

Toronto



ECONOMIC IMPACT STATEMENT

ABSTRACT: This study was prepared by urbanMetrics inc on behalf of its Client, Airbnb. The study provides a third-party assessment of the economic impacts associated with the Airbnb home-sharing platform in the context of Canada's largest municipality, the **City of Toronto**. This report concludes that Airbnb guests spent \$417 million while visiting Toronto in 2016, contributing \$292 million to the local Toronto economy. Provincially, this economic activity contributes \$377 million to the Ontario economy and supports nearly 5,900 full-time employment positions. The loss of Airbnb in the Toronto market would eliminate approximately \$40M in spending, and trim approximately 600 full time positions from the local economy.

The information contained in this report is based on a variety of published sources which have been deemed by the authors as both reliable and accurate for the purposes of this study. The urbanMetrics study leverages survey data gathered by Airbnb related to guest and host expenditure in the local market in 2016. The study relies upon the [Ontario Tourism Regional Economic Impact Model \(TREIMS\)](#), which was developed on behalf of the Ministry of Tourism, Culture and Sport for the expressed purpose of measuring expenditure impacts with the Ontario tourism, hospitality and events sector.

FEBRUARY 8TH, 2017



CITY OF TORONTO

ECONOMIC IMPACT STATEMENT

Airbnb guests to Toronto in 2016 spent \$417 million in the city, generating an economic impact of \$292 million locally. Within the province, Airbnb guests generated \$377 million in economic impact, supporting nearly 5,900 full-time employment positions. The loss of Airbnb in the Toronto market would effectively eliminate approximately \$40M in spending, and trim approximately 600 full time positions from the local economy.

TORONTO:

POPULATION: **2,800,000** (City) ↗ | **6,600,000** (Region) ↗
VISITATION: **40,000,000** (total) ↗ | **14,000,000** (overnights) ↗
TOURIST SPENDING: **\$4.3B** (total) ↗ | **\$1.5B** (accommodations) ↗
AVERAGE LENGTH OF OVERNIGHT STAY: **4.1 NIGHTS** ↗

1: INTERNATIONAL GATEWAY

The City of Toronto is widely recognized as one of the most cosmopolitan and diverse cities in the world. Over 180 languages are spoken, and more than half (51%) of the City's population was born outside of Canada. Toronto is a major global destination for international immigration. Each week over 1000 people move to Toronto. New Torontonians maintain strong international ties with family, friends and associates around the globe. For those relocating to Toronto, Airbnb can act as an important short-term housing option.

2: VIBRANT CULTURAL HUB

Toronto is a city teeming with creativity and talent. According to the City of Toronto, 1 out of every 4 jobs in Canada's creative industries is based in Toronto. Artists, performers, musicians, athletes, and of course, audiences are drawn from all corners of the globe to celebrate Toronto's rich and diverse cultural assets. Each and every night Toronto's theatres, concert halls, arenas and restaurants directly benefit from the presence of out-of-town guests enjoying all the best Toronto has to offer.

3: INNOVATION & ENTERPRISE

The City of Toronto is a hot-bed for innovation and enterprise. The City is home to a deep pool of well-educated, highly-skilled workers that lend their talents to best-in-class employers with international footprints in software, finance, aviation, healthcare and professional services. Young professionals and seasoned industry thought-leaders are drawn to Toronto because of its reputation for delivering a high quality of life supported by an exceptional talent pool.

4: HEALTH & HEALING

The City of Toronto is home to many of Ontario's leading hospitals and medical experts. Each day 1000s of patients and families travel into Toronto from elsewhere in the province to receive advanced medical services that are simply not available outside of the Toronto area. Quite often patients and families require comfortable, and affordable short term accommodations while undergoing treatment or supporting a loved one.

