Regulating Short-term Rentals in Winnipeg

Why principal residence requirements are needed to protect housing and communities

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INTRODUCTION

This brief report titled "*Regulating Short-term Rentals in Winnipeg*" takes a close look at the debate about short-term rentals in Winnipeg, offering underlying data points concerning short-term rental activity and housing market statistics.

The timing is critical. Winnipeg's City Council debated short-term rental regulations during its April 28, 2022, Council Meeting and seeks further advice from stakeholders and the public.

As a national not-for-profit advocacy group that includes tenant associations, condominium boards, resident groups, hotel workers, community legal clinics, hoteliers and anti-poverty groups, Fairbnb Canada closely monitors policy progress to ensure that municipalities enact fair and balanced regulations across the country.

What we heard from investors and commercial Airbnb hosts at the April 28, 2022, Council meeting included several arguments explicitly raised to escape the misnamed "Toronto" model, or more specifically, the principal residence requirement, which, if adopted in Winnipeg, would impact investors and commercial Airbnb hosts.

Fairbnb Canada feels compelled to address the most salient arguments raised and to make a case for the principal residence requirement in Winnipeg – not because this requirement also exists in Toronto (along with other Canadian municipalities, large and small from coast to coast) but because these measures are needed to protect residents and local communities.

In what follows, we lay out the arguments one by one and hope that regulators see the considerable advantage in hinging a local short-term rental framework to the principal residence requirement.

Commercial Short-term Rentals Contribute to Housing Distress

We heard commercial short-term rental hosts and businesses argue that there is no evidence that short-term rentals are impacting housing affordability and that this line of argument appears to protect only the incumbent hotel industry.

Commercial short-term rental hosts turn residential housing stock into commercial Airbnbs precisely because tourists, guests and party goers can outcompete local households

To begin with, actual home-sharing, which is the practice of regular people occasionally sharing their *own* homes on platforms like Airbnb when on vacation or away during a long weekend, doesn't impact local housing markets negatively. This practice does not present a net loss of housing units.

Where we see a significant impact on local housing markets is with the practice of the commercialization of home-sharing, that is, the practice of using residential housing stock exclusively to accommodate tourists, guests and party goers on a full-time or nearly full-time basis. This practice presents a net loss of housing units in any respective market.

Commercial short-term rental hosts turn residential housing stock into commercial Airbnbs precisely because tourists, guests and party goers can outcompete local households for access to their inventory.

As Nest Rentals, a Winnipeg-based short-term rental provider of 76 (!) entire homes on Airbnb, advertises on its web page: "We take care of every step of the process for you so that you can generate *above market returns* effortlessly" (emphasis added).[i]

A growing number of academic studies, both domestically and internationally, have quantified the negative impact commercial short-term rentals have on long-term rental *and* home prices, which tends to increase in markets where housing distress is present.[ii]

Winnipeg shouldn't look to Calgary or Regina for direction, but other municipalities experiencing similar housing market stresses

During the April 30 Council meeting, commercial hosts and business operators argued strongly against following Toronto's "golden rules." We heard that the contexts are so different that Winnipeg should instead look at other Prairie cities for short-term rental directions.

Staff drafted short-term rental rules that respond to local housing distress indicators

What is essential about Toronto's regulatory framework is that it does not correspond to the city's size or complexity, but rather to local housing distress indicators. This approach is by no means unique to Toronto; instead, it is one that has been used across an increasing list of municipalities from coast to coast, including, but not limited to, Victoria BC, Quebec City, QC, Richmond BC, London, ON, Ottawa, ON and Toronto.

This approach ensures that any housing unit, planned, designed, approved and built to be a residential housing unit (in many ways reflective of Official Plans and larger regional and/or provincial directives to supply housing) will indeed be used as housing and not as a commercial short-term rental unit to accommodate the travelling public.

Looking at housing market indicators, we see that Winnipeg is one of six Canadian municipalities where rent price increases are outpacing wages, according to Canada Mortgage and Housing Corporation's (CMHC's) February 2022 Rental Market Report. The report found that residents in Winnipeg, Toronto, Vancouver, Victoria, Halifax and Peterborough had to work more than 40 hours per week/160 hours per month at average wages to keep monthly rent at 30% of gross income for a 2-bedroom purpose-built rental apartment.[iii]

Housing market indicators tell us that Winnipeg would be well advised to treat short-term rentals as home-sharing activity

Moreover, CMHC considers a healthy vacancy rate to be approximately 3%, and for six out of the last eight years, Winnipeg's vacancy rate has been at or below 3% - only exceeding these numbers during the pandemic. By contrast, Regina's pre-pandemic vacancy rate was 7.8%, Edmonton's was 4.9% and Calgary's 3.7%.[iv] As the example of Ottawa and Quebec City show, vacancy rates can dry up in a year or two. Winnipeg should draft short-term rental rules for the future, not the current state of pandemic related exception.

