

Addressing Ottawa's Housing Crisis

By Applying Toronto's Short-Term Rental Rules, Airbnb Would Have to Remove 1,328 Non-Compliant Listings; Up to 1,054 Entire Homes Could be Added to Ottawa's Long-Term Housing Supply

Executive Summary

Ottawa's vacancy rate sits at a historic low of 1.6%. Only 16, out of every 1,000 homes, are currently available on the long-term housing market.

At the same time, there are about 2,830 Airbnb listings that tourists can choose from. 47% of this inventory is controlled by only 39% of Airbnb's host community, which generates a disproportionate share (about 79%, or \$18-million) of its estimated revenue in Ottawa.¹

Commercial Airbnb hosts have turned about 1,054 entire homes into ghost hotels, a number roughly equivalent to the room supply of three Fairmont Château Laurier hotels. These commercial hosts drive ghost hotels into Ottawa's residential neighbourhoods and condo buildings.

Depending on the time of the year, commercial Airbnb hosts can generate 2-3 times more rent in the short-term rental market.

One of Ottawa's top Airbnb hosts, "[Genevieve](#)," has turned 76 entire homes into ghost hotels.

The vast majority of Airbnb rentals are located in only 5 out of the city's 23 wards.

Rideau-Vanier and Somerset, to our surprise, are more deeply saturated with ghost hotels, relatively speaking, than Toronto's waterfront area, which Fairbnb Canada up until now considered one of the epicentres of commercial Airbnb activity in Canada.

[Fairbnb Canada](#) strongly recommends the implementation of Toronto's short-term rental regulations, albeit with the reduction of allowable numbers of nights from 180 to 90. These recommendations allow Ottawa to balance the desire of ordinary hosts, i.e. regular residents who rent their *own* home on average 90-nights a year, with the need to protect the capital's housing stock from conversion into ghost hotels.

Introduction

Like other cities across Canada, Ottawa is becoming increasingly more unaffordable. At the same time, there are almost 3,000 properties routinely advertised on platforms like Airbnb

on platforms like Airbnb to accommodate tourists and guests. This report, titled 'Addressing Ottawa's Housing Crisis' takes a close look at the burgeoning short-term rental market that has largely become synonymous with the company that sparked the use of homes as hotels on a massive scale – Airbnb.

While we are keenly aware that there are many internet-based platforms that offer accommodation services (including VRBO, FlipKey, Roomorama, Homeaway) we focus on Airbnb for the simple reason that Airbnb quickly rose to become the market leader for short-term

Our main objective has been to mitigate Airbnb's impact on the housing market. We, and our member organizations, are keenly aware that Airbnb's business model relies on turning residential housing stock into quasi-hotel inventory

Ottawa is suffering from a “suffocating” housing market.ⁱⁱ With a vacancy rate of 1.6%, only 16 out of every 1,000 homes are still available for home seekers to rent. Not unlike other cities across Canada, Ottawa is becoming increasingly less affordable for low- and modest- income households. At the same time, there are almost 3,000 properties that are routinely advertised

rental accommodation around the world, including in Canada's capital. Although our analysis is based on Ottawa's Airbnb business, any regulatory effort that takes place in the capital needs to take into consideration *all* short-term rental providers and devise a framework that allows governments to hold these companies accountable for the properties they advertise, promote, rent and profit from.

Fairbnb Canada has been involved in a number of regulatory processes, including in Vancouver and Toronto. This report draws on our

experience in these jurisdictions, as well as our broad network of groups, organizations and individuals who share our interest in establishing fair rules for short-term rentals. Our main objective has been to mitigate Airbnb's impact on the housing market. Our member organizations are keenly aware, as are we, that Airbnb's business model relies on turning residential housing stock into quasi-hotel inventory. The more successful Airbnb becomes, the more a city's housing stock will be converted into tourist accommodation.

Recent research coming out of McGill University has shown how short-term rental activity leads to rent increases in places like New York City.ⁱⁱⁱ Our own research in Toronto found that by 2019, Airbnb had converted more than 6,500 homes into what we call "ghost hotels." These homes have been removed permanently from Toronto's housing market, which suffers from a severe shortage of housing supply.^{iv}

To mitigate these impacts, Toronto City staff engaged in a thorough and lengthy process to establish a framework that balanced ordinary residents' ability to rent out their *own* home while on vacation with the need to protect Toronto's housing market from commercial operators who buy, lease or otherwise acquire dozens of properties, which function as illegal ghost hotels.

