Institutional Analysis of Airbnb Regulation and Overtourism in European Housing Markets

Pedro Tambara

[a] Faculty of Sciences and Letters, São Paulo State University (UNESP), Araraquara, Brazil, tambarapedro@gmail.com,

Abstract. The rapid expansion of short-term rental platforms, such as Airbnb, has significantly impacted urban housing markets and intensified the phenomenon of overtourism in major European cities. This paper investigates how institutional quality and regulatory frameworks influence the ability of local governments to manage these challenges. Focusing on the disruption of the housing market, the core problem addressed is the growing tension between the economic benefits generated by short-term rentals —while briefly noting other affected areas— it examines the tension between the economic gains of short term-rentals and their negative externalities, such as housing shortages, rising rental prices and community displacement. The research adopts a qualitative approach, combining a critical literature review with comparative case study analysis from various european cities including Barcelona, Paris, Berlin, and Lisbon. These cities exemplify both the complexity and variety of regulatory responses to overtourism and housing market disruptions. The study identifies that strong government institutions plays a pivotal role in shaping the effectiveness of policy interventions. Cities with robust regulations, clear zoning laws, and coordinated governance are more successful in mitigating the housing impacts of Airbnb and preserving residential stability. In contrast, cities with fragmented institutions, weak enforcement mechanisms and deep depenedency on tourism, struggle to control platform activity and face growing social discontent. The paper argues for adaptive and inclusive governance models that balance economic interests with social equity. The conclusion emphasizes the need for multi-level cooperation, improved enforcement capabilities, and policy innovation to ensure that tourism-driven economic growth does not come at the expense of urban livability and affordability.

Keywords. Airbnb, overtourism, institutions, housing market, regulation

1. Introduction

Europe remains the most visited continent globally, attracting over 700 million international tourists annually, driven by its rich cultural heritage, historic cities, and diverse landscapes [1] . Tourism is a crucial economic sector for many European countries, contributing significantly to GDP and employment, particularly in nations such as France, Italy, Spain, and Greece [8]. However, the continuous increase in visitor numbers has led to overtourism, defined as a situation in which the number of tourists exceeds a destination's capacity to manage them without degrading residents' quality of life, public infrastructure, or cultural integrity [2]. This has been prevalent in cities with fragile urban infrastructures and historic centers that struggle to accommodate and sustain this influx of tourists [2].

One of the key factors exacerbating overtourism in Europe has been the rise of digital platforms such as Airbnb, which have significantly altered the economic landscape of urban areas. Since its launch in 2008, Airbnb has grown rapidly, providing travelers with an alternative to traditional accommodation while offering homeowners and investors lucrative opportunities in the short-term rental Market [21]. While these platforms have democratized access to tourism and diversified accommodation options, they have also disrupted housing markets, increased rental prices, and transformed residential neighborhoods into tourist hotspots [3]. Cities such as Barcelona, Paris, Amsterdam, and Venice have seen entire districts converted into Airbnb rentals, leading to the displacement of long-term residents and a decline in the availability of affordable housing. [4]

Despite these concerns, regulatory responses to Airbnb and similar platforms remain fragmented across Europe. Cities such as Berlin and Barcelona have enacted strict limitations on short-term rentals, while others, such as Lisbon and Prague, face challenges in enforcing regulations effectively [5]. The absence of a unified approach at the European Union level has further complicated efforts to address the challenges associated with short-term rentals [6]. The inconsistencies in regulation highlight the need for a structured institutional framework that balances the economic benefits of tourism with the sustainability of urban communities

In this context, institutions play a critical role in shaping how cities respond to the growing pressures of overtourism and the housing disruptions linked to platforms like Airbnb.

Institutions—conceived not only as formal rules and enforcement mechanisms, but also as the relational and discursive frameworks through which actors coordinate and legitimize decisions—are fundamental to the formulation and execution of effective urban policy [7]. Drawing from Healey's perspective, effective governance requires more than regulatory capacity; it also depends on the ability to foster inclusive dialogue, mediate between conflicting interests, and mobilize collective action within fragmented urban societies. Cities with coherent institutional frameworks and collaborative governance practices are often better positioned to balance economic opportunities with social equity and long-term urban sustainability. In contrast, weak or disjointed institutional arrangements may struggle to develop legitimate and adaptive responses, thereby exacerbating housing pressures and public dissatisfaction.

2. Methodology

This study employs a qualitative, exploratory methodology to examine how institutional configurations across Europe have responded to Airbnb-driven disruptions in urban housing markets. The research is grounded in a comprehensive review of secondary sources, including peer-reviewed academic literature, policy reports, and relevant case studies. These sources offer critical insights and context into the economic, legal, and social dimensions of short-term rental platforms and their impacts on housing availability and affordability in European cities.

