The Financialization of the Housing Market in the Digital Era
Airbnb in Berlin

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Like many other cities around the world, Berlin has faced rapidly rising rents over the past three decades. From 2015 to 2020, rents under new contracts have increased by 21 %, while existing rents have risen by 12 % (IBB 2021: 64). This development has been accompanied by a withdrawal of the state from housing provision, which has its onset in the 1980s, and a far-reaching privatization of municipal housing stocks. This can be understood as a successive shift from a state housing policy to a housing market policy (Egner 2019: 98). Recent attempts to politically regulate the excessive development of rental prices at the subnational level have failed. After a rent cap was introduced by a former center-left Berlin government coalition, it was eventually annulled by the Federal Constitutional Court due to Berlin's lack of jurisdiction. In a so-called *tenant city* such as Berlin, where the share of rented apartments in the housing stock was 84.25 % in 2020, and where there is thus a relatively low rate of home ownership, these developments have socially explosive impacts (IBB 2021: 10). The displacement of the poor population and social segregation in the urban space are among the most widespread consequences of these escalating market dynamics in Berlin.

This process is complemented by the increasing influence of platform companies on the local housing market. Using the example of Airbnb, an internationally operating platform company for the mediation and booking of apartments, this article describes the role of such a company in the housing policy debate. The main thesis of the text is that Airbnb is exemplary for the financialization and digitalization of the housing market, and that it, as a platform, exploits data generated by urban processes and rental practices.

In this context, it is of particular interest that digitalization is not a neutral process in itself; it takes place embedded in consumption-oriented and competitive logics and capitalist accumulation processes and is significantly influenced by technology and innovation policies. This process of exploitation, which takes place in both analog and digital space, is reflected in all spheres of society – including the area of housing.

The question to be asked is how platforms for the supposed short-term rental of homes for vacation lead to a cannibalization of the common rental relationship. In addition, this new kind of platform-mediated private housing is to be negotiated as the herald of the valorization of housing based on algorithms. Further, the use of rental software for tenant tracking indicates that the issue is also of interest in regard to digital surveillance and data exploitation. Finally, policy strategies that can be used to intervene against companies such as Airbnb will be presented at different scales.

Airbnb: From start-up to market power

Founded in 2008 as a start-up, the company has since experienced a meteoric rise: while it was able to list 120.000 accommodations in 2012, by 2019 there were already seven million accommodations available for booking worldwide, bringing in around 187 million bookings in the same year. Airbnb's underlying business model is as simple as it is successful: the company takes up an intermediary position between supply and demand. For example, Airbnb charges rental fees and collects 5-15 % from guests and 3 % from landlords for each rental transacted via the platform. This allowed Airbnb to generate more than three billion euros even in 2020, when tourism plummeted across much of the world due to the Covid-19 pandemic. As a company without a tangible product, Airbnb is almost infinitely scalable and, with 6.300 employees in 2020, Airbnb is, compared to other tech companies, a relatively lean company, which is nevertheless able to operate almost worldwide. Unlike hotel businesses, it has very little cost factors associated with the provision of accommodation and, as a platform, Airbnb must invest solely in server capacity and software development. In recent years, Airbnb has tried to gradually expand its range of services: the company began to operate regular hotels with partners, took over other platforms, such as the last-minute hotel provider hoteltonight.com, and even arranged entire trips. In addition, the company has expanded its platform function by not only mediating accommodation between those seeking and offering it but between tour guides and tourists as well. In some places, Airbnb has even entered the real estate development business. Together with the company Niido, Airbnb developed a joint venture in entire housing estates, with tenants committing to renting out their apartments via Airbnb on a weekly basis. This brings the group a double revenue stream: regular rent and regular income from arranging short-term rentals.

Moreover, there is the data that the company generates through its intermediary services and uses as an important resource that tells us a lot about trends and consumer behavior in the respective cities. In fact, it can be assumed that generating data and sharing it commercially with third parties is, for Airbnb, now equivalent to the actual rental business, and that every rental is about expanding the company's data landscape.

In Germany, too, Airbnb has become an indispensable part of the tourism industry, with the German capital Berlin being the company's main focus. A report carried out by the Federal Ministry of Economics and Technology showed that, in 2017 alone, around 22.500 offers were made in Berlin, with around half of these being entire apartments (BMWi 2017). This amounts to around 0.5 % of Berlin's housing stock at the time, with the rate likely being even higher in neighborhoods popular with tourists, as it can be assumed that there is a spatial concentration of offers in precisely these inner-city, multicultural, socially mixed, Wilhelminian era neighborhoods (Friedrichshain, Prenzlauer Berg, Mitte, Kreuzberg).

