The Effects of Short-Term Rentals on the Housing Market and Affordability

As we all know by now, Colorado mountain and destination towns, including the City of Salida, are finding themselves in an affordable housing crisis. Some of these problems that communities are facing stem from the increase of short-term rentals within communities.

The short-term rental ("STR") issue can be thought of like this: short-term rentals reduce the affordable housing supply by distorting the housing market. In terms of simple conversion, any housing unit that was previously occupied by a city resident but is now listed on one of the rental sites (VRBO, Airbnb, etc.) year-round, is a unit that has been removed from the rental market and instead been added to the community's supply of hotel rooms. And so long as a property owner or leaseholder can rent out their property cheaper than the price of a hotel room, there is an overpowering incentive to list each unit as a short-term rental rather than rent to local residents.

There are numerous academic studies that show these effects on communities. A study done in Los Angeles showed that a 10% increase in short-term rental listings lead to a 0.42% increase in rents and a 0.76% increase in house prices. Overall, the short-term rental industry has grown by 800% since 2011. Therefore, these studies conclude that if a 10% increase in the number of short-term rental listings led to a 0.42% increase in rents, the actual 800% STR increase since 2011 would be responsible for a 33.6% rent increase over that same period.

A *Harvard Law & Policy Review* article similarly found that STRs increase rents, incentivize hotelization and reduce the affordable housing stock. This scholarly journal details how short-term rentals increase rents in neighborhoods with a high density of STR listings, and how they lead to a citywide reduction in affordable housing. The article also concluded that Short-Term Rentals are also correlated with gentrification in adjacent neighborhoods. They reduce integration by displacing lower-income tenants, exacerbate racial and socioeconomic inequality, and result in inequitable housing in the community.

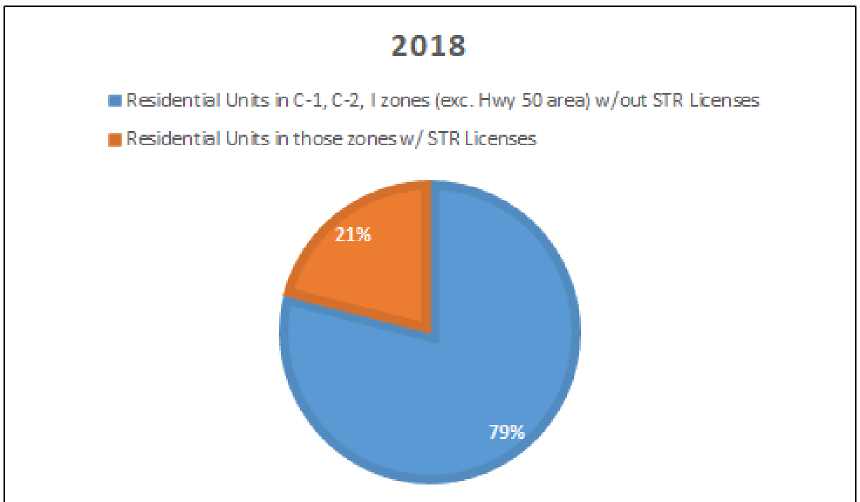
Some Colorado communities have begun looking at the direct impact that short-term rentals are having on affordable housing. For example, the Summit County Housing Needs Update, prepared for the Summit Combined Housing Authority, determined that there is a gap of about 2,400 housing units and it is expected to increase to around 5,100 units in the next few years. More specifically, this study found that there are nearly 10,000 units being listed for short-term rental purposes, which accounts for 50% of the entire vacant housing inventory, and a third of the entire County housing inventory. It concluded that these STRs have absorbed much of the available housing inventory from the long-term rental and ownership market. Finally, the Summit County Housing Needs Update indicated that one of the biggest opportunities to address housing issues included "discouraging short-term rentals"

