



Regulating Short-Term Rentals

Problem Description

Short-term rentals (STRs) are extracting existing housing from the regular housing market at the expense of residents. The misuse of international short-term rental platforms for profit-maximizing purposes can jeopardize tenant rights and disrupt local communities, leading to issues such as displacement, touristification, and gentrification. Urban planning, legislation, and respective national tax regimes should address these concerns and prioritize residents' rights and access to affordable housing.

Challenges

STR has significantly impacted local rental markets in various ways, often leading to negative consequences for residents and communities. On the level of impacts on local rental markets, we have a number of examples as outlined below.

Increased Rental Prices

The rise of STR platforms like Airbnb has led to higher rental prices in many urban areas. Property owners can charge more for short-term rentals compared to long-term leases, driving up overall rental prices. As a result, long-term tenants face higher costs. For example, in cities like Barcelona and Lisbon, the influx of tourists has pushed rental prices beyond the reach of many local residents.

Reduction in Long-Term Rental Availability

Many property owners opt to convert long-term rental units into STRs to maximize profits. Landlords can earn significantly more from short-term rentals compared to traditional long-term leases, incentivizing them to shift their properties to the short-term market. The growth of STRs has reduced the stock of housing available for long-term residents. Many properties that would traditionally be rented out on a long-term basis are now used exclusively made available for STRs. The decreased supply of long-term rentals creates a housing shortage, making it difficult for residents to find affordable housing. Amsterdam and Berlin have experienced notable decreases in long-term rental stock due to this trend.

Displacement of Residents

Increased demand for STRs can lead to the displacement of long-term residents, especially in popular tourist areas. As property values rise, landlords may evict long-term tenants to convert their properties into more lucrative STR. Displacement disrupts communities and forces residents to move to less desirable or more affordable areas. In cities like Venice and Prague, this has led to significant demographic shifts and the loss of community cohesion in central neighbourhoods.

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Gentrification

The diffusion of STRs often contributes to gentrification, where wealthier individuals and tourists move into traditionally lower-income neighbourhoods, driving up property values and living costs. Long-term residents, often from lower-income backgrounds, may be priced out of their own neighbourhoods. This has been observed in many cities, including Lisbon and Berlin, where traditional and culturally rich areas have become trendy tourist hotspots.

Neighbourhood and Community Disruption

The concentration of STRs in popular areas like traditional inner-city neighbourhoods, often being the most demanded touristic destinies has disrupted the social fabric of these places. The constant flow of tourists can lead to increased noise, waste, and a transient atmosphere, eroding the sense of community. Long-term residents often feel marginalized and alienated as their neighbourhoods become dominated by short-term visitors, impacting their quality of life and community cohesion. The local community may experience a decline in cohesion and an increase in conflict between long-term residents and short-term visitors. This can lead to a decrease in the quality of life for permanent residents. Touristification can also lead to the commodification of local culture, with traditions and practices being altered or staged for tourist consumption. Authentic cultural expressions may be replaced by performances tailored to tourist expectations. The unique cultural identity of a city can be diluted, and locals may feel their heritage is being exploited rather than preserved. Cities like Prague and Amsterdam face challenges in maintaining their cultural integrity amidst the influx of tourists.

The Tenant's Perspective – Regulatory Responses and Their Effects

Regulatory responses to mitigate the impact of STR have become a key issue for many cities and regions as the popularity of P2P platforms. These regulations aim to balance the benefits of short-term rentals (e.g. tourism, economic opportunity for hosts) with the challenges (e.g. housing affordability, neighbourhood disruption, and safety concerns). The main regulatory responses and their effects include the following examples.

Registration and Licensing Requirements

Some cities require short-term rental hosts to register or obtain a license to operate their property legally. In Venice regulation was adopted in October 2024, stipulating that STR for a period of more than 120 days per year must be registered in a special municipal registration. It helps authorities keep track of rentals, ensuring compliance with zoning and safety codes. However, it can impose barriers for small-scale hosts and increase administrative overhead.