Fairbnb focuses on commercial operators, not ordinary residents trying to make ends meet

Fairbnb Canada's focus in Ottawa and elsewhere lies in these commercial operators. Commercial operators are individuals or companies that make a business out of turning homes into hotels, creating nuisance as well as health and safety issues within residential neighbourhoods and condo buildings. Ordinary hosts – defined by Airbnb as regular people renting their *own* home an average of 90 nights a year to make ends meet, are not converting housing stock into ghost hotels, with their attendant problems.

'Addressing Ottawa's Housing Crisis' dissects Airbnb's business in Ottawa through the lens of Toronto's short-term rental regulations.^v This allows us to measure the level of commercialization taking place in a given short-term rental market and determines how Airbnb impacts a given housing market. The parameters through which we look at Ottawa's data are simple. We identify hosts who

- *Rent entire homes more than 90 nights a year;*
- *Rent more than 2 entire homes; and,*
- *Rent more than 3 private rooms.*

In some neighbourhoods, hosts can generate more rent in a few months via Airbnb, than they would on the long-term rental market providing permanent housing to a family

These criteria help us distinguish between "ordinary" hosts Airbnb features in the media, and the increasingly prevalent commercial hosts that churn through neighbourhoods, turn homes into ghost hotels, contribute to housing shortages and accelerate rent increases.

We go a step further, however, by suggesting that a 180-night cap is too lenient when it comes to the short-term rental use of entire homes. In popular areas, hosts can easily generate more rental income during the short summer season via Airbnb than they could in an entire year as a landlord to permanent tenants. Tourists will always be able to outcompete residents for housing if we allow hosts to turn this into a business model. A 90-night cap would protect the ability of certain resident groups – notably students – to list their residences for an extended period of time, while still incentivizing long-term tenancies. For this reason, we use a 90-night cap as the cut-off to identify commercial hosts.

It is important to keep in mind that our analysis is based on data retrieved in February 2019. The same analysis during the tourist season would likely yield much higher numbers. Therefore, we remind the reader that the results presented in this report are fairly conservative and somewhat biased towards underestimating the impact short-term rentals have on Ottawa's housing market. As figure 3 below illustrates, seasonality matters greatly and the number of nights booked in August can be double compared to those booked in December.

The results presented in this report are fairly conservative and somewhat biased towards underestimating the impact short-term rentals have on Ottawa's housing market

Lastly, we remind the reader that it is of utmost importance to establish a framework that holds internet-based companies accountable for the properties they advertise, promote and rent.^{vi} Following Toronto's lead, municipalities must ensure that platforms like Airbnb only allow hosts to post legal, i.e. city compliant properties on their platforms. A city

permit system for hosts, combined with a licensing arrangement for companies that establishes accountability, is needed for municipal regulation to be both effective and fiscally responsible. We strongly advise against any attempt to "negotiate" with companies like Airbnb.

AIRBNB'S BUSINESS IN OTTAWA

Not unlike other jurisdictions, 50% of Ottawa's Airbnb listings are located in just four of Ottawa's 23 wards, all of which are near the city's centre – an area already well serviced by the regulated accommodation sector. Two of these wards, Somerset and Rideau-Vanier, which we will dissect below, see particularly intense levels of commercialization.

