

Airbnb Is Driving Hosts Elsewhere With Costly Pandemic Policies

Hurt by refunds, some are trying to cut the site out of bookings or taking legal action. The company says it is working to reduce tensions.



By Erin Griffith

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Over six years, Lorraine Luongo went from renting out a spare room in her house in Myrtle Beach, S.C., to owning and managing 10 properties that she listed on Airbnb.

Last year, when the pandemic hit and Airbnb allowed customers to cancel bookings with full refunds, she lost \$25,000 in reservations overnight. The payments that Airbnb then offered hosts as a concession were “peanuts,” she said.

Ms. Luongo realized her business was too reliant on Airbnb, she said. So she created listings on competing sites like VRBO and Golightly, a site for female travelers, and plans to build a website to deal with guests directly. In November, she filed an arbitration claim against Airbnb for breach of contract, seeking to recover the money she lost.

“They’re supposed to be valuing the hosts, but everything is more in favor of the guests,” Ms. Luongo, 45, said.

Ms. Luongo is just one of Airbnb’s rental operators who have become increasingly disillusioned with the company. While there had always been tensions between Airbnb and its four million hosts around the world, a rift has widened in the pandemic after the company changed its cancellation policy and hosts saw what little power they had.

For some rental operators, the relationship is broken beyond repair. Hundreds with more than 10,000 listings are pursuing legal action against Airbnb, according to Bryant Greening, a lawyer at LegalRideshare, the Chicago firm that is helping Ms. Luongo with her claim. Others are trying to bypass Airbnb by booking guests directly. Last year, direct bookings made up 25 percent of reservations among rental managers surveyed by Hostfully, a travel software company, up from 19 percent in 2019.

“A lot of the damage is permanent,” said Jasper Ribbers, who runs Get Paid for Your Pad, a company in Barcelona, Spain, that advises short-term rental operators. “The trust is kind of gone.”

The fracturing is happening at a crucial moment for Airbnb. The company, which went public in December and immediately topped more than \$100 billion in value, faces high expectations as its stock price has soared further. Airbnb plans to report its first earnings as a public company on Feb. 25.

That puts the San Francisco company under pressure to show a thriving business — taking a cut of the fees when people book properties that hosts list on its site — even as new surges of the coronavirus dampen travel.

Brian Chesky, Airbnb's chief executive, said of hosts, "We have a lot of work to do, and frankly, they're still hurting," Jessica Chou for The New York Times

In an interview on the day of Airbnb's initial public offering, Brian Chesky, the chief executive, acknowledged tensions with hosts but said the relationship had improved over the last year.

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"We have a lot of work to do, and frankly, they're still hurting," he said.

Catherine Powell, Airbnb's head of hosting, said hosts' views of their relationship with the company improved 17 percent between January 2020 and last month. "Our relationship with hosts is incredibly important," she said. "Our hosts are what powers Airbnb."

When \$77,000 disappears

Airbnb hosts trace many of their issues with the company to March 14, three days after the World Health Organization declared the pandemic. That was when Airbnb enacted an "extenuating circumstances policy."

The change angered many rental operators, who had previously chosen their own cancellation policies, including a nonrefundable option. The new policy allowed guests to cancel with a full refund, overriding some hosts' preferences. Many saw their livelihoods disappear overnight.

Darik Eaton, who managed 50 properties in Seattle, laid off 10 employees after the change and has reconfigured his company to run "leaner," including dropping some of the properties he managed, he said.

"I watched \$77,000 disappear from my bank account in one day," Mr. Eaton said.

In late March, Mr. Chesky apologized to hosts for how the decision had been communicated. “We have heard from you, and we know we could have been better partners,” he said in a video. The company set up a \$250 million fund to cover some of the cancellation costs and a \$10 million relief fund.

But for some, the money was simply a gesture. Benjamin Vail, 34, who operates 70 Airbnb listings in Columbus, Ohio, said that while the properties he managed had lost roughly \$70,000 of bookings, he got a check from the company for \$3,211. Other hosts passed around images of checks with amounts like \$2 and \$4, he said.

