

# Airbnb and the Housing Crisis: Establishing the Need for Short-Term Rental Market Regulations in Cape Town

Alina Wilson

## **Introduction**

Short-term rentals have gained increasing prominence in the hospitality industry. In years past, most travelers stayed in hotels. The sharing economy, including home-sharing platforms like Airbnb, has changed this pattern.<sup>21</sup> According to Barron, Kung, and Proserpio, peer-to-peer markets, also referred to as the sharing economy, facilitate interactions between demanders and suppliers of various goods and services on an online marketplace.<sup>22</sup> In the past two decades, Airbnb has positioned itself as a leading online marketplace for hosting and renting properties.<sup>23</sup> However, researchers and experts alike have expressed growing concern over the effect Airbnb may have on local communities. Cape Town may be particularly vulnerable to these issues due to existing housing shortages and severe social inequality. This paper will examine the debate about Airbnb's effects on rental markets. Utilizing case studies of Cape Town, New York City, and Berlin, this paper will argue that Airbnb has a differential effect on housing markets, depending on context and presence or lack of regulation. Ultimately, through this paper, I will argue for the regulation of the Cape Town short-term rental market, as well as the expansion of social housing and other policy initiatives, in order to guarantee that every citizen in Cape Town has affordable housing options.

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<sup>21</sup> Malapit, "The 'Airbnb Effect' on Affordable Housing."

<sup>22</sup> Kyle Barron, Edward Kung, and Davide Proserpio, "The Sharing Economy and Housing Affordability: Evidence from Airbnb," *SSRN Electronic Journal*, 2018, <https://doi.org/10.2139/ssrn.3006832>.

<sup>23</sup> Lee, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations."

## **Background**

Airbnb has experienced tremendous growth since it launched in 2008, when two designers hosted three travelers who needed a place to stay.<sup>24</sup> Customers use the Airbnb platform to access accommodations ranging from single rooms to entire properties. Airbnb listings vary in affordability and quality and offer an experience more similar to a guest house than a hotel. As of 2020, Airbnb boasted over a million listings and maintained a presence in more than 100,000 cities across 220 countries and regions, making it the largest online marketplace for lodging at that time.<sup>25</sup>

Although Airbnb undoubtedly benefits travelers and hosts, researchers have increasingly focused on the outsized effect of Airbnb on the housing market. Airbnb provides economic benefits for local economies that stand to profit from the increase in tourism facilitated by a wider variety of affordable and available holiday listings. Homeowners and landlords also benefit from the revenue generated by converting their rooms and properties into short-term sublets. However, attention has increasingly focused on the "Airbnb Effect" on local housing markets. In particular, researchers have become increasingly concerned by Airbnb's effect on housing stock, prices, and communities.<sup>26</sup>

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<sup>24</sup> "About Airbnb: What It Is and How It Works - Airbnb Help Center," Airbnb, accessed May 17, 2023, <https://www.airbnb.com/help/article/2503>.

<sup>25</sup> Gary Barker, "The Airbnb Effect on Housing and Rent," *Forbes*, October 12, 2022, <https://www.forbes.com/sites/garybarker/2020/02/21/the-airbnb-effect-on-housing-and-rent/>.

<sup>26</sup> Barker, "The Airbnb Effect on Housing and Rent."

### ***Establishing the Effect of Airbnb on Short-Term Rental Prices***

Recent research reveals that Airbnb reduces affordable housing and contributes to unequal investment patterns. Raiee-Dastjerdi and Matthews demonstrate that Airbnb enforces existing spatial patterns of inequality, segregation, and consumption.<sup>27</sup> Rabie-Dastjerdi et al. further claim that Airbnb exacerbates uneven development in popular gentrifying or commercialized neighborhoods occupied by privileged people.<sup>28</sup> Since Airbnb attracts consumers to these popular neighborhoods, prices for typical renters increase as holiday guests can afford to pay more.<sup>29</sup> These neighborhoods then develop further to meet the needs of the new, wealthier market and draw resources and capital away from lower-income areas. In this manner, Airbnb increases disparities in well-located, recently developed areas by blurring traditional boundaries between residential and commercial city areas.