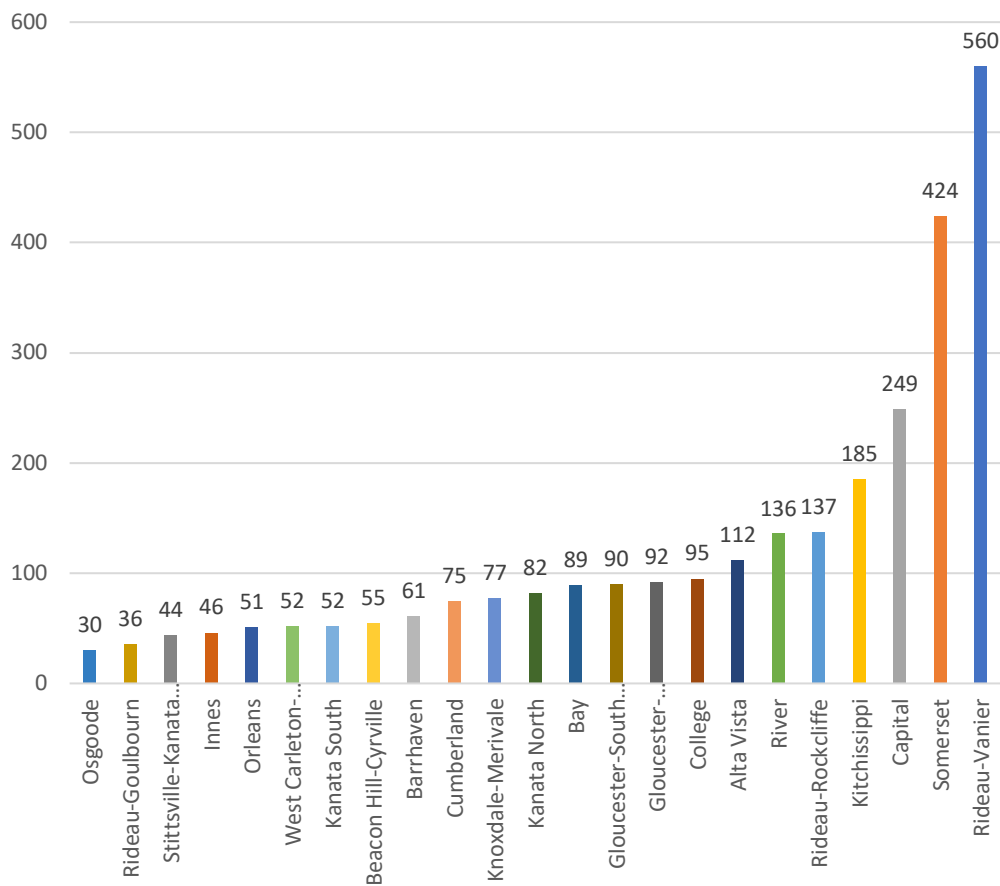


Figure 1: Listings by Neighbourhood, Ottawa Feb 2019. Source: Murray Cox, InsideAirbnb

79% of Airbnb's estimated revenue in Ottawa is generated by commercial operators, not ordinary hosts

As Figure 2 illustrates, there are currently a total of 2,830 Airbnb listings in the City of Ottawa. 47% of these listings are controlled by 39% of Airbnb's host community, who generate 79% (or \$18-million) of Airbnb's estimated revenue.

Room Type	Multi-listing?	Occupancy (nights/year)	Listings	% Listings	Revenue	% Revenue	Hosts	% Hosts
Entire home/apt	No	<=90	514	18.2%	\$1,731,446.00	7.7%	514	29.9%
Entire home/apt	No	>90;<=180	129	4.6%	\$2,039,630	9.1%	129	7.5%
Entire home/apt	No	>180	196	6.9%	\$5,172,428	22.9%	196	11.4%
	No Total		839	29.6%	\$8,943,504.00	39.7%	839	48.8%
Entire home/apt	Yes	<=90	384	13.6%	\$1,483,110.00	6.6%	137	8.0%
Entire home/apt	Yes	>90;<=180	120	4.2%	\$1,881,984	8.4%	78	4.5%
Entire home/apt	Yes	>180	225	8.0%	\$6,285,758	27.9%	97	5.6%
	Yes Total		729	25.8%	\$9,650,852.00	42.8%	193	11.2%
<i>Entire home/apt Total</i>			1568	55.4%	\$18,594,356.00	82.5%	1,032	60.0%
Private room	No Total		961	34.0%	\$3,068,162.00	13.6%	714	41.5%
Private room	Yes Total		274	9.7%	\$853,094.00	3.8%	31	1.8%
<i>Private room total</i>			1235	43.6%	\$3,921,256.00	17.4%	745	43.3%
<i>Shared room total</i>			27	1.0%	\$31,694.00	0.1%	21	1.2%
"Ordinary"			1502	0.532	\$ 4,831,302.00	0.2143	1249	
Commercial			1328	47.0%	\$ 17,716,004.00	78.6%	668	38.8%
<i>Total</i>			2830	100%	\$ 22,547,306.00	100%	1798	
Ghost hotels			1054	37.3%	\$16,862,910	74.8%	637	37.0%

Figure 2: Custom Tabulations. Source: Murray Cox, InsideAirbnb

As shown in Figure 2, if Ottawa were to implement our recommended version of Toronto's short-term rental regulations (tweaked to allow a max of 90-night per year for entire home rentals), Airbnb would have to delist about 1,328 properties out of which 1,054 are entire homes currently used as ghost hotels.