5: DIVERSITY & CELEBRATION LGBTQ

Toronto is a city that celebrates its diversity. Toronto's annual Pride Toronto event in July has emerged as one of the biggest LGBTQ events on the planet. Toronto's profile as a safe, open and inclusive city has served as an important calling card which draws thousands of people each year to not only visit, but begin a new life in City where people can celebrate who they are.

urbanMetrics

MARKET SNAPSHOT



ANNUAL PASSENGER VOLUMES:

- Pearson International Airport – 41.0M ↗
- Billy Bishop Airport – 4.3M ↗
- Union Station (Via Rail) – 2.5M ↗

TOURISM-BASED JOBS: 329,000 ↗

TOURISM-BASED BUSINESSES: 19,000 ↗

HOTELS: 108 (City) →

ROOMS: 25,000 (City) →

OCCUPANCY RATES: 71% ↗

ROOM NIGHTS SOLD: 6.7M ↗

AVERAGE DAILY RATES: \$157 →

HOTEL REVPAR: \$116 →

AIRBNB LISTINGS: 15,000 (City) ↗

AIRBNB GUEST ARRIVALS: 440,000 (City) ↗

AIRBNB AVG BOOKING: 4.2 Nights (City) ↗

*Toronto was the **4th** most popular North American destination in 2016*



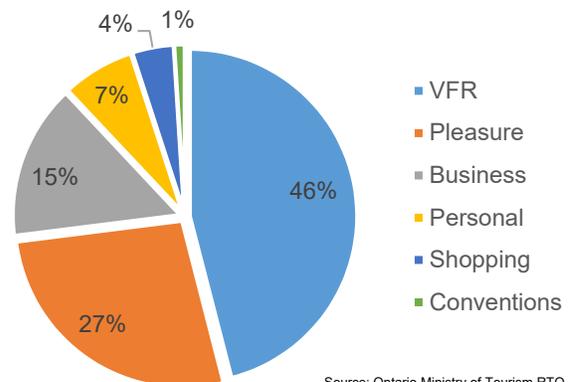
WHY PEOPLE VISIT TORONTO

Toronto's reputation and profile as a must-see City has grown steadily over the past several years. Toronto routinely ranks among the top-10 cities in the world for commerce, livability and diversity.

According to Tourism Toronto, visitor growth has shown seven consecutive years of growth. Although final data for 2016 is not yet available, this year appears to be on track to beat the previous record set in 2015 with 14 million overnight visits. This means that on any given night there are more than 38,000 visitors in Toronto looking for somewhere to lay their heads down.

People visit Toronto for a myriad of reasons. Based on Ontario tourism data, the single most important reason is to visit friends and relatives (VFR). Similarly, the bulk of people using Airbnb in Toronto were in the city for vacation. However, Airbnb is also important for those coming to the city to visit family and friends, attend a convention or go for a job interview.

Purpose of Trip (Toronto)



Source: Ontario Ministry of Tourism RTO 5 (Toronto, Peel), 2015

HOW AIRBNB FITS THE MARKET

GEOGRAPHY

While the City of Toronto has a very dense developed downtown core, the City (and the surrounding region) actually occupies a vast geographic area. The City is comprised of hundreds of neighborhoods, dozens of business parks and several prominent office clusters. Despite its size, the current supply of hotel rooms in Toronto is heavily concentrated in the downtown core. The conventional hotel market does not fully, or adequately, reflect the fact that there is a sizeable segment of the travel market that does not need to, or *want to*, stay downtown. According to Airbnb survey data, 73% of Airbnb guests turn to the platform to find more convenient locations compared to conventional hotel offerings. Interestingly 61% of Toronto's Airbnb guests cited "living like a local" as a primary motivator behind their decision to seek out accommodations in a private home.



AFFORDABILITY

The conventional hotel market does not fully - or adequately - address the fact that there will always be a sizeable segment of travelers that cannot afford typical rate premiums attached to central area hotels. It is also true that a large segment of people visiting Toronto are not necessarily inclined to stay in a conventional hotel offering.

Approximately 90% of Airbnb guests in Toronto relied on the platform as a means of saving money compared to hotels. Moreover, one-third of Airbnb guests indicated that lower rates enabled them to stay in Toronto longer compared to conventional hotel offerings. It is also important to point out that affordable overnight options in neighbourhoods across the City provides visitors with an opportunity to explore Toronto in new and interesting ways. It also provides local businesses outside of the downtown with an opportunity to capture visitor expenditures that might otherwise not be available. Interestingly, guests who indicated that they had saved money by using Airbnb actually ended up spending the money they saved elsewhere in the local economy, particularly restaurants, shops and other services.



