

Short-term rental bans hurt families and punish success

BY AMBER GUNN

For most families, owning a hotel is a fantasy. But owning a single rental property is the ground floor of a bigger dream — a way to fund college tuition or seed a future business through sweat equity and a spare key. For those who can't afford the overhead of a traditional business, short-term rentals are one of the most accessible paths to move beyond a paycheck-to-paycheck existence.

Beyond providing a platform for growth, these rentals serve as a critical safety net for many owners. According to Airbnb, 43% of hosts use their earnings to stay in their homes, while 11% say the income helped them avoid eviction or foreclosure. Yet, as cities move to ban or cap short-term rentals, they are not just limiting tourism; they are criminalizing the small-scale ambition that allows ordinary people to build financial independence.

Short-term rentals have become a useful villain for politicians seeking a scapegoat for the lack of affordable housing. In city council chambers across the country, the narrative is identical: ban short-term rentals and housing affordability will follow.

It's a comforting story for a frustrated public. It's also wrong.

In our upcoming study, *Short Term Rental Regulations: Principles, Pitfalls and Practical Reforms*, we examine the consequences of turning our backs on the first principles of property ownership. A presumption in favor of peaceful property use is not a mere policy preference; it is the starting point of legitimate governance in a free society. When we abandon this — forgetting that a home is a private asset rather than a tool of the state — we create a vacuum filled by elitism and administrative whim.

Short-term rentals bans act as a significant barrier to housing market entry, effectively shrinking the buyer pool to high-net-worth individuals. Before a ban, a middle-income family could sometimes afford a mountain or lake house by offsetting the mortgage with rental income. When that business model is outlawed, the buyer disappears and the ladder to wealth-building is kicked away.

The data consistently proves that short-term rental crackdowns fail to solve the

structural housing shortages they purport to fix. In New York City, a near-total ban eliminated 90% of available listings, yet citywide rents continued climbing to record highs — reaching nearly \$4,700 for a one-bedroom apartment while vacancy rates remained at a critical 1%. If anything, affordability worsened.

The ban also had the unintended consequence of shifting tourism dollars away from local businesses in dispersed neighborhoods, instead funneling revenue toward centralized hotel chains. An analysis by Charles River Associates found that New York's restrictions resulted in \$638 million in lost guest spending, while hotels benefited from a nearly 15% boost in nightly rates.

This isn't just an American phenomenon. A 2024 Ernst & Young review in the U.K. found that over 95% of housing cost increases are driven by broad economic factors and supply constraints, with short-term rentals accounting for mere pennies on the dollar. Similarly, when Los Angeles County slashed its listings by half, home prices fell by a negligible 2%.

While politicians fixate on short-term rentals, they ignore the staggering cost burden of their own bureaucracy. A 2021 study by the National Association of Home Builders found that government regulation accounts for 23.8% of the final price of a new single-family home — a hidden tax averaging nearly \$94,000 per house.

Restrictive zoning and regulatory overreach have made it nearly impossible to build enough homes to meet demand. Short-term rentals represent a fraction of the housing stock, yet they receive most of the blame. It is much easier to ban a vacation rental and claim victory than it is to unwind decades of spectacular housing policy failures.

None of this is an argument for “regulatory anarchy.” Local governments have a clear role in managing noise, safety and trash. But as our research outlines, the solution is targeted enforcement and market-based solutions, not blanket prohibition. A serious policy framework begins with a presumption in favor of property rights. It rejects arbitrary caps that create artificial scarcity and instead focuses on clear, standardized rules that address actual harm rather than speculative fear.

To that end, states should adopt narrowly-tailored, uniform rules focused on essential protections — accurate tax remittance and objective safety standards — while prohibiting municipalities from using short-term rental bans or licensing regimes as indiscriminate substitutes for enforcing existing nuisance laws.

History is rarely kind to policies that treat property rights as expendable. Housing affordability will not be achieved by suffocating peaceful uses of private property, but by expanding supply and allowing markets to respond to demand.

A disciplined, property rights-centered short-term rentals framework helps move policy back toward that goal — strengthening opportunity for homeowners and keeping government aligned with its proper role in a free society.

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