Lastly, CMHC reports that 1,880 private apartments were available for rent in Winnipeg,[v] yet a close look at the short-term rental data tells us that there are 1,190 units available for short-term guests, tourists and party goers – already exceeding pre-pandemic levels.

These housing market indicators tell us that Winnipeg would be well advised to treat short-term rentals as home-sharing activity and pass regulations that would protect housing stock from being systematically converted into short-term rental accommodations for tourists, guests, and party goers by commercial operators, speculators, and businesses.

What should be done: implementing the principal residence requirement and platform accountability measures

Striking a balance between allowing residents to rent out their own homes and protecting residential housing stock can be best accomplished using the so-called principal residence requirement as *the* foundational element of a local short-term rental registry.

Another important public benefit of the principal residence requirement, above and beyond protecting residential housing stock, is the positive impact it has on community cohesion and safety

Allowing residents to rent out their own homes will not remove any residential housing units from the market. Instead, it will enable residents to generate extra income and dramatically reduces nuisance, crime and property-related issues in the residential neighbourhoods and condominium buildings where the hosts reside themselves.

Another important public benefit of the principal residence requirement, above and beyond protecting residential housing stock, is the positive impact it has on community cohesion and safety.

A principal resident would want to ensure that their own place will be rented out with care, will want to ensure that no parties and large gatherings will damage their property or the relationship they have with their own neighbours.

Commercial hosts, who rent out dozens and dozens of investment properties at a time, are by definition absentee landlords with no relationship to their neighbourhood. Unlike the regulated accommodation sector, commercial short-term rentals have no front desk, nor management that is on site and trained to prevent nuisance and the proliferation of crime.

housing markets and neighbourhood disruption, their total number among short-term rental hosts is relatively small. InsideAirbnb data suggest that Winnipeg's 19 largest Airbnb hosts account for roughly 40% of entire-home listings.[vi]

It is essential to require platforms to only list, advertise and profit from legal, i.e., city-permitted principal residences

To put teeth to this principle, it is essential to require platforms to only list, advertise and profit from legal, i.e., city-permitted principal residences. Any host seeking to acquire a short-term rental permit must show a government-issued ID to prove that their property is indeed their principal residence. Platforms should be required to only advertise legal properties with valid city-issued permit numbers under display. For large platforms like Airbnb, it should be easy to automate registration number verification for all potential listings, thereby significantly reducing the enforcement burden on staff.

In short, allowing residents to rent out their *own* homes on platforms like Airbnb provides diversity in accommodation while eliminating the drain on local housing stock and community disruption caused by commercial short-term rental hosts. It offers an opportunity for ordinary residents to generate extra income and weeds out property investors and speculators that have developed a business that convert residential housing stock into commercial accommodations for the travelling public.

The principal residence requirement represents a win-win scenario.

ENDNOTES

[i] See also Nest's host profile on Airbnb: https://www.airbnb.ca/users/show/114498849

[ii] Wyman, D., Mothorpe, C., & McLeod, B. (2020). Airbnb and VRBO: The impact of short-term tourist rentals on residential property pricing. *Current Issues in Tourism*, 1-12.

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[iii] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2021-en.pdf?rev=a5a0eaac-6f70-4058-8aa3-e6d307685910, p. 10

[iv] Canada Mortgage and Housing Corporation, vacancy rates, apartment structures of six units and over, privately initiated in census metropolitan areas; Table: 34-10-0127-01 (formerly CANSIM 027-0011, retrieved May 19, 2022.
[v] (CMHC Housing Market Indicators: https://www03.cmhc-schl.gc.ca/hmip-pimh/en#Profile/2680/3/Winnipeg)

[vi] As always, we would like to thank Murray Cox from www.insideairbnb.com for the custom Winnipeg data request. Airbnb listings obfuscate the difference between property managers and their commercial host clients; the company could voluntarily disclose hosts with greater accuracy, or the city could regulate both parties, as is done in Vancouver.