SCALABILITY

The City of Toronto is experiencing tremendous growth. Population growth combined with soaring housing prices are having profound impacts on new development in virtually all areas of the City. Despite Toronto's unprecedented growth, the number of hotel rooms in the City of Toronto over the past 15 years has fundamentally remained unchanged at 25,000 suites¹. This circumstance has much less to do with the entry of new services such as Airbnb and more with people's desire to live in downtown Toronto, which has contributed to rising property values.

This increase in property values in downtown Toronto have, in many respects, resulted in new hotel construction shifting towards the more luxury-end of the market. At the same time, Toronto has also seen the conversion of a number of older mid-market hotel properties and hostels, which have been more accessible to the everyday traveler. Simply put, the underlying property value assigned to sites in Toronto that permit new high-rise construction clearly break in favour of residential and office construction, and not – at least for the time being – new mid-market hotel construction.

That said, Toronto's tourism industry continues to be on-track for solid growth over the next 20 years. Passenger volumes at Pearson International Airport for example are forecast to grow from 41M passengers in 2015 to 65M by 2035. Planning and investment are already well underway to ensure transportation systems are capable of supporting anticipated passenger volumes. The capacity of the hotel industry to fulfil projected growth on the other hand remains unclear given prevailing real estate patterns in Toronto. Short term accommodation options such as Airbnb help alleviate the bottleneck by providing an elastic supply of accommodations that can temporarily respond to large and significant events that bring tourists to the City, such as the Pan American Games, the Grey Cup and the World Cup of Hockey that all occurred in Toronto in 2016.



FLEXIBILITY

Airbnb provides a simple and powerful platform for people in transition. Sometimes this can be as simple as a place to stay for a few days while visiting family or loved ones who happen to live in a small 1-bedroom condo in south Etobicoke. Other times it might be as long as a few weeks. Perhaps enough time to adjust to life in a new and unfamiliar city; or to carve out a new career path; or to help a loved one through medical care. Airbnb provides flexibility that conventional accommodations can't provide.



¹ Based on Greater Toronto Hotel Association, Economic Impact Study and Comparative Cities Research, December 2015 and September 2016 Reports, prepared by CBRE Hotels.

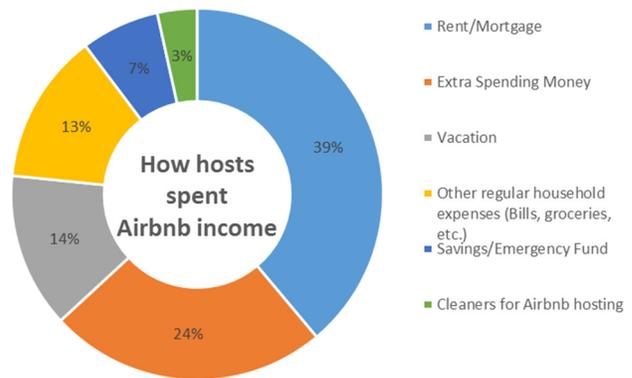
BENEFITS OF SHORT-TERM ACCOMMODATIONS OPTIONS

HOST INCOME

Airbnb is not only an important resource for travelers, Airbnb has become a necessity for many people who want to maintain a foothold in one of North America's most expensive property markets.

There were more than 15,000 unique Airbnb listings in the City of Toronto in 2016. According to Airbnb, the typical annual income for a host in Toronto was \$5,330, which translates to approximately \$450 per month. Roughly 40% of hosts rely on this income to make ends meet in an increasingly expensive city.

Based on a 2016 survey of nearly 300 Toronto-based Airbnb hosts conducted, nearly 40% of income that hosts earn go towards paying monthly mortgage/rent payments. A large share of spending also stayed within the local economy, as hosts spent Airbnb income on items such as groceries, restaurants and household supplies.

