

# THE RISE OF ALTERNATIVE ACCOMMODATION: ASSESSING THE INVESTMENT POTENTIAL OF SHORT-TERM RENTAL PROPERTIES IN GLOBAL CITIES

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## Abstract

*The emergence of short-term rental (STR) platforms such as Airbnb, Vrbo, and Booking.com has triggered a transformative shift in the global lodging and real estate investment sectors. Offering more personalized, flexible, and locally immersive experiences, STRs are increasingly preferred over traditional hotel accommodations. This paradigm shift is reshaping investor strategies in metropolitan real estate markets, prompting a re-evaluation of traditional income models. This study explores the investment viability of STRs in prominent global urban centers, with particular emphasis on cities across India, Thailand, and the European Union, which have shown dynamic STR market behavior and regulatory evolution.*

*The objective of this research is to assess the financial, regulatory, and social dimensions of STR investments through a mixed-methods approach. Quantitative data was obtained from platforms like AirDNA, Airbtics, and OECD housing reports, while qualitative insights were derived from interviews with STR investors and regional industry stakeholders. Metrics such as occupancy rate, revenue per available rental (RevPAR), operational costs, and legal compliance frameworks were analyzed to identify key factors influencing profitability and sustainability of STRs in different urban contexts.*

*In India, cities like Mumbai, Goa, Bengaluru, Delhi, Jaipur, and Kochi are experiencing a domestic travel boom and rising middle-class spending power, translating into heightened STR demand. Regulatory control remains fragmented, with limited government registration and tax clarity, though emerging collaborations between platforms and government bodies suggest impending formalization. Thailand's market is characterized by strong seasonal demand in tourism hotspots like Phuket, Chiang Mai, and Krabi. While earlier regulations prohibited STR operations under hotel laws, recent legislative amendments now permit small-scale operators, indicating a gradual shift towards regulated growth.*

*In the European Union, STR dynamics are highly localized. Cities like Lisbon and Prague continue to attract investor interest due to favorable returns and lighter enforcement. Conversely, Berlin and Paris enforce stringent STR regulations, including rental caps and short-term occupancy limits, reflecting concerns over housing affordability and urban gentrification. Athens offers a middle-ground regulatory environment with capped property ownership and simplified tax regimes. Despite the diverse policy landscape, a common trend is emerging toward greater transparency, accountability, and host registration.*

*The research further highlights several operational challenges, including high running costs (up to 50% of revenue in some regions), seasonality-induced occupancy fluctuations, and legal risks associated with non-compliance. However, stress-testing models using conservative assumptions indicate that, even under low occupancy scenarios (~50%) and high operational costs, certain STR markets remain financially viable. Strategic recommendations for investors include diversifying portfolios across cities with differing risk profiles, considering hybrid rental models (e.g., mid-term rentals), and maintaining strict legal compliance to avoid penalties and long-term disruptions.*

*The study concludes that STRs represent a compelling investment opportunity in many global urban environments, especially where tourism demand aligns with supportive or evolving regulation. Successful STR investment depends on a multidimensional approach that blends real estate insight with hospitality management and legal diligence. As cities across the world continue to redefine their regulatory stance on alternative accommodations, early-stage adaptability and regulatory foresight will determine long-term investor success.*

*This paper contributes to the growing body of literature on real estate innovation and STR markets by offering updated comparative insights across diverse geographies. It also serves as a practical guide for new and existing investors seeking to navigate the complex, evolving landscape of global short-term rental property investment.*

**INTRODUCTION**

The hospitality industry has been transformed by short-term rental properties, which provide adaptable, homelike alternatives to hotel accommodations. Driven by digital media, STRs have become rather important in urban tourism and real estate investment (Guttentag, 2015). This study looks into STR investment patterns and points out worldwide cities where this trend is influencing real estate selections. STR platforms have become really popular all around. For example, Visio Lending noted rising investor interest shown by a 3,000% increase in the volume of loans for vacation rentals from 2018 to 2021. At the same time, between 2011 and 2019, the proportion of visitors choosing We selected cities based on STR-friendly platforms, the rate of urbanisation, and the number of tourists.

