

# Examining the Impact of Short-term Rentals of Residential Properties on Housing: A Review of European and International Studies and Policies with Implications for Slovenia (Addendum)

November 2024



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## Foreword

This report was commissioned by the Ministry of Economy, Tourism, and Sport (Republic of Slovenia) and prepared by an interdisciplinary team of academics and researchers. The findings are grouped under the following headings corresponding to the literature review and data collection stages of the overall project: a. the impact of STRs on housing and renting availability; b. the impact on renting and selling prices; c. local impact of STRs; d. the regulatory landscape of the short-term rental market in Europe and internationally, on national, regional, or city level, as relevant; and e. impact of regulations on national, regional, or city level.

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**Addendum word count: 2,775**

## Executive summary (Slovenian)

Omejitev števila kratkoročnih najemov v Sloveniji je nujna, saj zgodovinsko privatizirana stanovanjska zaloge in nizka dostopnost najemnih stanovanj otežujeta dostop do stanovanj za ranljive skupine. Petkratni porast kratkoročnega najema v zadnjih osmih letih in profesionalizacija te dejavnosti kažeta na dolgoročno izločanje stanovanj s trga dolgoročnih najemov, kar zahteva nujne regulativne ukrepe za zaščito dostopnosti stanovanj in preprečevanje nadaljnjih motenj na stanovanjskem trgu.

## Executive Summary (English)

Limiting the number of short-term rentals in Slovenia is essential, as the historically privatized housing stock and low availability of rental housing make it difficult for vulnerable groups to access adequate housing. The fivefold increase in short-term rentals over the past eight years and the professionalization of this activity indicate a long-term removal of housing from the long-term rental market, necessitating urgent regulatory measures to protect housing accessibility and prevent further disruptions in the housing market.

## Introduction and Purpose

The growth of short-term rentals (STRs) in Slovenia has reshaped local housing dynamics, especially in high-tourism areas. While STR platforms like Airbnb and Vrbo bring economic benefits, they also challenge housing affordability and stability for residents. This addendum places Slovenia's STR market in context, reflecting the country's unique housing history—from post-WWII social housing efforts, through the mass privatization of the 1990s, to today's limited rental housing supply and rising STR activity.

To explore these issues, the addendum reviews two key studies:

1. **"Analysis of the Short-Term Rental Accommodation Market on Airbnb and Vrbo in Slovenia" (2024)** by the Centre of Business Excellence, University of Ljubljana, which highlights the economic aspects of STRs.
2. **"Examining the Impact of Short-Term Rentals on Housing: A European and International Perspective" (2024)** by the Institute of Place Management, Manchester Metropolitan University, which focuses on STRs' impacts on housing stability and community wellbeing.

Through this comparative analysis, the addendum offers a balanced view of STR impacts in Slovenia. It aims to support informed policymaking by examining approaches to maintain housing affordability and quality of life for residents while harnessing the positive aspects of tourism.

## A Century of Shifts and Breaks in Slovenia's Housing Supply

Over the past century, Slovenia's housing policy has shifted dramatically, from socialist-era nationalization and social housing construction to privatization in the 1990s and, more recently, the challenges posed by short-term rentals. Each change has impacted the housing market, affordability, and policy.

### *a) Interwar Period: Market-Based Housing*

Before World War II, housing in Slovenia was unequal and largely dictated by private market conditions. While pension funds invested in housing, there was no systematic policy, leaving quality housing inaccessible for many.

### *b) Post-WWII Socialism and Housing Nationalization*

After WWII, housing was nationalized under socialism, transforming it into a public good aimed at meeting widespread needs and reducing ownership disparities. This public approach provided controlled access to housing, especially in urban areas.

### *c) Immigration and Social Housing Development*

Between 1960s and 80s, rising housing demand led the government to expand social housing in urban and industrial areas. This development aimed to provide affordable housing options for a broad range of residents, supporting urban integration and accommodating both local citizens and newcomers from other Yugoslav republics.

