SHORT-TERM RENTALS IN CHARLOTTETOWN – PUBLIC CONSULTATION

Presented May 17 2021

What is a Short-term Rental (STR)?

- ***Short-term Rental*** means the rental of a dwelling unit or a portion of a dwelling unit for a period of less than 30 consecutive days by way of a *Tourist Accommodation*, such as a tourist home, bed & breakfast or Inn.

STR Impacts on Communities

Pros

- Supports local tourism with alternative accommodation
- Properties are renovated and improved

Cons

- Housing – Availability and Affordability
- Neighbourhood nuisance (increase parking, traffic garbage and transient guests)
- Undermines the sense of community, who is your neighbour?

The Great Lockdown

Airbnb's Flame-Out In The COVID-19 Pandemic Could Be Good News For Renters And Homebuyers

CITYLAB

Can Airbnb Survive Coronavirus?

BUSINESS

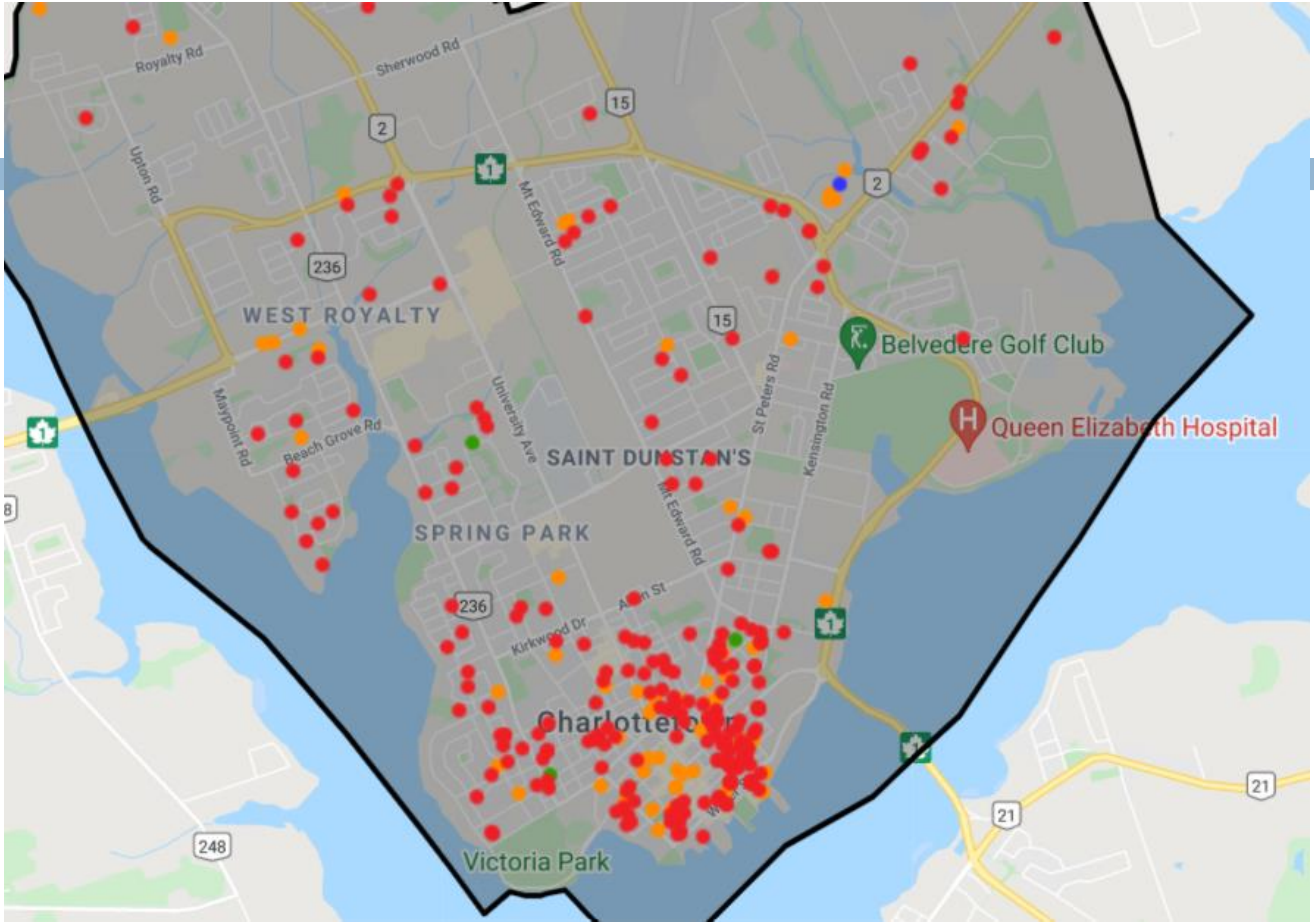
Airbnb's Coronavirus Crisis: Burning Cash, Angry Hosts and an Uncertain Future

Is this the end of Airbnb?

