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Tourism Gentrification: Short-Term Rentals, Displacement, and Policy Tools

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ABSTRACT

Tourism gentrification has emerged as a critical urban challenge driven by the rapid expansion of short-term rental markets and the intensification of global tourism flows. This paper examines the relationship between short-term rentals, neighborhood transformation, and displacement, situating tourism gentrification within broader debates on urban change and housing inequality. It develops a conceptual framework linking affordability, amenities, social mix, and value capture to explain how tourism demand reshapes urban spaces. The analysis highlights multiple forms of displacement physical, functional, ritual, and symbolic arising from the conversion of residential housing into tourism-oriented uses. Drawing on comparative case studies, the paper demonstrates how the scale and impact of tourism gentrification vary across cities depending on regulatory frameworks, housing market conditions, and patterns of investment. It further evaluates policy instruments, including regulatory caps, zoning restrictions, and enforcement mechanisms, alongside their trade-offs in balancing economic growth with housing affordability and community stability. An equity perspective underscores the disproportionate burden on low-income residents and marginalized communities. The study concludes that while tourism contributes to urban revitalization, unchecked short-term rental expansion risks exacerbating displacement and socio-spatial inequalities, necessitating integrated, context-sensitive policy responses.

Keywords: Tourism gentrification, Short-term rentals, Urban displacement, Housing affordability and Urban policy.

INTRODUCTION

Tourism gentrification occurs when short-term rentals provoke tourism-led displacement, prompting action to attenuate this phenomenon [1]. Recent studies document links between short-term rentals, tourism, and housing markets, yet tourism's influence on gentrification remains underexamined. Despite rising concern, limited progress has been made in this area [2]. Gentrification constitutes the transformation of neighborhoods towards a higher-income status [1]. Initially framed as a housing market dynamic involving low-income displacement, gentrification applies to tourism contexts in which a neighborhood's social, cultural, or economic characteristics evolve amid increased visitor flows [3]. Tourism-led gentrification emerges when rising tourism demand incites larger-scale renovation or redevelopment activity, triggering upgrading and speculation effects [2]. Short-term rentals emerge as a critical node in this phenomenon [4]. These activities permit the rapid recapture of renovation expenditures through short-term rental fees, while other contributors such as cultural amenities or the influx of wealthy inhabitants remain constant [3]. Commercial multi-unit hosting at high occupancy rates is especially significant, generating revenues potentially exceeding owner-occupant mortgage costs [4]. During a tourism boom, heightened demand for housing draws capital towards the residential sector, stimulating housing

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renovations or redevelopment. Heightened effort then manifests when tourism creates additional demand through the construction of tourism-related amenities, shifting the equilibrium configuration towards greater tourism-oriented amenities and away from a broader socio-economic mix [7]. Many residents depart following these changes, invoking the four displacement types routinely referenced in gentrification discourse: physical, functional, ritual, and involuntary [4]. In this context, spillovers from tourism-led gentrification can affect contiguous neighborhoods with lower tourism appeal. Locations nearby transit hubs, in the periphery of higher-profile districts, or possessing specific building characteristics prone to renovation often attract early-stage gentrifiers seeking capital gains [1]. Four critical notions underpin the process: affordability, amenities, social mix, and value capture. The tourism variable operates via participatory expansion and capital expenditure, shaping neighborhood change through specific assemblages of capital before demand stops expanding. Displacement emerges when change substantially shifts character or culture, potentially inducing material or symbolic alteration [1]. Material displacement represents the physical relocation of residents and businesses, while symbolic displacement concedes continued occupancy but entails the eradication of local values or attributes. Amenities capture the configuration of tourism-related facilities or activities consumed by visitors [3]. These additions frequently derive from enhanced attraction as opposed to increased amenity supply per se; greater capital investments inside the enclave or establishment of ancillary tourism attracting nodes diverging from a single point mark typical evolutions. Capitalization shifts refer to the manner in which income or value accrues to a specific property [4]. Avenue and Martinez offer the following definitions of gentrification: “the socio-economic transformation of a neighbourhood by the influx of middle-class individuals who displace a substantial part of the previous pattern of inhabitants, leading to a transformation of the socio-economic offer of the neighbourhood, increasing the property values, increasing the commercial rent and changing the social mix,” and “an urban social phenomenon that occurs in cities whose economy is experiencing a greater degree of valorisation,” while considering gentrification to be “an enrichment process of urban areas often accompanied by the displacement of low-income population” or “a process whereby a location once chosen for the conspicuous consumption of a sizeable lower- or lower-middle-class population is increasingly occupied by relatively affluent individuals or groups who seek a distinctive and prestigious environment that nevertheless retains some strong symbolic association with its largely working-class status” [5].

