

A tale of three cities: Insight into the impacts of holiday rentals in France

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This paper reports on the impact of vacation rentals on three destinations in France – Paris, Côte d’Azur and the Haute-Savoie. The vacation rental market in France involves 9.4 million guests with an annual value of €4 359 million. Approximately 700 000 (1.5% of all households) properties are offered for short-term rent in France. Greater freedom offered by rented apartments is important, though the favourable costs when compared with hotel stays was also valued. In Paris, the rented accommodation spend by tourists is estimated to be as much as €217 140 000. Côte d’Azur in rented properties generates an average accommodation expenditure of €105 840 000, and in Haute-Savoie generated a direct accommodation spend of €29 148 000.

Keywords: vacation rentals, Paris, Côte d’Azur, Haute-Savoie

Introduction

Vacation rentals in France bring in new tourists, offer an increased choice of accommodation types, provide employment opportunities, and are a welcome source of revenue for individual property owners and communities alike. The growing number of residential properties rented out to tourists on a short-term basis, however, has caused increasing concerns amongst local authorities, the hotel industry, and neighbourhoods most impacted by visitor numbers. They claim that the repercussions on residential markets like in Paris are severe. Vacation rentals are said to distort competition because tourists pay more to rent these properties than full-time residential tenants. They also point to negative environmental impacts due to increased noise and traffic volumes. The sector is also accused of creating unfair competition because property owners are not subject to the same regulatory or taxation frameworks as the commercial accommodation sector such as hotels, etc. In response, cities and regions in France have considered regulating or restricting the ability of destinations to host short-term travellers. Frequently, a city or region’s land use ordinances have altogether prohibited residential properties from hosting paying tourists. In other cases, limits have been placed on the length of time a property can be let out for short-term rent.

This research aims to build a realistic estimate of the overall impact of the vacation rental industry in France. The research investigates traveller demands and demographics, the industry’s economic impact on the community, and the effects on housing stocks and affordable housing. The research specifically focuses on the impact of vacation rentals in three areas of France – Paris, the Côte d’Azur, and Haute-Savoie – in order to represent the country’s major types of tourism destinations: urban, seaside, and alpine.

This paper is a shortened version of a larger research project

undertaken for one of the vacation rental platform providers in France.

The contribution of travel and tourism

Calculating the economic value of travel and tourism in the economy has been the subject of a recommendation from the United Nations (United Nations, 2010). This suggests that the direct tourism spend underestimates the true value of tourism, both in terms of contribution to GDP and to employment. The World Travel and Tourism Council (2015) employs a method that takes into account both the indirect and the induced impact of tourism. Table 1 below presents a model showing that, in addition to the direct contribution of tourist spend, the indirect impacts need to be added so as to calculate the total contribution that tourism makes, both to GDP and employment. The ratio of tourist spend to contribution to GDP is 1 to 2.4. In other words every euro directly spent by tourists generates a €2.4 contribution to GDP. Similarly, every job directly serving tourists generates 2.4 jobs in the wider economy (WTTC, 2015).

Research approach

The key problem is that official tourism statistics do not display the demand for tourism rental accommodation. In part, this is a by-product of the recent proliferation of short-term rentals in the provision of tourism accommodation, with the result that existing data collection and reporting systems have not yet adapted to this change in consumer behaviour. This is a sector that will always be difficult to track, because the boundaries between properties used solely for domestic use and occasionally for commercial rental will always be somewhat fluid. As a consequence, this research interrogates a wide range of published sources so as to make informed estimates

Table 1: The contribution of travel and tourism to GDP and employment

| Direct travel & tourism | Indirect travel & tourism | Induced contribution (Spending of direct and indirect T&T employees) | Total travel & tourism contribution |
|--|--|--|-------------------------------------|
| Commodities | T&T investment spending | Food and beverages | To GDP |
| Accommodation | Collective government T&T spend | Recreation | To employment |
| Transportation | T&T spending on purchases from suppliers | Clothing | |
| Entertainment | | Housing | |
| Attractions | | Household goods | |
| Industries | | | |
| Accommodation services | | | |
| Food and beverage services | | | |
| Retail trade | | | |
| Transportation services | | | |
| Culture, sport and recreational services | | | |
| Sources of spending | | | |
| Residents' T&T spend | | | |
| Business domestic travel spend | | | |
| Visitor exports | | | |
| Individual government T&T spend | | | |

Source: Adapted from WTTC (2015)

of tourism rental activity and the contribution of this sector to the economy and to employment. The insights reported later are therefore, in many instances, based upon the interrogation of a variety of sources and calculated estimates, rather than hard data gathered from formal published sources.