Airbnb has been rocked by COVID-19. Do we really want to see it recover?

STR Key Facts for Charlottetown COVID 19 Impact

- There was a significant drop of active STR listings throughout the year 2020 – 49.4% decrease
  - **Part of the decrease was contributed to hotels, motels and B&B's that closed over the pandemic**
- As of May 14, 2021 there were **314 short-term rentals active in housing units.**
- The listing type of Charlottetown's STR market breaks down as follows:
  - 52% occurring in Single Detached dwellings;
  - 42% Multi-dwelling (i.e. apartments, condos); and
  - 6% Private rooms/cottages
- Approximately **119 (38%) of total listings** still located in the **500 Lot Area** (south of Euston Street)



Royalty Rd
Sherwood Rd
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Upton Rd
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Mt Edward Rd
236
WEST ROYALTY
Belvedere Golf Club
St Peters Rd
Kensington Rd
Maypoint Rd
Beach Grove Rd
University Ave
Queen Elizabeth Hospital
SAINT DUNSTAN'S
SPRING PARK
Kirkwood Dr
Charlottetown
21
248
Victoria Park

The Industry is Here to Stay

Sask. Airbnb rentals seeing surge in popularity as people opt for staycations amidst COVID-19

Vacation Rental Market to Witness Astonishing Growth by 2026 | 9Flats, Airbnb, Booking Holdings and more

DoorDash, Airbnb stocks upgraded at Wells Fargo

Published: May 14, 2021 at 10:24 a.m. ET

Holidays in the pandemic

Staycationers are saving hotels and Airbnb from covid-19

STR Key Facts for Charlottetown Pre-COVID 19

- There were 834 active STR listings throughout the year 2019 – a 7.9% increase from 2018
- As of September 1, 2019 there were **635 short-term rentals active in housing units.**
- Approximately**135 housing units** were removed from Charlottetown's long-term housing market which breaks down as follows:
  - 111 housing units during the year; and
  - 24 clusters of private room listings operating out of the same housing unit
  - Increase of 8.9% in STR-induced housing loss from the previous year in 2018

STR Activity in Atlantic Canada

City	Active listings	Listings per 1000 households	Host revenue (2019)	Revenue per listing
Charlottetown	635	12.1	$8.5 million	$13,400
Halifax	2,483	13.2	$34.3 million	$13,800
St. John's	982	18.8	$10.3 million	$10,500
Lunenburg	394	28.1	$5.4 million	$13,700
Moncton	377	10.7	$3.7 million	$9,800

Table 1. STR activity in the top five Atlantic Canada cities

The number of active listings in Charlottetown increased 7.9% from previous year, the pattern of active listings fluctuate considerably over the year (lowest in February and rising steadily through August).

Compared to other Atlantic cities the local STR market is similar in scale on a per capita basis. The STR activity and revenues are approximately as high as the other most profitable markets in Atlantic Canada.