To further prove that Airbnb reduces the affordable housing supply, this paper will illuminate two potential mechanisms proposed by the Harvard Law Review that seek to explain the empirical research demonstrating that the short-term rental market distorts the housing market. The first mechanism is the simple conversion of housing units previously occupied by city residents to accommodations listed on Airbnb year-round. This process removes units from the rental market and adds them to an area's supply of guest houses.<sup>30</sup>

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<sup>27</sup> Hamidreza Rabiee-Dastjerdi, Gavin McArdle, and William Hynes. "Which Came First, the Gentrification or the Airbnb? Identifying Spatial Patterns of Neighbourhood Change Using Airbnb Data." *Habitat International* (2022): 102582. <https://doi.org/10.1016/j.habitatint.2022.102582>.

<sup>28</sup> Ibid.

<sup>29</sup> Maartje Roelofsen, "Performing 'Home' in the Sharing Economies of Tourism: The Airbnb Experience in Sofia, Bulgaria," *Fennia - International Journal of Geography* 196, no. 1 (2018): 24–42, <https://doi.org/10.11143/fennia.66259>.

<sup>30</sup> Dayne Lee, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis:

Furthermore, it leads to a mild increase in city-wide rents concentrated in affluent or gentrifying neighborhoods in the city's core. This process directly decreases the supply of affordable housing.

Lee argues that the second mechanism by which Airbnb decreases the affordable housing supply is "hotelization." This mechanism posits that as long as a property owner can rent out a room on Airbnb for a cheaper price than a comparable hotel room while earning a premium over the residential market or rent-controlled rent, this property owner is incentivized to list each unit on Airbnb rather than rent to residents. Therefore, "hotelization" decreases the housing supply and induces displacement, gentrification, and segregation. Furthermore, cities zone and build residential housing and tourist markets through wholly different processes. By facilitating the inappropriate merging of the residential and tourist sectors, Airbnb induces shortages in the housing supply that neither the market nor the public sector can swiftly replace.<sup>31</sup> Indeed, researchers have found that Airbnb supply negatively correlates with rental supply and the number of owners and rental households.<sup>32</sup>

### ***Examining the Effect of Airbnb on Cape Town's Unregulated Housing Market***

Research about Cape Town, South Africa reveals historical inequalities that have long affected its housing market. Cape Town occupies a particular context due to apartheid divides.<sup>33</sup> The core of the apartheid policy

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Analysis and Policy Recommendations," *Harvard Law and Policy Review* 10 (2016): 229–53.

<sup>31</sup> Lee, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations."

<sup>32</sup> Keren Horn and Mark Merante, "Is Home Sharing Driving up Rents? Evidence from Airbnb in Boston"; Miquel-Àngel Garcia-López et al., "Do Short-Term Rental Platforms Affect Housing Markets? Evidence from Airbnb in Barcelona,"

<sup>33</sup> Abel, Martin. "Long-Run Effects of Forced Resettlement: Evidence from Apartheid South Africa." *Long-run Effects of Forced Resettlement: Evidence from Apartheid South Africa*, 2015.

revolved around land. Building upon colonial policies, apartheid stripped black South Africans of their land and relocated them to racially segregated developments on the city outskirts.<sup>34</sup> With the democratic transition in the 1990s came a new South African constitution that guaranteed South African citizens the right to access housing.<sup>35</sup> Yet as of 2022, more than 500,000 households, comprising two million individuals, were registered on the city's waitlist for government-owned rental homes.<sup>36</sup> In this post-apartheid context, Airbnb poses an unprecedented threat to affordable housing in Cape Town.

Since the first listing appeared on the African continent, Airbnb accommodations have grown rapidly. As a top tourist destination in Africa, Cape Town signed the first official city agreement with Airbnb in 2015. Furthermore, the number of active rentals in Cape Town has soared from less than 700 in 2013 to over 15,000 by 2017.<sup>37</sup> Indeed, South Africa can be considered one of Airbnb's biggest successes and, in 2016, was the 21st largest global market for the home-sharing platform. According to Henama, Capetonians have quickly adopted and embraced Airbnb; Cape Town possessed the most Airbnb listings

of any city on the African continent in 2018.<sup>38</sup> Furthermore, Airbnb increased the demand for flats in Cape Town, resulting in a 16% increase in sales in Cape Town's City Bowl District.<sup>39</sup>

However, Airbnb is currently unregulated in South Africa. Since 2018, organizations like the Federated Hospitality Association of South Africa (FEDHASA) have called for Airbnb regulation in South Africa.<sup>40</sup> Furthermore, Oskam and Boswijk claim that the regulatory void on Airbnb and other short-term rental options represents one of the biggest challenges facing Airbnb and the Cape Town housing market.<sup>41</sup>

Although little empirical data currently exists on the effect of Airbnb on the housing market in Cape Town, this paper will utilize existing literature to analyze the potential ramifications of Airbnb's current lack of regulation in Cape Town on the city's existing housing shortage and human rights. As outlined earlier in the paper, Airbnb allows homeowners to temporarily rent out their spaces to tourists.<sup>42</sup> Indeed, the vast majority (75%) of Airbnb guests in South Africa are foreigners.<sup>43</sup> Renting to these tourists, who can often afford high rents for shorter stays, may lead to an increase

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<https://scholar.harvard.edu/abel/publications/long-run-effects-forced-removal-under-apartheid-social-capital>.

