized study of Miami, Florida, a pioneer in strictly and effectively regulating house sharing applications, to see not only how competition has changed, but the impact of the changes, as well.

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Figure 1



Figure 1. Airbnb Hotel Occupancy Tax Agreements by State (Schiller & Davis, 2017)

Figure 2

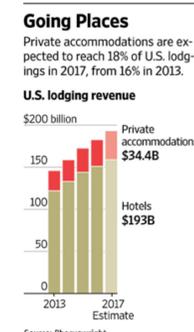


Figure 2. U.S. Lodging Revenue Projections (Kirkham, 2017)