The analysis then adopts an institutional lens, focusing on how governance structures, regulatory frameworks, and enforcement mechanisms shape the effectiveness of policy responses to Airbnb and related challenges. Ultimately, the study seeks to contribute a analysis of how institutional improvements can support more effective management of the housing market impacts and other overtourism effects associated with short-term rentals.

3. Airbnb Effect in Europe

3.1 Disruption of the Housing Market

The rapid emergence of short term rental platforms such as Airbnb has significantly played a major role in the surge of overtourism in Europe, although many of these platforms have made travel more accessible and broadened accommodation options for tourists, they have also hastened the conversion of residential areas into tourist hotspots, creating socioeconomic and regulatory challenges for European cities. [8]

In cities such as Paris, Amsterdam and Berlin have a high concentration of Airbnb listings in historic city centers, which has led to a decline in long term rental supply and a steep rise in housing costs [9]. As more and more landlords shift from long term rental markets toward short term vacation rentals, long term residents struggle in finding and securing affordable housing.[8]

The city of Barcelona, for example, indicates that over 50% of Airbnb listings are operated by commercial entities, instead of individual homeowners renting out their spare rooms [10]. This shift towards commercialization of housing stock has led to the displacement of local residents, forcing them to relocate to more affordable suburban areas. Another example is Venice, which has seen a dramatic decline in its permanent population as entire neighborhoods have been repurposed to attend to the tourist accommodations, disrupting the social structure. [11]

In a study by Kramer(2020), he highlights how the disruptions caused by short-term rental platforms have prompted regulatory responses at both municipal and European Union levels, with institutions struggling to balance the economic benefits of increased tourism with the growing social costs [12]. The European Parliament has acknowledged that platforms such as Airbnb have significantly intensified urban housing crises, particularly in tourism-heavy cities where housing availability is already limited.

Empirical evidence underscores the extent of this impact, in a 2017 study, were it was found that the growth of Airbnb listings contributed to a 20–30% increase in rental prices in the central districts of major European capitals [4]. Building on this, a study in 2023 provided further empirical support through their analysis of Airbnb data across 25 European cities between 2010 and 2019. Their findings reveal that home-sharing significantly contributes to rising rents and housing prices, especially in central urban areas, while also generating spillover effects into adjacent neighborhoods. These pressures are particularly acute in cities characterized by strict zoning regulations and limited housing development, mentioned before. [13]

This trend is particularly evident in major cities in Portugal, where 2021 research provided empirical evidence that the expansion of Airbnb has significantly contributed to rising property values and rental prices, worsening housing affordability for local residents [14] .This study shows that even a relatively small increase in Airbnb listings can lead to significant rent hikes, ultimately affecting housing affordability and residential stability. [15]

3.2 Disruption of Traditional Accomodation Markets

With the rapid growth of Airbnb, it has also disrupted Europe's hotel industry by drawing travelers away from traditional accommodation and towards private short term rentals. This digital platform has provided an alternative to hotels, it has also introduced regulatory challenges as it operates outside the traditional legal framework of the hospitality sector. Unlike hotels, which are subject to licensing fees, zoning restrictions, and tourism taxes, Aibnb hosts often operate in a grey regulatory space, benefiting from lower costs and fewer regulatory obligations. [16]

In cities such as Amsterdam and Venice, Airbnb has contributed to declining hotel occupancy rates, forcing hotels to lower prices and compete with unregulated rentals. Additionally, the rise of Airbnb has had a negative impact on employment in the hospitality sector, as the shift toward short term rentals has reduced demand for traditional hotel services [17]. In countries where tourism represents a significant share of GDP, such as Portugal, Spain and Greece, local hotel associations have even formed lobbies calling for stricter Airbnb regulations, arguing that the platforms create unfair advantages in competition by avoiding standard business costs and taxation. [18][19]

3.3 Increased Pressure on Public Infraestructure

Additionaly, the growth of Airbnb and short term rentals has put additional strains on urban infrastructure and public services.The local governments of cities, with high density of short term rentals, have reported an increase in costs related to waste management, public transportation, and law enforcement [8]. Some of the most common infrastructure challenges linked to Airbnb's expansion include: overcrowding of public transportation systems, increased waste generation, noise complaints and the overuse of cultural and heritage sites.

In response to all this, cities such as Venice and Amsterdam have introduced tourist levies and congestion fees to help offset the additional costs of maintaining public infrastructure[11]. However, these measures remain reactive rather than preventive, underscoring the need for a comprehensive regulatory framework to manage Airbnb's impact on urban sustainability.