Rent madness and housing losses: Airbnb as a catalyst for urban exploitation strategies

The problem here is that many of the apartments are being misappropriated and withdrawn from the regular rental market, which contributes to a shortage of apartments on the market and, as a consequence, an increase in asking rents in the surrounding area. This is also the conclusion of a report by the German Institute for Economic Research (DIW). The DIW found that an additional Airbnb accommodation increased the asking rents in the immediate vicinity of the accommodation by an average of 13 cents per square meter, whereby the rent increases varied greatly from district to district, with a variance of between eight and 46 cents per square meter of living space per additional Airbnb offer (Duso et al. 2021: 95ff.). For a new 65-square-meter rental apartment, this can amount to as much as €38 per month, depending on the district – which is thus quite relevant to many Berliners.

On a subnational level, the state of Berlin counters the described problem by the so-called *Zweckentfremdungsverbot-Gesetz* (Law on Prohibition of Misuse of Residential Space), which has been applied since 2014. This law aims to prevent the illegal rental of apartments that are not permanently used for residential purposes. The legislation, which was reformed in 2018, obliges commercial landlords to present a registration number, which, in turn, must be obtained by applying for a rental permit at the district offices. In addition, Berliners are allowed to rent out their apartments whenever their function as a primary residence is not endangered, while secondary residences, the rental of which requires a permit, may be rented out for a maximum of 90 days per year. Permanent rentals of a part of a dwelling can be considered if less than half of the living space is affected. Nevertheless, the new law does not make everyone properly register their advertised apartments. A study commissioned by the parliamentary group of the European Left showed that since the law has changed up to 80 % of the advertised apartments in Berlin still did not have the required registration number (Cox/Haar 2020: 2). Due to the European legal situation, landlords can rely on the support of Airbnb, which has so far been reluctant to disclose the data of the respective landlords. Since the exact address as well as the full name of the landlord are only shown after an accommodation is booked, municipal governments are at a loss here without the company's cooperation.

Thus far, however, the company has shown little willingness to cooperate when it comes to taking action against the illegal misappropriation of residential space and, what is more, has used targeted lobbying against any attempts at stronger regulation. In the past, for example, Airbnb primarily invoked an e-commerce directive of the European Union from the year 2000 that explicitly does not hold platforms responsible for the activities of their users. In addition, according to the directive, platform companies must comply with the laws of their place of business. The Airbnb customer service for Europe has been located in Dublin since 2013, an inner-European paradise for tax avoidance and deregulated data mining. This completely outdated directive allows platform companies to evade their responsibility and urgently needs to be addressed.

Ironically, by tolerating the illegal practice of misappropriation, Airbnb works to secure the basis for its own economy: as rents rise in a city, more people rely on renting out their housing, at least partially and temporarily.

Accordingly, if more people rent out parts of their living space as short-term rentals and exclusively by the day or by the weekend, forms of permanent shared living in particular, which are widespread in large cities, but available living space in general as well, become scarce. Political and cultural scientist Rabea Berfelde argues that Airbnb thus offers “an individualized solution to processes of precarization” (Berfelde 2021: 143) and explains that, in the course of the neoliberal restructuring of the welfare state and the financialization of the global economy, infrastructures of social reproduction also increasingly become the object of exploitation logics (ibid.: 138).

If one considers, moreover, that the shareholders of the listed company include the financial giant BlackRock, it all comes full circle. BlackRock also holds shares in large housing companies such as Vonovia and Deutsche Wohnen AG, which benefit from rising rents in Berlin as well. While a September 2021 petition for a referendum on the socialization of listed housing companies with more than 3.000 residential units in Berlin was successful and is now greatly expected to be implemented (Candeias et al. 2022), right to the city activists adopted the call for expropriation in 2019 and demanded: expropriate Airbnb! (“Airbnb und Co. Enteignen!”; Leftvision 2019)

Airbnb as an example of the entanglement of the financialization and digitalization of the housing market

Sociologist Philipp Staab likewise sees a new accumulation regime in the making, describing an increasingly *digital capitalism* in which formerly analog processes are transferred to digital technological systems and platform companies play a key strategic role. For them, the aim is to create economies of scale and network effects to not only develop market power but to become the market in its entirety. According to Staab, this development can be traced back to multilayered socio-economic processes of capitalist reorganization, with in particular the financialization and deregulation of the global economy, which have been ongoing since the 1970s, setting the final course for the path that has led to the digital capitalism of the present (Staab 2019: 50). Conversely, financialization can no longer be understood independently of digital and electronic technologies. In Staab’s words, they are not identical, but they are “structurally analogous processes [with] historical [as well as] structural filiations” (ibid.: 99).

One example of the interweaving of digitalization and financialization can be found in the everyday practice of the housing industry. Algorithm-based management programs have become indispensable, especially for listed rental giants with thousands of units, and they play an increasingly important role even among medium-sized property management companies. The programs make it possible to automatically calculate leeway for rent increases and to close potential income gaps. They also provide a glimpse into the future by calculating potential corporate profits, which, in turn, influences the companies' balance sheets and stock market valuations. It goes without saying that the calculation of potential rent gaps does not take into account the interests of tenants and portfolio management but those of shareholders – as has repeatedly been pointed out by critical shareholders of the real estate corporation Deutsche Wohnen AG (Dachverband Kritische Aktionäre 2015).

