Applied study 'Short-term rental (STR) market in Estonia'

INFO SHEET

September 2025

The study was commissioned by the Ministry of Economic Affairs and Communication

Objective and Background

- The aim was to analyse the functioning and scale of the Estonian STR market and to evaluate its impacts.
- The subject of the study was STR services offered for commercial purposes in residential properties.
- The STR market in Estonia has not been thoroughly researched nor specifically regulated.
- The rapid growth of the STR market is closely linked to the development of the sharing and platform economy.

Research Methods

- Analysis of documents, scientific literature, and current applicable legislation
- Analysis of international experiences, with a close look at the Netherlands, Germany, Finland, Switzerland, and the Czech Republic
- Interviews and inquiries (involving 62 market participants)
- Quantitative data analysis
- Econometric modelling
- Discussions, consultations, and scientific advisories

How should STR services be understood?

The study concludes that the provision of STR services in residential properties essentially constitutes an accommodation service. It meets all the criteria for accommodation services set out in the Tourism Act and is therefore comparable to regulated homestays, guest apartments, or holiday homes.

The following obligations apply to all accommodation services and providers under the current legal framework:

- Registration and retention of data on accommodation service users.
- Ensuring service quality and guest safety, including compliance with fire safety, hygiene, food safety, language, and other requirements, depending on the type of service, location, additional services, and other factors.
- Submission of statistical data on accommodation establishments and services, where the establishment offers services under NACE codes 551–553 and has five or more beds.

Since STR services have not been explicitly defined in Estonia, this has resulted in a situation where **not all STR service providers fully comply with accommodation service requirements or do so only partially**. It is important to emphasize that there is no evidence regarding the extent of such non-compliance.

The market for accommodation services, including short-term rental services, is **very multifaceted and complex**. The characteristics typical of different accommodation services are intertwined. When defining any single transaction as a STR service, all its characteristics and the actual content of the transaction must be evaluated in conjunction.

What is the size and what are the characteristics of the market?

The **supply** of STR services in Estonia can accommodate up to 50,000 beds across more than 10,000 accommodation units. In 2023, 5,400 of these units were economically active.

The **size** of the Estonian STR **market was 31.9 MEUR** in 2023, accounting for about 13% of the total turnover of the accommodation sector.

Demand for STR services in 2023 amounted to approximately 1.5 million overnight stays and just over 600,000 guests.

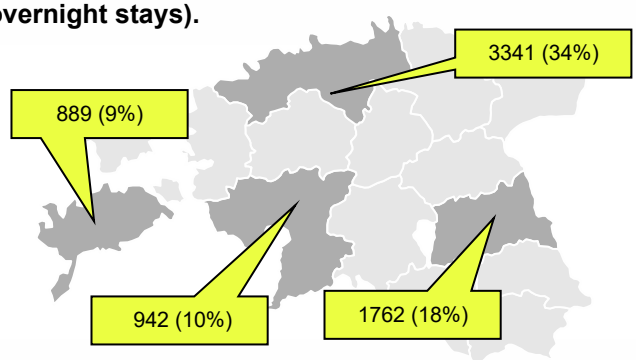
The **average rental income** per property unit was slightly above 5,900€ in 2023, while the average income per provider was close to 9,200€.

On average, units in counties were rented out for 33 **night per year** in counties, whereas in the three analysed cities—Tallinn, Tartu, and Pärnu—the average was 61 nights. Average income per rental day was 95€ in counties and 84€ in the three cities.

The market is characterised by **dynamism, polarisation, seasonality, and geographical concentration**:

- Small, one-bedroom (1- and 2-room) apartments dominate the market, accounting for almost three-quarters of the total supply. Moreover, 93% of overnight stays took place in accommodation with up to five beds.
- 3/4 of market demand is met by larger providers offering multiple units, while 3/4 of providers are small-scale, offering only a single unit.
- More than half of all STR accommodation units in Estonia are available for less than six months a year.

Harju and Pärnu counties account for nearly half of the STR supply in Estonia. Together with Tartu and Saare counties, they represent about two-thirds of the total supply and 84% of the demand (number of overnight stays).



The largest maximum number of short-term rental accommodations (share) of the same indicator for all of Estonia (as of 2023)

STR services are most heavily concentrated in **Tallinn's Old Town**, where the Defert index* value reaches 139:

- in 2025, the market size was nearly 3,200 beds across around 650 accommodations units
- the maximum average capacity per accommodation was 4.7 guests
- about 1/3 of all accommodation units could host more than 5 guests

** The Defert index measures tourism pressure based on the ratio of available beds per 100 inhabitants. A value over 50 indicates high tourism pressure.*

What is the impact of the STR services market?

The spread of STR services has:

+ expanded consumer lodging choices — the market now offers a wide range accommodation options to meet the diverse needs of tourists, has kept accommodation prices lower than they would otherwise be, and has generally increased demand for accommodation.

+ contributed **positively to the labour market** by reducing registered unemployment, with the potential for stronger impacts in areas outside of traditional tourist areas. Foreign tourists using STR services are estimated to bring **135 million euros annually** into Estonia through local spending.

