



Housing solutions
for all Australians

THE SHORT- STAY SUBSIDY

Negative gearing
and the rise
of short-stay
speculation

September 2025

Contents

Introduction	3
Background	4
Findings	6
Methodology	7
<i>Estimating the number of short-stay investment properties</i>	7
<i>Applying scenarios for negative gearing</i>	7
<i>Calculating per-property deductions</i>	7
<i>Modelling the total cost</i>	7
Results and analysis.....	8
Policy implications	10
End negative gearing deductions for short-stay accommodation.....	11
Phase out negative gearing concessions and the Capital Gains Tax discount	11
Conclusion	12



About

Everybody's Home is a national campaign to fix the housing crisis. It was launched in 2018 by a coalition of housing, homelessness and welfare organisations to achieve the change needed so everybody has a safe, affordable and decent place to live. The campaign is now supported by more than 500 organisations, businesses and councils, and over 40,000 individuals across Australia.

The author of this report is Maiy Azize.

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This and previous reports are available at www.everybodyshome.com.au.

Introduction

Australia's housing affordability crisis has deepened over the past decade, with rents rising faster than incomes and more households than ever experiencing rental stress, insecurity, and displacement. In this context, there is growing scrutiny of the policies and tax settings that shape access to housing and determine how it is used.

One of the most costly and contested elements of Australia's housing policy landscape is the system of tax concessions available to residential property investors, particularly negative gearing deductions and the Capital Gains Tax (CGT) discount. These concessions are often justified on the basis that they support the supply of rental housing. Yet there is mounting evidence that they are doing the opposite: fuelling price growth, driving inequality, and rewarding speculative investment over long-term supply.

This report examines a specific and under-recognised way in which housing tax concessions are undermining affordability, by subsidising the removal of homes from the long-term rental market altogether. Using indicative assumptions based on projections from the Parliamentary Budget Office, this report estimates the cost in foregone revenue to the Federal Budget of negative gearing deductions claimed on short-stay investment properties, such as those listed on platforms like Airbnb and Stayz.

The findings are clear. Across a range of scenarios, the tax system is delivering hundreds of millions of dollars in subsidies to landlords who are no longer participating in the rental market. These deductions are being claimed on homes that are unavailable to tenants and contribute nothing to housing access or affordability.

Everybody's Home anticipates that the short-stay sector will dispute these findings and argue that disallowing tax deductions on short-term rentals will have little impact on overall housing availability. The public interest case remains unchanged. It is simply not justifiable for taxpayer funds to subsidise investments in short-stay rentals, especially at a time when there is so little public spending on public and community housing.

In high-demand regional and tourist areas, the impact of the short-stay sector is being felt more acutely. The rise in short-stay accommodation has led to reduced rental supply, higher rents, and displacement of local workers and families. Yet the tax system treats these short-term holiday lets as though they were long-term rental housing and rewards them accordingly.

"I have seen small townships where virtually no one lives there because all the properties are Airbnbs or other short-term rentals ... They are included in housing counts, but in practice they're unavailable and unaffordable."

— Social worker, Tasmania

This report argues that this policy failure must be addressed. It recommends phasing out tax concessions for investors, starting by disallowing negative gearing deductions for short-stay investment properties as a first step. In the longer term, this report recommends broader structural reforms to phase out tax concessions that are not serving the public interest. Without action, the tax system will continue to drive inequality, entrench housing insecurity, and undermine efforts to deliver affordable homes to those who need them most.

"I paid \$200 cash per week for my rental... and was sometimes given just four days notice to vacate for a [short-stay] booking."

— South Australian renter

Background

For years, Australia has been experiencing a sustained housing affordability crisis. Rental prices have increased sharply across the country in recent years,¹ vacancy rates remain low,² and an increasing number of households are in housing stress.³ Essential workers, families, and individuals on low and moderate incomes are being disproportionately impacted. Previous Everybody's Home research, including the *Priced Out* series, has shown that in almost every part of the country, people earning under \$100,000 per year would need to spend well beyond 50 percent of their income to afford asking rents,⁴ with many facing rental stress or displacement.



- 1 SQM Research (2025) [Weekly rents: National](#).
- 2 SQM Research (2025) [Residential vacancy rates: National](#).
- 3 Australian Institute of Health and Welfare (2025) [Australia's Welfare: Housing affordability](#).
- 4 Everybody's Home (2025) [Priced Out: An Index of Affordable Rentals for Australian Voters](#). Third Edition.

