



Homes, Not Hotels:

A Case for Maintaining Universal Short-Term Rental Regulations

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Executive summary

In 2022, New York City passed landmark regulations of short-term rentals, ensuring that the city's housing stock could not be transformed into unregulated hotel rooms. Now, the biggest company in the industry—Airbnb—is seeking to roll these regulations back, beginning with small buildings.

Homes, Not Hotels demonstrates the harm that such a rollback would impose on the city's housing stock, its renters, and its would-be buyers. In the report, we find that:

- Allowing host-less short-term rentals would increase the price of purchasing a one- and two-unit property. This regulatory change could double a small building's gross annual income and raise a building's Net Present Value by millions of dollars. These potential profits could drive sales prices far beyond the reach of working-class New Yorkers seeking to purchase their first home.
- This rollback would result in higher rents for homes in one- and two-unit properties. Once buyers purchase these buildings at inflated prices, they will have to either turn long-term rentals for New Yorkers into short-term rentals for tourists, or rent to New Yorkers at inflated prices, thus removing some of the most affordable units from the city's housing stock or raising their rents significantly.
- These measures will incentivize property owners to displace the tenants from their one- and two-unit properties—a population of renters who are disproportionately Black and low-income. Nearly one in five New York City renters live in small, market-rate buildings. Few are protected by rent stabilization or Good Cause and could be displaced by their landlord without meaningful legal recourse in order to make way for more profitable short-term renters.

We conclude with a case for universal rather than piecemeal regulations. The City Council and Mayor must stand firm in their commitment to housing affordability and tenants' rights.

Introduction

New York City's affordable rental housing stock has been declining for decades. Between 2002 and 2021, the city lost nearly half the apartments affordable to low-income households earning under 200 percent of the federal poverty level.¹ ² Along with a range of other factors, like deregulation and market consolidation, one factor fueling this staggering decline was the rise of the short-term rental market.

Short-term rental platforms like Airbnb increasingly turned residential properties into de facto hotel rooms, removing them from the long-term rental market and exacerbating housing affordability issues. Hosts, including many large-scale professional operators, frequently bypassed long-standing legal requirements in the city and state's housing codes. A 2018 study found that two-thirds of revenue on Airbnb in New York City was generated by likely illegal listings.³

As this trend took hold in New York and other major tourist destinations, cities around the world passed regulations to ensure compliance with building codes and fair collection of hotel and sales taxes. New York City responded by passing the Short-Term Rental Registration Law (Local Law 18) in 2022, which was implemented in the fall of 2023. The law established a universal regulatory framework that required hosts to be present in their units while renting them on a short-term basis. All hosts would have to register with the NYC Office of Special Enforcement (OSE) in order to verify compliance with all relevant legal requirements.⁴ This allowed platforms like Airbnb and Vrbo to continue operating in New York City without taking units off the market, raising rents, and displacing renters.

Airbnb has pushed to turn back these regulations. The company spends millions on lobbying, advertising, and research, all aimed at casting doubt on the city's regulatory apparatus. Last year, advocates for Airbnb deregulation have drafted Intro 1107, a bill that, as originally written, would exempt one- and two-unit properties from the requirement that hosts be present with guests. Now, another bill, [Intro 948](#), has been amended to also include those same measures. The passage of such measures would put additional pressure on a segment of the New York City rental market that has already been targeted by speculative investors, and in which tenants have minimal protections.⁵ Additionally, the bill would have allowed short-term rentals to increase the guest cap from two to four. This change would require OSE to alter their current registration process—one that was already delayed in 2023 due to staffing shortages.⁶

This bill sparked significant protest from New York City tenants and has since been downgraded in its scope.⁷ Still, companies like Airbnb are pursuing other legislation to deregulate small buildings. Doing so would undermine a common-sense regulatory framework over an increasingly professionalized section of the city's real estate market. It would also prioritize real estate profits over the city's commitment to affordable housing, targeting renters living in apartments with the fewest protections, further exacerbating the city's housing crisis.

1 See our analysis of historical [New York City Housing Vacancy Survey \(HVS\) data](#).

2 In 2020, when the 2021 HVS was fielded, 200 percent of the federal poverty level was \$41,182 for a family of three. An apartment affordable to such a household would rent for \$1,029 or less.