Conceptual Framework: Gentrification, Tourism, and Short-Term Rentals

Gentrification is a complex process of urban transformation, with multiple variations depending on specific local conditions [6]. In the context of tourism, gentrification occurs through the expansion of tourism economies within identified or emerging tourism districts [9]. Distinct from gentrification linked to housing markets, tourism-driven gentrification remains essentially tied to the tourism economy; the dominant demand driver is the tourism market [8]. Gentrification follows well-understood mechanisms; hotel or short-term rental demand spurs capital investment, building renovation, rising asset values, and enhanced amenities [6]. Four key concepts, affordability, amenities, social mix, and value capture frame the ongoing debate concerning tourism-induced neighborhood transformation and the effect on the urban socio-spatial fabric [6]. Short-term rentals constitute a central leavening force within tourism-driven gentrification in many metropolitan areas [3]. The emergence of online platforms initially perceived as casual participation in the sharing economy encourages significant commercial activity [6]. Three dimensions define the severity of short-term rental development in a neighborhood: the number of active platforms operating within the area, ownership status (whether by an individual ‘host’ or a commercial entity), and the length of time a property is let on each occasion [2]. Business transformation, transitioning from a one-to-many capacity (one host letting a property for multiple days) to a many-to-many system (multiple units shared where each is booked on different days) marks the step-change when housing supply begins to decline outside tourism gentrification [6]. Displacement elaborates the formulation of a more comprehensive, coherent framework; another form of tourism displacement occurs when the urban social fabric of a neighborhood changes while its stock of housing remains intact [1]. The emergent connection between short-term rentals, tourism-driven geographies, and distinct forms of displacement therefore occupies a relevant frontline in the field.

Mechanisms of Displacement in Tourism-Driven Gentrification

Tourism is an important industry that leads to the process of urban tourism rebirth in cities, and the phenomenon of urban tourism gentrification is also gradually emerging as an inevitable result of urban tourism [6]. Urban tourism gentrification refers to the phenomenon that urban tourism has triggered the transformation of the urban spatial structure in tourism reception cities, bringing changes in location, land, and social relations; resulting in the displacement of poor residents or low-end shops; the loss of local character and social diversity [9]. Urban tourism gentrification is generally divided into urban tourism gentrification with resident gentrification and urban tourism gentrification without resident gentrification [7]. In the case of the former, a large number of urban tourism has penetrated the process of urban environmental restructuring, thus disturbing the situation of resident

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gentrification to a certain extent [5]. Under the premise of residential mobility, the order in which urban tourism takes the lead to make the urban space embedded into the redevelopment process. In this case, urban tourism gentrification is referred to as urban tourism reshaping gentrification [4]. The latter refers to tourism that gives birth to commercial or living demand, but the consumption of residence is not significant. Tourism-related activity areas and facilities are constructed in the non-residential space of the city to reshape the urban activity, service, and production space, thus establishing a new urban space outside the existing space [6]. In this case, short-term rental accommodation has a different way of consumption that is integrated into tourism gentrification as an additional consumption, and tourism gentrification is involved in urban tourism reconstruction that prevents resident gentrification [3].

Empirical Evidence: Case Studies and Comparative Insights

Tourism gentrification is evident in several cities around the world where Airbnb and similar websites can be found [5]. Evidence of gentrification displacement can be equally scarce across the relevant literatures, highlighting the need for contemporary analysis. Airbnb has precipitated ten years of clear tourism growth across the world, with dispersal of growth and neighbourhood change occurring [5]. Empirical evidence differs considerably across case studies yet shed light on a spectrum of implications for tenants and neighbourhood change. Brazil constitutes one of the world's most acute cases of tourism gentrification, spanning major cities such as São Paulo, Rio de Janeiro, Florianópolis, and Salvador, all experiencing rapid growth since 2015. A critical feature of gentrification is the continual urbanisation of regions and cities worldwide. Increased housing becomes a global consideration amidst developer-led land use patterns [4]. The intensification of gentrification debates around travel behaviour and the proliferation of tourism activities. Case studies outline the varying roles of mode of rental, geographic position, prior housing market trends, and regulation in shaping tenant and neighbourhood outcomes. A follow-on chapter would extend analysis to the competitive position of tourists domestic versus international and the corresponding influences on demand for short-term rentals [6]. Fragile regulatory frameworks have emerged worldwide over recent years since the inception of Airbnb and similar platforms in 2008, generating momentous growth for ten years and another ten years of discernible dispersion [2]. São Paulo positions itself as a candidate showcasing the inverse temporal position of Airbnb from the initial attack on the residential fabric. Every major neighbourhood in São Paulo undergoes historic functional decline culminating in the eventual installation of shared rooms [7]. No literature documents the character of tourism-enabled gentrification rental pricing across major global cities such as São Paulo, notwithstanding the elevated status of such territories within the field [8].