These trends are strongly correlated with the growth in the uptake of investor tax deductions,⁵ which play a role in distorting the housing market. In particular, negative gearing tax deductions and the Capital Gains Tax discount are widely believed to have contributed to rising property prices, increased investor demand for existing dwellings, and reduced affordability of housing across the country.⁶

As highlighted in Everybody's Home's *Written Off* report, these tax concessions disproportionately benefit higher-income investors and those who already own multiple properties.⁷ They do little to support the construction of new housing or increase availability in the rental market. Instead, they encourage speculative investment in existing homes, driving up prices and creating unfair advantages for investors at the expense of first home buyers.⁸

More recently, concerns have emerged about the role these tax settings are playing in the growth of the short-stay rental market. Negative gearing deductions are often justified on the basis that they support the long-term rental market. However, they also apply to properties that are no longer available to local renters. Investors can claim deductions on properties that have been removed from the rental pool and converted into short-term holiday accommodation,⁹ including listings on platforms such as Airbnb and Stayz.

"All of those country cottages are Airbnbs now and go for between \$200 and \$400 a night."

— Former rural renter, Central Victoria

"We had to move out... The owners made our rental into an Airbnb. We've been house sitting and camping ever since. We're pensioners – we just can't afford a rental anymore."

— Retired renter

This shift is having a growing impact in certain regions. Research from the University of Queensland shows that over 167,000 entire homes are listed as short-term rental accommodation.¹⁰ This figure excludes spare rooms and other hosted accommodation, representing entire dwellings that have been taken out of the long-term rental market. In many regional and coastal areas, the loss of these homes has had serious consequences for affordability, rental supply, and workforce housing. Communities such as Point Nepean, Byron Bay, Port Douglas, Jindabyne and the Gold Coast have seen significant declines in available rentals and major increases in asking rents.¹¹

Despite this, current tax policy treats short-stay investors the same as long-term landlords. This allows property owners to access generous tax deductions while contributing little to the availability of rental housing. In effect, the tax system is subsidising the conversion of homes into tourist accommodation at a time when the housing system is under extreme pressure.

This report builds on previous Everybody's Home research by estimating the cost to the Federal Budget of negative gearing deductions claimed by short-stay landlords. It models a range of scenarios based on indicative assumptions and publicly available data, and provides evidence for reforming housing tax settings to end public subsidies to short-stay investors.

5 Australian Council of Social Service (2025) [Homes for living, not wealth creation: Tax and expenditure reforms to improve housing affordability and equity](#).

6 Ibid.

7 Everybody's Home (2024) [Written Off: The high cost of Australia's unfair tax system](#).

8 Daley, J. and Wood, D. (2016) [Hot Property: Negative Gearing and Capital Gains Tax Reform](#). Grattan Institute.

9 Australian Taxation Office (2025) [Rental income you must declare](#).

10 Summary data [available online](#).

11 Ibid.

Findings



Methodology

This analysis estimates the annual cost to the Federal Budget of negative gearing tax deductions claimed by investors who operate entire homes as short-term rental accommodation. The methodology is based on publicly available data and modelling using the recent estimates from the Parliamentary Budget Office (PBO).

Estimating the number of short-stay investment properties

This analysis uses an estimate from the University of Queensland, which found that 167,955 entire homes were listed as short-term rental accommodation across Australia in December 2023.¹² These listings are distinct from room rentals or shared properties, and are therefore assumed to be investment properties that are not available on the long-term rental market.

Applying scenarios for negative gearing

There is no official breakdown of how many short-stay landlords are negatively geared. However, the Australian Taxation Office (ATO) has reported that around 50 percent of all property investors are negatively geared in any given year. To reflect a range of possible outcomes, this report models five scenarios:

- Conservative scenarios where 10-20 percent of listings are negatively geared
- Mid-range scenarios where 30-40 percent of listings are negatively geared
- A higher scenario where 50 percent of listings are negatively geared. This is more analogous to the investing behaviour of landlords in the longer-term rental market.

Noting that around half of all investment properties are believed to be negatively geared, the inclusion of more conservative scenarios account for the fact that short-stay listings are not all necessarily investor-owned or eligible for deductions.