Limits on the Number of Days a Property can be Rented

Restrictions can be imposed on how many days per year a property can be rented on a short-term basis. In Barcelona, short-term rentals of entire homes are restricted to tourist license holders. Properties not in possession of a license cannot be legally rented out for more than 30 days per year. In Paris, the limit for short-term rentals is 120 days per year for a primary residence. In Amsterdam, short-term rentals are allowed for up to 30 days per year for a whole property. It helps to reduce the impact on the local housing market by ensuring properties are primarily used as long-term residences.

Zoning Laws

Local governments may impose zoning laws that restrict or prohibit short-term rentals in certain residential zones. These zoning laws are designed to maintain the character of residential neighbourhoods, reduce the impact of tourism on rental markets, and preserve affordable housing for local residents. An example is Vienna, which has implemented zoning laws that limit the use of residential properties for short-term rentals. STRs are prohibited in certain residential zones, particularly where the city wants to preserve affordable housing and maintain the integrity of residential areas. The goal is to avoid the negative effects of over-tourism, such as rising rents and the transformation of neighbourhoods into temporary accommodations. Another example is Rome which has zoning laws that restrict short-term rentals in certain residential neighbourhoods, especially in central areas with high tourist demand. STRs are not permitted in all zones, and the city encourages owners to seek proper licenses and adhere to residential zoning laws.

Taxation

Many cities in Europe have introduced taxes, such as transient occupancy taxes or local tourist taxes, on short-term rental income or bookings to generate revenue from the growing short-term rental market. These taxes often aim to regulate the industry, ensure that short-term rental businesses contribute to the local economy, and help manage the pressures that tourism can place on local infrastructure and housing markets. As an example, Amsterdam levies a tourist tax on short-term rentals, which is applicable to all types of accommodation, including properties rented out through platforms like Airbnb. The tourist tax is 7% of the rental price for each booking, plus a €3 per person per night charge for those staying in the city. The tax helps fund tourism-related infrastructure and services, including maintenance of public spaces and transport systems, and helps regulate the impact of tourism on the city. It provides local governments with additional revenue, which can be reinvested into housing or community services.

Limitations on the Number of Properties a Host can Rent

Regulations that limit the number of properties a single host or operator can rent out on a short-term basis (e.g., no more than one property). It prevents large corporations or property investors from dominating the STR market, ensuring a fairer playing field for small, independent hosts. However, it can reduce the number of rental options available in some areas, potentially increasing competition and decreasing overall supply.

Banning Entire Home Rentals for STR

Some cities restrict the ability to rent out an entire home for short-term stays, allowing only private rooms or limiting rentals to a primary residence. It reduces the impact on housing supply, as entire homes are less likely to be taken off the long-term rental market. These bans typically target entire properties being rented out for short-term stays, rather than rooms in owner-occupied homes, as the latter are often viewed as less disruptive to local housing markets. Berlin has some of the strictest regulations on short-term rentals in Germany. In 2016, the city introduced the "Zweckentfremdungsverbot"¹ (misuse law), which prohibits the entire home rental of residential properties on platforms like Airbnb without a special permit. Copenhagen has imposed a ban on entire home rentals for short-term stays in some residential areas, primarily to protect local housing markets. The city requires that hosts renting out their primary residence adhere to specific guidelines, such as ensuring the property is regularly occupied by the owner. The rental of rooms

¹ <https://service.berlin.de/dienstleistung/326217/>

within primary residences is allowed, as long as the home is not completely taken off the long-term rental market.

Community Impact Fees

Charging short-term rental hosts a fee to offset the negative impacts (e.g., housing shortages, increased demand on infrastructure) caused by STRs. It helps to fund local services or affordable housing initiatives, ensuring that the community benefits from STR activity.

