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Short-term rentals and housing market: Evidence from portuguese metropolitan area

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Abstract: In this paper, we make use of the rapid expansion of short-term rentals in Portugal, based on a policy change in 2014, to estimate the effects on house prices. Using a novel dataset consisting of property transaction data, from 2010 to 2017, for the metropolitan areas of Lisbon and Porto, we causally identify the impact of these reforms through a two-way fixed effects model, at the quarterly level, where we control for property specific characteristics and location and time fixed effects. The evidence suggests that a one-unit increment in the number of local lodging establishments results in a 0.17% increase in the value of transaction, which is ensured by a set of robustness exercises. Stronger effects are found for properties with four or more bedrooms, owned by citizens outside of the European Union, in the municipality of Porto and at the upper quantiles. We also document a decrease in the number of transactions of new buildings and a positive effect on the value of commercial properties.

Keywords: Policy Analysis, Housing Market, Portugal, Short-Term Accommodation.

JEL classification: R12, R23, R30.