In the case of housing platforms such as Airbnb, it is also the data generated on short-term rentals and users that influence share and stock market values and thus determine the value of the company. In addition, Airbnb uses digital and algorithm-supported programs – technologies that go by the term *property technology* as well – both to improve the marketing and utilization of vacation homes and to analyze investment opportunities. Furthermore, digital and algorithm-based technologies are increasingly used in the ecosystem of businesses that depend on Airbnb; the start-up AirDNA, for example, offers spatial analyses of price potentials for providers of short-term rentals, through which apartments can be 'managed' profitably like companies.

Airbnb itself is anything but transparent about its collected data when dealing with interested third parties that have no profit interests. This is not surprising, since data mining and trading has become an essential component of market power and a kind of new currency for corporations in general, and internet platforms in particular. One thing is certain: probabilities are calculated using algorithms from the data collected through platform use. These enable precise forecasts of, for example, demand, trends, and estimates of overnight rates. On the basis of these profile assumptions, providers are then offered price suggestions for their accommodation. In this way, accommodation costs are increasingly controlled by the data that the company receives from providers and users, which are simultaneously designed to increase Airbnb's revenues and thus successively raise the general price level, which in turn intensifies general urban rent increases.

Despite the impact of Airbnb's business model on rising rents and housing shortages, these have been a comparatively underexposed issue within the housing movement. Nonetheless, criticism of Airbnb is growing both in Berlin and worldwide because overall the extent of housing destruction by means of vacancies, vacation rentals, or demolition is becoming increasingly visible and is no longer discussed as a niche issue that has to be seen isolated from rent increases in existing apartments. Interestingly, digital activists are now joining forces with housing activists to call for digital expertise in order to achieve more transparency and a common good-oriented development of the city in the digital age. In 2019, for example, the Digital City Alliance was founded in Berlin to combine experiences of the sell-out of the city in the analog space with knowledge about digital politics and to make demands on state politics, including on how to deal with rental platforms such as Airbnb (Digitales Berlin 2019).

Conclusion and outlook: Regulating platform companies – analog and digital!

The task for the political left is clear: to starkly regulate housing platform companies such as Airbnb in terms of data and housing policies. Local governments must have the opportunity to manage tourism in a way that is compatible with the urban quality of life and housing needs of the urban population while, at the same time, counteracting the housing and rent crisis caused by capitalist urbanization.

The city of Vienna, for example, shows that it is possible to enforce rental bans via the platform. In the city's social buildings, short-term rentals are generally prohibited, and the platforms have committed to deleting all illegal listings. What works in Vienna has so far been impossible in Berlin, which reveals the lack of political will to enforce restrictive housing protection laws, especially digitally and via data policies. In line with the actions of digital platforms and the technological possibilities of digital capitalism, it would be politically advisable to consider illegal rental offers on the platform as a violation of rules and to oblige the company to enforce these rules. Only once a platform is made liable for its content can the enforcement of the applicable rules and laws through the rental opportunities on the platform be ensured.

Against this backdrop, the digital market and associated services provided by platform companies must be regulated more strongly at the supranational level and existing legislation must finally be overhauled. For more than two years, the European Commission (EC) has been negotiating the draft legislation of a Digital Services Act to establish a powerful transparency and a clear accountability framework for online platforms (EC 2020). If this is to be successful from the perspective of European cities, it must include at least the following points: first, companies such as Airbnb must be required to disclose landlord data, as well as a general quantitative overview of rentals, and implement city approval procedures in the platform. In this way, it would be conceivable that an advertisement on Airbnb would no longer be possible without the aforementioned registration number at all – technically, an easily implemented change. In addition, platforms must be obliged to take proactive action against illegal offers and not, as is currently the case, only after being requested to do so and after proof has been provided by municipal governments. Finally, the current principle of company domicile must be dismantled to enable legal proceedings in all European countries.

The digitalization and financialization of global capitalism have led to new forms of exploitation in recent years, with the platform economy being a significant expression and constituent of this development. Those who demand housing protection and rental security over a housing crisis and mass vacation rentals must change the rules of the game for digital offerings and platforms. The problems of our 'analog city management' have long been a reflection of digital malaise and the inability of political actors to think in terms of digital politics. Data extractivism of so-called sharing platforms and financial market-oriented real estate exploitation via property technology, as well as rental housing in the hands of hedge funds and shadow banks, are part of the same problem: the sell-out of cities in the digital age and the exploitation of the urban in the age of digital capitalism. In contrast, there is a need for social housing security and rent regulation, a regulatory policy toward platforms, as well as digital and analog city creators who, according to all the rules of the art of programming and in accordance with the claim of technological sovereignty, shape cities democratically and are oriented toward cities as a common good.

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