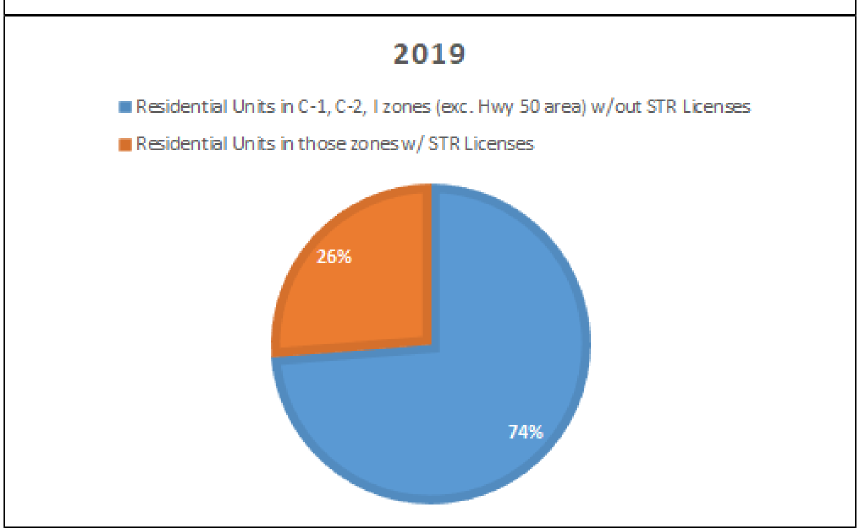
Finally, the NWCOG (Northwest Council of Governments) prepared a 2021 Mountain Migration Report, entitled "Are COVID Impacts on Housing and Services Here to Stay?" This report concluded many housing changes, and overall impacts on communities, over the 16 months.

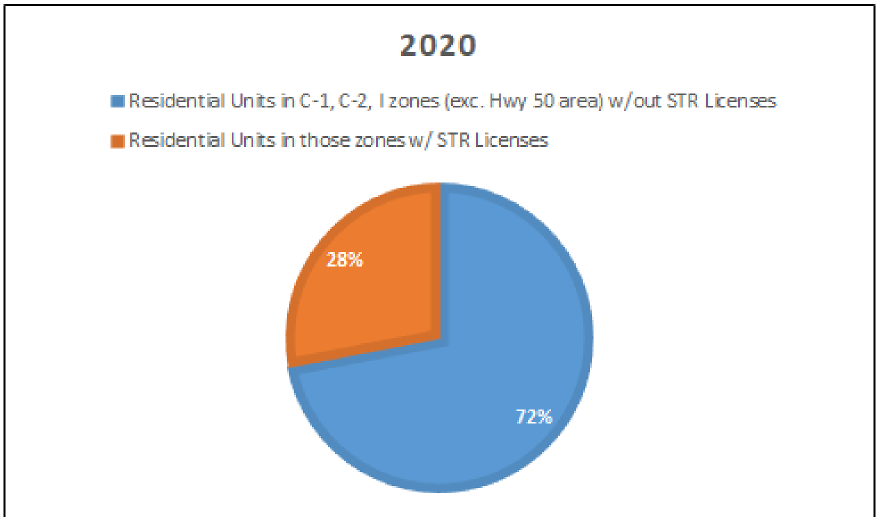
This included: the change in housing unit use from long-term to short-term rentals, and owners moving into their short-term rentals, removing them from the rental pool. The study also found that cost was not an issue for many short-and mid-term renters. Additionally, only 50% of the housing unit in the study area were occupied by full-time residents. And, part-time residents (24%) and newcomers (13%) were found much more likely than full-time residents (3%) to lease their homes short-term. The report concludes with various policy recommendations to address these recent impacts to housing and services.