3 Urban Politics and Governance research group at the School of Urban Planning, McGill University. "The High Cost of Short-Term Rentals in New York City," 2018; A 2014 study by the NYS Office of the Attorney General had similar findings.

4 See [OSE's page](#) for additional details about short-term rental rules and regulations.

5 See, for example, City Limits, "[A Real Estate Trust Bought Dozens of Brooklyn Brownstones. Now It Wants Out](#)," September 11, 2023.

6 Gothamist, "['Alarming' staffing shortage raises concerns over NYC's new Airbnb registration rule](#)," June 12, 2023.

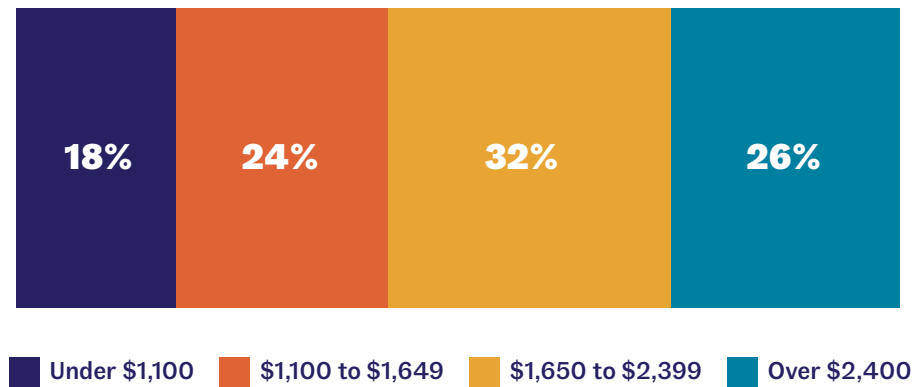
7 Gothamist, "[Efforts to revive Airbnb in NYC are sputtering amid multi-million-dollar lobbying efforts](#)," February 11, 2025.

One- and two-unit buildings are fixtures of the New York City rental housing stock

While New York City is known for its high-rises, there are 327,100 rentals in buildings with one or two units, comprising approximately 14 percent of the city’s rental housing stock and housing nearly 894,000 tenants.⁸ In fact, there are more rentals in one- and two-unit buildings than in three-to-five-unit buildings or six-to-nineteen-unit structures.⁹ The city’s smallest buildings comprise a core element of the city’s rental housing landscape, larger than the entire housing stock of Boston, Massachusetts.¹⁰ Any incentive to convert these rentals from permanent to short-term could have a significant effect on overall housing affordability.

Apartments in this section of the city’s real estate market rent for slightly less than other market-rate New York City homes. In 2022, the median rent in market-rate units (those not covered by rent stabilization or any other form or rent regulation) was \$2,000 a month, while the median rent in one- and two-unit buildings was \$1,860.¹¹ As illustrated in Chart 1, nearly three-quarters of one- and two-unit properties rented for under \$2,399. This distribution skews slightly lower than the rent distribution in three-to-five-unit buildings.

Chart 1: Rent distribution in one- and two-unit unit rentals



Source: CSS analysis of the 2023 Housing and Vacancy Survey

8 We use 2022 as our base year because it is the year reflected in the most recent HVS, as well as the last calendar year before the full enforcement of our current short-term rental regulations.

9 HVS, 2023.

10 According to the American Community Survey, there were 313,752 housing units in the Boston-Cambridge-Newton Metro Area in 2023.

11 HVS, 2023.

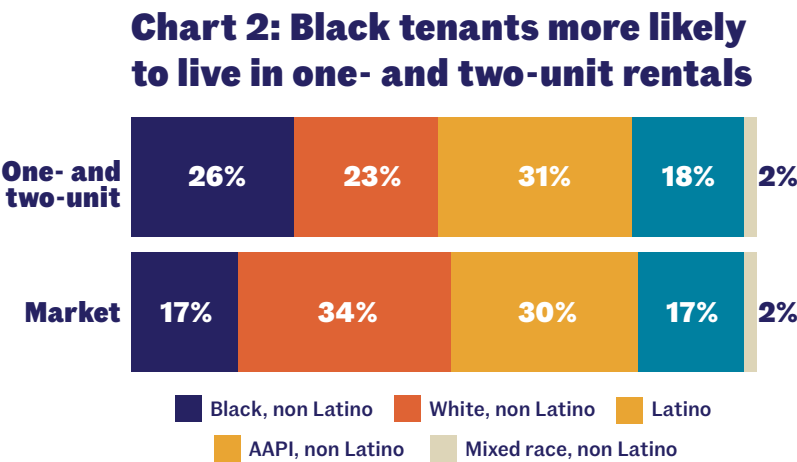
Tenants living in one- and two-unit buildings are among the most vulnerable to displacement