Calculating per-property deductions

This report draws on estimates from an April 2025 Parliamentary Budget Office (PBO) report,¹³ which modelled the total cost of negative gearing to the Federal Budget from 2025-26 to 2035-36. Based on the total number of investors assumed to be negatively geared in the tax system, these results are calculated as an average per-property deduction for each year of the projection period.

Modelling the total cost

For each year between 2025-26 and 2035-36, this report uses the number of short-stay properties assumed to be negatively geared under each scenario by the average per-property cost of negative gearing. These figures were then converted into annual totals and presented in millions of dollars.

Clarifying scope and units of analysis

There is an important distinction between how tax data and short-term rental listings data are reported:

PBO and ATO figures report negative gearing costs by individual taxpayers, based on tax returns.

Short-stay platform data count properties, not people. They do not identify whether these are owned singly or jointly.

In our estimates, we apply a per-property average deduction to the number of short-stay rental properties under each scenario (10 percent to 50 percent). This assumes that:

- Each negatively geared short-stay property is associated with one tax return, consistent with the PBO's per-taxpayer deduction.
- Some investors may own multiple properties, which would understate our cost estimates, while others may co-own a single property. These effects are likely to balance out across a national dataset.

¹² Ibid.

¹³ Estimates are [available online](#) from the Parliamentary Budget Office.

The alternative, identifying exact ownership structures of every short-stay property, would require access to ATO microdata that is not publicly available. It is important to note that these are indicative estimates, designed to provide a sense of scale rather than an audited total.

Results and analysis

The results show a growing cost to the Federal Budget, ranging from \$111 million to \$556 million per year, depending on the scenario. These figures represent an estimate of the public funds used to subsidise short-stay rentals, and do not include Capital Gains Tax concessions, company-held properties, or any investor activity not disclosed to the ATO.

Table 1. Estimated annual value of revenue foregone due to short-stay negative gearing deductions, \$million

	Scenario 1: 10% Negatively G geared	Scenario 2: 20% Negatively G geared	Scenario 3: 30% Negatively G geared	Scenario 4: 40% Negatively G geared	Scenario 5: 50% Negatively G geared
2025-2026	\$111.25	\$222.50	\$333.75	\$445.00	\$556.25
2026-2027	\$118.77	\$237.54	\$356.30	\$475.07	\$593.84
2027-2028	\$126.28	\$252.57	\$378.85	\$505.14	\$631.42
2028-2029	\$135.31	\$270.61	\$405.92	\$541.22	\$676.53
2029-2030	\$144.33	\$288.65	\$432.98	\$577.30	\$721.63
2030-2031	\$154.85	\$309.70	\$464.55	\$619.40	\$774.25
2031-2032	\$166.88	\$333.75	\$500.63	\$667.51	\$834.38
2032-2033	\$177.40	\$354.80	\$532.20	\$709.60	\$887.00
2033-2034	\$187.92	\$375.85	\$563.77	\$751.70	\$939.62
2034-2035	\$199.95	\$399.90	\$599.85	\$799.80	\$999.75
2035-2036	\$211.98	\$423.96	\$635.93	\$847.91	\$1,059.89
Total	\$1,734.92	\$3,469.83	\$5,204.73	\$6,939.65	\$8,674.56

These findings highlight a previously under-examined dimension of Australia’s housing affordability crisis: the role of tax concessions in fuelling short-stay rental platforms such as Airbnb and Stayz.

Our estimates show that hundreds of millions of dollars are being lost from the Federal Budget each year in negative gearing tax deductions claimed by investors operating entire homes as short-stay rentals. Even at the lowest end of the estimates modelled in this report, this represents a significant public subsidy for investors operating outside the long-term rental market.

This raises serious questions about the intent and effectiveness of Australia’s housing tax system. Negative gearing deductions notionally exist to support the private rental market by incentivising long-term investment in housing. Instead, public funds and tax settings are also being used to support investors who have removed homes from the rental market entirely. This diverts housing away from local residents, especially in regional towns and tourist areas where affordable rental stock is already scarce.

“Started looking for a rental in March. Found many advertised as 6-month leases and fully furnished. They’re Airbnbs being rented short-term during off-peak seasons. You know you’ll be out by October.”

— Regional renter

“We left within two months... the new buyer immediately put it on Airbnb for \$400 a night compared to the \$360 we were paying per week. Now it’s back on the long-term market, but the rent has skyrocketed to \$620 a week. That’s what’s happening all over Orange.”