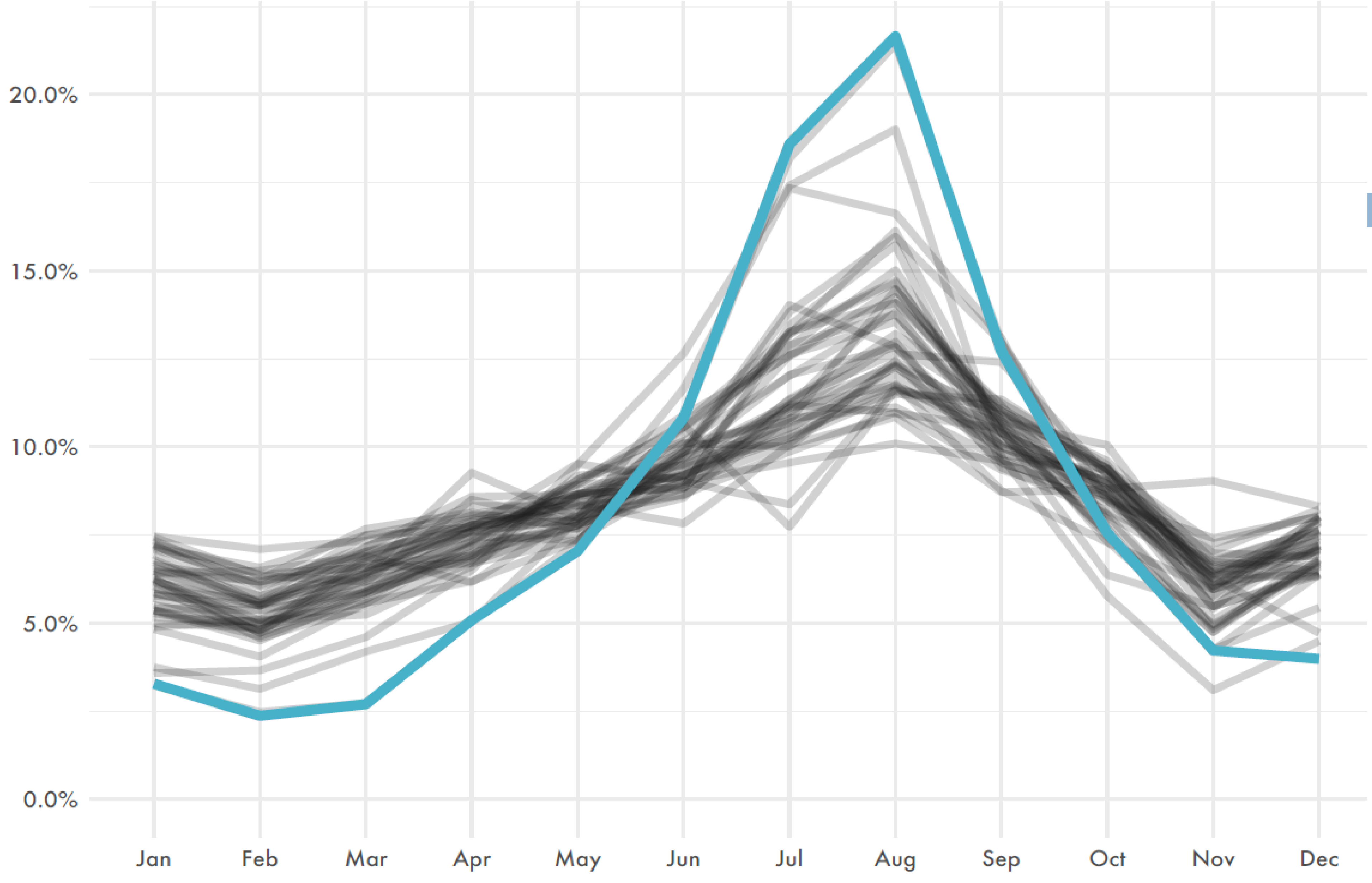


Figure 3: Percentage of growth-adjusted STR reservations occurring each month in Charlottetown (highlighted) and other major Canadian markets

STR Key Facts on Revenue Distribution in Charlottetown

- There were 409 hosts operating listings in the City earning a total of $8.5 million – the average host earning $19,300 with the top host earning in excess of $430,000 (top 1%)

Host percentile	Annual revenue
25th percentile	$9,000
50th percentile (median)	$19,300
75th percentile	$34,000
100th percentile	$439,700

Table 4. Charlottetown STR host earnings

- STR activity is becoming a highly commercialized operation – the top 10% of hosts earned nearly half (47.3%) of all STR revenue

STR Key Facts on Seasonality of Listings in Charlottetown

- The majority of listings (61.1%) are occurring in the Queens Square and Spring Park Wards which account for 70% of the 2019 host revenues; and

- 70.8% of reserved nights and 75.3% of host revenue in Charlottetown occur between May 1st and September 30th – **highest seasonal variation in the Canadian market**

Prevalence of Listing Type in Charlottetown

- Entire-home listings are most likely to generate negative externalities including housing loss and neighbourhood nuisance
- Charlottetown's STR market is dominated by entire-home listings, approx. 76.7% of all active listings and earned 89% ($7.6 million) of all host revenue in 2019