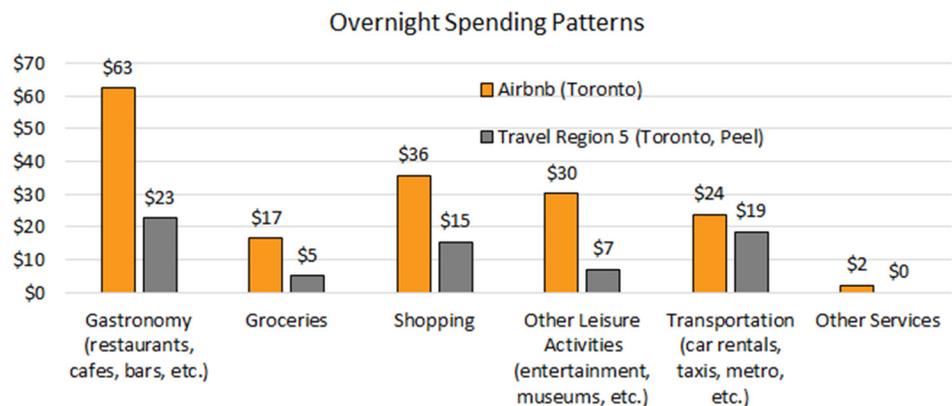


GUEST SPENDING

Information from Airbnb indicates during 2016 a total of approximately 198,000 reservations were booked through Airbnb in the City of Toronto, equating to nearly 1.8 million guest nights². Also, Airbnb guests tend to stay longer and travel in larger groups compared to traditional overnight visitors to the Toronto Travel Region³.

On average, Airbnb guests spend approximately \$100 more per day on non-accommodation expenditures than traditional overnight guests to the Toronto Travel Region. This expenditure is higher across several key categories, including restaurants, groceries, retail shopping and transportation. This additional spending provides a significant lift to tourism related businesses in Toronto.

Airbnb also attracts visitors and spending to local neighbourhoods where traditional hotel accommodations are simply not available. Approximately 53% of guest's spending was concentrated within the neighbourhood in which they stayed. Furthermore, 51% of respondents who indicated that they saved money by using Airbnb subsequently spent those savings on food and shopping in the local economy.



² Data is for the period from December 1, 2015 to December 1, 2016. Average of 2.13 guest per reservation and an average of 4.24 nights per reservation.

³ Data is based on Ontario Ministry of Tourism, Culture and Sport Travel Region 5, which includes Toronto, Mississauga and Brampton

ECONOMIC IMPACT OF AIRBNB

The Airbnb platform has a significant positive economic benefit on the City of Toronto. Spending by Airbnb hosts and guests supports jobs, generates labour income and increases tax revenue for all levels of government. These benefits are broadly defined as the 'economic impact' on the local economy. Economic impact is one of the best methods to measure the contribution of Airbnb to the Toronto economy.

To estimate the economic impact of Airbnb host and guest spending on the City of Toronto, we have used the Ontario Tourism Regional Economic Impact Model (TREIM) that is made available through the Ontario Ministry of Tourism, Culture and Sport. The purpose of this model is to determine the economic impact of visitors' and businesses' spending on the local and provincial economies⁴. The TREIM allows for the calculation of the economic impact of direct spending by Airbnb guests, as well as the indirect and induced impact from subsequent rounds of spending.

In calculating the economic impact of Airbnb, we have relied upon records of listings and bookings provided by Airbnb during 2016 and a host and guest survey also conducted in 2016. During 2016 there were a total of nearly 422,600 guest arrivals in the City of Toronto. Data from Airbnb also indicates that average spending per guest was approximately \$233 per day, with the largest portion of spending going towards gastronomy and the Airbnb accommodation. This results in total guest expenditures of approximately \$417 million, the majority of which stays within the Toronto economy.

Based on the TREIM, the \$417 million in expenditures related to Airbnb guest spending supports 5,900 jobs, generates \$258 million in labour income and results in \$168 million in taxes to the various levels of government, including the City of Toronto.

