

The Impact of Commercial Landlords Using Airbnb in the Chicago Region

A recent analysis conducted by John W. O’Neill, MAI, ISHC, Ph.D., professor of hospitality management and director of the Center for Hospitality Real Estate Strategy in the School of Hospitality Management at Penn State University¹, reveals a troubling trend about Airbnb’s activity in the Chicago area. A significant and growing percentage of Airbnb’s revenue is driven by users who run unregulated – and often illegal – hotel businesses, listing one or more residential units for rent to short-term visitors for a large portion of the year, if not the entire year. These commercial landlords ignore prohibitions on such activity, as well as zoning rules, taxes and common sense health and safety regulations.

KEY TAKEAWAYS



Nearly all of Airbnb’s Chicago-area revenue – 96% or \$47 million – came from operators who listed their units for rent more than **30 days per year**, even though Chicago regulations require all short term rental hosts to be licensed.



More than half (58%) of Airbnb’s Chicago-area revenue – \$29 million – came from operators who listed properties for rent **more than 180 days per year**.



Chicago hosts **listing multiple units for rent generated nearly 40 cents out of every dollar (38%)** that Airbnb collected in the region.

COMMUNITY IMPACT

Unregulated hotels operated in residential properties are disruptive to communities and pose serious safety concerns for guests, for communities, and for neighborhoods. Some of Chicago’s most desirable neighborhoods are hotbeds of illegal hotel activity by commercial operators on Airbnb. The two local ZIP codes with the most properties listed on Airbnb accounted for nearly \$8 million – or 16% – of Airbnb’s Chicago area revenue.



Zip Code	60657
Neighborhoods	Lake View, Boystown
Host Count	391
Property Count	434
Revenue	\$3,291,856



Zip Code	60611
Neighborhoods	Magnificent Mile, Streeterville
Host Count	314
Property Count	419
Revenue	\$4,622,857

It’s clear: these individuals or entities are not renting out these units on an occasional basis to earn a little extra income. It’s quite the opposite. They are commercial landlords using Airbnb to avoid taxes, zoning guidelines, and health and safety regulations.

CONCLUSION

Airbnb insists on offering only anonymized data to cities and states and has admitted to scrubbing data before releasing it to the public.² But this conceals the enormous revenue it generates from commercial landlords currently using the site to operate unregulated, untaxed and often illegal hotels. That's why Airbnb's "honor system" for tax policy and enforcement, as they've proposed in multiple states and municipalities, won't work.

Until Airbnb demonstrates that it can be a trusted and constructive partner in the effort to protect communities and travelers from the rise of illegal hotels, state and local governments should close this "illegal hotel loophole" to protect local communities and help ensure a fair travel marketplace.

1. http://www.ahla.com/uploadedFiles/_Common/pdf/Report_Commercial_Activity_Airbnb.pdf
2. <http://www.businessinsider.com/airbnb-deleted-rentals-before-showing-data-2016-2>

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