Airbnb hosts in college towns hike up prices game days to deter rival fans

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Airbnb hosts in college towns increase their listing prices much more than hotels when there are home football games against rival teams. Hosts experience a 78 percent reduction in rental income by listing prices too high, according to a new study by the University of California San Diego's Rady School of Management.

The paper, to be published in *Real Estate Economics*, investigates whether households set listing prices to maximize rental income.

"Airbnb hosts in college towns are individuals, not corporations and are more susceptible to biases that lead to sub-optimal pricing," said co-author Joseph Engelberg, professor of finance and accounting at the Rady School. "In this case, we found that strong emotions involved in college football rivalries confounded listing prices set by households."

Airbnb—the largest firm in the rapidly growing "sharing" economy—recently announced the need to add millions of new hosts to accommodate guests as travel picks up again following the coronavirus pandemic.

For hosts in college towns, home game weekends are a big source of revenue during football season. The six weekends equate to 60 percent of total rental income between August and December.

Popular games on home weekends allow Airbnb hosts to charge even higher prices and rival games are certainly popular. But when the authors compared price hikes of more than 20 percent during rival weekends to price hikes of more than 20 percent during top-ranked, non-rival weekends, they found the increase during rival games reduced the likelihood of booking by 36 percent. This caused a reduction in rental income by 78 percent.

The inability to obtain a booking on just one Saturday night of a home game against a rival team results in an average rental loss of $325, or nearly 40 percent of the unit's monthly mortgage payment.

Engelberg and co-authors, Barbara A. Bliss of the University of San Diego and Mitch Warachka of Claremont McKenna College, analyzed data on 1,320 Airbnb units in 26 college towns encompassing 236 games during the 2014 and 2015 football seasons.

They obtained lists of rivals from sports media and include well-known examples such as Florida-Florida State, Notre Dame-USC, Ohio State-Michigan and Alabama-Louisiana State University.

The researchers found that hosts increase listing prices more during games with well-known rivals, compared to games with top-ranked, non-rivals.

For example, Florida State had home games in Tallahassee against Notre Dame and the University of Florida during the 2014 college football season. For the home game against the fifth ranked-team Notre Dame, Airbnb units in Tallahassee were listed for an average price of $201. However, five weeks later, on the home game against the unranked, rival University of Florida team, the average listing price in Tallahassee increased to $267.

With fans allowed in stadiums again for the 2021 season, the authors expect the same trend to continue.

Animosity toward rival affiliations is a luxury that only upper middle-class hosts can afford

The researchers also sought to answer if financial constraints influenced hosts' listing prices. They divided the zip codes within each college town into areas where residents are either financially unconstrained or financially constrained based on their utilization of available credit.

Indeed, only upper middle-class hosts are willing to take the financial hit out of spite during football season.

On average, those with and without financial constraints earn similar rental incomes on most days. However, on games against rivals, the average rental income of financially unconstrained households declines by over 20 percent, compared to hosts with more limited budgets.

"Intuitively, animosity toward rival affiliations is a luxury that financially constrained hosts cannot afford to incorporate into their listing prices," the authors write.

The units in the study resemble hotel rooms and provide accommodations that physically separate guests from hosts. Thus, rental transactions typically do not involve any interaction between hosts and guests.

Yet, that does not deter Airbnb hosts from increasing their rates and unlike hotels, they are not subject to regulatory oversight constraints.

Personal preference has a dramatic impact on the rapidly increasing "sharing" economy

The study offers new insights into the "sharing economy" in which households monetize their assets, such as their house (Airbnb.com), car (GetAround.com), or spare cash (Prosper.com). Airbnb dominates the economy—with over 150 million current users in the U.S., its value exceeds $31 billion.

In terms of the economic significance for Airbnb hosts in college towns on home game weekends, the failure to obtain a booking for both Friday and Saturday night results in a $662 loss, or 68.8 percent of the unit's monthly mortgage payment.

The authors conclude their findings highlight an important issue in the sharing economy.

"The prices set by households may differ substantially from those set by corporations since the former are susceptible to the personal preferences of individuals," they write. "In this case, animosity toward rival affiliations is a preference capable of reducing household income."

More information: The Price of Hate: Household Finance and Non-Pecuniary Preferences, rady.ucsd.edu/faculty/director … ortfolios/AIRBNB.pdf

Provided by University of California - San Diego

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