

STC ECONOMIC POLICY & RESEARCH

Short-Term Rental Regulation in Global Cities

A Best Practices Framework for Urban Policy-Makers

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Executive Summary

This guide does not advocate for any single policy position. It provides a rigorous analytical framework — grounded in international best practices and cross-city evidence — to help municipal administrations navigate the regulation of short-term residential rentals within the broader context of urban economic ecosystems.

The rise of platform-based short-term rental services (Airbnb, Vrbo, and their equivalents) has placed cities across the world before a complex urban policy question at the intersection of housing markets, economic competitiveness, the hotel industry, fiscal revenues, and social equity. No global city is exempt.

This guide argues that short-term rental can be neither dismissed as a regulatory nuisance nor accepted unconditionally as a natural evolution of the platform economy. It is one economic lever among many available to city administrations — one whose effectiveness depends entirely on the precision with which it is deployed. The right policy is not a binary choice between prohibition and permissiveness, but a calibrated, data-driven, ecosystem-conscious framework that can be adjusted as market conditions evolve.

The guide draws on case studies from Montréal, European cities, and broader international experience to illustrate both the risks and the legitimate uses of short-term rental as an urban policy tool.

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1. Urban Competitiveness and the Real Estate Ecosystem

1.1 Real Estate as a Systemic Competitiveness Variable

The competitiveness of a global city rests on a fundamental ratio: quality of output relative to cost of production. This ratio integrates variables such as energy infrastructure, institutional quality, and — critically — labour. In a knowledge-intensive urban economy, talent quality must remain proportional to net wage costs. Real estate plays a decisive role in this equation: when residential costs rise faster than productivity gains and other competitiveness variables, a structural deficit emerges that erodes the city's comparative advantage.

Core principle: a rise in real estate costs that outpaces productivity growth represents an existential threat to a global city's competitiveness. This phenomenon must be treated with the same analytical rigour as a fiscal shock or labour market disruption — not as a peripheral social policy concern.

It is important to distinguish two related but distinct dynamics: general housing unaffordability (a near-universal post-pandemic condition across OECD cities) and economic competitiveness *stricto sensu*. This is not a semantic distinction — it determines the type of policy instrument that is appropriate. Structural fiscal deficits across OECD governments have fed asset inflation; elevated interest rates have pushed rents upward; labour shortages have raised construction costs. These pressures are not independent variables — they form an ecosystem.

Affordable housing is one of the foundational pillars of a global city's competitiveness. A city whose workers — from service employees to software engineers — cannot afford to live within a reasonable distance of their workplace will see its talent pool erode and its competitive advantages diminish. This dynamic is well-documented in San Francisco, London, Amsterdam, and Sydney, where housing pressure has created systemic labour market tensions with measurable macroeconomic consequences.

1.2 The Ecosystem Approach: Interdependence of Policy Levers

The most common analytical error in urban housing policy design is treating individual market levers as independent instruments with additive, linear effects. This is insufficient and often counterproductive. Every adjustment to a single lever — zoning rules, construction permits, interest rate environments, short-term rental regulations, or social housing supply — alters the equilibrium of the entire system.

Core principle: any impact assessment of a regulatory measure affecting the real estate market must integrate its effects on the ecosystem as a whole — not just its isolated sectoral impact. A lever change that appears beneficial in isolation can generate unexpected pressures elsewhere in the system.

This ecosystem lens is particularly important when evaluating short-term rental regulation. A city that restricts platform rentals during a housing shortage may recover residential units for long-term tenants, but if the measure is poorly calibrated it may simultaneously depress hotel

investment returns, reduce tourist spending capacity, and create enforcement distortions. Conversely, a city that liberalises platform rentals to boost tourism during a major event must account for the inflationary spillover into the residential market. Both effects must be modelled together.

1.3 Demographic Dynamics and Long-Term Housing Supply

Urban housing policy must integrate the demographic transitions underway across most advanced economies. Population ageing creates a singular tension: retiring cohorts exit the labour market but remain homeowners for a further ten to twenty years after retirement. This generates an apparent housing shortage in the short term — a shortage that will resolve structurally as inherited properties re-enter the market over the medium term.