The aim of the research was:

- To present a robust overview of the overall impact of the vacation rental industry in France.
- The objectives of the research were to:
- Identify traveller demands and demographics
- Estimate the effects on housing stocks
- Estimate the effects on affordable housing
- Quantify the economic impact on the community.

Research method

The research focused on the impact of vacation rentals in three areas of France – Paris, Cote d'Azur, and Haute-Savoie – in order to represent the country's major types of tourism destinations: urban, seaside, and alpine. The conducted research employed:

- (1) A **desk study** of existing research about the impacts of vacation rentals, including the collection of models for quantifying the economic contribution of tourist visits to national economies, as well as a review of existing regulatory responses to the sharing economy, with a particular focus on the short-term rental market.
- (2) A **data audit** to identify relevant sources of information about vacation rentals among public datasets and those compiled by other organisations such as trade bodies, advocacy groups, and academic institutions. It should be pointed out here that, to this day, official data collection on tourism in France has mostly neglected the increasing importance of the vacation rental sector. As a consequence, official data is poor and inconsistent, and there are large gaps in understanding.
- (3) A **key informant survey** was carried out between September and November 2015, using a structured questionnaire in

an electronic format and in-depth **follow-up telephone interviews**. These stakeholders, with their particular knowledge and understanding, were able to provide insight into the nature of issues and make recommendations for solutions. The findings from this are not reported in this paper because of target word-length limitations.

Tourism in France

France is the most visited destination in the world, attracting more than 80 million international visitors per year in 2012 (WTTC, 2014), with a predicted annual growth of 2.6% (Mintel, 2014a). Including domestic tourists, the volume of tourists was 138.9 million in 2013 and this was comprised of 54.2 million domestic tourists and 84.7 million international tourists (Mintel, 2014a). Table 2 highlights the numbers of tourists using commercial destinations. The figures do not account for visits by domestic tourists using non-commercial settings, such as accommodation provided by family and friends. Given these gaps, it is likely that official figures and the data quoted below underestimate the true value of tourism to the French economy and to employment. These figures include both leisure and business tourists. This is split approximately 80/20 leisure/business in total trips to France.

Income from tourism is calculated to have made a direct contribution of €81.4 billion to the French GDP in 2014 (Mintel, 2014a). The total contribution of travel and tourism, however, extends beyond immediate tourist expenditure to include

Table 2: France – Travel and tourism: market segmentation by volume (million tourists)

| Segmentation | 2010 | 2011 | 2012 | 2013 |
|---------------|-------|-------|-------|-------|
| Total | 128.3 | 135.2 | 135.4 | 138.9 |
| International | 77.5 | 81.4 | 83.0 | 84.7 |
| Domestic | 50.7 | 53.8 | 52.4 | 54.2 |

Source: Mintel (2014a)

income from investment, economic activity in the supply chain, as well as the impacts of induced income. This represents a total contribution of €191.4 bn in 2014 (9.6% of GDP) (WTTC, 2015). There is a current account surplus of €11.3 billion generated by tourism (WTTC, 2014). Leisure tourism, including both international and domestic, represents an 80.2% direct contribution to GDP, whilst business travel made a 19.8% direct contribution to GDP in 2014 (WWTC, 2015).

Paris

Greater Paris received 48.9 million visitors in 2014. Of these, 29.7 million were international visitors, making it the world’s top tourist destination (Shapira & Lefebvre, 2015). Tourist spend amounted to €13.58 billion and it is the highest tourist earning city after London and New York, and yielded a tax revenue worth €41.2 million to the city (Shapira & Lefebvre, 2015). Using the estimates of total tourism value outlined earlier in Figure 1, the indirect effects of the supply chain contribution, together with the induced income, the total tourist economy is estimated to be worth over €32 billion to Paris’ GDP.

Table 2 confirms Paris as a major attractor of international visitors, as two out of three tourists (involving an overnight stay) originate from outside of France. Just below 30 million international tourists visited Greater Paris in 2014.

The Greater Paris region has 1 966 hotels with a bed capacity of 114 450 bedrooms. Inner Paris has 1 588 hotels and 82 277 rooms. Parisian hotels have a combined income of €4.4 billion, of which 1-star and 2-star hotel income was €274 million; 3-star was €951 million; and 4-star and 5-star was €3 206 million. Occupancy levels for hotel accommodation were 77.3% for Greater Paris, and 79.3% for inner Paris (Shapira & Lefebvre, 2015). These occupancy rates are only second to London (81.1%) within European capital cities (HotStats, 2013).