Introducing a 90-night per year cap would place Ottawa in good company, such as San Francisco, Washington, London^{vii} and Berlin.^{viii} As of January of 2019, Amsterdam went a step further and introduced a 30-night cap on Airbnb rentals, currently even considering an outright ban.^{ix}

The reasoning behind adopting nightly caps is to stop property owners and short-term rental entrepreneurs from using scarce housing stock as fodder for Airbnb's ghost hotel inventory.

Figure 3 below provides an indication as to why that matters for Ottawa. To calculate short-term vs long-term revenue expectations in Ottawa, we used AirDNA data to estimate the monthly revenue hosts received from listing an entire two bedroom home in Ottawa between 2015 and 2018, tracking median (50th percentile) and high (75th percentile) monthly revenues. We compared that to the cost of renting a two-bedroom apartment, using data from CHMC (tracking the price of purpose-built rental apartments) and PadMapper (to estimate revenue from condominium rentals).^x

Figure 3 illustrates that it simply has become too profitable to use homes as hotel stock. Short-term rental activity can generate up to three times as much revenue compared to a rental agreement with long-term tenants.

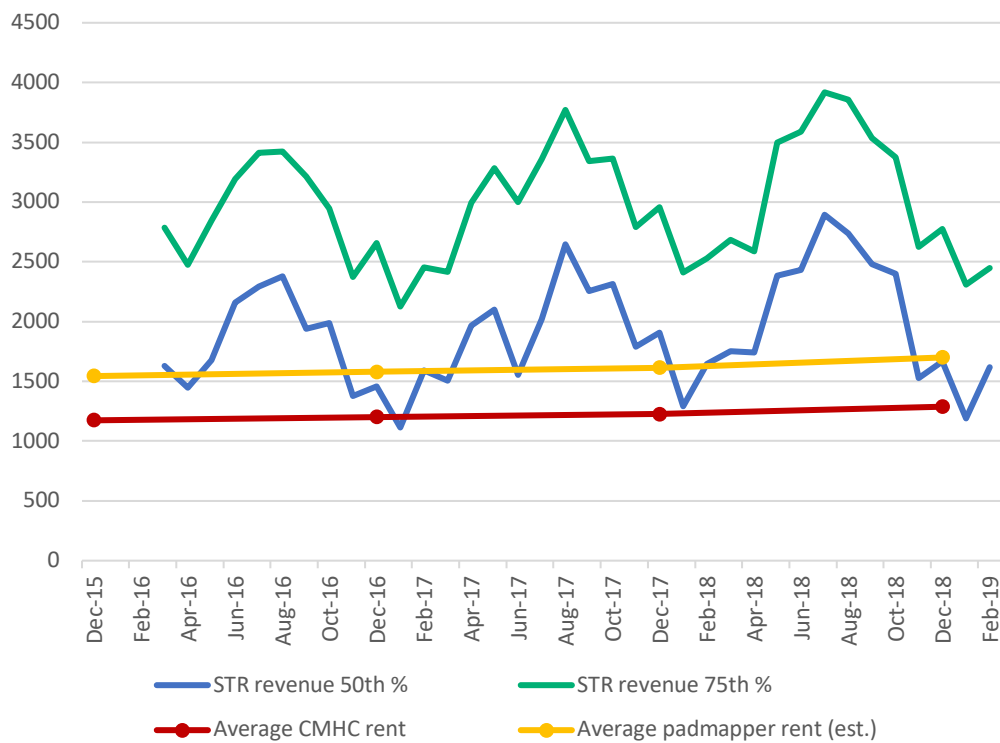


Figure 3: Short-term vs Long-Term Rent. Custom Tabulation. Source: Airdna, PadMapper, CMHC

AIRBNB'S BUSINESS IN RIDEAU-VANIER

No ordinary hosts are found in Rideau-Vanier. 90% of Airbnb's estimated revenue generated by commercial operators

Figure 4 below shows that there are currently a total of 560 Airbnb listings in Rideau-Vanier (which includes the Byward Market neighbourhood). 61% of these listings are operated by commercial hosts, who control 70% of Airbnb's inventory and generate 90% (or \$4.5-million) of Airbnb's estimated revenue.