This temporal dynamic imposes an important calibration constraint on public policy: measures adopted today to address a housing crisis must be designed to avoid over-correction in an environment where supply will increase structurally within the next decade. The creation of social or affordable housing during periods of acute tension can be a well-designed temporary relief mechanism, provided that re-entry into the private market is anticipated once conditions normalise.

Remote work patterns introduced structural deflationary pressure on urban housing markets in 2020–2022, enabling greater geographic dispersion from city cores. The partial return to office observed since 2022–2023 has re-inflated residential markets in most major cities. This hybrid dynamic remains a medium-term structural variable that should be incorporated into any city's housing supply projections.

1.4 Structural Regulatory Changes and Market Displacement Effects

Cities and jurisdictions periodically introduce structural regulatory changes to housing markets — new building standards, condo reserve fund requirements, tenant protection frameworks, renovation restrictions — that generate significant, often underappreciated secondary effects. These changes can deflate prices in one segment while inflating demand in an adjacent segment, producing displacement dynamics that are not always visible in aggregate statistics.

CASE STUDY — MONTRÉAL, CANADA — LOI 16 AND THE CONDOMINIUM MARKET

In Québec, the adoption of Loi 16 introduced mandatory reserve fund capitalisation requirements for condominium syndicates, based on mandated engineering studies. For many owners, particularly in older buildings with historically underfunded reserves, this represented a significant increase in monthly carrying costs. The effect has been a structural — not cyclical — downward pressure on condo prices in affected segments, with demand partially redirected toward freehold housing not subject to the same obligations. This market displacement is an independent variable that must be accounted for in any short-term rental policy impact assessment: a market already under structural stress will respond differently to regulatory changes than a stable one.

2. Short-Term Rental — The Fundamental Issues

2.1 The Core Question: Commercialising Residential Property

At the heart of the short-term rental debate lies a question of principle: should residential properties be permitted to function, on a permanent or near-permanent basis, as commercial accommodation units equivalent to hotel rooms? The general answer should be no — and for reasons that go beyond mere regulatory convention.

A residential dwelling is an asset whose primary purpose is to provide stable housing for households. The permanent or semi-permanent conversion of residential units into tourist accommodation changes their utility function, their revenue profile, and consequently their market value. This transformation exerts inflationary pressure on residential prices — particularly on small units (studios, one-bedroom apartments) in city centres — which cascades through the entire housing supply chain. Downstream, the most economically vulnerable residents face the sharpest rent increases.

Core principle: the residential vocation of a dwelling is protected by default. Any authorisation for short-term tourist rental constitutes a regulated exception to this principle, justifiable only under specific, reviewable conditions. The primary evaluative lens for any such authorisation must be its impact on the city's most economically vulnerable residents.

That said, an absolute and undifferentiated prohibition is analytically inaccurate and economically counter-productive. Certain uses of short-term rental can generate measurable positive externalities — particularly during periods of peak tourist demand when hotel capacity is saturated and room prices reach levels that reduce the overall economic impact of major events or seasons. The policy challenge is identifying when, where, and to what extent these benefits outweigh the residential market costs.

2.2 Impact on the Hotel Industry and Public Revenues

The hotel industry plays a structurally important role in any city's tourism economy. It generates direct employment (management, maintenance, food and beverage, security), fiscal revenues for the municipality (hotel and accommodation taxes, commercial property taxes, corporate income taxes and payroll levies), and contributes to the city's attractiveness for business travellers and tourists. By definition, the tax revenues generated by a hotel operation exceed those produced by equivalent residential floor space.

An under-regulated short-term rental market deprives the city of these revenues while degrading competitive conditions for established hotel operators. The parallel with the conflict between licensed taxi operators and ride-sharing platforms (most notably Uber) is instructive: in both cases, under-regulated competitors entered into unfair competition with operators subject to strict regulatory obligations — municipal licences, safety inspections, commercial insurance, professional training — representing real and legitimate costs that established market prices.