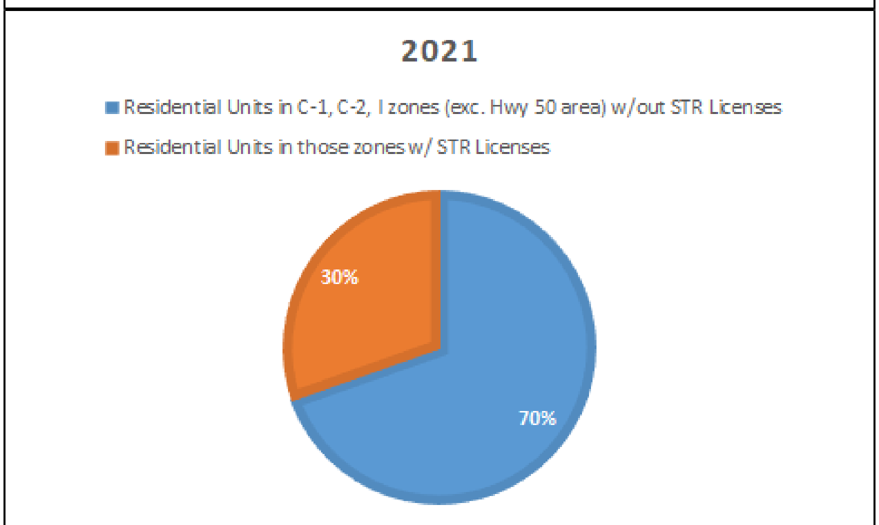
Recent Data in Salida

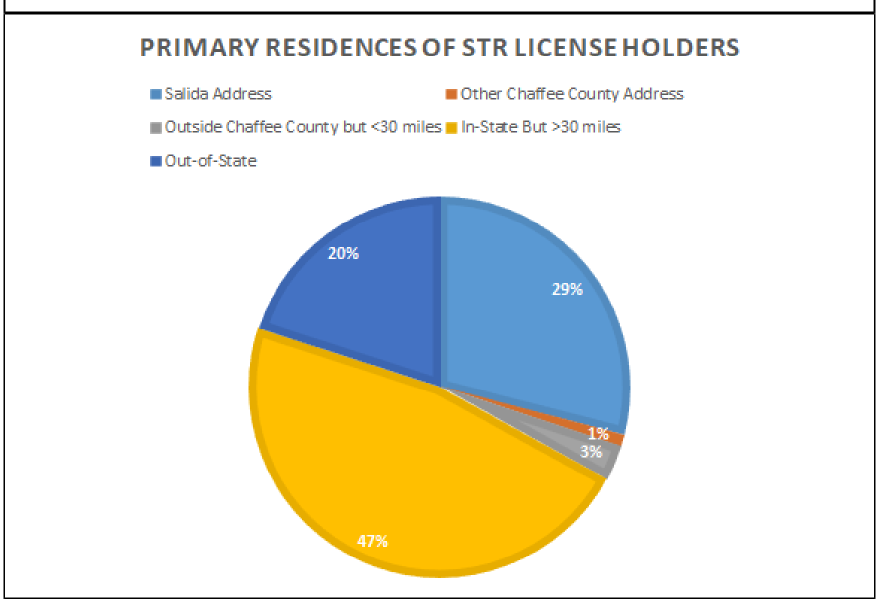
Below you will find some Salida-specific data regarding the relative percentage of STR licenses for residential units within the C-1, C-2, and Industrial zones, excluding Highway 50 corridor properties (this is because there are only a handful of licenses there, and not many residential units within those Commercial zones). The numbers represented by these pie charts are for those in the general vicinity of Hwy 291/1st Street, and is based off of 400 total residential units. Notably, the relative percentage of STR licenses has been growing over the last few years; up from about 10% in 2016. The final chart shows where those license holders consider to be their primary residence – almost 70% of them are either out of state or outside the area.






2020
Residential Units in C-1, C-2, I zones (exc. Hwy 50 area) w/out STR Licenses
Residential Units in those zones w/ STR Licenses
28%
72%


2021
Residential Units in C-1, C-2, I zones (exc. Hwy 50 area) w/out STR Licenses
Residential Units in those zones w/ STR Licenses
30%
70%


PRIMARY RESIDENCES OF STR LICENSE HOLDERS
Salida Address
Other Chaffee County Address
Outside Chaffee County but <30 miles
In-State But >30 miles
Out-of-State
20%
29%
1%
3%
47%

Resources:

Summit County Study: https://www.summithousing.us/wp-content/uploads/2020/03/2019-Summit-County-Housing-Needs-Update.pdf

2021 Mountain Migration Report: https://www.nwccog.org/wp-content/uploads/2021/06/Mtn-Migration-Report-FINAL.pdf

Harvard Law & Policy Review article, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations" http://blogs.ubc.ca/canadianliteratureparkinson/files/2016/06/How-Airbnb-Short-term-rentals-disrupted.pdf

"Short-term rentals are creating a problem in Colorado ski towns. Is there a solution?" (Steamboat Springs) https://www.steamboatpilot.com/news/short-term-rentals-are-creating-a-problem-in-colorado-ski-towns-is-there-a-solution/