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Hosts began sharing other grievances. While Airbnb’s terms guarantee that it will pay for the damage if guests ruin a property, some hosts said it was difficult to get the company to pay. They also complained about its customer service, inconsistent enforcement of pandemic policies, and elaborate Covid-19 cleaning rules that included shampooing rugs and washing down baseboards between each guest.

In July, Elizabeth Goldreich, an Airbnb host in Aspen, Colo., lost \$11,500 after a guest canceled a three-week stay at her vacation home at the last minute. Ms. Goldreich, 55, said the reservation, made after the pandemic began, should not have qualified for a refund.

The situation broke her trust in the platform. “I was a true loyal fan, until I got thrown under the bus,” she said.

Myrtle Beach, where Ms. Luongo listed 10 properties on Airbnb. Its compensation for cancellations amounted to “peanuts,” she said. Leslie Ryann McKellar for The New York Times

Dozens of hosts have retained LegalRideshare, which opened a subsidiary, LegalBnb, to file arbitration claims against Airbnb for breaching contracts, Mr. Greening said. (Airbnb’s terms require hosts to make legal claims individually through arbitration.) LegalBnb said Airbnb’s extenuating-circumstances policy did not include pandemics.

“Many of these hosts were absolutely willing to be flexible with their guests,” Mr. Greening said. “Airbnb took that power away from the host and, therefore, took money out of their pocket.”

Another host, Anthony Farmer, filed a proposed class-action lawsuit against Airbnb in U.S. District Court for the Northern District of California in November. The suit, which is attempting to override Airbnb’s arbitration terms, accuses the company of breaching its contract and fiduciary duty and violating consumer protection laws.

Christopher Nulty, an Airbnb spokesman, said the company’s policy put public health and safety first, which would ultimately help hosts “by maintaining high guest loyalty and demand for Airbnb listings.” He said Mr. Farmer’s suit was without merit.

‘Back to our roots’

In May, Airbnb announced that it would go “back to our roots” by focusing on “everyday people who host their homes.”

That position has business advantages. Professional rental operators with many listings can appear to take away housing and turn neighborhoods into tourist zones, causing politicians and neighborhood associations to impose regulations. A family renting out a spare bedroom often appears less threatening.

In a financial prospectus in November, Airbnb said 90 percent of its hosts were “individual hosts,” defined as those who created their listings directly on the site instead of using specialized software to sign up. But according to Transparent, a software provider for short-term rental operators, just 37 percent of Airbnb’s listings were managed by people with one property as of September. Roughly half of the listings were managed by hosts with two to 20 properties, and 14 percent by hosts with 21 or more.

So when Airbnb emphasized the individual hosts, it further annoyed its professional hosts.

“Their business is built on professional hosts, in a way, but they don’t often say that,” Mr. Vail, the operator in Columbus, said. “They don’t want that message to be the headline.”

Mr. Nulty said Airbnb’s focus on “core hosts” did not come at the cost of professional hosts. He said professional hosts were represented on its Host Advisory Board, a group the company created in October so hosts can meet with Airbnb executives.

#BookDirect

A movement toward “direct bookings” has now gained momentum. There is a conference series (The Book Direct Show), a hashtag (#bookdirect) and even a promotional holiday (#BookDirect Guest Education Day on Feb. 3).

“People are starting to think: ‘Do I really want to be completely dependent on Airbnb? I don’t want to experience what happened in March again,’” Mr. Ribbers said.

Kwesi Steele, chief executive of Tokeet, a provider of software to help short-term rental operators manage their listings, said many customers had begun asking for ways to build their own websites, especially those with loyal guests who realized they didn’t need an intermediary like Airbnb. At one point over the summer, the number of direct bookings from Tokeet’s customers was as high as those going through Airbnb, Booking.com and VRBO, he said.

So Tokeet accelerated development on a product, Webready, that allows hosts to build their own websites. It debuted in November.

“It was the fastest-growing product we’ve built in terms of adoption,” Mr. Steele said, with more than 1,500 hosts signed up.

When Airbnb went public in December, it set aside nine million shares for hosts to buy at the offering price. Those who took part more than doubled their money in a day.

But even hosts who participated, like Ms. Goldreich, said they did not plan to stick only with Airbnb. Ms. Goldreich said she had signed up with VRBO.

“I used to think they had my back and were a partner,” she said. “I no longer feel that way.”