A dimension frequently overlooked in this debate is the seasonal revenue logic specific to the hotel industry: margins generated during peak season are not a surplus — they compensate for losses incurred during low season. The industry operates on an annual cross-subsidy model:

difficult months (typically winter and early spring in temperate-climate cities) are absorbed by revenues from high-demand periods. Allowing short-term platforms to capture peak-season demand — precisely when hotel rates are highest — without subjecting them to the same obligations during low season amounts to extracting the profitable segment of the industry's revenue model without sharing its structural costs. Cities should ask explicitly: if peak-season pricing is partially deflated by residential units entering the tourist accommodation market, can local hotels maintain long-term financial viability, employment levels, and investment capacity?

CASE STUDY — MONTRÉAL, CANADA — COVID-19 LEGACY LOSSES IN THE HOTEL SECTOR

The COVID-19 pandemic inflicted severe losses on the hospitality industry, a portion of which remains on the balance sheets of hotel operators in the form of emergency debt contracted during closure periods. These operators require above-average margins during the recovery period to absorb accumulated losses and repay pandemic-era loans. The demise of Sonders — a hospitality company of Montréal origin — illustrates concretely the fragilities left by this period. Eroding peak-season profitability through unbalanced competition at the precise moment when operators are seeking to rebuild equity represents a systemic risk to the long-term viability of the urban hotel sector that cannot be disregarded in any short-term rental policy evaluation.

Comparative note: in several European cities, platform-based short-term rental is generally assessed as more economically beneficial in specific contexts — mid-size cities where historical or heritage constraints limit new hotel construction, or markets where an ageing population creates structural hotel staffing shortages that limit supply growth. These conditions differ materially from most major metropolitan centres, where hotel development potential remains significant and staffing shortages, while present, are not yet irreversible structural constraints. Cities should honestly assess which category they occupy before calibrating policy.

2.3 The Undercutting Problem and Regulatory Asymmetry

One of the most significant market distortions generated by unregulated short-term rental is systematic undercutting: platform operators bypass the structural costs borne by hotel operators, distorting market prices and degrading operating conditions for the regulated hospitality sector.

A concrete illustration: 24-hour front desk coverage — a mandatory safety and guest service requirement in most jurisdictions — represents a fixed annual cost estimated at a minimum of CAD 300,000 (approximately USD 220,000) for a small property. This cost alone constitutes a significant barrier to entry for small hotels of fewer than 25 rooms, and an inflationary factor on hotel room prices more broadly. Short-term rental platforms are not subject to this requirement. The same asymmetry applies to corporate income taxes, payroll levies, commercial fire and safety regulations, and various zoning compliance obligations.

Beyond cost asymmetry, unregulated platforms also benefit from what amount to implicit subsidies: they externalise safety risks, insurance costs, and noise and neighbourhood disturbance costs onto neighbouring residents and local governments without contributing to the fiscal base that funds the associated municipal services.

CASE STUDY — MONTRÉAL, CANADA — OLD MONTRÉAL FIRE, MARCH 2023

Seven people died in a fire in a Vieux-Montréal building in March 2023. Six of the victims were staying in Airbnb listings that were not legally permitted in that sector of the city. The incident illustrated with tragic clarity the asymmetry between fire safety standards imposed on licensed hotel establishments — mandatory detection and suppression systems, emergency lighting, exit signage, and trained personnel — and those applicable to residential units. Any short-term rental policy must incorporate minimum fire safety requirements proportional to the intensity of commercial use of the dwelling. The Montréal fire prompted the Québec provincial government to introduce legislation requiring platforms to display only listings bearing a valid tourism permit number and expiry date — a model that other jurisdictions have subsequently examined.

It is worth noting that technological innovation is progressively altering some of these cost asymmetries. The widespread adoption of contactless check-in systems in European hospitality markets has allowed several cities to revisit the mandatory 24-hour front desk requirement for small hotel properties, lowering barriers to entry for sub-25-room establishments and creating space for a more competitive small-scale hotel sector. This evolution simultaneously offers opportunities for the adaptive reuse of underutilised commercial buildings — including post-pandemic vacant office stock — as small hotel properties, potentially expanding supply without drawing from the residential housing pool.

