

“Wild West” Short-Term Rentals in Slovenia: Issues and Regulation



Saša Zupan Korže^{1*} and Saša Štajnec²

¹Associate Professor (Tourism), University of Maribor, Slovenia

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*Corresponding author: Saša Zupan Korže, Associate Professor (Tourism), University of Maribor, Slovenia

Abstract

Short-term rentals (STRs) of private apartments have by far exceeded the original framework of sharing/collaborative economy, and Slovenia is no exception. The mission of the chapter is to present the extent and consequences of STRs in Slovenia in relation to tourism and real estate situation in the country, and to give an overview on several government trials to regulate it.

The introduction section provides a brief starting point for further facts on STRs in Slovenia. The following sections present a few relatively scarce findings on STRs, its growth over the years and its current extent in the country. These include some financial calculations as well as the socio-economic issues related to them as non-formal tourist accommodation (TAC) or “grey economy”. The chapter continues with the discussion on why the STRs need to be regulated and on so far unsuccessful trials of the regulator to do it. The next part of the chapter reports on the results of the empirical research, conducted in Slovenia in 2022 focused on consequences of STRs and the ways to address them. In conclusion, we discuss the newly adopted EU regulation on this topic and its practical introduction.

Slovenia is still not among destinations in which the STRs have already caused severe changes in economic and social life of local communities. However, the increase of STRs in relation to tourism growth in the last decade definitely deserves attention of the academics and professionals. The case of STRs in Slovenia contributes to the volume of knowledge on a variety of solutions in addressing this phenomenon.

Keywords: Economy; Destinations; World’s tourism; Mountain’s regions; Travelers; Commercial hospitality

Introduction

presents a brief overview on different views on STRs in general, and in Slovenia in particular.

STRs in the Context of a Small Central European Country

According to the number of visitors, Slovenia was ranked 38th in the world’s tourism. In 2023, Slovenia’s tourist destinations attracted more than six million visitors, who spent more than 16 million nights at the country’s accommodation facilities [1]. This was a new record, with which Slovenia’s tourism not only exceeded the numbers from 2019, but also did better than the tourism growth in the world and in Europe. Germany, Italy and Austria remain the most crucial foreign markets [2]. Mountain’s regions and the capital, Ljubljana, were the most popular destinations. With 20 % of annual increase in the number of visitors, Ljubljana saw the highest increase [1]. “Green boutique

Ness, smaller footprint and greater value for all” is the vision of Slovenia tourism development [3].

For years, Slovenia tourism has exceeded average European as well as world growth rates. Consequently, the growth of formal (TAC) units is not following the increased demand. In the early stages, STRs therefore seemed to be an acceptable solution to fill the gap between supply and demand of formal TACs. Moreover, affordable prices of STRs have, together with emergence of low-cost carriers, additionally contributed to the tourism growth. Technology platforms, e.g. Airbnb and similar, have enabled easy connections between suppliers of “informal” private accommodation units (PAU) and potential short-term travelers. Thus, STRs has become a market niche for “innovative” individuals, who converted their apartments to STR purposes and making substantial amount of money from it.

Extent of STRs

Airbnb platform entered Slovenia in 2011 with 37 PAU listed on it. There were already around 2,600 PAU offered on Airbnb platform in the country in 2015 and 9,700 in 2019. Their combined revenue in 2019 was assessed at 66.5 Mio € which meets the revenue of the two largest Slovene hotel corporations with 17 hotels in total.

The number of informal PAU for STR purposes has particularly increased in Ljubljana, the Slovenia capital. In 2023, their number came close to that from pre-pandemic year (2,000 against 2,300 in 2019). However, in only 5 years, the average daily price of the STR has almost doubled: from 78 € in 2018 to 135 € in 2023. Simple calculation shows that if a landlord rents a private accommodation unit for 180 days in a year for an average price of 100 € per night, his/her yearly net revenue (after deduction of Airbnb commission, maintenance costs, taxes) amounts to over 10,000 €. The amount is almost double compared to the revenue that could be potentially earned by any long-term rental.

As STRs has become more profitable business than long-term renting, numerous owners of the apartments have transferred from long-term rental (LTR) business to short-term's one. The consequences, particularly in the capital and some other attractive spots in the country are similar to those reported by other countries: imbalances in certain local markets, rise of real estate prices, pushing lower income residents out of the city centers, over-tourism in the sense of exceeding the levels of available services, etc.

Pros And Cons of Strs: Result of the Empirical Research In 2022

STRs is still severely under researched topic in Slovenia. Papers existed mostly on the development of the STRs, on motives for hosting on Airbnb platform and on bashing of STRs as "intruders" and "unfair competitors" to the formal TAC providers. However, the latest qualitative research on STR revealed more positive perception on the phenomenon as a complementary provider to the traditional TACs. Their positive impact on tourist destinations as well as on their inhabitants is shown to be almost in equilibrium to the unpleasant side of STRs. More details about research findings will be presented in the chapter.

Legal View on Housing and on Commercial Hospitality

Why is that STRs need to be restricted or even banned? The answer to the question could be in the basic mission of an accommodation unit which - at least according to the Slovene regulation - should offer a provision of a primary human need. Even though accommodation is a market commodity, it is of a "special nature", and therefore regulated by law. The Law on housing among others issues regulates apartments' rentals, yet in this law, there is no exact limits between long- and short-term rentals. The latter, since they are generally considered to

exist mostly for tourism and similar purposes, are regulated in the Law on Hospitality and its by-laws, not in the Housing law. So, running TAC business is therefore considered completely different business activity as long-term renting, whereby TACs require specific infrastructure, different from the housing one, and different preconditions for its operation (furnishing and quality standards, additional permissions, real-estate registration, guest registration, etc.). Under certain conditions and limitations Slovene regulations allow operation of STRs for individuals. These are conditions related to the nature of real estate dedicated to STRs, limited operation of STRs in a year to 5 months, number of beds limited to 15, registration of individuals to Business register, payment of certain contributions, issuing bills, registration of guests, payment of tourist and promotional tax, etc.

Additionally Regulate Strs or Not

TAC in Slovenia is declared as an activity of commercial hospitality, which needs to be registered. Alongside the Hospitality law, there are few other laws and by-laws that need to be taken into account when starting and running TAC business. However, existing legislation has been adopted for the purpose of "touristic STRs" provided by professional suppliers and not for non-professional ones using web-platforms. With the STR boom in 2016 and 2017, ministry responsible for tourism tried to find an adequate solution for the latest, but finally concluded that the rules for new type of STRs can already be found in existing regulations if adequately interpreted. Thus, the focus should be on strict monitoring and penalizing if the rules for commercial hospitality business were not respected and not on new regulations. The major exposed problem at that time was taxation, namely that individuals rented out their apartments without paying taxes on their new revenues. Responding to the challenge, the government retrieved the data about Slovene hosts and their earnings from STRs from Airbnb headquarters.

In the years to follow, no amendment to the existing legislation has been put forward, partly also due to the covid pandemic with the huge reduction of demand toward STRs. Yet, after 2023, with resurging tourism demand and recently adopted new rules on EU level, the new regulation of this field has again become relevant topic in the country.

Conclusion

Proposal for a regulation (put forward by European Parliament) on data collection and sharing related to short-term accommodation rental services is waiting only to be confirmed by the EU Council. It is expected to be adopted before summer of 2024. EU member states will have then two years to incorporate new rules to their national legislation. Thus, the question: to regulate STRs or not, is not relevant any more. The STRs will be transparent and could be regulated. However, the question stays as to how effective could states be in providing the execution of the rules in real life.

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