— Displaced renter, Orange NSW

Worse still, this subsidy is being delivered at a time when more renters than ever are experiencing hardship, displacement, or homelessness.

The Everybody’s Home *Priced Out* series has shown that low and middle income earners in almost every part of the country are required to spend well over 30 percent, and in many cases more than 50 percent, of their income to afford asking rents.¹⁴ At the same time, the tax system is being used to support investors who are not contributing to the long-term rental supply and, in many communities, are actively eroding it.

Our modelling shows that if just 10 percent of the homes currently being used as short-stay rentals were negatively geared, the cost to the budget is estimated to exceed \$111 million per year. That is money that could be used to fund long-term housing solutions, such as building public and community homes, rather than subsidising temporary accommodation.

This situation underscores the need for urgent reform. The arguments in favour of property tax concessions are already widely contested, but they at least purport to support stable rental housing. Instead, a significant portion of the foregone cost is likely being used to underwrite speculative or commercial short-stay ventures. Without action, Australia risks deepening the housing divide and further entrenching the commodification of housing.

Policy implications

Australia's tax system is contributing to the housing affordability crisis. Tax concessions that purport to support the supply of rental housing are instead distorting investor behaviour, inflating property prices, and diverting homes away from those who need them. This report estimates the revenue foregone from deductions that are claimed on short-stay accommodation. These are properties that could instead be available as long-term rentals. This is exacerbating rental stress in already strained housing markets.

To address this policy failure, this report recommends the following reforms.

“Airbnb should be taxed and licensed like a hotel business. It’s ridiculous that we’re turning a basic human right into a consumer commodity.”

— Everybody’s Home campaign supporter

End negative gearing deductions for short-stay accommodation

The Australian Government should amend the Income Tax Assessment Act to ensure that properties primarily used for short-stay accommodation are not eligible for negative gearing deductions.

Under current arrangements, investors can deduct rental losses from their taxable income even when their properties are used exclusively or predominantly as short-term holiday rentals. These properties are not available to the long-term rental market, contribute nothing to rental supply, and in many regions are directly displacing local tenants. The tax treatment of these properties is inconsistent with the policy rationale for negative gearing.

Targeted reform is needed to ensure that public subsidies are used for their intended purpose. This could be achieved by:

- Disqualifying properties from negative gearing where they are not made available to tenants on leases of at least 90 days;
- Applying an apportionment rule where properties are used for both long-term and short-term rental, with deductions limited to periods where the property is leased to a tenant under a residential lease;
- Introducing an ATO reporting requirement for platforms and hosts to support compliance and transparency, building on recent changes to platform economy tax reporting.

“It’s basically making lots of tiny hotels with no oversight – and tax breaks even hotels don’t get.”

— Everybody’s Home campaign supporter

These changes would ensure that public funds are not used to underwrite the commercial use of residential homes in tourist markets and high-demand areas. It would also ensure that housing tax concessions can only be used to support the supply of long-term rental homes, while serving as a first step towards longer-term reforms of the tax system.

Phase out negative gearing concessions and the Capital Gains Tax discount

In the longer term, the broader system of tax concessions for property investors requires structural reform. These settings are among the most expensive tax expenditures in the Commonwealth budget. As outlined in Everybody’s Home’s *Written Off* report, they are poorly targeted, fiscally unsustainable, and socially regressive.

To end these inequities and bring down the cost of housing, the Australian Government should:

- Abolish negative gearing deductions for losses on new investment properties, while phasing out deductions on existing investment properties over time;
- Phasing out the Capital Gains Tax discount on investment properties to better align with the tax treatment of other forms of income;
- Reinvest the savings from these reforms into the construction and acquisition of public and community housing.

These changes can be implemented gradually, with appropriate transitional arrangements to protect housing market stability. A staged approach would prevent sudden shifts in housing prices; provide time for new housing supply, particularly public and community housing, to be delivered; and allow institutional investors, super funds, and other housing partners to build capacity and enter the market.

Reforming these concessions would improve equity in the tax system, reduce competition between investors and home buyers, and contribute significantly to the supply of affordable homes. It would also ensure that public resources are redirected from speculative investment toward meeting community needs.

Conclusion



“So many places are empty here. Blocks of units with no lights at night. Big empty mansions along the waterfront. Meanwhile, more and more people sleep in shop doorways.”