Despite the advent of tourism rentals and the adverse effects of the recession on accommodation demand, the Paris hotel sector appears to be performing well. Table 3 reports on the performance of Paris and Greater Paris hotels, their average room rates, and the RevPAR.

The precise accommodation capacity for tourists is not available in official statistics because the lettings into private domestic accommodation are not published. Official regulation of accommodation for tourism lettings operates within Paris, but there is evidence that not all properties rented to tourists are officially licensed (Schechner & Verbergt, 2015).

Official estimates suggest that 30 000 apartments are available for rent (APUR, 2015), although in our interview with Christian Delom, he stated that this is closer to 50 000 properties. This is almost 2.5% of all Parisian dwellings and higher than the average of dwellings let in France mentioned above. However, there may be many more properties on offer than this because it is claimed that two thirds of these may be operating illegally (Fouquet, 2014). In a recent attempt to crack down on these unregulated lettings in Paris, one inspection team visited 2 000 apartments in the Marais district listed on various letting sites, and found 100 potential violations (Schechner & Verbergt, 2015). This suggests that of the properties listed, 5% may be operating without the appropriate approval. However, this study is only an indication, as there may be different levels of illicit vacation rentals in different parts of the city. The tourism impact on Parisian housing is further compounded by ownership of second homes. Of the 1.8 million dwellings in Paris, some 174 000 are estimated to be second homes (16%), though this rises to an estimated 40% in Paris’s 6th, 7th and 8th arrondissements near the Champs Elysees, Latin Quarter, and the Eiffel Tower (Fouquet, 2014).

Bearing in mind the estimates of dwellings available for rent in Paris given above, Table 4 approximates the dwellings available for rent by ownership. Based on the official estimate of 30 000 properties through to a high estimate of 50 000 properties available, the table suggests the potential availability for short-term rentals via ownership patterns. Given the lack of precision in the data, it is advisable to see this as a range from the official estimate to the potential upper estimate. Whilst second homes clearly have an impact on housing stock for some permanent Parisian residents, the impact on affordable housing is more confused. The predominant location of second homes in “desirable” locations in the city may not immediately

Table 2: Tourist arrivals in Paris and Greater Paris in 2014

| Origins of tourists | Greater Paris | Percentage of all tourists | Paris | Percentage of all tourists |
|------------------------|---------------|----------------------------|------------|----------------------------|
| France | 19 233 199 | 39.27 | 11 659 928 | 32.36 |
| International tourists | 29 738 199 | 60.73 | 24 371 528 | 67.64 |
| Total | 48 971 318 | 100 | 36 031 465 | 100 |

Source: Shapira & Lefebvre (2015)

Table 3: Average rates and RevPar by class of hotels in Paris and Greater Paris hotels 2014

| | | Ultra budget | Budget | Midscale | Upscale | Average |
|---------------|--------------------|--------------|--------|----------|---------|---------|
| Greater Paris | Average rate(€) | 54.9 | 87.9 | 127.5 | 225.1 | 133.2 |
| | Variation 2014/13% | +2.8 | +3.8 | +3.7 | +2.2 | +3.2 |
| | RevPar € | 43.1 | 69.1 | 99.6 | 180.9 | 105.2 |
| | Variation 2014/13% | +2.6 | +3.8 | +4.0 | +3.6 | +3.7 |
| Paris | Average rate(€) | n/a | 98.7 | 144.7 | 262.9 | 177.0 |
| | Variation 2014/13% | – | +3.9 | +3.7 | +2.5 | +3.3 |
| | RevPar € | n/a | 82.5 | 120.8 | 214.3 | 146.2 |
| | Variation 2014/13% | – | +3.4 | +3.9 | +4.0 | 3.8 |

Source: Shapira & Lefebvre (2015)

Table 4: Rental apartment in Paris by ownership estimates

| Ownership pattern | Units (%) | Units 30 000 | Units 40 000 | Units 50 000 |
|------------------------------|-----------|--------------|--------------|--------------|
| Second homes | 50 | 15 000 | 20 000 | 25 000 |
| Primary home | 30 | 9 000 | 12 000 | 15 000 |
| Primary & several properties | 20 | 6 000 | 8 000 | 10 000 |

Source: Shapira & Lefebvre (2015)

impact on affordable housing because these are likely to be located in different areas of the city.

Although traditionally a short-stay destination with an average length of stay of 2.3 nights (Comité Régional du Tourisme Paris Île-de-France, 2014), figures suggest that vacation rental guests stay an average of 2.9 nights longer than guests in traditional tourism accommodation (Berger, 2015). This corresponds with official data suggesting an average of 5.2 nights per guest in vacation rentals (DEG, 2014), and could amount to 10.65 million nights.