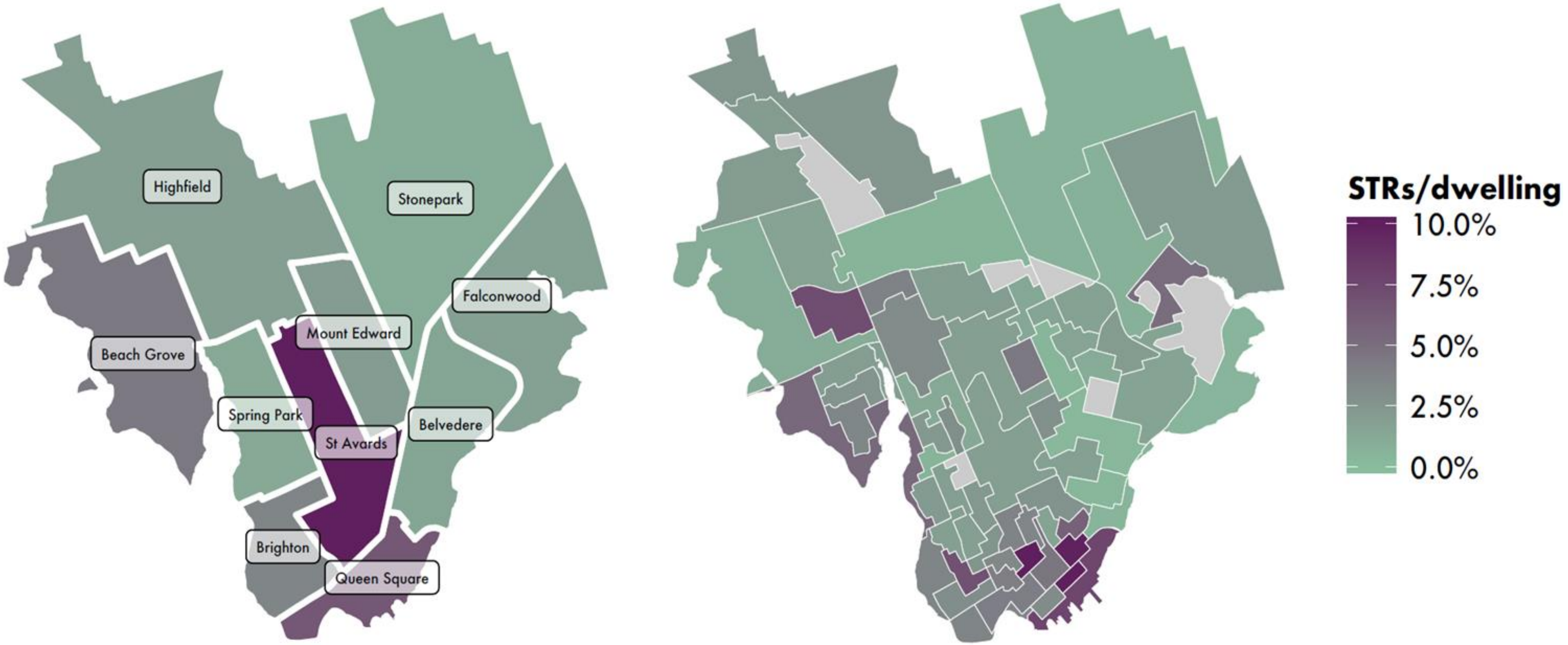
Listing type	**Active listings**	**Annual revenue**	**% of all listings**	**% of annual revenue**	**Revenue per listing**
Entire home/apt.	487	$7.6 million	76.7%	89.0%	$15,000
Private room	144	$0.9 million	22.7%	10.9%	$5,800
Shared room	4	$0.0 million	0.6%	0.1	$2,500

Table 3. Listing type prevalence in the City of Charlottetown

Home Sharers vs. Commercial Operators

- As of September 2019, there were 635 active STR listings
- The total revenue accrued by Commercial STR’s is **$5.1 million or 60% of the total revenues**
- The concentration of Non-principal resident STR’s is occurring in the 500 Lot Area (south of Euston Street)

Concentration of STR Activity in Charlottetown



Majority of STR listings (61.1%) are occurring in the Queen Square and Spring Park Wards that generate an even higher percentage (70%) of 2019 host revenues.