4. The Evolution of European Airbnb Regulation

4.1 Initial Lax Regulation and Rapid Growth

Since its inception in 2008, Airbnb and other short-term rental platforms have reshaped markets across Europe. When it first entered these markets, there were few regulatory frameworks in place to govern its business model. This absence of regulation allowed Airbnb to expand rapidly, benefiting homeowners seeking additional income and tourists looking for affordable accommodations [16]. However, as the platform grew, concerns about its impact on local housing markets and communities intensified [17]. In many cities, the unrestricted expansion of short-term rentals contributed to housing shortages and rising rental prices, prompting local authorities to reconsider their regulatory stance. [4]

In response to these emerging challenges, some cities attempted to impose restrictions on short-term rentals. However, these early efforts were often fragmented and met with resistance from both hosts and the platform itself [20]. The difficulty in enforcing regulations led to continued concerns over housing displacement and gentrification, further intensifying the debate on the need for stricter governance.

4.2 Early Responses and Local Regulation

With the growing presence of short-term rentals in residential areas, European cities began implementing increasingly structured regulatory frameworks to mitigate their impact. These measures—such as caps on rental days, mandatory registration for hosts, and zoning laws—sought to curb the unchecked expansion of platforms like Airbnb in sensitive urban areas [21]. Cities experiencing the most pronounced effects took the lead in crafting targeted policy responses, recognizing the dual need to manage both housing pressures and the broader phenomenon of overtourism.

France was among the first EU countries to take concrete action. In 2017, Paris introduced a cap of 120 days per year for short-term rentals in residential zones to prevent the excessive conversion of permanent housing into tourist accommodations. This regulation aimed to preserve long-term housing availability and address fears that Airbnb could exacerbate the city's housing crisis. Similarly, Barcelona—Spain's second-largest city—responded in 2016 with strict limitations on short-term rental licenses and significant penalties for unregistered operators. The city also intensified inspections to eliminate illegal listings [20]. As von Briel and Dolnicar (2020) observe, such measures were a direct reaction to the platform's role in accelerating housing market distortions and urban gentrification[16].

Berlin likewise adopted stringent policies to safeguard residential housing. Authorities prohibited the rental of entire apartments via Airbnb without a special permit, targeting the depletion of long-term housing stock [20]. By contrast, the Netherlands pursued a more moderate stance. In Amsterdam, short-term rentals were kept legal but limited to 30 days per year, an attempt to balance housing protection with the financial interests of property owners.

As these local regulatory models proliferated, the European Union recognized the need for a coordinated strategy. In 2016, it introduced the Digital Single Market Strategy, which sought to harmonize regulations for digital platforms, including Airbnb, across member states. A pivotal development came in 2019, when the EU enforced new transparency rules requiring platforms to share host information with local authorities. This step marked a shift toward unified monitoring and enforcement mechanisms, enabling municipal planners to better assess and respond to short-term rental impacts. [17]

Despite these advances, the overall regulatory landscape across Europe remains varied and fragmented. Recent empirical research indicates that while regulatory measures have proliferated, their effect on housing affordability remains limited [13]. This suggests that institutional responses, though well-intentioned, often struggle to keep pace with the rapidly evolving dynamics of the sharing economy. This highlights the importance of well-structured and qualified institutions in shaping the effectiveness of regulatory interventions.

5. Role of Institutions

5.1 Institutional Quality and Effectiveness

Based on the probelms presented so far, it is therefore crucial to first adress the role of institutional quality in shaping the relationship between tourism and sustainable development. Strong institutions, characterized by effective governance, regulatory stability, and transparency, enable cities and countries to maximize the economic benefits of tourism while mitigating its negative externalities. In a recent study, it highlights that countries with well-established institutional frameworks are better positioned to regulate the tourism sector, ensuring that growth does not come at the expense of housing affordability, environmental sustainability, or social stability. In contrast, weak institutional structures often result in regulatory gaps, exacerbating issues such as rising living costs, increased pressure on urban infrastructure, and displacement of local residents.

The effectiveness of institutional mechanisms in managing tourism-related challenges is widely discussed in the literature. This is emphasized in another study that shows that governance fragmentation can lead to inconsistencies in short-term rental regulations, allowing platforms like Airbnb to grow unchecked, further straining housing markets in major cities[17]. Effective government intervention, such as rental caps, taxation on short-term rental income, and zoning laws, is necessary to counteract these pressures.