<sup>34</sup> Martin Abel. "Long-Run Effects of Forced Resettlement: Evidence from Apartheid South Africa."

<sup>35</sup> Sophie Oldfield and Saskia Greyling, "Waiting for the State: A Politics of Housing in South Africa," *Environment and Planning A: Economy and Space* 47, no. 5 (May 1, 2015): 1100–1112, <https://doi.org/10.1177/0308518x15592309>.

<sup>36</sup> Tommy Trenchard, "Inside South Africa's 'hijacked' Buildings: 'All We Want Is a Place to Call Home,'" NPR, December 24, 2022, <https://www.npr.org/sections/goatsandsoda/2022/12/24/1144336547/inside-south-africas-hijacked-buildings-all-we-want-is-a-place-to-call-home>.

<sup>37</sup> Alexis Haden, "Cape Town's Housing Crisis Summed up in an Airbnb Map," *The South African*, May 11, 2017, <https://www.thesouthafrican.com/lifestyle/cape-towns-housing-crisis-summed-up-in-an-airbnb-map/>.

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<sup>38</sup> Unathi Sonwabile Henama, "Disruptive Entrepreneurship Using Airbnb: The South African Experience," *African Journal of Hospitality, Tourism and Leisure* 7, no. 1 (2018), <https://doi.org/10.46222/ajhtl>.

<sup>39</sup> "Tourism, Airbnb Growth Boost Demand for Cape Town CBD Apartments," *Africa Property News.com*, accessed May 17, 2023, <http://www.africapropertynews.com/southern-africa/3257-tourism-airbnb-growth-boost-demand-for-cape-town-cbd-apartments.html>.

<sup>40</sup> Unathi Sonwabile Henama, "Disruptive Entrepreneurship Using Airbnb: The South African Experience."

<sup>41</sup> Oskam, Jeroen, and Albert Boswijk. "Airbnb: The Future of Networked Hospitality Businesses." *Journal of Tourism Futures* 2, no. 1 (2016): 22–42. <https://doi.org/10.1108/jtf-11-2015-0048>.

<sup>42</sup> Lee, "How Airbnb Short-Term Rentals Exacerbate Los Angeles's Affordable Housing Crisis: Analysis and Policy Recommendations."

<sup>43</sup> Unathi Sonwabile Henama, "Disruptive Entrepreneurship Using Airbnb: The South African Experience."

in housing prices in the area.<sup>44</sup> According to the FNB Property Barometer, property prices in Cape Town, the location of over 40% of all South African Airbnb listings, have grown incredibly over the past five years. This property price increase has been concentrated in the City Bowl, Atlantic seaboard, and southern suburbs—tracing apartheid geographies and reinforcing segregation. Tellingly, national property prices have remained nearly flat, and the property locations facing price increases correlate with where Airbnb listings are concentrated.<sup>45</sup> As this paper has already established that rising prices lead to lower-income individuals moving out of the city center, it is integral that Cape Town regulates the Airbnb market and combats rising prices. Furthermore, the effect of Airbnb in Cape Town, in particular, may be exacerbated in its unique context as the city already struggles with gentrification: lower-income individuals living closer to the City Bowl District are already being driven farther from the city center.<sup>46</sup> Members of the Cape Town community who move to cheaper regions due to gentrification often endure outsized travel costs and resettle in housing that is less safe, poorly serviced, and potentially environmentally hazardous.<sup>47</sup> By worsening existing housing shortages, Airbnb exacerbates social and spatial inequality in Cape Town.

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<sup>44</sup> Lee, “How Airbnb Short-Term Rentals Exacerbate Los Angeles’s Affordable Housing Crisis: Analysis and Policy Recommendations.”