Policy Instruments: Regulation, Incentives, and Enforcement

Short-term rentals, lodgings rented for brief periods, typically through online platforms have spread worldwide as a popular sector of the tourism and accommodation market [7]. Airbnb, the largest of the relevant companies, operates in 220 countries and is valued at \$75 billion. The industry has produced profound impacts on local housing markets in multiple cities, both directly through competitors' prices and indirectly through tourists' spending. Fully 65% of host listings in New York City are consistent with the operator residing on-site ("hosted rentals") rather than renting units controlled solely for income [6]. The tourism expansion has led to changes in housing accommodation, travel frequency, and market direction, but it cannot be measured unambiguously in terms of short-term rentals alone [5]. The long-lasting and widely debated phenomenon of gentrification can be replicated within tourism's own spheres. Gentrification is traditionally defined as the transformation of a neighborhood to a higher-end form that presumably drives out the existing working- and lower-class residents still remaining [6]. Tourist gentrification is a specific case of this concept, concerning the accomplishment of tourist-oriented processes that rapidly supplement urban settings through accelerated tourist arrival [6]. Gentrification in a tourism backdrop nevertheless possesses distinctive characteristics separable from those in residential settings, thus requiring modified definitions when merely dealing with accommodation vicinity adjustments. Attention must therefore be drawn to the real substance of gentrification in its broader distribution [4]. Due to underlying differences in both the nature of gentrification and the specific realm of short-term rentals involved, the definition of "tourism gentrification" explicitly targets the neighborhood quandaries tourism brings and stipulates "tourism-led displacement" instead of the generic notion of displacement. Four distinct but interconnected modes of displacement can also be regarded, with tourism occupying centrality among all forms [4, 5, 1].

Policy Design and Evaluation: Effectiveness and Trade-offs

Gentrification is a complex phenomenon involving the displacement of economically marginalized communities, and tourism in particular engenders profound change in urban neighborhoods [5]. As housing common to disadvantaged groups gets repurposed for short-term letting, traditional residence-based communities become at risk [4]. Yet, defining exactly what displacement means in this context is vital. Distinguishes among three types: physical displacement, functional displacement, and ritual displacement. Physical displacement occurs when rental
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prices rise to levels unaffordable to the population, forcing them to leave; functional displacement is the termination of a specific use, in this case residential occupancy; ritual displacement denotes the loss of belonging to and identification with one's neighborhood, frequently a product of gentrification [6]. The strong link between tourism gentrification and short-term rentals likewise merits attention. Links exist between the two, but the specifics are still under-investigated [7]. Gentrification theory assesses knowledge of renter displacement among resident, neighborhood, and financial characteristics, and controls for time-lagged displacement actions to avoid reverse causation [8]. Policy design and evaluation thus necessarily begins by identifying general criteria and indicators. Gentrification can be broadly defined as a process of urban change associated with a revalorization of previously undervalued space and place that accelerates the upgrading of housing and wider amenities, accompanied by an influx of different class populations [6]. Re-valorization leads to a process of upgrading, and particularly without pre-existing public infrastructure forms both a social mix and displacement of prior occupants or functions [5]. Within the tourism framework, renters not only substitute for residents; neighborhoods acquire attractiveness as destinations because of the heightened physical and amenity configuration they receive. In addition to periodic geocoded rental data, monitoring affordable rental availability locally requires baseline data on neighborhood, block, and building stock components [7]. Public datasets contain either vacancy or rental price observations, but slotting into an affordability measure questions, making trend-identification problematic. Trade-offs are also inevitable across the desired objectives of strengthening a neighborhood's market position while controlling for the tourism penetration altogether [8]. Precise provisions include capping the total number of distinct postcard day-rentals permitted within a set area, for instance at one-per-thousand properties per postal code of the rental listings available at a fixed moment, instead of listing numbers [9]. Attractive places fetch occupancy rates many multiples higher than less-valued space, mitigating displacement pressure and attracting touristic footfall, yet enhancing strain upon an area's structure and character; simple counting alone ranks the order but does not gauge the gentrifying potency [10].