— Regional renter

Australia’s housing crisis is being worsened by tax settings that push up costs. Negative gearing deductions and the Capital Gains Tax discount are subsidising speculative investment, inflating house prices, and distorting housing choices.

This report highlights a clear and growing example of this distortion: the use of negative gearing to subsidise short-stay accommodation. Investors are allowed to claim tax deductions on properties that are not available to renters and that, in many communities, are contributing directly to housing scarcity and rising rents.

The findings show that this subsidy is not marginal. Even under conservative assumptions, hundreds of millions of dollars are being lost to the Federal Budget each year through deductions claimed on short-stay investment properties. That is public funding that could be better used to deliver long-term, affordable housing solutions.

The short-stay sector may dispute these figures, and we expect they will. Ultimately, there is little that can be said to justify the use of public money to underwrite short-stay speculation while millions of people face housing stress, insecurity, or homelessness.

Reform is needed to end these distortions. That means ending deductions for properties used as short-stay accommodation and redirecting public funds to where they are needed most. It also means taking the next step: phasing out negative gearing deductions and the Capital Gains Tax discount altogether, and reinvesting the savings into public and community housing.

Australia’s tax system should be used to help people into decent homes, not to prop up investments. Reform is not only possible, but essential to restoring fairness, improving housing access, and meeting the urgent needs of renters across Australia.

Appendix:

Methodology for estimating the cost of negative gearing on short-stay rentals

This report models the cost to the Commonwealth Budget of tax deductions claimed through negative gearing for investment properties used as short-stay rentals, such as those listed on Airbnb and Stayz. The figures presented are based on publicly available data and indicative assumptions.

1. Estimating the number of short-stay investment properties

We began with recent estimates from the University of Queensland, which found that 167,955 entire homes are listed as short-term rental accommodation in Australia. This figure excludes private rooms and shared accommodation, and reflects only non-hosted listings, making it a strong proxy for short-stay investment properties.

2. Modelling scenarios for negative gearing

Given that not all investment properties are negatively geared, we modelled five scenarios representing different assumptions about the share of short-stay properties claiming negative gearing deductions:

- **Scenario 1:** 10 percent of short-term rental properties are negatively geared
- **Scenario 2:** 20 percent of short-term rental properties are negatively geared
- **Scenario 3:** 30 percent of short-term rental properties are negatively geared
- **Scenario 4:** 40 percent of short-term rental properties are negatively geared
- **Scenario 5:** 50 percent of short-term rental properties are negatively geared

These scenarios reflect a range of plausible assumptions based on the broader investment property market.

3. Estimating the per-property deduction

To calculate the cost of negative gearing per property, we used Parliamentary Budget Office (PBO) projections of the total value of property tax deductions claimed through negative gearing, as published in Costs of Negative Gearing and Capital Gains Tax Discount. For each year, we:

- Took the PBO's projected total cost of negative gearing (in millions)
- Divided that figure by 1,117,175 taxpayers claiming net rental losses in the most recent available year, as reported by the ATO.

This gave us a per-property deduction amount, which increases modestly each year in line with the PBO's projections

4. Calculating the total cost for short-stay properties

For each scenario and each year, we multiplied the average per-property deduction by the number of negatively geared short-term rental properties (for example, 10 percent of 167,955 in Scenario 1 = 16,795 properties). The resulting figures represent an estimate of the annual revenue foregone due to negative gearing for short-stay rentals.

All final costs are expressed in millions of dollars and rounded to two decimal places. A total cost for each scenario is presented as a cumulative figure across the ten-year period.

5. Assumptions and limitations

These estimates assume:

- **Constant investor count:** In reality, the number of negatively geared investors changes over time. While our assumption of 1,117,175 is based on the latest available data, we recognise that these changes cannot be predicted.
- **Uniform average deduction:** The model assumes short-stay investors claim the same average deduction per property as all negatively geared investors. If short-stay properties tend to be in higher-cost areas, the actual deductions may be larger.
- **Static short-stay stock:** We hold 167,955 short-stay properties constant over the period. Actual numbers may change with regulation, tourism trends, or market forces.
- **Exclusion of trusts and partnerships:** This PBO dataset excludes certain ownership structures.

These figures are intended to highlight the scale of public subsidy currently being directed toward investment properties used for short-term holiday letting, and the potential revenue that could be reclaimed through reform.



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