<sup>45</sup> Steve Kretzmann, “Airbnb and Cape Town’s Rising Rents: An Interview with Chris Lehane,” *GroundUp News*, October 23, 2017, <https://www.groundup.org.za/article/airbnb-and-cape-to-wns-rising-rents-interview-chris-lehane/>.

<sup>46</sup> Laura Wenz, “Changing Tune in Woodstock: Creative Industries and Local Urban Development in Cape Town, South Africa,” *Gateways: International Journal of Community Research and Engagement* 5 (2012), <https://doi.org/10.5130/ijcre.v5i0.2010>.

<sup>47</sup> Unathi Sonwabile Henama, “Disruptive Entrepreneurship Using Airbnb: The South African Experience.”

### ***Using the Case of New York City to Postulate Airbnb’s Effect on Cape Town***

Airbnb’s potential effect on existing inequalities in Cape Town merits attention. Henama argues that local beneficiation has been a core challenge facing the tourism industry and that Airbnb has improved local destination benefits from tourism, aligning with the principles of sustainable tourism.<sup>48</sup> However, it is worth considering which local Capetonians stand to benefit or suffer the most from the effect of Airbnb. Examining the case study of New York City can shed light on this question. In 2015, New York City had a citywide diversity index of 73% yet maintained a neighborhood diversity index of 47%, making it one of the most segregated cities in the United States.<sup>49</sup> Similarly, experts consider Cape Town one of South Africa’s most segregated cities due to apartheid and colonial-era spatial planning.<sup>50</sup> Although New York City and Cape Town are not perfectly analogous, the high levels of racial segregation in both cities have left both vulnerable to the “Airbnb Effect.” Thus, the “Airbnb Effect” in New York City draws attention to the manner in which Airbnb may be exacerbating wealth inequalities along racial lines in Cape Town.

New York City residents today face displacement, rent and local price gouging, and acute poverty rooted in discriminatory housing policies throughout American history. Historically, housing policy in the United States has unfairly targeted Black people and people of color. Great Depression Era policies catapulted millions of white Americans into the

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<sup>48</sup> Unathi Sonwabile Henama, “Disruptive Entrepreneurship Using Airbnb: The South African Experience.”

<sup>49</sup> Nate Silver, “The Most Diverse Cities Are Often the Most Segregated,” *FiveThirtyEight*, May 1, 2015, <https://fivethirtyeight.com/features/the-most-diverse-cities-are-often-the-most-segregated/#:~:text=New%20York%20also%20has%20a,47%20percent%2C%20which%20ranks%2049th>.

<sup>50</sup> Ivan Turok, Justin Visagie, and Andreas Scheba, “Social Inequality and Spatial Segregation in Cape Town,” *The Urban Book Series*, 2021, 71–90, [https://doi.org/10.1007/978-3-030-64569-4\\_4](https://doi.org/10.1007/978-3-030-64569-4_4).

middle class by subsidizing housing. However, these policies completely excluded Black Americans. From the 1930s to the 1960s, Federal Housing Authority policies such as redlining ensured that Black Americans were less likely to receive loans for housing and more likely to receive loans with worse interest rates.<sup>51</sup> As a result of continued housing discrimination over decades, low-income people and people of color became concentrated in cities such as New York. After the Fair Housing Act banned redlining in 1968, other forms of housing discrimination persisted. Gentrification has threatened to displace people of color from the New York City center from the 1960s onward.<sup>52</sup> This brief historical background demonstrates how New York City's history of racist housing policy has allowed for current spatial inequalities.

The case study of New York City demonstrates that Airbnb intensifies existing spatial inequalities, and thus may have a similar effect in the city of Cape Town. Airbnb hosts are five times more likely to be white across all 72 predominantly Black New York City neighborhoods. In those neighborhoods, the white resident population stands at 13.9% while the Airbnb host population is 74% white. In New York City, the beneficiaries of Airbnb are, by and large, white, as white Airbnb hosts in Black neighborhoods earned a total of \$159.7 million, compared to only \$48.3 million for Black hosts. To put that into perspective, 13.9% of the population reaping 73.7% of the income benefits represents a 530% economic disparity. Further, while income benefits due to Airbnb in Black neighborhoods often affect white residents, the loss of housing and neighborhood

disruption due to Airbnb is more likely to affect Black residents due to their majority presence in these neighborhoods. The case of New York City clearly shows that—even in majority Black neighborhoods—Airbnb primarily benefits white residents. Yet, the burden of gentrification disproportionately falls on Black residents.<sup>53</sup> Drawing from New York City, a racially diverse urban center that similarly possesses a long history of housing discrimination, this paper hypothesizes that Airbnb's presence in Cape Town may be exacerbating existing wealth inequalities by allowing white residents to reap disproportionate economic benefits while others face the threat of gentrification due to rising prices.