+ created **additional opportunities for entrepreneurship** and supplementary accommodation supply, particularly during large events and in rural areas where the availability of lodging is usually limited.

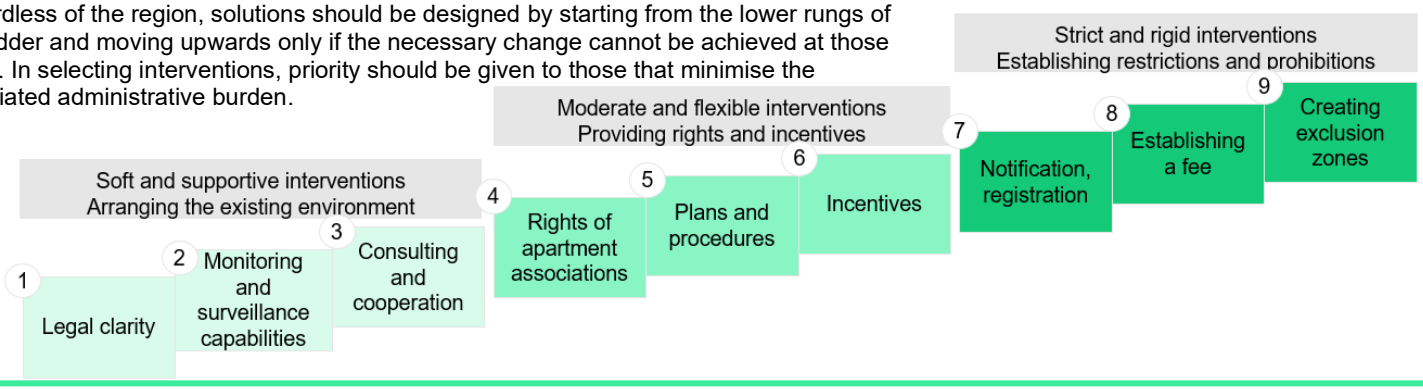
- reduced demand, to some extent, **for traditional hotel-type accommodation**.
- slightly constrained the active supply on the housing market and contributed to higher housing prices, both in rental offers and in transactions.
- reduced residents' safety, due to issues such as fire safety risks, challenges in investigating legal violations, and an overall decline in perceived security.

How should the STR market be regulated?

The study results show that the **need for intervention varies across different regions of Estonia**. Therefore, the choice of interventions should be based on the specific problems identified in each region. Suitable interventions for the market are divided into three groups:

- **First group**: measures that help to organise the market, ensure legal clarity, and promote consultative cooperation.
- **Second group**: measures that create incentives and impose moderate restrictions to guide the market in a direction desirable for society.
- **Third group**: measures that involve establishing a notification or registration system or introducing fees and restrictive or prohibitive rules.

Regardless of the region, solutions should be designed by starting from the lower rungs of the ladder and moving upwards only if the necessary change cannot be achieved at those levels. In selecting interventions, priority should be given to those that minimise the associated administrative burden.



Defining STR services and clarifying applicable regulations | We recommend that the definition of accommodation services in the Tourism Act be revised to explicitly include STR services. To ensure legal clarity, guidelines should be issued to support better compliance with the requirements for accommodation services. Fire safety requirements should also be adapted so that they can be applied in practice at a reasonable cost.

Market monitoring and enforcement capacity | The problems associated with the STR market, including negative effects on housing availability, are local in nature. We recommend that municipalities systematically monitor the market and, where necessary, design intervention measures in line with local housing policy.

Advisory support and cooperation | The negative impacts of STRs stem largely from the choices and behaviour of market participants. Modern behavioural theories confirm that everyday decision-making can be influenced by targeted guidance. Therefore, we recommend that each municipality adopt measures to raise awareness, foster cooperation, and provide information campaigns suited to the local market context.

Rights of apartment associations | A significant share of STR activity takes place in apartment buildings, where negative impacts include noise disturbance for neighbours and greater pressure on shared spaces. We therefore recommend strengthening the rights of apartment associations, enabling them to restrict STR activity within dwellings and/or require compensation for additional costs arising from such services.

Plans, protection procedures and intended use | General and detailed spatial plans, as well as protection regulations in historic centres, represent an underused tool for municipalities. These can help, where needed, to manage the presence of STR services in their territory to maintain a balance between residential and accommodation uses.

Creating incentives | From an economic perspective, residential STR provision often occurs because it is more profitable than long-term rental, even though the latter may be more beneficial for the community. As a preventive measure, we recommend the use of incentives and subsidies (e.g. renovation grants, neighbourhood investment schemes) to address this imbalance.

Granting new legal powers to municipalities | According to the study, the areas where immediate intervention through regulation and fees should be considered include Tallinn's Old Town and, to a lesser extent, the city of Pärnu. Stronger interventions should therefore be implemented on a municipal basis, and only where the volume of STRs exceeds a defined threshold (e.g. in proportion to the local population).

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