**1. Literature Review**

Previous studies confirm STRs offer higher gross yields than traditional rentals but carry higher operational burdens and regulatory risks (Li et al., 2016; Wachsmuth et al., 2017). Sydney’s STRs show nearly double the rental income of long-term rentals (Ivysci.com). However, critics highlight issues such as gentrification, affordability crises, and legal ambiguities. Recent literature also explores the impacts of STR proliferation on housing stock availability and neighbourhood dynamics, especially in dense urban areas.

**2. Methodology**

This mixed-method study integrates market data from Airbtics, AirDNA, OECD, and investor interviews. Cities were selected based on STR platform penetration, tourism metrics, and evolving local regulation. Quantitative data was triangulated from multiple sources to validate yield, occupancy, and revenue metrics, while qualitative insights were obtained through investor case studies and STR industry reports.

**4. Key Global Cities and Investment Climate**

Short-Term Rental Metrics by City

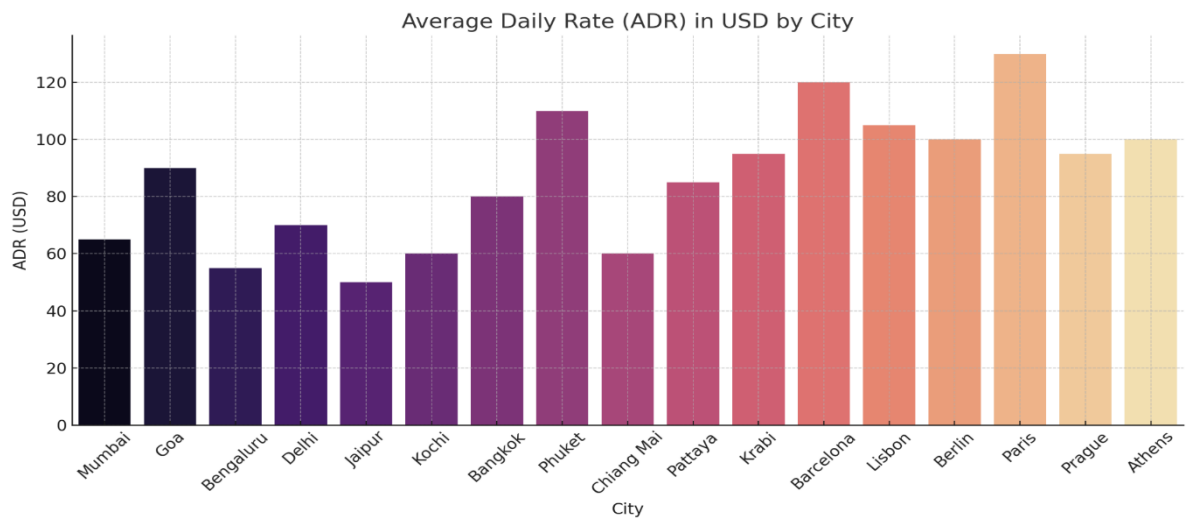
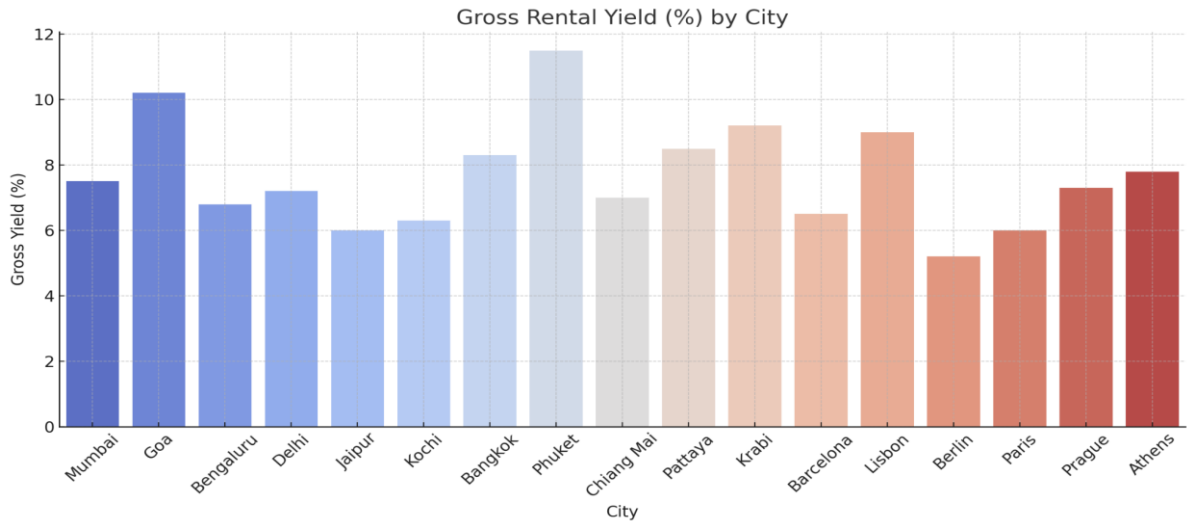
City	Occupancy Rate (%)	ADR (USD)	Gross Yield (%)
Mumbai	78	65	7.5
Goa	82	90	10.2
Bengaluru	70	55	6.8
Delhi	72	70	7.2
Jaipur	65	50	6.0
Kochi	67	60	6.3
Bangkok	75	80	8.3
Phuket	79	110	11.5
Chiang Mai	73	60	7.0
Pattaya	76	85	8.5
Krabi	77	95	9.2
Barcelona	80	120	6.5
Lisbon	77	105	9.0
Berlin	65	100	5.2
Paris	75	130	6.0
Prague	70	95	7.3
Athens	72	100	7.8