We have also calculated the 'net Airbnb impact' based on data provided to urbanMetrics by Airbnb and the results of the Airbnb Guest Survey⁵, conducted in 2016. The intent of this Airbnb specific impact is to measure the unique value of Airbnb to the Toronto economy. In our analysis, we have calculated the specific impact of Airbnb in two ways:

1. **Fewer People Traveling to Toronto** - In the Airbnb Guest Survey, 2.3% of respondents indicated that they would not have visited Toronto if Airbnb was not available. Based on average guests per reservation, average nights per guest and average guest spending, this represents \$9 million in lost visitor spending.
2. **Shorter Trips to Toronto** - A comparison of Airbnb data with for overnight travelers to the Toronto Travel Region indicates that Airbnb guests travel in larger group sizes and tend to stay in the location slightly longer. This is also supported by the Airbnb Guest Survey, where 32% of guests indicated that they would not have stayed in Toronto as long if Airbnb wasn't available. Therefore, we have assumed that for those that still travel to Toronto, 32% would stay one night less. Overall, this results in approximately \$31 million in lost visitor spending.

Based on these two impacts, if Airbnb was not available, it would result in \$40 million in lost visitor spending. Based on the TREIM, the Airbnb specific impact supports approximately 600 jobs province-wide, generates \$25 million in labour income and results in \$16 million in taxes to the various levels of government. It is important to note that this impact excludes the approximately \$6 million in lost host revenue, a portion of which would be recirculated back into the local economy to support jobs, labour income and taxes.

Economic Impact of Airbnb	Impact of Airbnb Guest Spending	Net Airbnb Impact
Expenditure	\$417 Million	\$40 Million
Gross Domestic Product (GDP)	\$377 Million	\$36 Million
Jobs (Full-Time, Full-Year)	5,900 Jobs	600 Jobs
Labour Income	\$258 Million	\$25 Million
Tax Revenue	\$168 Million	\$16 Million

⁴ For further information on the TREIM, please visit <http://www.mtc.gov.on.ca/en/research/treim/treim.shtml>

⁵ The Airbnb Guest Survey was a survey of 184 guests who made reservation in the City of Toronto in 2016.

DETAILED ECONOMIC IMPACT AIRBNB GUEST SPENDING (TORONTO, ONTARIO 2016)

	Impact of Airbnb Guest		Net Airbnb Impact	
	Toronto	Ontario	Toronto	Ontario
Total Visitor Spending	\$416,900,000	\$416,900,000	\$40,400,000	\$40,400,000
Gross Domestic Product				
Direct	\$194,100,000	\$194,100,000	\$18,800,000	\$18,800,000
Indirect & Induced	\$97,500,000	\$183,000,000	\$9,400,000	\$17,700,000
Total	\$291,600,000	\$377,100,000	\$28,200,000	\$36,500,000
Multiplier	1.50	1.94	1.50	1.94
Labour Income				
Direct	\$131,300,000	\$131,300,000	\$12,700,000	\$12,700,000
Indirect & Induced	\$65,900,000	\$126,900,000	\$6,400,000	\$12,300,000
Total	\$197,200,000	\$258,200,000	\$19,100,000	\$25,000,000
Multiplier	1.50	1.97	1.50	1.97
Employment (Full-Time, Full-Year)				
Direct	3,820	3,820	370	370
Indirect & Induced	1,020	2,050	100	200
Total	4,840	5,870	470	570
Multiplier	1.27	1.54	1.27	1.54
Direct Taxes				
Federal	\$45,700,000	\$45,700,000	\$4,400,000	\$4,400,000
Provincial	\$45,500,000	\$45,500,000	\$4,400,000	\$4,400,000
Municipal	\$300,000	\$300,000	\$0	\$0
Total	\$91,500,000	\$91,500,000	\$8,800,000	\$8,800,000
Total Taxes				
Federal	\$77,300,000	\$93,900,000	\$7,500,000	\$9,100,000
Provincial	\$60,800,000	\$73,600,000	\$5,900,000	\$7,100,000
Municipal	\$600,000	\$900,000	\$100,000	\$100,000
Total	\$138,700,000	\$168,400,000	\$13,500,000	\$16,300,000

Note: Visitor spending and economic impact rounded to nearest \$100,000. Jobs rounded to nearest 10 jobs.

Source: urbanMetrics inc. based on Airbnb 2016 data, leveraging the Tourism Regional Economic Impact Model.



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