The direct spend on accommodation at €60 per head per night (DGE, 2014) is likely to be €639 million. Taking into account the contribution made by the indirect and induced contribution, the total benefit to the Parisian economy is likely to range at around €1.53 billion arising solely from rental income. Furthermore, the direct average daily spend of €145 (DGE, 2014) is likely to be €1.54 billion. This may well then create a total annual contribution to the Parisian economy of €3.71 billion from short-term rental guests (Figure 1).

Airbnb claim to have created 1 100 jobs at their 2013 level of demand and, given the continued growth since that date, it is not unreasonable to estimate that direct employment generated by the vacation rented apartment sector is now near 2 000 jobs. Bearing in mind jobs created both in direct sectors and the contribution aspect, there might be a total employment of 4 800 jobs associated with the Parisian vacation rentals market.

**Figure 1:** Annual contribution (in billion Euros) of the vacation rental industry to the Parisian economy. Source: Mintel (2015a)**Table 6:** Occupancy and stay Côte d'Azur

| 2013 | Occupancy rate | Arrivals (in thousands) | Overnight stays (in thousands) | Average length (nights) |
|--------------------|----------------|-------------------------|--------------------------------|-------------------------|
| Hotels | 59 | 4 226 | 9 572 | 2.3 |
| Tourism residences | 62 | 712 | 3 547 | 5.0 |
| Campsites | 43 | 175 | 1 053 | 5.9 |

Source: CDA (2014)

Côte d'Azur

The French Riviera on the Mediterranean coast of France is the second major destination for tourists after Paris. It attracts 1% of all international tourists in the world. The Côte d'Azur extends over three territories: the French departments of the Alpes-Maritimes and the Var, and the Principality of Monaco. Twenty million tourists generate 130 million overnight stays (Côte d'Azur Observatoire du Tourisme, 2014). Though not the topic of this study because they do not involve overnight stays, the destination also attracts 1.2 million cruise ship passengers each year. This adds further to the total value of tourism to the local economy. Direct expenditure by tourists is estimated to be €5 billion, though when the indirect impacts are taken into account this is said to be worth €10 billion to the local economy. Direct employment is 75 000 jobs, and when indirect effects are taken into account this is said to be 150 000 jobs associated with total tourism-related employment (Côte d'Azur Observatoire du Tourisme, 2014).

The data presented in Table 5 shows that 713 hotels and tourism residences (53% of all establishments), account for 88 924 bed spaces, which is 75.3% of all tourism bed spaces on the Côte d'Azur.

The figures outlined in Table 6 confirm the tendency outlined for Paris, in that hotel stays account for more arrivals, but for a shorter stay. Hotel occupancy rates average 59% in Greater Paris, and are lower than in Paris, though average stay length is similar. Tourism residences involve fewer stays but for longer than hotels, and contribute to a proportionately higher share of total overnight stays.

Almost 170 000 secondary residences are located on the Côte d'Azur, 48 000 of which are owned by international residents – the largest proportion of foreign-owned second residences in France. Thirteen percent of trips involving overnight stays occur in the region's secondary residences, and this accounts for 24% of all overnight stays in the Côte d'Azur (CDA, 2014).

In the absence of hard data, it is necessary to make an informed estimate of the vacation rentals market. According to the Comité Régional du Tourisme Riviera Côte d'Azur,

Table 5: Capacity by type of accommodation

| 2014 | Establishments | Beds |
|--|----------------|---------|
| Ranked hotels | 643 | 59 616 |
| Tourism residences | 70 | 29 308 |
| Ranked campsites | 29 | 23 301 |
| Ranked holiday villages and family homes | 11 | 3 397 |
| Youth accommodation centres | 13 | 1 094 |
| Country house lodges | 514 | 2 296 |
| Total ranked accommodation excluding furnished rentals | 1 343 | 118 012 |

Source: CDA (2014)

10% of the twenty million tourists on the Côte d’Azur already quoted stay at vacation rentals, with an average stay of 6–7 nights. This could amount to 13 million nights, generating an average accommodation expenditure of €60 per guest night, contributing €780 million annually to the local economy, growing to €1.87 billion when the multiplier effect (WTTC, 2015) is taken into account. When the average daily spend (€145 per visitor day) is considered, the direct spend from vocational rental guests is likely to be €1.89 billion per year, with a total contribution of €4.54 billion when the multiplier effect is included (Figure 2).