Eighteen percent of the city’s 5.2 million tenants live in one- and two-unit dwellings in New York City, and for the most part, are not covered by state and local tenant protections. Rent stabilization only applies to buildings with more than five apartments, leaving tenants in one- and two-unit buildings vulnerable to price hikes and lease non-renewals. Meanwhile, the recently passed Good Cause eviction laws only cover tenants in buildings where the landlord owns more than nine units. As a result of their exclusion from rent stabilization and—in many cases—Good Cause, tenants in this housing stock are uniquely vulnerable to rent shocks and no-fault evictions, both of which can be expected to increase if owners are able to convert long-term rentals into highly lucrative short-term rentals.

Adding to the overall precarity, 45 percent of tenants living in one- and two-unit dwellings (approximately 400,000 people) do not have a lease. The vast majority of these leaseless tenants—86 percent—never had a lease in their current home. Leaseless tenants in New York State are classified as month-to-month renters, a legal designation that allows a landlord to terminate a tenancy with minimal notice.¹² Still, a leaseless household living in a one- and two-unit rental has typically been in their apartment for ten years. During this length of time, families have likely developed roots in their community that are difficult to re-establish elsewhere.

Black tenants are more likely to live in one- and two-unit dwellings than in market-rate rentals

The shares of Asian, Latino, and multi-racial tenants in one- and two-unit rentals are comparable to those in market-rate units overall. However, Chart 3 shows that 26 percent of tenants in one- and two-unit rentals are Black—nine percentage points higher than in market-rate apartments overall. Thirty-four percent of market-rate tenants are white, 11 points more than one- and two-unit rental tenants. The loss of one- and two-unit rentals to the short-term rental market will likely contribute to the exodus of Black New Yorkers out of the city, to more affordable areas of the country.¹³



Source: CSS analysis of the 2023 Housing and Vacancy Survey

12 See NYS Office of the Attorney General’s [“Renter’s Rights and Protections Under New York State Law.”](#)
13 The New York Times, [“Why Black Families Are Leaving New York, and What It Means for the City.”](#) Feb. 3, 2023.

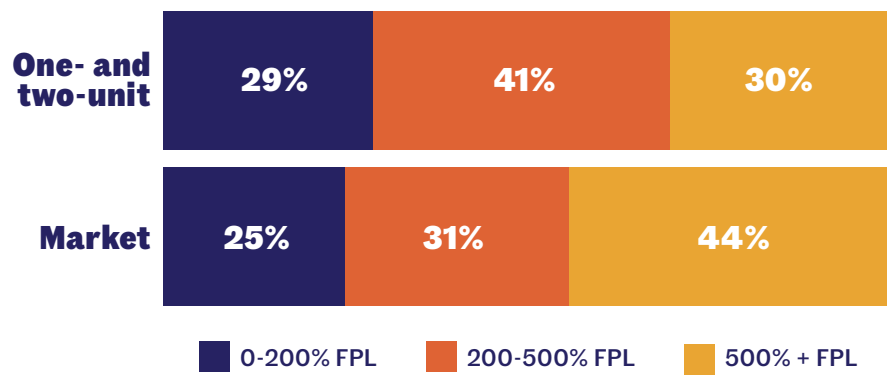
One- and two-unit tenants are, on average, poorer than market-rate tenants

In terms of legal classification, one- and two-unit dwellings are most similar to market-rate apartments. However, the typical market-rate tenant household earns 78 percent of Area Median Income (AMI),¹⁴ while the typical one- and two-unit renter household makes 64 percent of AMI, 14 percentage points lower.

The U.S. Census’ Federal Poverty Level (FPL)—an inflation-adjusted poverty measure—is another way of assessing a group’s economic position. As Chart 3 illustrates, in 2022, 56 percent of market tenants earned below 500 percent of the FPL.¹⁵ Among tenants living in one- and two-unit rentals, 70 percent earned below 500 percent of the FPL that same year.