### *d) The 1990s Jazbinšek Act and Housing Privatization*

Following independence, the Jazbinšek Act enabled the mass privatization of social housing, allowing tenants to purchase their homes on favourable terms. This rapid shift transferred much of the public housing stock into private ownership, decreasing public rental housing and reshaping Slovenia's housing landscape.

### *e) Short-Term Rentals as a New Disruptor*

Over the past decade, short-term rentals via platforms like Airbnb have reduced long-term rental availability and increased rents, especially in tourist areas. This trend drives gentrification and pressures local housing, highlighting the need for regulatory measures to protect residents and maintain housing stability.

## Recent Initiatives to Improve Housing Supply

In recent years, Slovenia has made several significant shifts in housing policy aimed at improving access to housing, expanding the rental stock, and regulating short-term rentals.

### *5000 Units*

In the current government term, a goal has been set to build 5,000 rental housing units, which represents a significant increase in publicly stated targets compared to previous terms.

### *Funding for 10 Years*

The Slovenian government has established a permanent annual budget of 100 million euros for housing construction and renovation, signalling a more systematic approach to housing policy. This funding is directed toward public rental housing to enhance access for lower- and middle-income groups, helping to alleviate pressures on the housing market.

### *Public Rental Service That Has Not Yet Taken Off*

A proposed public rental service intended to manage rental properties on behalf of owners, providing administrative support and stable leasing options for tenants. However, it has not yet been widely adopted yet due to owners' concerns over low returns, tenant selection etc.

### *Unrealized Proposal for a Real Estate Tax*

Legislation discussions continue around encouraging the leasing of vacant or underused properties through incentives and tax penalties. Despite active debate, these proposals remain unrealized.

### *Regulation of Short-Term Rentals*

To address the impact of short-term rentals (STRs) on housing availability, especially in tourist areas, the government plans regulations to limit STR activity. Measures include rental day caps and mandatory registration for hosts on platforms like Airbnb, aimed at stabilizing housing options and prices for local residents.

### *Reactions to Short-Term Rental Regulation Plans*

The proposal to regulate short-term rentals in Slovenia has sparked mixed reactions. Many residents and communities support regulation to improve housing access and mitigate the impact of mass tourism on urban quality of life, viewing it as essential for preventing gentrification and maintaining social cohesion.

However, property owners and STR businesses have been particularly vocal in expressing concerns over potential revenue loss and restrictions on business freedom. They argue that short-term rentals drive economic growth and bolster tourism, and their voices have often overshadowed those advocating for renters' benefits.

This debate underscores the decision whether to prioritize affordable housing for residents or to foster tourism-driven economic benefits, highlighting the importance of a long-term impact analysis for sustainable housing and tourism policies.



## The Case for Regulating Short-Term Rentals in Slovenia

Limiting the number of short-term rentals (STRs) in Slovenia is critical, particularly given the country's historically privatized housing stock and the limited availability of non-speculative rentals. Following the mass privatization of the 1990s, Slovenia's rental market has struggled to meet the needs of vulnerable groups, including students, young families, and lower-income residents. The influx of STRs has further strained this limited rental stock, making adequate housing increasingly inaccessible for those already at a disadvantage. Without intervention, the current trends risk deepening these disparities, leaving an already fragile housing market even less able to serve its residents.

The scale of the STR market growth in Slovenia underscores the urgency for regulatory action. Over the past eight years, the number of STR units has grown fivefold, from 2,569 in 2016 to 12,912 listings in 2023. This trend mirrors similar cases across the EU, where comparable growth led cities like Barcelona, Berlin, and Amsterdam to impose strict limits on STR activity to protect housing availability. Projections from EU-wide analyses indicate a potential further 185% increase in the STR market by 2030 compared to 2019 levels if left unregulated.

Moreover, the professionalization of STR hosting in Slovenia is accelerating this shift. Between 2018 and 2022, the average number of units per host rose from 2.15 to 2.23, while the average days rented per year increased from 85.13 to 92.02. During the same period, annual STR income nearly tripled from €66.5 million to €174.8 million. All those data points suggest a growing consolidation of STR units, signalling their long-term removal from the traditional housing market unless regulatory measures are introduced. These trends make a compelling case for Slovenia to adopt policies limiting STR activity to safeguard housing accessibility and prevent further market distortions.