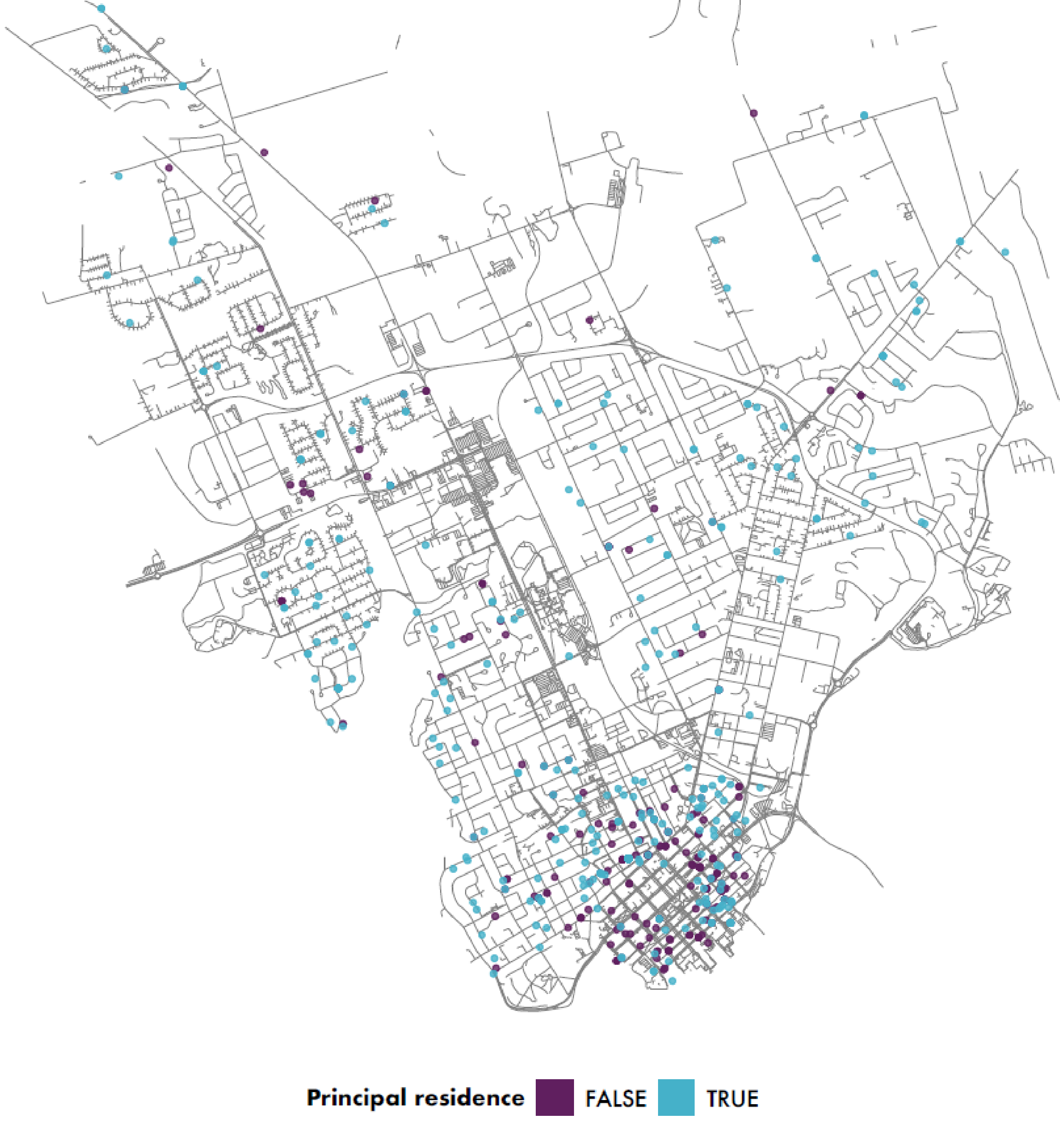


Figure 8. The location of Charlottetown STRs by principal residence status

Compliance Rate with the Province of PEI

- STR's are required to register with the Province under the *Tourism Industry Act*
- Of the 635 STR listings in Charlottetown that were active at one point the researchers were only able to identify 265 STR listings that were registered
- Therefore approx. 370 STRs are not registered and non-compliant with the *Tourism Industry Act*

STR's Impact on Charlottetown's Housing Market

- Triple threat has the largest negative impact on housing and are defined as:
  - Full-time
  - Entire homes
  - Multi-listings
- Businesses that have turned home sharing into a large scale profit making opportunity by operating multiple listings at once – termed *ghost hotels* entire buildings converted into STR's
  - Issue in the 500 Lot Area and properties south of Allen Street
- Leads to increasing commercialization and concentration
  - Correlation between rental vacancy rates and proliferation of STR's indicates that neighbourhood's with the most Airbnb activity are seeing their available long-term rental housing significantly constrained by short-term rentals
  - Highest conversion of rental housing to short-term rentals has occurred in medium and high rent neighbourhoods
  - This phenomena is occurring in both the **Queens Square** and **Spring Park Wards**
- The STR Report estimates that **54% of listings** were **operated in the host's principal residence** but only **accounted for 41% of reserved night per year**

Short-term Cities – Housing Facts Regarding STR's

Study identified that the average # of housing units converted to full-time STR's per year → **2017: 55 units, 2018: 124 units, 2019: 138 units**

- An additional **55 housing units** were removed from the long-term housing stock in the summertime of 2019
- During the peak season approx. **193 housing units** are removed from the market, an **8.9% increase in loss** from the previous year

STR's Impact on Availability of Housing Units in Charlottetown

- **Availability:** The proliferation of STR's has a negative impact on the vacancy rate, below is a table that reflects this correlation:

Year	Rental vacancy rate	Rental vacancy rate with no dedicated STRs
2017	1.0%	1.7%
2018	0.2%	1.8%
2019	1.2%	2.9%
2020	0.6% (projected)	2.3%
2021	1.1% (projected)	3.1%
2022	2.0% (projected)	4.1%