A typical family living in a one- and two-unit rental has not moved since before the pandemic. A recent report by the NYC Comptroller’s office showed that asking rents have increased by 17 percent since early 2020, with a median rent for a two-bedroom apartment now around \$3,800 a month.¹⁶ Whether using the FPL or the AMI, one- and two-unit rentals are more likely to house low- and moderate-income tenants than market units overall. These households are less likely to be able to weather the economic shock of a forced move and are less likely to be able to afford a new apartment on the market.

Chart 3: One- and two-unit rentals more likely to house low- and moderate-income tenants



Source: CSS analysis of the 2023 Housing and Vacancy Survey

14 Area Median Income (AMI) is a federal formula used to determine tenant eligibility for housing programs.

15 \$116,400 for a three-person household in 2022, when the 2023 HVS was fielded.

16 NYC Comptroller’s Office, [“Spotlight: New York City’s Rental Housing Market.”](#) January 2024.

Allowing host-less short-term rentals would widen rent gaps

Both supporters and opponents of short-term rental regulations agree that owners can make more money on platforms like Airbnb than they can by renting to long-term tenants.¹⁷ The difference in potential profits between the two models demonstrates the danger of a short-term rental regulatory rollback. Allowing building owners to once again remove one- and two-unit units from the rental market may put undue pressure on hundreds of thousands of tenants already living in these homes.

To compare the profitability of long-term versus short-term renting in this housing stock, we created a model that considers median rents, average daily Airbnb rates before recent regulatory changes, and typical occupancy rates (See Appendix 1 for more information on our model).

In 2022, the median rent for one- and two-unit rentals was \$1,860. With a standard 95 percent occupancy rate, a landlord can expect to generate \$21,200 in annual gross income from one unit or \$42,400 from two units on the long-term rental market. In contrast, the median daily price for a whole-home rental in a one- or two-unit building was \$150 on Airbnb, plus a typical \$95 cleaning fee.¹⁸ Over the course of a year, with a 50 percent occupancy rate, an owner turning a one-unit building into an Airbnb could expect more than double the annual gross income: \$44,700. If they list both apartments, they could earn up to \$89,400.

Further, deregulation of “one- and two-unit” buildings could impact certain buildings with three rentable units. Accessory Dwelling Units (ADUs)—allowed in some parts of the city through the passage of Mayor Adams’ City of Yes for Housing Opportunity rezoning program—do not count as additional units for these purposes.¹⁹ Therefore, if an owner of a duplex adds an ADU, the three rentable units will *still* be considered a two-unit building under this potential legal change. There is a \$70,000 difference in annual gross income between a building with three long-term tenants (\$63,600) versus three short-term rentals (\$134,000).

In each of these scenarios, the widening rent gap—the difference between what a property rents for under present conditions versus what it could generate under a weaker regulatory regime—creates tantalizing expectations of profits for investors.

Predictions of higher profits can lead to rising sales prices and displacement pressures

From a real estate investment perspective, gross annual income is only part of the question.

What matters more is a property’s Net Present Value (NPV), which calculates the current-day investment value of a property based on the profit it may generate in the future. The higher the NPV, the greater the

17 Gothamist, [“These Bed-Stuy blocks lost 80% of their Airbnbs after NYC’s short-term rental crackdown.”](#) September 13, 2024.

18 Data on Airbnb listings was compiled by InsideAirbnb, which collects publicly-available listings on the platform around the country. We then cross-checked that data with New York City’s PLUTO land use database to confirm the building’s unit count. Cleaning fee estimates are more difficult to calculate. The estimate we used for our analysis is based on online Airbnb data aggregators like Rentals United.

19 Although the final version of “City of Yes” passed in December 2024 limited the expansion of Accessory Dwelling Units (ADUs) in many districts, ADUs will still be allowed under certain circumstances. Future zoning reforms may increase their availability in more one- and two-unit buildings.

speculative pressure on a property, making the ongoing tenure of pre-existing tenants more tenuous.

Our model shows that the NPV for a one-unit Airbnb conversion (\$410,700) is nearly eight times higher than that of a long-term, one-unit rental (\$52,400). For a two-unit Airbnb, the NPV climbs to nearly \$970,000, and for a three-unit Airbnb (i.e. a two-unit building plus an accessory dwelling unit), the NPV soars to more than \$4 million.