Haute-Savoie

Haute-Savoie is located in the region of Rhone-Alpes in Eastern France and borders both Switzerland and Italy. It has the highest range of elevations of any department in France and has Mont Blanc and the Aravis mountain ranges to the south and southeast. The French entrance to the Mont Blanc tunnel is located in Haute-Savoie. Its capital is Annecy. The population currently stands at 800 000. Haute-Savoie receives 12 000 new residents each year, and has doubled in size over the last 40 years.

Tourism activities and patterns reflect the terrain featuring many mountains and lakes. Tourism seasons are almost evenly split between winter and summer. Due to an array of winter sports activities, 56% of overnight stays are in the winter months. The first Winter Olympic Games were held in Chamonix in 1924. In the spring and summer, 44% of overnight stays involved mountaineering, hiking, spas, and lake-based activities. Whilst its location has made general trade through its mountain passes a major economic contribution to France, tourism is a significant activity.

The region hosts 601 hotels of varying star grading. There are 632 000 bed spaces in commercial properties. Tourist stays accounted for 34.7 million nights; 4 395 300 (12.67%) of these were in hotels. Given that there are limited statistics about tourism spend and the figures quoted above, direct spend is likely to exceed €2 billion and ultimately add in excess of €4.8 billion to the local economy. Direct employment involves 22 665 jobs, though when indirect employment and other contribution factors are added, this likely to be over 54 000 jobs. There are 80 541 secondary homes in the region and 21 670 properties are listed as being available for vacation rental (Conseil Départemental de Haute-Savoie, 2015).

A relatively low proportion of nights spent in hotels (12.67%), combined with a high proportion of secondary and holiday homes on the total tourism bed capacity (61%), support that estimation (Savoie Mont Blanc Tourisme, 2014). Given that official data are poor compared to other hospitality sectors, informed estimates are needed, although this may underestimate the actual number of nights spent in this accommodation type.

With average spend of €60 per day per head, this informed estimate of numbers of nights could amount to €208.2 million, growing to €499.68 million when the multiplier effect (WTTC, 2015) is taken into account. When the average daily spend (€145 per visitor day) is considered, the total annual contribution of the vacation rental industry to the economy in Haute-Savoie is likely to be €1.21 billion (Figure 3).

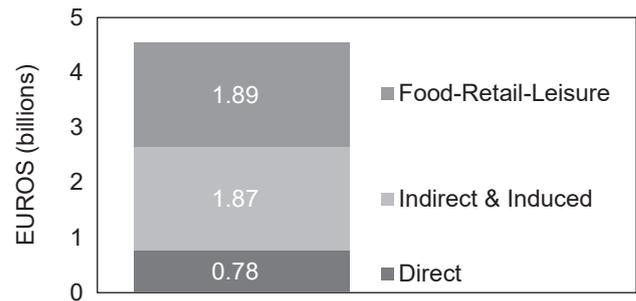


Figure 2: Annual contribution (in billion Euros) of the vacation rental industry to the economy on the Côte d’Azur. Source: CDA (2014)

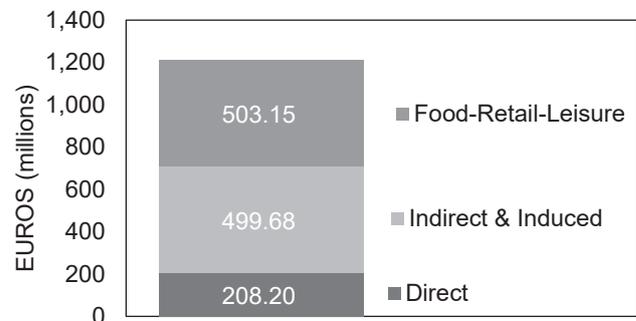


Figure 3: Annual contribution (in million Euros) of the vacation rental industry to the economy in Haute-Savoie. Source: Savoie Mont Blanc Tourisme (2014)

Conclusion

France is the most visited tourist destination in the world. Increasingly, tourists are using short-term rentals during their stay. As a consequence, there has been some concern that this is having a negative impact on local communities and on the competition for rental properties. In particular, the impact on budget accommodation has been the reason for increasing restriction of the vocational rentals market. This research has explored the impact of short vacation accommodations rentals used by tourists in France. It looks specifically at three destinations, Paris, Côte d’Azur, and Haute-Savoie.

The findings suggest that the impacts are not as simple as some would suggest. First, vacation rentals offer tourists an alternative accommodation source. This will, in part, be a product of the occasionality of the visit. On some occasions the same visitor might chose hotels, whilst on others a vacation rental. In addition, these tourists are making significant contributions to the GDP and the local employment. Our research found that in contrast to most public commentary, the actual number of registered complaints from neighbours in Paris is low. The views from major hotel company executives do not generally see the vacation rentals sector as a major threat.

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