

Could Regulation Reshape Short-Term Rentals?

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Published August 05, 2024



Though advisors worldwide book stays through short-term vacation rental platforms — Airbnb had 448 million bookings per night in 2023 — new regulations rolling out across the United States may drive a shift in bookings back to hotels.

In many parts of the U.S., new regulations are heavily impacting stays booked through rental platforms, such as Airbnb, VRBO, Booking.com and other short-term booking services for stays shorter than 30 days.

Nadia Henry, a travel advisor specializing in luxury high-end travel and escorted groups and owner of Travel With Sparkle, says these recent regulation changes call attention to short-term rentals in ways travelers haven't paid much attention to before now.

"I think travelers are starting to see the big picture of Airbnb and similar types of accommodations and finding more value in staying with hotels," she said.

In New York, Local Law 18, also known as the Short-Term Rental Registration Law, went into effect in September 2023. This new policy applies to rentals of less than 30 days in buildings with three or more units and requires:

- The host to be present in the home during the rental period
- The number of guests to be limited to two
- That guests must have access to the entire home

With this change, the industry saw an immediate shift. In December 2023, Airbnb demand in New York City fell 46% compared to a year earlier. Bookings in New Jersey, which is just a short train ride away and not subject to the new restrictions, rose by more than half. Due to increased demand, hotels in New York City may book an additional 2.2 million nights this year at \$380 million.

Many California cities have also recently implemented new short-term rental laws. Although their details vary, many require that a rental be the owner's primary residence. Some cities now restrict how many properties one owner can rent out and require hosts to pay additional taxes, which they may pass on to guests.

Other new rules affecting travelers will also likely limit the number of short-term rentals available:

- In Los Angeles, hosts renting their property for fewer than 30 days can only rent for up to 120 days per year.
- In San Francisco, hosts not present in the unit during a guest's stay can only rent for 90 days per year.
- San Diego now requires a short-term rental license capped at 1% of the housing stock (except for Mission Beach).

Many other U.S. cities are considering implementing, or already have implemented, similar regulations. Even the small city of Bangor, Maine, recently adopted similar short-term rental regulations, which, among other changes, restrict the number of permitted units to 1% of the city's housing.

Henry says many travelers are realizing how expensive the short-term vacation platform bookings have become. "They used to be less expensive, but now we're seeing that a hotel room is the same price or even less because of the fees and the cleaning costs of short-term rentals. They cost more than a full-service hotel room now."

She also pointed out that hotels offer services and benefits that other booking platforms don't.

"Hotels have room service, spas, swimming pools, a concierge. And when you rent an Airbnb, you might not know who else has the key. The list of pros of staying in a hotel versus an Airbnb goes on and on," she said.

She says advisors should also keep in mind that more hotel brands are accommodating what some people look for in an Airbnb-type stay. "For instance, different brands are now building some of their hotels with small kitchenettes," she said.

Thomas Carpenter, a lawyer in private practice and co-owner and travel advisor at Huckleberry Travel in Brooklyn, New York, primarily serves premium luxury clients with cruises and FIT travel. He says that these new regulations remind travel advisors of the importance of booking properties with disclosed ownership.

"When a customer books an Airbnb or VRBO, you don't know who the owner is," he said; therefore, there's not always straightforward recourse if there's a problem. "Consumers are becoming aware that they are better off booking a hotel where there's a front desk and other resources available if something goes sideways."

Henry agrees with the importance of knowing there's a company behind a hotel room, so if something goes wrong, there's a known entity to approach.

"I think Airbnbs will continue to be around for longer-term use — three and six months — and for corporate travelers and people who need temporary housing," said Henry. "But I do think for vacations, it's slowly fading away."

Bottom line: It's critical for advisors to be aware of the current regulations surrounding short-term rentals in the cities and states their clients will be traveling to. And remember: as regulations continue to change, there's always peace of mind in booking hotels to avoid the risk of certain rentals not being up to date with these new policies.

[Originally appeared in the Spring 2024 issue of The Compass magazine](#)



Leslie Lang is a Hawai'i-based writer who writes about technology as well as the Hawaiian Islands. Her latest book, "What Would Our Kupuna Do?: And What We Can do For Future Generations" is co-written with Richard Ha and available on Amazon.