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Short-Term Rental Markets: A Primer

Short-term rentals (STR) do not have an official definition but are generally furnished homes or rooms rented for fewer than 30 days, often for tourism or short-term business travel. STRs have a long history, traditionally often advertised through existing relationships or through the newspaper, but have grown in popularity with the more recent prevalence of online platforms including Airbnb and Vrbo. The growth of STRs has potential benefits for tourism and local economies. At the same time, some observers have raised concerns about potential adverse effects of STRs on housing prices and the hotel industry.

These potential impacts have led localities to enact policy responses to further regulate STRs where previously there was minimal STR regulation. Congress has considered policy in this area, including, for example, on price transparency (H.R. 6543/S. 2498) and online platform liability (H.R. 1107).

Overview

The United States is the largest STR market and the focus of this InFocus, but other countries also have growing markets. The largest company by listings in the STR market in the United States is Airbnb, followed by Vrbo and other smaller platforms. While these platforms also offer monthly or longer stays, a majority of these stays would be characterized as STR. Other platforms that do not necessarily specialize in STRs—such as Expedia, Booking.com, or Google—also offer STRs, although they represent a smaller share of their overall business. STRs rented directly with the owner are more difficult to measure but are still present in the marketplace.

In total as of 2023, AirDNA, which tracks the STR market, identified 2.4 million total STRs, representing $64 billion in annual revenue. The number of properties actively available at any one time is lower, at an average 1.5 million in 2023, and dependent on seasonality and consumer demand. According to the U.S. Census Bureau, in total, the United States had 147 million housing units as of 2024 Q3. Dividing this unofficial total STR estimate by an official estimate of housing stock finds that STRs represent roughly 1.6% of the total housing stock in the country.

Research on the location of Airbnbs within cities found that STRs were likely to be located in areas with high home values and high household incomes that had good transit service and were close to city centers. Cities that attract significant tourism tend to have higher numbers of STRs. For example, among the top 10 cities with the highest number of Airbnbs per capita, seven were located in Florida. Relative to 2023, in 2024 trends in demand by location saw the strongest growth in small and mid-sized cities and year-over-year declines in large urban cities, likely due in large part to regulatory changes in places such as New York City.

Impact on Housing Prices

One concern of policymakers is that STRs may convert longer-term rentals or for-sale homes into STRs. Among other potential effects, this may result in higher housing prices for residents to rent or buy homes. Housing and rental prices are ultimately the result of supply and demand in their local markets. In the case of STRs, their impacts will differ from locality to locality based on a variety of factors, such as preexisting supply and demand conditions, local construction trends, and local land use and other regulations that could artificially constrain supply.

If STRs reduce local housing supply in an area that already had low supply relative to demand or that is not able to replace that lost supply for whatever reason, this would result in upward pressure on prices. On the other hand, increased prices would not be an expected result of STRs in an area that is producing enough supply to keep up with demand more generally and STR growth specifically. Of note, the presence of STRs could also affect local demand to the extent that homeowners and renters find it desirable or undesirable to live near them.

While local impacts are often the focus of research on and regulations of STRs when it comes to home prices, aggregate data can provide context for this policy issue. On the national level, according to the Federal Housing Finance Agency, home prices appreciated roughly 120% between July 2012 and July 2024, while according to the Bureau of Labor Statistics, rents increased roughly 60% during the same time period. These changes have led policymakers to be increasingly interested in ways to alleviate the burden of worsening housing affordability.

Some have argued that the increase in housing prices is partially caused by STR. Looking at the effects of Airbnb specifically, researchers at California State University and the University of Southern California found that "at the median owner-occupancy rate zipcode … a 1% increase in Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices." Other research on Irvine, CA—which enacted a de-facto STR ban—found that rental prices decreased 3%, while other evidence from Santa Monica, CA, with bans on whole-home rentals found no effect on long-term rental prices. As local conditions differ, results would not necessarily be expected to be replicated across all areas. These studies represent only a small portion of the research on local effects of STRs. While potentially a contributing factor, such effects would not fully explain the magnitude of the rise in housing prices since 2012, and some researchers have argued that other factors are responsible for larger movements in the housing market.