Table 6: Actual and projected rental vacancy rates

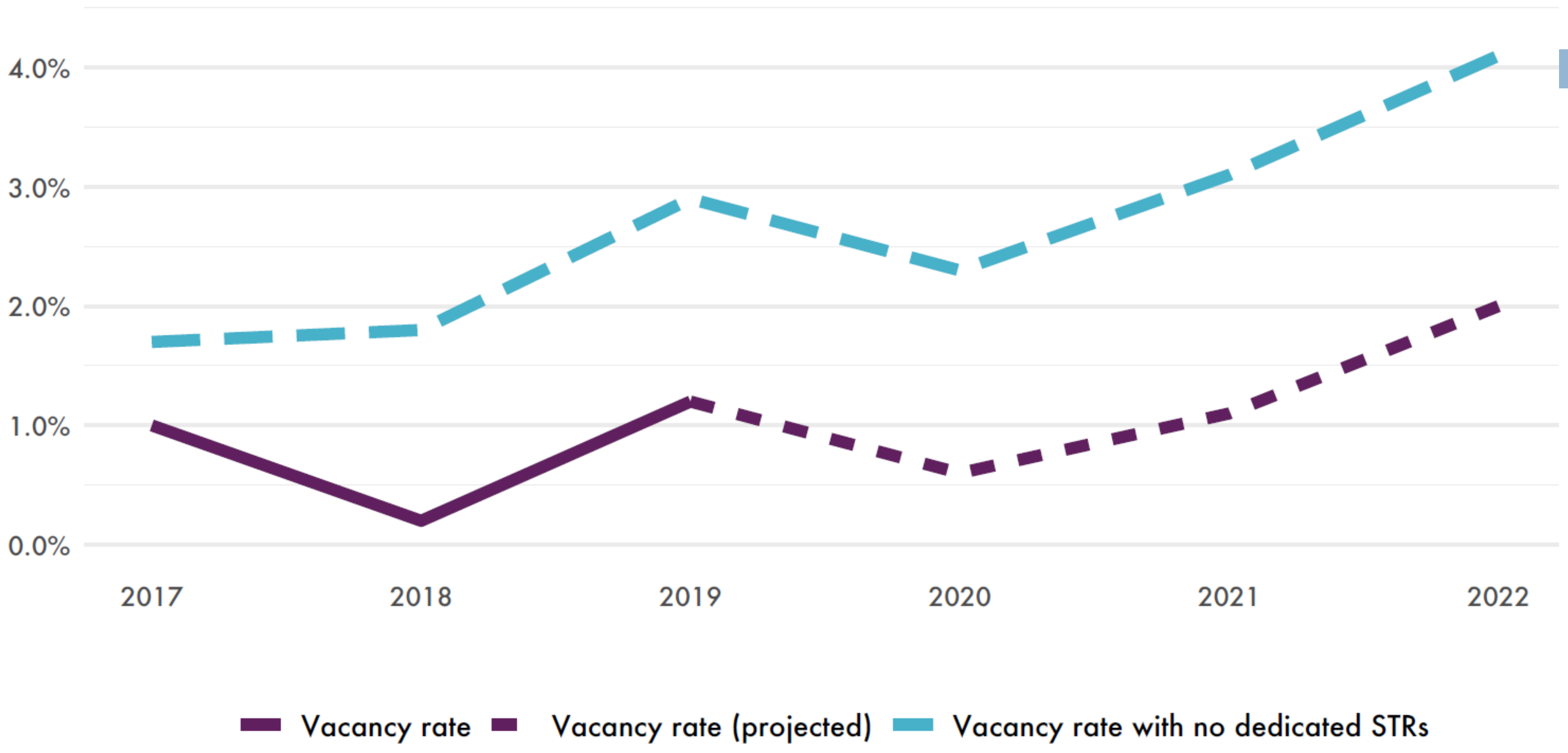


Figure 6: Actual and projected rental vacancy rates in the City of Charlottetown

STR’s Impact on the Affordability of Housing Units

- STR’s provides homeowners with a new revenue stream which has increased the economic value of residential properties which in turn increase demand for such properties and results in less available housing stock
- **Affordability:** Growth of STR’s has contributed to an increase in rental costs of approximately 37.7% (average $292) since 2017 in Charlottetown*

Regulatory Scenario Modelling in Charlottetown

- The following scenarios were modelled based on data extrapolated from both provincial and municipal empirical data sets (i.e. tourist licenses, permit data, STR listings scrapes)
- The vacancy rate impacts were based on the regulatory scenario that was modeled by Prof. Wachsmuth
- This is one of the first empirically informed policy options on STR's that has been performed
- Scenario Map Link

Scenario 1

- Permitting STRs in any principal residence except apartments, with no allowance for commercial STRs

Scenario	% of current active listings which would still be allowed	% of 2019 reserved nights which would have been allowed
Scenario 1: Principal residence only, no apartments	47.6%	34.8%

Scenario	Housing units returned to the long-term market (% of total)	Summer units returned to the long-term market (% of total)
Scenario 1: Principal residence only, no apartments	125 (90.3%)	39 (70.9%)

Scenario 2

- Permitting STRs in any principal residence including apartments, with no allowance for commercial STRs

Scenario	% of current active listings which would still be allowed	% of 2019 reserved nights which would have been allowed
Scenario 2: Principal residence only, apartments allowed	53.9%	39.8%

