

Airbnb Reinvents Itself as Core Business is Halted by Regulations

By Spencer Hazan, J.D. Candidate 2020 | February 26, 2018

In March 2017, Airbnb received more than \$1 billion from investors and was valued at [\\$31 billion](#). Airbnb was expected to continue its impressive growth, and several analysts anticipated that Airbnb would go public in 2018. However, increasing regulations stymied Airbnb's momentum in the market, forcing the rental giant to reinvent itself. Airbnb responded to recent regulations in two ways: by focusing on margins and diversifying its services.

Airbnb is trying to increase margins by establishing a bigger presence in the luxury short-term rental market. On February 22, 2018, Airbnb [launched](#) "Airbnb Plus," which includes properties that are inspected by Airbnb and guaranteed to have certain amenities, such as soap, shampoo, and empty cabinets. Concurrently, Airbnb [launched](#) "Beyond by Airbnb," which is a tier beyond Airbnb Plus, and includes some of the most luxurious homes in the world.

In addition, Airbnb will place a greater emphasis on promoting "Airbnb Trips" in an attempt to diversify its services. This platform allows consumers to book experiences in conjunction with vacation housing. Airbnb's biggest competitor in the space will be Viator, a TripAdvisor company. Airbnb is confident it is a more convenient platform for travelers who do not want to spend extensive time researching and want all of their vacation accommodations booked on a single website.

Many cities across the world - including New York, San Francisco, Los Angeles, and London - have [regulated](#) the market for short-term property rentals in order to restore the market for long-term housing. In unregulated markets, commercial operators tend to list real estate on Airbnb for short-term rental instead of making the real estate available for purchase. This makes it difficult for prospective property owners to purchase real estate, a critical resource; regulators insist this in turn inhibits social mobility.

Regulation presents many problems for Airbnb. First, the regulations curtail Airbnb's core competency and most reliable revenue stream. For example, rentals in San Francisco decreased by [54%](#) after the city instituted the regulations. In addition, the cities that have decided to regulate have done so in different ways. As a result, Airbnb must adapt itself to cities across the world based on local legislation, which is very costly. Lastly, short-term rental regulation continues to be a hot topic, even in cities that have already adopted legislation. According to one Senator, the issue is ["not going away"](#) any time soon. Thus, the future of short-term rentals is uncertain, and investors remain concerned about the prospects of Airbnb.

While Airbnb has been set back by regulations, it still seems to be well-positioned in the market. Airbnb has an opportunity to use its powerful brand in order to expand its footprint and become a more comprehensive platform to book travel. Nevertheless, with regulation often comes uncertainty; as a result, Airbnb's plans to go public are on hold – at least for now.