Institutional frameworks also influence whether tourism-driven economic expansion translates into long-term sustainability. It is argued that tourism development should be integrated into broader urban planning strategies to ensure its alignment with sustainability goals[23]. Strong institutions can foster balanced growth by engaging with local stakeholders, implementing targeted policies, and ensuring that tourism benefits are equitably distributed. Similarly, Benner (2020) underscores the importance of adaptive governance in managing overtourism, advocating for a flexible regulatory approach that evolves alongside market dynamics[24]. Without such measures, unchecked tourism expansion can lead to socio-economic imbalances, further intensifying urban challenges.

5.2 Adaptive Governance

The adaptive governance of institutions must also play a significant role in shaping the regulation of Airbnb and their broader economic impacts. As Healey (1997) emphasizes, governance outcomes are not solely determined by formal rules, but also by the collaborative capacity of institutions to coordinate action and mediate between diverse societal interests[7]. Ultimately, the governance of short-term rental platforms in Europe reveals not only the complexities of regulating a disruptive digital economy but also the critical role of institutional adaptability in managing the multifaceted consequences of overtourism.

This topic is reinforced by highlighting that the success of institutional reforms in managing overtourism depends on their integration within local political, social, and economic contexts [24]. In Benner's(2020) article, he argues that regulatory measures alone are insufficient and must be complemented by adaptive governance strategies—flexible policies that evolve alongside changing tourism dynamics[24]. Effective governance requires engagement with both formal institutions, such as legal frameworks and government policies, and informal norms shaped by community interactions. This aligns with Douglas North's theory that institutions develop over time through the interplay of structured regulations and societal

behaviors. According to North, sustainable policy solutions must continuously adapt by incorporating stakeholder input and adjusting to local conditions. [25]

5.3 Path Dependence

In his theory, economist Douglas North further explains the concept of path dependence, which illustrates how past policy decisions influence the effectiveness of new regulations. Cities that have historically prioritized tourism as an economic driver may struggle to implement restrictive measures, even when overtourism and housing crises emerge [25]. For instance, Paris has leveraged its strong bureaucratic tradition to enforce strict Airbnb regulations, requiring data-sharing between the platform and authorities to ensure legal compliance. In contrast, Lisbon has faced greater enforcement challenges due to its historical reliance on informal housing markets and weaker regulatory capacity.

Institutional inertia also shapes how rapidly cities can respond to the challenges posed by Airbnb and overtourism. North suggests that institutional change is often gradual, influenced by economic incentives and political resistance [25]. In cities where tourism is deeply embedded in economic policy, regulatory adaptation tends to be slow, allowing in this case, for Airbnb's expansion to continue despite its negative externalities.

Reinforcing this perspective, many studies emphasize how entrenched tourism industries often resist policies that could reduce their profitability, thereby delaying necessary reforms[23]. Economic incentives tied to tourism complicate regulatory efforts. Local businesses and tourism-dependent industries often resist regulatory changes that could potentially reduce visitor numbers. As a result, policymakers must strike a delicate balance between sustaining economic activity and protecting local communities from displacement and rising living costs[8].

Ultimately, the evolution of Airbnb regulations must account for both historical tourism policies and the ongoing transformations driven by globalization and digital platforms. The balance between formal governance structures, community norms, and political priorities will determine how effectively cities can manage the challenges of short-term rentals and overtourism in the years to come.

6. Challenges and Conclusion

The phenomenon of overtourism presents complex challenges that extend beyond mere tourist numbers, impacting housing markets, public infrastructure, and the social fabric of European cities. This study has shown that while many urban centers have introduced regulatory frameworks to curb the negative externalities of short-term rental platforms, significant hurdles remain—particularly in the areas of institutioanl quality and effectivness, institutional coordination, and stakeholder alignment [11][26].

The evolving nature of digital platforms like Airbnb has often outpaced the regulatory capacity of local authorities, exposing institutional inertia and legal gaps in urban governance. Cities that lack flexible and forward-looking regulatory strategies find themselves increasingly vulnerable to housing crises and social tensions[27]. Conversely, cities that integrate short-term rental policies into broader urban planning efforts are better positioned to address the long-term consequences of overtourism [16][27]

As highlighted throughout this research, economic dependencies on tourism can delay or dilute regulatory efforts, emphasizing the need for a more balanced and inclusive approach. Policymakers must not only consider the economic interests of the tourism sector but also prioritize the quality of life of local residents, the preservation of cultural heritage, and the sustainability of urban spaces[8].

Conclusively, the success of regulatory frameworks depends on adaptive governance models, cross-sectoral collaboration, and transparent engagement with all stakeholders—including platform operators, residents, and local businesses. Addressing overtourism effectively requires a holistic, institutionally grounded, and socially conscious approach to regulation, tailored to the specific socio-economic dynamics of each destination. [11][27]

7. References

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