### ***Demonstrating That Regulating Airbnb Works Using the Case Study of Berlin***

This paper will now utilize the case study of Berlin, Germany to illuminate how regulations can limit the “Airbnb Effect” to varying degrees. While 85 percent of Berliners rented in 2021, 17 of the 19 Berlin neighborhoods were unaffordable to the average earner based on the amount of someone's net salary that goes to monthly rent.<sup>54</sup> This housing crisis finds its roots in a multitude of issues. Historically, post-unification Berlin has reckoned with the task of incorporating East Berlin housing stock into the market, contributing to new dynamics in the housing market. Furthermore, the Berlin housing market has experienced pressure from the influx of expats and internationals. While Berlin has rent-controlled public housing available for low-income tenants, this housing

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<sup>51</sup> Terry Gross, “A ‘forgotten History’ of How the U.S. Government Segregated America,” NPR, May 3, 2017, <https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america>.

<sup>52</sup> Ingrid Gould Ellen and Gerard Torrats-Espinosa, “Gentrification and Fair Housing: Does Gentrification Further Integration?,” *Housing Policy Debate* 29, no. 5 (2018): 835–51, <https://doi.org/10.1080/10511482.2018.1524440>.

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<sup>53</sup> Cox, Murray. “The Face of Airbnb, New York City - Airbnb as a Racial Gentrification Tool.” Inside Airbnb, March 2017.

<http://insideairbnb.com/research/face-of-airbnb-nyc/>.

<sup>54</sup> Zoe Dare Hall, “In Berlin 85% of People Rent Their Homes - and Prices Are Spiralling.” Subscribe to read | Financial Times, October 22, 2021, <https://www.ft.com/content/4f02ecb1-31cf-4125-b482-478b031d2e8d>.

requires protection.<sup>55</sup> In the last few years, expats and locals alike have experienced the increasingly difficult challenge of finding accommodation in Berlin, especially in central, trendier areas.<sup>56</sup>

Recognizing the impact of Airbnb on affordable housing, the City of Berlin imposed regulations on short-term rental accommodations. In May 2016, the City of Berlin announced an Airbnb ban restricting property owners to only renting out one room for a maximum of two months.<sup>57</sup> Named “*Zweckentfremdungsverbot* (Prohibition of Misappropriation),” this law threatened anyone renting an entire flat with a fine of up to 100,000€ per violation. Furthermore, any commercial exploitation of housing had to first receive a special permit from the city. The ban primarily targeted commercial users, those who repeatedly rent their property out for short stays, rather than “home sharers,” who occasionally and moderately used the platform. This strategy made sense as commercial users represented a greater threat to the housing supply by aggravating current shortages in long-term accommodations for locals.<sup>58</sup> However, in March 2018, the Berlin city assembly overturned the Airbnb ban and instituted new regulations.<sup>59</sup>

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<sup>55</sup> Juliana Dahl and Malgorzata Góralczyk. (2017, May). *Recent Supply and Demand Developments in the German Housing Market*. (Economic Brief 025). European Commission.

<sup>56</sup> Tomaso Duso, Claus Michelsen, Maximilian Schäfer, and Kevin Ducbao Tran. “Airbnb and Rental Markets: Evidence from Berlin.” CEPR Discussion Paper, no. DP16150 (May 2021). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3846265](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3846265).

<sup>57</sup> O’Sullivan, Feargus. “Berlin’s Airbnb Ban Is Over, but the New Rules Are Serious.” Bloomberg.com, March 23, 2018. <https://www.bloomberg.com/news/articles/2018-03-23/berlin-s-airbnb-ban-is-over-but-the-new-rules-are-serious>.

<sup>58</sup> Tomaso Duso, Claus Michelsen, Maximilian Schäfer, and Kevin Ducbao Tran. “Airbnb and Rental Markets: Evidence from Berlin.”

<sup>59</sup> O’Sullivan, Feargus. “Berlin’s Airbnb Ban Is Over, but the New Rules Are Serious.” Bloomberg.com, March 23, 2018. <https://www.bloomberg.com/news/articles/2018-03-23/berlin-s-airbnb-ban-is-over-but-the-new-rules-are-serious>.