2.4 Legal Frameworks: Can Tenants Sublet via Platforms?

A dimension frequently absent from municipal short-term rental debates is the question of tenant legality. In most civil and common law jurisdictions, residential lease agreements restrict or prohibit subletting without the explicit written consent of the landlord. A municipal bylaw authorising short-term rental does not, ipso facto, grant a tenant the right to list their apartment on a tourist platform — it only defines the municipal conditions under which such activity would be permitted, if the lease itself permits it.

This distinction is particularly important in cities where a significant proportion of the residential housing stock is occupied by tenants rather than owners. Regulatory frameworks that do not explicitly address this legal layering risk creating false expectations among tenants who may face lease termination for platform-based subletting, regardless of municipal authorisation. Effective policy design must be explicit about the articulation between municipal regulation, landlord-tenant law, and platform operator obligations.

Jurisdictional note: the regulatory architecture governing short-term rentals varies significantly by jurisdiction. In federal systems, short-term rental may touch multiple regulatory layers — municipal (zoning, permits), regional or provincial (landlord-tenant law, tourism registration), and national (platform regulation, tax treatment, consumer protection). Cities operating within federal systems should ensure their regulatory framework is designed in coherence with the applicable higher-order legal architecture, and explicitly address the question of landlord consent for tenant-operated listings.

3. Analytical Nuances and Practical Considerations

3.1 Property Type Differentiation

Any effective regulation must recognise the heterogeneity of the urban housing stock and the differentiated impact that short-term rental exerts across market segments. A studio or one-bedroom apartment in a central urban district is in direct competition with the hotel market; its conversion to tourist accommodation reduces the residential stock available to lower- and middle-income households. By contrast, a four- or five-bedroom property in a premium residential neighbourhood serves a market niche barely covered by conventional hotel supply and generates a more positive economic externality profile.

Similarly, the case of a resident occupying a property larger than their immediate needs and renting one room to travellers – the traditional bed-and-breakfast model – warrants distinct treatment. This model has a marginal impact on residential stock and may represent a legitimate supplementary income source. It is worth acknowledging, however, that in a well-functioning housing market, price signals would naturally incentivise this resident to occupy a property better matched to their actual needs – room rental can function as a compensating mechanism for structural housing mismatches.

A minimum effective typology for regulatory differentiation should distinguish: (i) small units in central locations (studios, one-bedroom) – warranting strict restrictions; (ii) large residential properties or premium dwellings – warranting lighter-touch conditions; (iii) owner-occupied rooms within a primary residence – treated as bed-and-breakfast with simplified declarative regime; and (iv) commercially operated multi-unit platforms – subject to full hotel-equivalent regulatory requirements.

3.2 Seasonality: The Primary Calibration Variable

Seasonality is the most immediate and tractable adjustment variable in short-term rental policy design. During periods of low tourist demand, authorising residential units to compete with hotels that are already struggling to fill rooms compounds existing sector difficulties without generating net economic benefit for the city. The residential market loses supply; the hotel market loses revenue; the municipal government loses commercial tax yield.

Conversely, during periods of peak demand driven by major international events, hotel capacity saturation can drive room prices to levels that discourage participation and reduce overall economic impact. As an illustrative order of magnitude – not an empirical estimate validated for any specific city – accommodation shortages during a major event could theoretically reduce the number of potential attendees by a significant margin, generating cascade losses across food and beverage, retail, and air travel sectors. The Formula 1 Grand Prix calendar, which relocates races across global cities, offers recurring instances of this dynamic: host cities with insufficient accommodation infrastructure at accessible price points measurably underperform their economic impact potential.

In these specific and time-limited contexts, mobilising residential supply as additional tourist accommodation capacity can be justified as a targeted economic policy tool. The key discipline is limiting such authorisations to defined event windows with clear start and end dates, rather than using major events as a general rationale for permanent liberalisation.

3.3 Student and Institutional Housing: A Priority Resource

Many university cities and metropolitan areas with significant higher-education infrastructure hold an underutilised resource: student housing — university residences and private rental stock clustered around campuses — whose occupancy is strongly seasonal. These units, fully occupied during the academic year, experience significant vacancy rates during the summer months, corresponding precisely to the peak tourist season in most cities.