In 2022, the citywide median sales price for one- and two-unit buildings was approximately \$875,000.²⁰ Despite the enormous potential profits from converting a home into a short-term rental, many New Yorkers may still purchase a single-family home and use it as a primary residence, or pursue the long-established model of buying a two-family home, living in one unit, and renting the second to a long-term tenant—and perhaps even adding an ADU to rent to another household or a family member. There are many reasons why a homeowner might make these choices, ranging from saving on rent to cultural preferences for homeownership and opportunities for intergenerational living.

For a profit-motivated buyer, however, the rent gap would be too big to pass up. The city's entire one- and two-unit housing stock would become a promising target for investors. Like in other overheated real estate submarkets, investors would bid up the sales price of any one- and two-unit dwelling on the market. They would also doggedly pursue (and even harass) homeowners to convince them to sell—whether or not that is their wish.²¹

A regulatory rollback would drive up sales prices, eventually making renting to long-term tenants no longer economically feasible. Under these conditions, either the sellers or the new owners would seek to displace long-term tenants, who have very few tenure protections. This would create great hardships for individual households and put further strain on New York City's already historically tight rental housing market.

Airbnb advertises itself as a solution for an overheated housing market, offering homeowners the chance to earn a little extra income. In reality, the company's business model raises housing prices, thus making the city less affordable for both present-day tenants and potential buyers.

The case for a universal approach to regulation

The one- and two-unit rental market is a sizable component of the New York City housing stock. Tenants who live in these buildings generally have lower incomes than other market-rate renters, are more likely to be Black, and have fewer tenant protections than those living in rent-stabilized units or covered by Good Cause.

The profit margins for host-less short-term rentals would incentivize profit-motivated purchasers to list their units on sites like Airbnb rather than rent them out to long-term tenants and everyday New Yorkers, effectively turning them into hotels, not homes. This shift would reduce the available rental housing stock, further strain the already-tight housing market, and put upward pressure on rents.

20 Analysis conducted by the NYU Furman Center using NYC Department of Finance Real Property Assessment Data and Property Tax System data.

21 The City, ["Harried East New York homeowners seek ban on house flippers."](#) March 2, 2020.

For these reasons, we call on the City Council to maintain its current, universal approach to short-term rental regulation, rather than advancing any bills which introduce exceptions to the law.

Particularistic approaches to regulation are often difficult—if not impossible—to enforce, as they require both infraction reporters and agency staff to navigate a maze of confusing standards. In the course of conducting this analysis, we encountered numerous ambiguities and cases where the law’s interpretation was unclear, as well as countless opportunities for unscrupulous investors to defy the law’s stated intent, exploiting loopholes to drive up profits.

In the face of New York City’s historic housing affordability crisis, it is crucial not to open any new avenues that further restrict housing availability, even if done in the name of aiding small homeowners. Deregulating the short-term rental market would drive up sale prices and rents, reducing the availability of affordable homes for both long-term renters and new homebuyers.

Appendix 1: modeling net present value in long-term vs. short-term rentals

To predict the change in profitability from present-day conditions to those allowed under a weaker regulatory regime, we constructed a financial model to calculate the Net Present Value of real one- or two-unit buildings (plus a possible accessory dwelling unit) as both long-term and short-term (Airbnb-style) rentals. This model considers the following elements:

- Nightly rental rates and cleaning fees for Airbnb compared with monthly rental rates for long-term rentals in this stock.
- Expected occupancy rates for Airbnbs compared with occupancy rates for long-term rentals.
- Property tax, insurance, utility, and repair costs for both short- and long-term rentals.
- Gradual, steady increases in rent for both short- and long-term rentals.
- Gradual, steady increases in operating cost for both short- and long-term rentals.
- A constant annual discount rate for both short- and long-term rentals.
- A 30-year timeframe, based on the standard American residential mortgage.

Our model assumes modest annual rental increases of 2 percent, annual cost increases of 3 percent, and an annual discount rate of 7 percent. At the base year, property taxes are set at \$2,500, insurance at \$2,000, utilities at \$4,200, and repairs at \$7,200.

A model is an attempt to predict future outcomes based on present data. Of course, individual results may vary; just because a property's value is expected to rise does not guarantee it will always do so.

When the short-term rental market was less regulated, some investors made millions while others failed to turn a profit. Our modeling approach reflects how real estate investors typically evaluate the viability of purchasing a particular property, compared with other available assets.