Indeed, any economic effects of STR may be overshadowed by other issues in the housing market, including a lack of housing supply, zoning or other regulatory constraints that may suppress that supply, macroeconomic triggers including economic growth and interest rates, or local demographics including household formation and (im)migration that might affect housing prices.

Impact on the Hotel Industry

STRs have competed with hotels for business travelers and tourists, potentially impacting prices. Increased competition typically results in lowered prices as consumers have more options and are able to shift demand from higher-priced options to lower-priced ones, thereby inducing the more expensive alternatives to come down in price.

STRs and hotels are not perfect substitutes. STRs may offer additional flexibility for longer stays, larger groups including families, and additional locations where hotels are underbuilt or not present at all. Meanwhile, hotels offer certain advantages for business travelers and are likely more centrally located near core cities. Nonetheless, there is evidence that increased competition from STRs has impacted prices in the hotel industry. Research suggests that increasing numbers of STRs decrease hotel profitability. STR de-facto bans, discussed in greater detail below, have been shown to increase hotel prices due to decreased competition in accommodations as well. If prices fall, future hotel construction could also be relatively lower as expected rates of return on properties would be lower.

Impact on Tourism

Decreased short-term lodging prices and increased options could potentially benefit tourists and drive increased tourism in certain localities, which could result in local economic benefits. For example, one study on the effects of Airbnb on employment in the hospitality, tourism, and leisure industries in selected metropolitan statistical areas showed statistically significant positive effects.

Policy Issues

Many of the policy issues surrounding STRs are local in nature and tend to be regulated at the state and local levels. Nonetheless, Congress has considered many issues that could affect or relate to STRs. This section summarizes a few examples of local regulations that may provide context for congressional debate as well as federal policies that have directly dealt with STRs in recent Congresses.

Local STR Restrictions

Some state and local policymakers have enacted regulations that could limit STRs. Such interventions vary in their impacts and how widespread they currently are.

To offer a few examples of the types of regulation:

- **Bans or de-facto bans of STRs:** New York City has imposed bans on entire-home STRs of under 30 days. Other cities, including Santa Monica and Irvine, have imposed similar regulations, such as occupancy requirements, that prevent whole-home STRs.
- **Taxes on stays:** As with other types of real estate, such as hotels, stays at STRs are typically subject to state and local taxes. Nearly every locality imposes at least some type of tax, but they vary drastically in their treatment of STRs, which can result in significantly different tax burdens across localities.
- **STR permits or business licenses:** A number of localities mandate that STR providers obtain permits associated with the properties or business licenses to operate, which could increase accountability but also potentially reduce the number of STRs.

Congress could intervene in some of these areas by either preempting such restrictions or alternatively imposing new national regulations.

Price Transparency

Another issue that has been raised for STRs and lodging more generally is price transparency and displaying mandatory fees upfront as a part of price. Often, such fees for STRs or other lodging options are present only at the time of booking and not present in the nightly rate. Some STR platforms have taken actions to voluntarily offer all-inclusive pricing, but such practices vary across lodging services. The Federal Trade Commission recently finalized a rule related to junk fees (16 C.F.R. §464) that requires upfront disclosure of total price including fees for short-term lodging, including STRs and hotels, among other industries. H.R. 6543/S. 2498 in the 118th Congress would have mandated similar disclosures by hotels and STRs. This bill passed the House.

Online Platform Immunity

There have been some questions about whether STR listing platforms should face liability for listing third-party STRs that might violate state or local laws. Section 230 of the Communications Act of 1934 (47 U.S.C. §230) provides online platforms limited immunity from liability for publishing—and in some cases removing or restricting access to—content that third parties list on their online platforms.

As a result of this law, STR platforms that operate online are sometimes released from liability for legal claims based on the STR providers publishing third-party listings, although the scope of the immunity depends on the specifics of the situations.

In the 117th Congress, H.R. 1107 would have removed Section 230's protections if the STR platform was notified that such an STR violated the law and subsequently facilitated the lease. This bill would have also expressly stated the authority of states and localities in implementing and enforcing STR restrictions.

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