It is worth noting that this stock is already partially mobilised for tourist purposes in several cities: university residences in Montréal, Edinburgh, Oxford, and other major university cities have operated summer accommodation programmes for decades, functioning de facto as budget-range hospitality establishments during the low-occupancy period. These units — typically studios or single rooms with shared amenities — are structurally comparable to budget hotel rooms and serve a tourist demand segment (budget travellers, student groups, academic conference participants) that is often underserved by conventional hotel supply.

The policy implication is not to create this mechanism where it does not exist, but to maximise and formalise it before lowering regulatory barriers on the broader private residential market. In a context where many university cities are experiencing pressure to reduce international student admissions, summer vacancy rates in student housing may increase — making a structured tourist mobilisation strategy for this existing stock all the more pertinent. This approach requires formal partnership frameworks with higher-education institutions, but offers the considerable advantage of expanding tourist accommodation capacity without drawing from the permanent residential housing pool.

3.4 Intensity and Quotas: The Critical Parameter

The most decisive parameter in an effective short-term rental regulatory framework is not the principle of authorisation or prohibition, but quantitative calibration. A quota set too restrictively produces no measurable economic effect. A quota set too permissively generates the distortions described in earlier sections — upward pressure on rents, unfair competition against hotels, erosion of residential stock — and can produce net negative outcomes for all stakeholders.

A system of dynamic quotas, adjustable in response to housing market conditions and tourist demand, represents the approach most consistent with an ecosystem perspective. Quotas should be tightened during periods of housing market stress and relaxed temporarily during peaks in tourist demand or during periods of residential market detension. Wherever possible, these adjustments should be anticipated and planned rather than reactive, in order to avoid threshold effects that are disruptive for market participants.

Equally important is the principle of gradualism. Any modification of regulatory parameters — whether broadening or restricting quotas — must be implemented progressively and pre-announced with sufficient lead time. An abrupt tightening deprives operators overnight of revenues on which they have legitimately relied; an excessively rapid liberalisation risks generating a rush for permits and producing the very distortions the policy is designed to avoid. The governing rule is straightforward: no shocks to the ecosystem. Phase-in and phase-out

timelines must be long enough for all market actors — hotel operators, property owners, tenants, and platforms — to adapt accordingly.

Best practice: several European cities have adopted an annual quota review mechanism linked to a housing market stress index (vacancy rate, rent-to-income ratio, housing cost inflation) and a tourism capacity utilisation index (hotel occupancy rates by season, major event calendar). This dual-index approach enables pre-announced, evidence-based quota adjustments that are defensible to all stakeholder groups and reduce the politicisation of individual permit decisions.

3.5 Data Infrastructure and Planning

Any rational short-term rental policy requires a robust and current data infrastructure. The foundational parameters include: international visitor volumes and composition by season; existing hotel room inventory and planned development pipeline; hotel occupancy rates by season and by neighbourhood; residential rental stock mapping by unit type and price band; and platform data on the volume and geographic distribution of existing short-term rental listings.

This analytical infrastructure conditions the city's ability to design micro-targeted policies, evaluate the impacts of adopted measures, and adjust parameters proactively rather than reactively. In the absence of this data foundation, any regulation will necessarily be blunt — too general to be effective and too uniform to be equitable across diverse urban geographies. Mandatory platform disclosure requirements — requiring Airbnb, Vrbo, and equivalents to share anonymised listing and occupancy data with municipal authorities — are an essential component of this infrastructure and have been adopted in several leading regulatory jurisdictions.

4. Best Practice Framework

The following eight principles are proposed as a best practice reference framework for municipal administrations facing short-term rental regulation challenges. They do not constitute prescriptive policy recommendations but an analytical reference designed to guide regulatory design across diverse urban contexts.

A. Residential Property as a Protected Default

Regulation should depart from the principle that the residential vocation of a dwelling is protected by default. Any authorisation for short-term tourist rental constitutes a regulated, time-limited exception to this principle, justifiable only under specific and reviewable conditions. The starting presumption is always residential.