Scenario	Housing units returned to the long-term market (% of total)	Summer units returned to the long-term market (% of total)
Scenario 2: Principal residence only, apartments allowed	122 (88.4%)	36 (65.5%)

Scenario 3

- Permitting STRs in any principal residence except apartments, with allowance for commercial STRs in zones that would permit a hostel and hotel

Scenario	% of current active listings which would still be allowed	% of 2019 reserved nights which would have been allowed
Scenario 3: Principal residence only, no apartments, but commercial zones allowed	52.4%	40.3%

Scenario	Housing units returned to the long-term market (% of total)	Summer units returned to the long-term market (% of total)
Scenario 3: Principal residence only, no apartments, but commercial zones allowed	87 (63.0%)	30 (54.5%)

Scenario 4

- Permitting STRs in any principal residence including apartments, with allowance for commercial STRs in zones that would permit a hostel and hotel

Scenario	% of current active listings which would still be allowed	% of 2019 reserved nights which would have been allowed
Scenario 4: Principal residence, apartments allowed, and commercial zones allowed	57.3%	44.1%

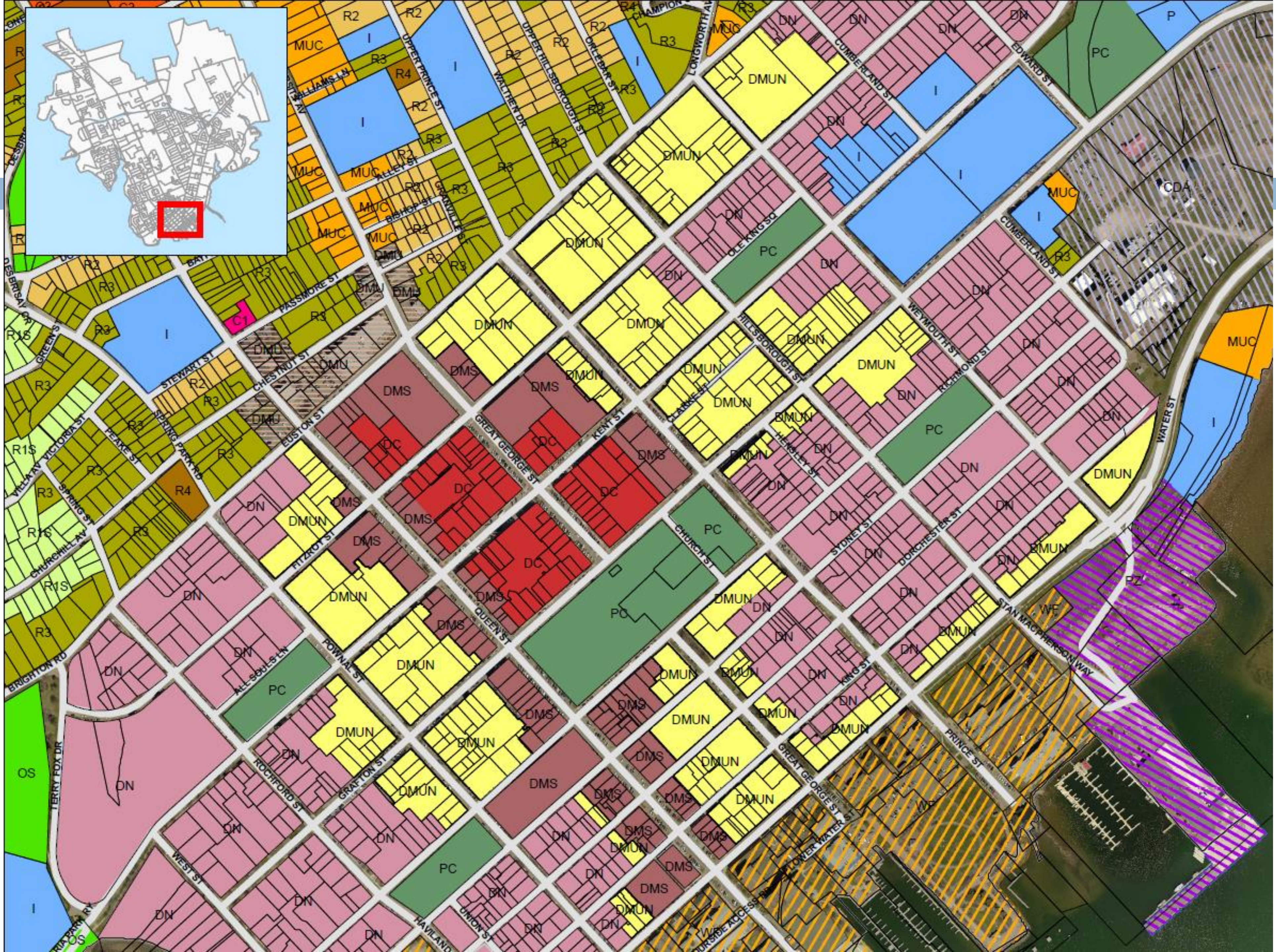
Scenario	Housing units returned to the long-term market (% of total)	Summer units returned to the long-term market (% of total)
Scenario 4: Principal residence, apartments allowed, and commercial zones allowed	86 (62.3%)	28 (50.9%)