## Comparative Review of Studies on Short-Term Rentals

This section reviews existing studies and analyses on short-term rentals in Slovenia, as well as within the broader European and international context, focusing on the key impacts of short-term rentals on local communities, the housing market, landlords, and regulatory policies.

The analysis draws on two main sources:

1. **Report A** – "Analysis of the Short-Term Rental Accommodation Market on the Airbnb and Vrbo Platforms in Slovenia, 2024, Centre of Business Excellence, Faculty of Economics, University of Ljubljana"
2. **Report B** – "Examining the Impact of Short-Term Rentals of Residential Properties on Housing: A Review of European and International Studies and Policies with Implications for Slovenia, 2024, Institute of Place Management, Manchester Metropolitan University"

These reports examine the effects of short-term rentals on the local environment and explore how various aspects of this activity influence housing conditions and economic flows.

Within this context, the following elements are covered:

- Key similarities between the two studies are identified and analysed.
- Differences in approaches or results between the studies are highlighted to offer a balanced perspective.

This comparative review offers insights into the impacts of short-term rentals and helps identify areas requiring further investigation to support more effective policy development.

## Local Communities

### *Impact of Short-Term Rentals on Local Communities*

Both recognise the increase in STRs. Report B further expands that it has led to shifts in housing market dynamics, including rising property prices and reduced availability of long-term rental options, which can place a strain on local residents seeking affordable housing. It also notes the place management challenges, such as increased noise, crime, and litter.

*To address these challenges more comprehensively, there is potential to conduct in-depth analyses of the broader societal impacts of STRs, including their effects on the housing market, local communities, and environmental sustainability. Such studies would provide valuable insights to guide more targeted and effective policy interventions.*

### *Review of Financial Flows and Impact on the Local Economy*

Report A shows the income that STRs bring by generating revenue from tourist spending, but it also hints that these financial benefits are unevenly distributed, often favouring urban centres and highly touristic areas.

Report A views STRs more positively in terms of economic benefits and focuses less on regulatory challenges, whereas Report B is more critical, highlighting concerns such as tax evasion, housing affordability issues, and the potential need for regulatory interventions to balance economic benefits with social stability.

*A potential area for further research could involve analysing how short-term rentals contribute to local revenues compared to long-term rentals, including an assessment of how much of this revenue is allocated to taxes and the externalities associated with each rental type. Such a study could provide a more nuanced understanding of the macroeconomic effects of STRs at the local level, offering insights into the resources required for effective regulation and ensuring housing availability. This analysis would help policymakers better evaluate the trade-offs between fostering tourism-driven income and maintaining a sustainable, equitable housing market.*

#### *Collaboration with Local Communities*

Report A has limited references to that topic. In contrast, Report B places strong emphasis on structured collaborations and transparent data sharing to empower communities, suggesting that a more formalized framework could enhance the accountability and responsiveness of STR policies.

## Housing

#### *Impact of Short-Term Rentals on the Housing Market*

Report B provides a comprehensive view of how STRs affect urban housing, particularly in terms of reduced housing availability, increased housing and rental prices, and other broader social and economic impacts. It stresses the need for localized regulations to balance tourism income with housing stability for residents.

*Further research could include an in-depth analysis of how STRs impact housing access for local populations and their influence on property prices. Such an investigation could quantify how much short-term rentals reduce the availability of housing for long-term tenants and the extent to which they drive up housing costs. This data would provide critical insights for designing targeted policies that address the dual challenges of housing affordability and market stability.*

#### *Analysis of Housing Access for Vulnerable Groups*

Report B highlights several ways in which the proliferation of short-term rentals (STRs) adversely affects housing access for vulnerable groups, including students and young families: reduction in affordable housing supply, escalation of rental prices, displacement and gentrification, and impact on housing stability. It underscores the need for regulatory measures to mitigate these negative impacts, suggesting that policies should aim to balance the economic benefits of STRs with the housing needs of vulnerable populations.