Equity and Community Impact: Social and Economic Dimensions

Policy discussions surrounding the regulation of short-term rentals often frame the issue in economic terms, revolving around affordability, accessibility, and control [7]. The conditions precipitating and shaping gentrification in a given region have direct implications on how short-term rentals are absorbed or also contribute to the phenomenon of affordability, accessibility, and control [1]. Theoretically, demand driven by tourism for residential property constitutes a larger category of gentrification from that experienced in urban areas subject to the inflow of industrial or commercial enterprises linked to a global economy [8]. Tourism-driven gentrification in city neighborhoods arises on land used primarily for rental housing, where a property market has not been previously stimulated. The attraction of short-term rentals to investors with capital to invest is related to their demand with respect land previously used exclusively for residential rental, where the market tends to be already well developed [6].

Methodological Approaches for Studying Tourism Gentrification

Tourism gentrification is under-researched, and the analysis offered here contributes to filling this gap. There is no agreed conceptualization of gentrification in a tourism context, and much of the available material is descriptive or anecdotal [5]. Not all gentrification in tourism contexts is driven by the housing market; commercial short-term rentals may displace long-term rentals without gentrification of the residential housing stock [5]. Though demand for housing is a driver of gentrification, it is only so under certain conditions (i.e. high occupancy). There is a need for more detailed empirical studies [9].

Global Variations and Local Contexts

Tourism gentrification is increasingly being discussed as the latest chapter in the literature on gentrification in a broad sense. Urban tourism is booming in cities all over the globe [7]. Evidence indicates that a significant share of tourists also participates in short-term rental markets, with repercussions for housing gentrification and the prospects for affordable housing in several metropolitan areas [8]. However, the literature on gentrification remains focused primarily on housing-related dynamics and has not fully analysed the reciprocal relationships between tourism and gentrification. The tourist accommodation sector continues to flourish, and the growth of hotel supply, along with the expansion of tourism-related services and low-cost airlines, influences spatial-capacity issues in cities [9]. With ever more metropolitan areas prioritising tourism development, the move towards 'double or even triple gentrification', as defined by new hotel premises, short-term rental provision, and intensive urban tourism, is notable across the globe. It is a process that needs to be better understood. Exploring gentrification tourism constitutes a valuable theoretical opportunity to further illuminate in detail the link between culture-led urban regeneration and gentrification [10, 11].

CONCLUSION

Tourism gentrification represents a complex and evolving dimension of urban transformation, shaped by the intersection of global tourism demand, real estate investment, and the proliferation of short-term rental platforms.

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While tourism can stimulate economic growth, urban regeneration, and infrastructure development, its unchecked expansion, particularly through short-term rentals can significantly disrupt local housing markets and social structures. The evidence shows that short-term rentals play a pivotal role in accelerating neighborhood change by incentivizing property conversion, increasing rental prices, and altering the socio-cultural fabric of communities. These processes give rise to multiple forms of displacement, ranging from the physical relocation of residents to more subtle forms of symbolic and functional exclusion. Importantly, these impacts are not evenly distributed; low-income households and historically marginalized communities are disproportionately affected, raising critical concerns about equity and social justice. Policy responses to tourism gentrification must therefore strike a delicate balance between supporting tourism economies and protecting residential communities. Regulatory tools such as caps on short-term rentals, zoning controls, licensing requirements, and enforcement mechanisms can mitigate negative impacts, but they also involve trade-offs related to economic competitiveness and market flexibility. Effective policy design requires robust data, clear definitions of displacement, and context-specific approaches that reflect local housing conditions and tourism dynamics. Ultimately, addressing tourism gentrification demands a holistic and integrated policy framework that aligns housing, urban planning, and tourism strategies. Strengthening community participation, enhancing transparency in data systems, and prioritizing affordable housing are essential components of such an approach. Without deliberate and sustained intervention, tourism-driven urban change risks deepening socio-spatial inequalities and undermining the long-term sustainability and inclusiveness of cities.

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