As Figure 4 illustrates, if Ottawa were to implement our recommended version of Toronto's short-term rental regulations (tweaked to allow a max of 90-night per year for entire home rentals), Airbnb would have to de-list 389 properties in Rideau-Vanier, out of which 281 are entire homes currently used as ghost hotels.

Room Type	Multi-listing?	Occupancy (nights/year)	Listings	% Listings	Revenue	% Revenue	Hosts	% Hosts
Entire home/apt	No	<=90	85	15.2%	\$207,524.00	4.1%	85	29.8%
Entire home/apt	No	>90;<=180	16	2.9%	\$237,956	4.7%	16	5.6%
Entire home/apt	No	>180	49	8.8%	\$1,403,114	27.7%	49	17.2%
	No Total		150	26.8%	\$1,848,594.00	36.4%	150	52.6%
Entire home/apt	Yes	<=90	112	20.0%	\$466,238.00	9.2%	43	15.1%
Entire home/apt	Yes	>90;<=180	37	6.6%	\$562,356	11.1%	24	8.4%
Entire home/apt	Yes	>180	67	12.0%	\$1,726,720	34.0%	34	11.9%
	Yes Total		216	38.6%	\$2,755,314	54.3%	69	24.2%
Entire home/apt Total			366	65.4%	\$4,603,908.00	90.7%	219	76.8%
Private room	No Total		81	14.5%	\$264,204.00	5.2%	66	23.2%
Private room	Yes Total		108	19.3%	\$191,046.00	3.8%	7	2.5%
Private room total			189	33.8%	\$455,250.00	9.0%	73	25.6%
Shared room total			5	0.9%	\$15,050.00	0.3%	4	1.4%
"Ordinary"			171	30.6%	\$ 486,778.00	9.6%	155	
Commercial			389	69.6%	\$ 4,587,430.00	90.4%	173	60.7%
Total			560	100.2%	\$ 5,074,208.00	100.0%	296	
Ghost hotels			281	50.3%	\$ 4,396,384.00	86.6%	166	58.2%

Figure 4: Custom Tabulations. Source: Murray Cox, InsideAirbnb

AIRBNB'S BUSINESS IN SOMERSET

No ordinary hosts found here! 88% of Airbnb's estimated revenue in Somerset generated by commercial operators

Figure 5 below shows that there are currently a total of 424 Airbnb listings in Somerset (which includes the Centretown neighbourhood). 59% of these listings are operated by commercial hosts, who control 63% of Airbnb inventory and generate 82% (or \$4.8-million) of Airbnb's estimated revenue.

As we show in Figure 5, if Ottawa were to implement our recommended version of Toronto's short-term rental regulations (tweaked to allow a max of 90-night per year for entire home rentals), Airbnb would have to de-list 269 properties in Somerset, out of which 243 are entire homes currently used as ghost hotels.

Room Type	Multi-listing?	Occupancy (nights/year)	Listings	% Listings	Revenue	% Revenue	Hosts	% Hosts
Entire home/apt	No	<=90	91	21.5%	\$294,980.00	5.4%	91	34.7%
Entire home/apt	No	>90;<=180	17	4.0%	\$297,072	5.4%	17	6.5%
Entire home/apt	No	>180	48	11.3%	\$1,330,804	24.3%	48	18.3%
	No Total		156	36.8%	\$1,922,856.00	35.1%	156	59.5%
Entire home/apt	Yes	<=90	78	18.4%	\$258,026.00	4.7%	36	13.7%
Entire home/apt	Yes	>90;<=180	22	5.2%	\$321,186	5.9%	17	6.5%
Entire home/apt	Yes	>180	78	18.4%	\$2,248,526	41.1%	31	11.8%
	Yes Total		178	42.0%	\$2,827,738.00	51.7%	59	22.5%
Entire home/apt Total			334	78.8%	\$4,750,594.00	86.8%	215	82.1%
Private room	No Total		56	13.2%	\$358,946.00	6.6%	47	17.9%
Private room	Yes Total		26	6.1%	\$351,828	6.4%	6	2.3%
Private room total			82	19.3%	\$710,774.00	13.0%	53	20.2%
Shared room total			8	1.9%	\$10,680	0.2%	6	2.3%
"Ordinary"			155	36.6%	\$ 664,606.00	12.2%	144	
Commercial			269	63.4%	\$ 4,807,442.00	87.9%	155	59.1%
Total			424	100.0%	\$ 5,472,048.00	100.0%	274	
Ghost hotels			243	57.3%	\$ 4,455,614.00	81.4%	149	56.8%