Scenario 5

- Principal residence, apartments, commercial STR's permitted in hostel/hotel and the DMUN Zone(s)

Scenario	% of current active listings which would still be allowed	% of 2019 reserved nights which would have been allowed
Scenario 5: Principal residence, apartments allowed, commercial and DMUN zones allowed	60.9%	49.2%

Scenario	Housing units returned to the long-term market (% of total)	Summer units returned to the long-term market (% of total)
Scenario 5: Principal residence, apartments allowed, commercial and DMUN ones allowed	69 (50.0%)	17 (30.9%)



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ROCHFORD ST
WEST ST
HAVILAND
UNION ST
ALL SOULS LN
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TERRY FOX DR
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SYDNEY ST
DORCHESTER ST
KING ST
PRINCE ST
WATER ST
LOWER WATER ST
STAN MACPHERSON WAY
WEYMOUTH ST
RICHMOND ST
HILLSBOROUGH ST
CLARKE ST
HENSLEY ST
CUMBERLAND ST
EDWARD ST
OLE KING SQ
LONGWORTH AV
UPPER PRINCE ST
WALTHEN DR
CHESTNUT ST
STEWART ST
PASSMORE ST
SPRING PARK RD
PEAKE ST
VICTORIA ST
CHURCHILL AV
VILLA AV
GREEN ST
ALLEY ST
BISHOP ST
WILLIAMS LN
CHAMPION

Scenario Housing Vacancy Rate Impacts in Charlottetown

Year	Rental vacancy rate (baseline)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
2017	1.0%	-	-	-	-	-
2018	0.2%	-	-	-	-	-
2019	1.2%	-	-	-	-	-
2020	0.6% (projected)	2.2%	2.1%	1.7%	1.7%	1.4%
2021	1.1% (projected)	2.9%	2.8%	2.4%	2.3%	2.1%
2022	2.0% (projected)	3.9%	3.8%	3.3%	3.3%	3.0%

Table 10: Actual and projected rental vacancy rates under five regulatory scenarios

Subject to variation based on <u>external events</u> (immigration rates, housing market, relocation of STR activity, continue trend of building activity etc.) and <u>100% compliance with regulatory framework</u>

Scenario Tourism Impacts in Charlottetown

- Based on the scenarios presented the reduction in the number of STR's has an impact to accommodations

Scenario	Annual shortfall of reserved nights	Remaining listings	Avg. nights booked per listing	Avg. increase in nights booked required to fill shortfall (% increase)	New listings required to fill shortfall (% increase)
Scenario 1	36,400	438	46.2	83.2 (180.1%)	788 (180.1%)
Scenario 2	33,500	497	46.6	67.4 (144.6%)	719 (144.6%)
Scenario 3	33,500	469	49.4	71.4 (144.5%)	678 (144.5%)
Scenario 4	31,200	519	49.1	60.1 (122.4%)	635 (122.4%)
Scenario 5	28,400	542	52.1	52.4 (100.6%)	545 (100.6%)

Table 11: Actual and projected rental vacancy rates under five regulatory scenarios

Scenario Tourism Impacts based on Compliance Rate

	100 % compliance rate		75% compliance rate		50% compliance rate	
Scenario	**Minimal additional listings**	**Minimal additional nights booked**	**Minimal additional listings**	**Minimal additional nights booked**	**Minimal additional listings**	**Minimal additional nights booked**
Scenario 1	306	30.0	224	22.8	144	15.6
Scenario 2	267	27.6	196	21.0	128	14.1
Scenario 3	275	26.8	200	20.5	129	13.9
Scenario 4	244	25.2	179	19.1	117	12.9
Scenario 5	219	22.4	160	17.1	104	11.5

Table 12: The most efficient combinations of additional nights booked and additional listings required to make up STR supply shortfall under five regulatory scenarios at 100%, 75% and 50% compliance rates

Roadmap to STR Regulation

- Develop an Inventory (scanning software on STR platforms)
- Public consultation, identify community priorities (i.e. tourism, housing, maintaining neighbourhood character)
- Develop a licensing or registration framework
  - Work in tandem with Provincial Tourism
  - Develop an inventory/registry
- Have a robust enforcement strategy
  - Ensure you have the ability to issue tickets/fines for non-compliance