**4.1 India: Mumbai, Goa, Bengaluru, Delhi, Jaipur, and Kochi** Rising middle class in India and more domestic travel have driven STR demand. Mumbai shows high occupancy rates given its dense population and thriving economy. One leisure destination that produces yearly peak-season returns above 10% is Goa The tech-savvy workforce of Bengaluru helps to create demand for quality STRs. Delhi gains from economic and cultural tourism; Jaipur draws historical visitors; Kochi experiences seasonal surges from its beach and backwater tourism.

**Regulatory Outlook:** India does not now have consistent STR control. Only 3% of listings show government registration; hence, most hosts work unofficially (Airbrics, 2025). The Delhi B&B Act (2007) is voluntary; bookings fall under GST between 12% and 18%. Although enforcement is low now, alliances between Airbnb and the Indian government suggest future changes in regulations.

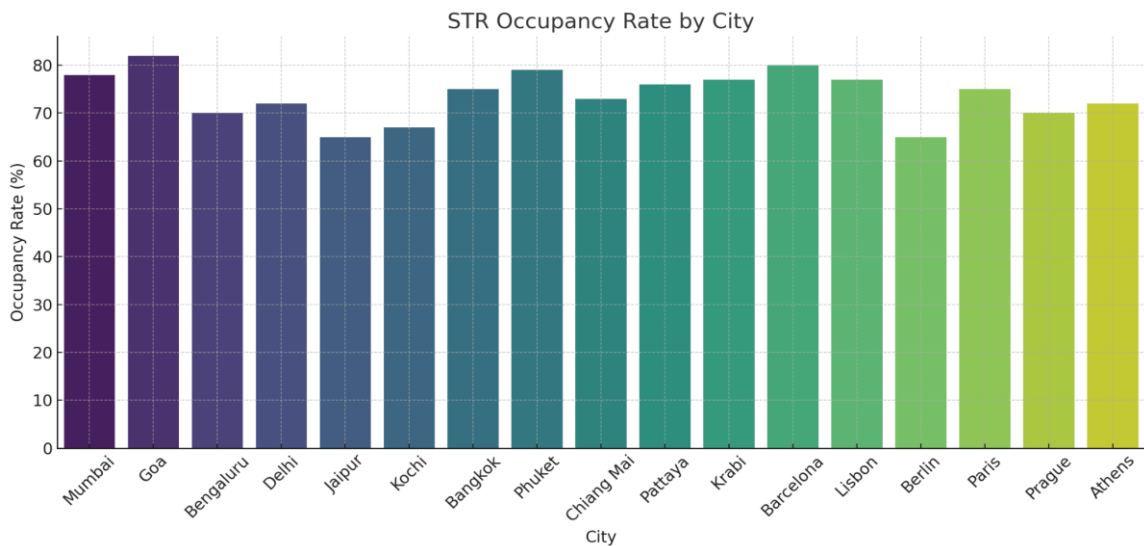
**4.2 Thailand: Bangkok, Phuket, Chiang Mai, Pattaya, and Krabi** Among the most travelled-to countries in Southeast Asia, Thailand is Bangkok’s cosmopolitan appeal and connections make it perfect for STR investments. Key beach locations with great seasonal demand are Phuket, Pattaya, and Krabi. A major factor is also Chiang Mai’s wellness and cultural tourism.

**Regulatory Environment:** Technically unlawful under the Hotel Act B.E. 2547 (2004), STRs were until recently banned But if registered with local authorities, a 2023 ministerial regulation now lets small operators—up to 8 rooms and 30 guests—legally run STRs. Taxation covers income tax as well as a 7% VAT for companies, surpassing THB 1.8 million annually.



**4.3 European Union: Barcelona, Lisbon, Berlin, Paris, Prague, and Athens** have mixed terrain in the EU. Because of large yields and less strict policing, Lisbon and Prague appeal to investors. Berlin and Paris set strict penalties and 90-day restrictions. Under simplified tax systems, Athens lets up to two properties per host; otherwise, it imposes registration and 90-day restrictions, unless annual income is less than €12,000 per property. occupancy versus 6% for long-term leases. However, high operating expenses (30–50% of STR revenue) can significantly impact Mai and Lisbon.

- Using conservative occupancy predictions (~50%) and high running cost scenarios (up to 50%), stress-test ROI
- Spread out portfolios to offset regional policy risks.
- Think about hybrid plans, such as mid-term rentals where STR caps apply.
- To avoid expensive fines, be sure you follow local rules (licences and tax registration).



## 9. Conclusion

Particularly in areas like India, Thailand, and the European Union, short-term rentals present large investment prospects throughout world cities. Although there are some regulatory risks, judicious investment in developing hotspots with supportive government and significant demand can pay off handsomely. Occupancy, seasonality, and cost control all influence financial performance. Though regulatory regimes differ greatly, compliance and openness are non-negotiable more and more. Effective STR investing combines legal diligence with hotel management and real estate knowledge.

## Author Contributions

Mrs Leela Sengottuvelu designed the study; Dr Hemachandran Ravikumar provided ideas on the final design and selection of assessment tools. Both authors were involved in data collection, summarising, statistical analysis, and finalising the report. Mrs Leela Sengottuvelu has made the rough draft of the research paper; Dr Hemachandran Ravikumar provided the initial draft of the manuscript, and the final version is made available by considerations of all.

## Declarations of Conflicts of Interest

The authors declare that they have no potential conflicts of interest regarding the study design, research analysis, or publication of this article.

## Funding

The work was supported by the UNS Research Council & UNS Digital Technologies Pvt Ltd.

## Ethical Approval

The study was approved by the Review Committee of the UNS Research Council.

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