Data Transparency

Requiring short-term rental platforms like Airbnb to share data about listings (e.g., number of nights rented, location) with local governments. It allows governments to monitor the impact of STRs on housing markets, enforce regulations, and improve policy decisions. The new EU rules aiming to bring more transparency to short-term rentals (STRs) and promote sustainable tourism are a significant step toward creating a more balanced, well-regulated, and sustainable rental market across European cities. These regulations are intended to provide clearer oversight and increase the fair distribution of benefits from tourism, while minimizing the negative impact on local housing markets and communities. By creating clearer rules for short-term rentals, cities can ensure that platforms like Airbnb and Booking.com collect and share data on the number of rental properties, the duration of stays, and the income generated. This transparency allows for better data-driven policymaking. Cities will be able to understand the scale and impact of short-term rentals more accurately. They can then use this information to regulate the market better, protect residents, and prevent any potential abuse, such as owners operating multiple properties without proper licenses.

Conclusion

Short-term rentals have a profound impact on local rental markets, often leading to increased rental prices, reduced availability of long-term rentals, and the displacement of residents. While there are economic benefits and potential for urban revitalization, these positive effects are often overshadowed by the challenges faced by local communities. Robust regulatory measures are crucial to minimizing these impacts and ensuring that tourism benefits are harmoniously balanced with the needs of local residents.

The proliferation of short-term rentals in European cities like Lisbon, Barcelona, Amsterdam, and Berlin has significantly impacted the rental and housing markets, often leading to increased housing costs, reduced availability of long-term rentals, and disruptions to local communities. While regulatory measures have been introduced to mitigate these effects, enforcement remains a significant challenge. Balancing the benefits of tourism and STR sector with the needs of local residents remains a complex issue for policymakers.

Emerging STR regulations in several European cities aim to influence or control the following dimensions of the phenomenon:

- The very existence of platform-mediated short-term rentals and their visibility to public authorities (through registration or licensing schemes), as well as their quality (through safety requirements and minimum standards);
- Their overall quantity at the scale of the whole city or in certain neighbourhoods, and/or their geographical distribution between different parts of the city;

- The distinction and balance between different types of short-term rentals (through criteria that seek to distinguish professional and non-professional operators and a differentiated treatment)
- The practices of the platforms mediating short-term rentals;
- The appropriate taxation of the transactions associated with short-term rentals.

National and regional governments (but also increasingly EU legislators), which often control the legislative framework defining specific types of short-term rentals, need to provide local governments with the necessary tools to exercise their *right to regulate* in the name of public interest objectives. This includes enacting territorially differentiated approaches that account for local specificities. City governments should be able to apply different regulatory measures to the three main types of short-term rentals, distinguishing between professional and occasional practices.

Any discussion about managing or controlling the growth of short-term rentals in the name of protecting the *right to housing* should form part of a broader debate on solving the housing crisis, as well as addressing housing inequalities and vulnerabilities. Short-term rentals and overtourism are only part of a wider set of dynamics and factors that impact housing markets and socio-spatial changes in cities, such as gentrification, the financialisation of real estate, demographic trends, the (de)regulation and neoliberalisation of the private rental sector, land policies, and measures affecting the supply of affordable and social housing (including national, regional, and local public housing policies). These dynamics extend beyond the remit of city governments alone and raise the highly political question of how housing should be governed and regulated in a globalised world, where it has become an asset subject to transnational mobility, capital flows, investment, and financialisation.

The current EU short-term rental (STR) regulation is essentially aimed at the mandatory exchange of data between platforms and municipalities – which is important to effectively limit STR on part of the municipalities and to prevent tax avoidance. However, going forward the focus must shift to effectively limiting the extraction of regular housing from the rental housing for profit maximisation to promoting good landlordship instead. In this context, the problem of overtourism and gentrification should also be tackled. In the tourist hotspots, residents are being driven out by the excessive number of STR.

The financialisation of the European housing markets is the root cause of the problem. Profit-orientated investors invest globally, targeting multiple housing markets. Money laundering and tax evasion must be effectively curbed. A first necessary step is the creating of an EU transparency register for real estate and property transactions. Every tenant should know whom their landlord is. Cities must have access to detailed information on who is purchasing and trading their housing stock, both in bulk and individually. The EU Commission should, therefore, provide clear guidance to EU Member States on implementing rules to de-financialise their housing markets and return ineffectively used housing to residents at affordable prices.