B. Primacy of the Most Economically Vulnerable Residents

The evaluation of any short-term rental measure must begin with its impact on lower- and middle-income tenants and residents. This evaluative lens should take precedence over

considerations of tourist revenue potential or owner flexibility. Policy instruments that generate economic gains for tourism at the direct expense of residential affordability for the most vulnerable residents fail the primary policy test.

C. Priority Mobilisation of Institutional Housing Stock

Before reducing regulatory barriers on private residential short-term rental, cities with significant university or institutional housing infrastructure should establish formal partnership frameworks to mobilise vacant institutional units during peak tourist seasons. This approach expands accommodation capacity without drawing from the permanent residential pool and should be fully optimised as a first-order response before private market liberalisation is considered.

D. Differentiated Regulation by Property Type and Location

A uniform regulatory framework is poorly adapted to the diversity of urban housing markets. The regulatory architecture should distinguish at minimum: small central units (subject to strict restrictions); large or premium residential properties (subject to lighter conditions); owner-occupied room rentals (treated as bed-and-breakfast with simplified declarative regime); commercially operated multi-unit platforms (subject to full hotel-equivalent regulatory requirements); and high housing-stress zones (subject to systematically tighter restrictions regardless of property type).

E. Dynamic, Seasonal Quota Systems

Short-term rental authorisations should be subject to quotas defined at sub-municipal geographic scales (neighbourhood or district level), modulated seasonally, and reviewed annually against housing market and tourism demand indicators. Major event periods may justify temporary, time-bounded exceptions. Quotas should be set conservatively during housing market stress and adjusted upward only when both housing and tourism market indicators support the change.

F. Regulatory Parity — Minimum Obligations

Without necessarily imposing the full regulatory burden of hotel operators on individual homeowners, the regulatory framework should introduce a minimum parity contribution — tourist/accommodation tax, civil liability insurance at commercial levels, compliance with applicable fire safety standards — to reduce the most significant competitive distortions. Safety requirements, in particular, should be non-negotiable and calibrated to the commercial intensity of use.

G. Gradualism — No Ecosystem Shocks

All changes to the regulatory parameters governing short-term rental must be implemented progressively and pre-announced with sufficient notice for market adaptation. Phase-in and phase-out timelines should be established in advance and adhered to. Abrupt regulatory shifts — in either direction — generate market distortions that disproportionately harm smaller, more vulnerable operators and residents. Regulatory predictability is itself a public good.

H. Data Infrastructure, Mandatory Disclosure, and Continuous Evaluation

Cities should establish a permanent short-term rental monitoring dashboard, fed by mandatory platform data disclosure, residential market statistics, and tourism data. This system conditions the ability to anticipate necessary adjustments rather than react to them after the fact. Regular public reporting on the outputs of this monitoring system increases policy accountability and reduces the scope for capture by either the platform industry or prohibitionist advocacy.

5. Conclusion

Short-term rental deserves neither to be dismissed as a regulatory aberration nor accepted without constraint as a natural evolution of the platform economy. It is one economic lever among others in the toolkit of a global city — one whose effectiveness depends entirely on the precision with which it is deployed.

The cities that have managed this challenge most successfully are those that have resisted both the impulse toward blanket prohibition and the impulse toward unconditional liberalisation, choosing instead to treat short-term rental as what it is: a variable input into a complex urban economic ecosystem, requiring calibrated, data-informed, and dynamically adjustable management.

Short-term rental policy should be integrated into a city's overall economic planning framework — with micro-targeted quotas, tightened during periods of housing market stress and temporarily relaxed during peaks in tourist demand. It is a tool to be deployed with discernment, not a problem to be eliminated or a solution to be celebrated. The best regulatory frameworks are those that remain genuinely responsive to evolving urban conditions — neither frozen in a moment of crisis nor perpetually tilted toward any single stakeholder interest.

The best practice principles set out in this guide are designed to be adapted to the specific legal, institutional, demographic, and economic context of each city. There is no universal template. What is universal is the analytical discipline: begin with the ecosystem, protect the most vulnerable, price the externalities, calibrate the quotas, build the data infrastructure, and move gradually. Cities that apply these disciplines will be better positioned to extract genuine economic value from short-term rental while protecting the residential fabric and competitive foundations on which their long-term prosperity depends.