*A critical dimension to consider is the societal cost of prioritizing profits for STR operators over housing access for those in need. Limiting the supply of housing available to vulnerable groups imposes significant external costs on society, such as increased pressure on public housing systems, reduced social cohesion, and greater inequality. Conversely, prioritizing affordable housing may temporarily reduce profits for some property owners but could yield long-term societal benefits, including enhanced community stability, greater economic inclusivity, and improved quality of life for local residents. These trade-offs highlight the importance of evaluating who benefits from the STR market and at what expense, ensuring that policies are not only economically efficient but also socially equitable.*

### Seasonal Analysis

Report A implicitly recognizes seasonal patterns within selected local tourist destinations, which are reflected in daily rates and property utilization. In areas with no significant seasonal fluctuations, prices per day and occupancy rates tend to be higher on average.

## Landlords

### Host Research

Both reports acknowledge the growing presence of commercial operators in the STR market, who manage multiple properties and contribute significantly to the sector's revenue.

Report A provides a detailed breakdown of host categories based on the number of properties managed, offering specific insights into local market dynamics and highlighting the economic contributions of different host categories. In contrast, Report B takes a broader view, discussing general trends across various European cities without delving into specific host categories.

### Transitioning between Short- and Long-Term Rentals

While neither report directly focuses on the transitions between short- and long-term rentals, Report B suggests that this shift primarily flows in one direction—toward short-term rentals (STRs). This one-way movement reflects the profitability of STRs, particularly in high-demand areas, where the incentives for landlords favour short-term leasing. Report B implies that only strong limitations or regulations, such as rental day caps or mandatory licensing, can encourage or force properties back into the long-term rental market.

*Further research could investigate the extent to which a shift from STRs to long-term rentals is feasible under different regulatory and market conditions. Such studies could explore the economic, legal, and operational barriers to this transition, as well as identify policy tools or incentives that might make long-term renting more attractive for property owners. Understanding these dynamics would help policymakers develop targeted strategies to rebalance housing markets and address the growing pressure on affordable and stable long-term rental housing.*

## Policies

### Effects of Various Regulatory Approaches on Landlord Segments

Report A provides a detailed breakdown of specific tax and licensing requirements in nearby regions, primarily focusing on fiscal measures. Meanwhile, Report B examines broader restrictions, such as caps on rental days and property numbers, emphasizing how these measures impact urban housing stability and reduce the prevalence of STRs managed by commercial operators.

*An important area for further exploration is determining which regulatory approach would be most effective in achieving policy goals, such as balancing economic benefits with housing accessibility. Investigating the comparative effectiveness of fiscal measures, operational restrictions, or a combination of both could provide valuable insights for policymakers seeking to design interventions that are both efficient and equitable. This research could also help identify region-specific factors that influence the success of various regulations, ensuring that policies are tailored to local housing markets and community needs.*

### *Public Opinion*

Report B discusses public opinion more extensively, referencing surveys and studies that capture residents' attitudes toward STRs in various European cities. It notes that in cities like Barcelona and Berlin, a significant portion of the population expresses concerns over the proliferation of STRs, citing issues such as increased housing costs and community disruption.

*Conducting public opinion research in Slovenia, particularly comparing areas with high and low shares of STRs, could provide valuable insights into how local populations perceive the role of STRs in diminishing housing supply. Such surveys could reveal regional differences in attitudes and help policymakers understand the nuanced impacts of STRs on communities. This data would not only inform the development of more targeted regulatory frameworks but also ensure that policies are aligned with the needs and priorities of local residents. Engaging communities in this way could foster greater transparency and public trust in policy interventions.*

### *Tools for Policy Monitoring*

Both studies highlight the necessity of integrating technological solutions with regulatory frameworks to effectively monitor and manage the STR market. They also emphasize the importance of collaboration between local authorities, STR platforms, and the community to ensure compliance and address challenges associated with STRs.