Figure 5: Custom Tabulations. Source: Murray Cox, InsideAirbnb

NOT YOUR ORDINARY HOSTS

Airbnb tends to claim that the majority of its hosts are ordinary residents trying to make ends meet by renting out their *own* home. The above dynamic illustrates exactly why we see a few hosts, relatively speaking (39%) being in charge of a disproportionate amount of Airbnb's inventory (47%) and generate the vast majority, i.e. 70% of Airbnb's estimated revenue.

Take "[Genevieve](#)," for example. Genevieve lists 76 entire homes on Airbnb's platform in Ottawa alone, or [Vincent](#), a young professional listing 16 entire homes in the city.

Hey, I'm Genevieve!

Ottawa, Canada • Joined in July 2016

[Report this user](#)

ABOUT GENEVIEVE

I moved to this city 9 years ago and fell in love with all Ottawa has to offer! I've spent most of that time discovering all the local spots that are worth seeing, visiting, and going back to. I love this city and am willing share its best kept secrets with you!

I'm originally from London Ontario and have a dog named Jerry! We have many pet friendly apartments and love hosting furry friends:)

Some of my best friends are guests we met while traveling with Airbnb or guests that stayed at one of our apartments. This is what makes Airbnb so special:)

Here are my top 5 things to do in Ottawa

1. Hikes in Gatineau Park
2. Skating down the Rideau Canal
3. Relax on a patio on Elgin Street
4. Visit the Museum of Nature
5. Skyzone Trampoline Park

Looking forward to meeting you soon!

Figure 6: Genevieve's Host Profile. Source: Airbnb

CONCLUSION

The number of commercial Airbnb listings in Ottawa are roughly equivalent to the room supply of *three* Fairmont Château Laurier hotels

accommodate long-term tenants in the city. This number of listings is roughly equivalent to the room supply of three Fairmont Château Laurier hotels.

There are about 2,830 Airbnb listings in Ottawa. Out of this total number of listings, 1,328 (rooms and homes) are used in ways that we describe as commercial, i.e. these are not homes shared with guests, but homes that have been converted into tourist accommodations, rented at an intensity that makes it unlikely that these properties will be used to permanently

While it would be factually correct to say, as Airbnb tends to do, that the majority of Airbnb hosts occasionally rent their *own* home to make ends meet, 'Addressing Ottawa's Housing Crisis' reveals that the flipside of this statement is also true as well: a minority of commercial Airbnb hosts control a disproportionate share (47%) of Airbnb's inventory and generate the vast majority (79%, or \$18-million) of Airbnb's estimated revenue in the city.

Comparing Ottawa's data with recent data collected in Toronto shows that the two cities are very similar in relative terms. Airbnb activity in both cities is dominated by commercial hosts. In both cities, these hosts control more than 40% of Airbnb's inventory and generate more than 70% of Airbnb's estimated yearly revenue. In both cities Airbnb's top selling product are so-called "entire homes," i.e. entire apartments, condos or single-family homes. While Ottawa trails Montreal, Toronto and Vancouver in total listings per resident, Ottawa's Somerset and Rideau-Vanier wards outperform Toronto's waterfront when it comes to commercial Airbnb activity. To our surprise, our Ottawa analysis reveals that Somerset and Rideau-Vanier are more deeply saturated

with commercial Airbnb listings, 61% and 59% respectively, than Toronto's waterfront area, which we previously perceived as the epicentre of Airbnb activity in Ontario.

Our Ottawa analysis reveals that Somerset and Rideau-Vanier are more deeply saturated with commercial Airbnb listings, 61% and 59% respectively, than Toronto's waterfront area, which we previously perceived as *the* epicentre of ghost hotel activity in Canada

Most importantly, if the City of Ottawa would follow Toronto's short-term rental framework, albeit tweaked to remove the problematic 180-night/year "cap", it would place 1,054 entire homes back on the long-term housing market and re-direct close to \$18-million towards the already regulated accommodation sector.

