

# From spare rooms to entire homes: how can government respond to the changing short-term rental market?



## What this research is about

This research examines changes in the short-term rental accommodation (STRA) market, particularly since the COVID-19 pandemic. It explores landlords' perceptions and the factors influencing their decisions to move properties into or out of the STRA market.

## Why this research is important

The STRA market has expanded globally since the advent of platforms such as Airbnb. As popularity has surged, there has been a trend towards 'non-hosted STRA' – where an entire property is rented without the host present.

Australia's housing crisis has intensified pressure on policymakers to address the impact of STRA on housing affordability and availability – especially in tourist areas. To do this, it is critical to understand the changing dynamics of STRA.

## Based on

Final Report No. 451: *Insights into short-term rental accommodation: history, statistics and landlord perspectives*

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## At a glance

Short-term rental listings for entire homes now outnumber shared stays.

Between 2019 and 2023:



total Airbnb listings for homes **fell 11%**



but listings for entire homes **rose 15%**

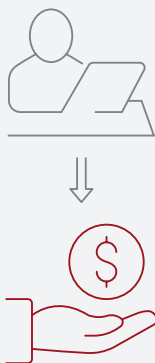
Growth in listings for entire homes was strongest in regional areas.



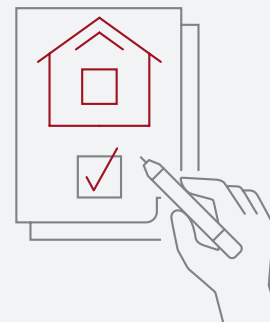
Most capital cities had a decline.



Investors believe short-term rental is more work than long-term rental – but also more profitable.



Mandatory and nationally consistent registration of short-term rentals could improve governance.



## Key findings

### Governments regulate STRA to varying levels

Policymakers globally have addressed STRA growth in different ways, such as banning it in specific districts, capping property numbers and emphasising quality standards.

Australian policy responses have included introducing levies and taxes, charging higher rates, requiring STRA property registration, and restricting the number of days per year properties can be rented. They have also included changing planning and development regulations and introducing local laws to help manage occupant behaviour.

## **The amount and type of STRA is shifting**

The number of residential STRA listings advertised on Airbnb in Australia decreased 11% between 2019 and 2023. This figure includes houses and apartments, but not hotels, caravan parks and other traditional visitor accommodation. However, in the same period, the number and proportion of non-hosted STRA increased.

Analysis of 13 local government areas (LGAs) revealed non-hosted STRA growth was highest in regional areas. In contrast, growth was much lower in capital cities, with Sydney, Melbourne and Brisbane all recording reductions in non-hosted properties.

## **Changes in STRA are highly localised**

In some regions – particularly where STRA density is high – it can reduce the supply of homes available for permanent residents. In other places, STRA supports local communities and businesses with minimal impact on housing.

Changes in STRA density varied between and even within LGAs. Some policymakers described suburbs where up to half of all housing is used for STRA, while neighbouring suburbs had not seen large numbers of STRA properties.

## **STRA is undergoing professionalisation**

The number of residential STRA landlords fell 25% between 2019 and 2023 despite a decline of only 11% in actual listings. This indicates consolidation among multi-property owners and use of third-party property managers.

The increasing proportion of non-hosted listings also marks a shift away from the original ‘sharing economy’ model toward a more commercialised sector.

## **Different perspectives shape STRA participation decisions**

The research identified three main groups of STRA landlords: those who are investment-focused, those who enjoy social connection, and those who value both ethical and economic considerations.

A survey of property investors revealed most perceive STRA to involve more work and higher risk than long-term rental – but with greater return on investment.

‘The research identified three main groups of STRA landlords: those who are investment-focused, those who enjoy social connection, and those who value both ethical and economic considerations.’

## Policy actions

### Supporting local governments to manage STRA

Local governments are best positioned to manage STRA but often lack the resources to implement and enforce regulation.

Higher levels of government could adopt a standard definition of STRA to support policy coherence across jurisdictions. They might also review STRA regulation internationally to provide evidence-based policy options tailored to different STRA contexts.

### Implementing nationally consistent STRA registration

The research found broad support for mandatory registration of STRA properties.

State and territory governments could share the data collected during registration with local governments to support monitoring and compliance.

### Regulating professional STRA management

The trend towards professionalisation of STRA presents an opportunity for more effective regulation, through streamlined communication and enforcement.

Regulatory frameworks could require property managers to ensure compliance with planning rules and safety standards, similar to obligations in long-term rental markets.

### Exploring voluntary STRA reduction

Governments aiming to stem STRA growth could use altruist appeals or incentive programs to encourage owners to shift properties back to the long-term rental market.

Owners motivated by ethical considerations may respond to appeals to community values or shared responsibility. Initial evidence from LGAs suggests such appeals can have some positive impact.

Landlords facing high workloads or income volatility may also be receptive to voluntary exit schemes.

‘Governments aiming to stem STRA growth could use altruist appeals or incentive programs to encourage owners to shift properties back to the long-term rental market.’

## Measuring STRA owner perspectives to tailor policies

Policymakers should assess the likely impact of levers like taxes or levies, rather than assuming financial considerations will always drive change in the housing market.

This study found some landlords would likely exit STRA in response to the introduction of taxes, while others would pass the additional costs on to guests. Further research is needed to understand attitudes across the broader STRA landlord population.

‘Policymakers should assess the likely impact of levers like taxes or levies, rather than assuming financial considerations will always drive change in the housing market.’

## Research design

The research included interviews with local and state government policymakers, representatives of STRA industry bodies, rental property managers, and current and former owners of STRA properties. Secondary data analysis was conducted with web-scraped Airbnb data from 2019 and 2023. Questions measuring attitudes towards STRA were added to the 2024 Property Investor Sentiment Survey, with responses informing the research.

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