

April 2023

NEW ORLEANS' NEW AND EVOLVING SHORT-TERM RENTAL RULES SHOULD BE A BOON FOR LOCAL HOTELS



By **John Plasencia**
Managing Director,
The Plasencia Group

The City of New Orleans recently passed, and is continuing to revise, new rules regarding short-term rental units (STRs) that greatly benefit the local lodging market. These rules are among the strictest in the nation and seek to address the problem of “party houses” that have completely taken over once-charming neighborhoods in the city. These new restrictions will have an immediate, positive effect on residents and hotel owners alike in the Crescent City.

HOW THE RULES HAVE CHANGED

Per the city’s newly introduced regulations, which are proposed to take effect in July 2023, only one short-term rental license may be issued per square block in residential areas of New Orleans. Further, in these residential areas, the STR license-holder must occupy a bedroom onsite, and each STR is allowed to accommodate a maximum of just six guests. The city has made clear that they plan to aggressively enforce these stringent new rules, and it is expected that upwards of 90% of the city’s current STRs could be eliminated. The ability for professional investors and absentee owners to buy and “Airbnb” homes in neighborhoods will eventually be meaningfully restricted in New Orleans. These rules are based on common-sense thinking on the part of local government, and they make it clear that residential neighborhoods are meant for residents.

In addition to these changes in residential areas, the city has also put tight limits on the introduction of new STR units in buildings within the Central Business District (CBD). Going forward, only 25% of units in a commercial building can be operated as STRs. Further restrictive changes are rumored to be coming in the CBD, including tying new STR development to the construction of low-income housing units.



NEW ORLEANS HOTELS STAND TO BENEFIT

All of this bodes extremely well for hotels in New Orleans, especially those that cater to the leisure guests that may have been previously attracted to STRs. Given the lax rules enforcement and absence of standardized record-keeping for STRs in New Orleans historically, it is difficult to know exactly how many STRs will be eliminated, but it could be thousands. This means hundreds of thousands of unaccommodated room nights will now be there for the taking by local hotels.

While the emergence of STRs was a slow creep that greatly impacted hotels' revenues, the decline of STRs could create a gush of hotel demand when the rules take effect in July. On top of already record-setting RevPAR performance in the market, the changing STR dynamic could spur truly unprecedented growth for New Orleans hotels.

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(813) 932-1234
info@tpghotels.com
tpghotels.com