Although the ban was only in place for two years, it was, in many ways, very successful. The Berlin boroughs, though impeded by appeals, pursued proceedings against a small portion of people on the Airbnb website. Research shows that the Airbnb ban led to measurable decreases in the supply of Airbnb listings. From March 2016 on, many users removed their listings from the platform. Two months after the ban went into effect, the supply of Airbnbs in Berlin fell by 40%, leaving about 11,000 listings on the site.<sup>60</sup> Nevertheless, Berlin has experienced an incremental increase in new listings since May 2016. One can conclude that the ban successfully removed users from the platform shortly after implementation, but this dissuasion ultimately faded with time. Despite the declining influence of the ban, Duso et al. found that the 2016 ban reduced both the number of Airbnb offers and the number of high-availability listings, defined as listings available for short-term renting for more than 180 days per year. Due to the disproportionate marginal effect of high-availability listings on the housing market, researchers have discovered that the reduction in Airbnb listings following the 2016 reform led to an increase in rental supply. Researchers have also found that the 2016 Airbnb Ban successfully reduced rents by contracting the long-term rental supply.<sup>61</sup>

In 2018, Berlin replaced the Airbnb ban with strict rules that aimed to protect the housing market but fell short of the success of the ban. Starting May 1 of 2018, Berliners could rent out primary homes without restrictions, and second homes for up to 90 days per year. The new policy imposed firm conditions on

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<sup>60</sup> Zeit Online. “Airbnb Kündigt Vermietern in Berlin.” ZEIT ONLINE | Lesen Sie zeit.de mit Werbung oder im PUR-Abo. Sie haben die Wahl., April 27, 2016. <https://www.zeit.de/wirtschaft/unternehmen/2016-04/airbnb-berlin-ferienwohnungen-vermieten-zweckentfremdung-gesetz>.

<sup>61</sup> Tomaso Duso, Claus Michelsen, Maximilian Schäfer, and Kevin Ducbao Tran. “Airbnb and Rental Markets: Evidence from Berlin.”

vacation rentals and required landlords seeking to rent out their homes to obtain general permits.<sup>62</sup> Landlords leaving an apartment untenanted were required to apply for a special permit to maintain a vacant space after three months without having a permanent tenant registered. The maximum penalty for breaking the rules increased to 500,000€.<sup>63</sup> In contrast to the Airbnb ban, the 2018 reform mainly led to a decrease in low-availability listings rather than high-availability listings. While the 2016 reform was more successful than the 2018 reform at reducing professional short-term renting, both significantly decreased Airbnb supply.<sup>64</sup> These reforms found varying success but both demonstrate that Airbnb's effects on the rental supply can be successfully regulated. In particular, the Berlin case study displays the ability of regulations that target high-availability listings to decrease professional short-term renting and rents. Ultimately, the success of the City of Berlin provides evidence that regulation can combat the "Airbnb Effect" and a potential model for housing policies in Cape Town.

### ***Conclusion***

Although Airbnb can spur tourism, it does not do so without consequences. This paper has argued that Airbnb detrimentally affects housing market shortages and exacerbates existing spatial inequalities. However, the case study of Berlin has

demonstrated that regulating Airbnb can reduce the number of Airbnb listings in a city and has the potential to counteract rising prices and rental shortages caused by Airbnb, if these regulations are properly implemented. To limit Airbnb's effect on gentrification and inequality, the City of Cape Town must regulate the Airbnb market. Cape Town city officials must look toward cities such as Berlin to enact creative legislation before Airbnb continues to amplify the issues within a vulnerable market.

Furthermore, when addressing the "Airbnb Effect," Cape Town city officials must not overlook the existing problems in the housing market. This issue is about more than just regulating Airbnb or other home-sharing policies. Other social policies must be implemented to guarantee affordable housing for all Capetonians. The city must mandate the private sector to build more inclusionary housing options and implement different forms of regulation to restrict private developments in Cape Town. The City of Cape Town must meet its constitutionally mandated obligation to address spatial apartheid through the construction and protection of adequate social housing in well-located areas.

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<sup>62</sup> O'Sullivan, Feargus. "Berlin's Airbnb Ban Is Over, but the New Rules Are Serious."

<sup>63</sup> O'Sullivan, Feargus. "Berlin's Airbnb Ban Is over, but the New Rules Are Serious."

<sup>64</sup> Tomaso Duso, Claus Michelsen, Maximilian Schäfer, and Kevin Ducbao Tran. "Airbnb and Rental Markets: Evidence from Berlin."