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WORKING PAPERS

CeBER Working Paper No. 2024-04

The Economic Footprint of Short-Term Rentals on local businesses: Evidence from Portugal

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Abstract: This paper examines the rapid rise in short-term rentals (STRs) in Portugal and their impact on the performance of local businesses. Using comprehensive firm-level data covering all private companies, we find that exposure to STRs increases the probability of business closures, partic- ularly for low-performing firms. For surviving incumbent firms, we estimate a significant surge in sales for both resident- and tourist-oriented businesses, along with increases in employment, wage bill, and liquidity for the latter. In civil parishes with greater STR exposure, we observe a higher probability of new firm entry, reshaping the urban business landscape.

JEL Classification: R12, L25, L83.

Keywords: Short-term rentals, Local businesses, Tourism, Portugal.

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