What distinguishes Toronto's short-term rental framework from other efforts to regulate Airbnb in Canada is its focus on platform accountability. Rather than allowing Airbnb and other short-term rental platforms to download the responsibility to comply to local rules and regulations to thousands of individual hosts, Toronto asks these platforms to effectively enforce short-term rental regulations by ensuring only legally permitted properties will be advertised on platforms like Airbnb.^{xi} While we still need to see how Toronto's regulatory framework will work in practice, we will close this report with a word of caution. Any future regulatory framework needs to include fines that are steep enough to deter hosts and operators from writing these off as mere costs of running their ghost hotel business.

Endnotes

ⁱ The findings in this report are based on February 2019 data, provided to us by Murray Cox, a New York City-based open data activist who also makes data available on www.insideairbnb.com. Given the seasonal nature of the tourist industry (see Figure 3), the report results likely underestimate the impact short-term rentals have on Ottawa's housing market.

ⁱⁱ Blewett, T. (2018, Aug 14). Rising rents and cutthroat competition: Inside Ottawa's booming rental market. *Ottawa Citizen*. Retrieved from <https://ottawacitizen.com/news/local-news/skyrocketing-rents-and-cutthroat-competition-inside-ottawas-rental-market-madness>

ⁱⁱⁱ Wachsmuth, D., Chaney, D., Kerrigan, D., Shillolo, A., & Basalae-Binder, R. (2018). The High Cost of Short-Term Rentals in New York City. Retrieved from <http://www.sharebetter.org/wp-content/uploads/2018/01/High-Cost-Short-Term-Rentals.pdf>

^{iv} Wieditz, T. (2019, Jan. 09). Addressing Toronto's Housing Crisis? *Fairbnb Canada*. Retrieved from http://fairbnb.ca/wp-content/uploads/2019/01/Final_Fairbnb-Update-Report_Jan_9_2019.pdf

^v Details about Toronto's short-term rental regulations can be accessed here: <https://www.toronto.ca/community-people/housing-shelter/rental-housing-standards/short-term-rentals/>

^{vi} For a detailed reasoning for platform accountability, see: Wieditz, T. (2017). *Accountable at the Source: Why Platform Accountability Can't Be Left Out of Vancouver's Short-Term Rental Regulation*. *Fairbnb Canada*. Retrieved from http://fairbnb.ca/wp-content/uploads/2017/09/Fairbnb_Platform-Accountability_final.pdf

^{vii} Sachs, A. (2019, Feb 26). In France, Airbnb and others move to enforce rental caps. *The Washington Post*. Retrieved from https://www.washingtonpost.com/lifestyle/travel/in-france-airbnb-and-others-move-to-enforce-rental-caps/2019/02/26/656b424e-36f0-11e9-a400-e481bf264fdc_story.html?noredirect=on&utm_term=.dbc2e746b83c

^{viii} Beck, L. (2018, Mar 28). Berlin had some of the world's most restrictive rules for Airbnb rentals. Now it's loosening up. *The Washington Post*. Retrieved from https://www.washingtonpost.com/world/europe/berlin-had-some-of-the-worlds-most-restrictive-rules-for-airbnb-rentals-now-its-loosening-up/2018/03/27/e3acda90-2603-11e8-a227-fd2b009466bc_story.html?utm_term=.a6622bf7bd03

^{ix} Munsterman, R. (2019, Mar 14). Amsterdam Is Trying to Crack Down on Its Rentals Market. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2019-03-14/amsterdam-joins-european-cities-to-crack-down-on-rentals-market>

^x Padmapper data was obtained for December 2018. Earlier dates are estimated by assuming Padmapper rents had the same premium over CMHC rents as obtained in 2018

^{xi} Real platform accountability will help municipalities to avoid scenarios like the one playing out in Vancouver, where the City tries to catch thousands of offenders. Platform accountability would mean that it's Airbnb who shoulders the responsibility to ensure only legal, safe and compliant properties will be allowed on Airbnb's platform. See: Little, S. (2019, Mar 14). City of Vancouver takes action against 820 rogue short-term operators in 6 months. *Globalnews*. Retrieved from <https://globalnews.ca/news/5057327/city-of-vancouver-rogue-short-term-operators/>