MONITORING THE IMPACT OF SHORT-TERM RENTALS ON TASMANIAN HOUSING MARKETS

BASELINE REPORT - JUNE 2022

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Shelter Tasmania acknowledges the Traditional Owners of country throughout Tasmania and their continuing connection to the land, sea and community. We pay our respects to them and their cultures, and to elders past and present.

Shelter Tas welcomes and supports people of diverse genders and sexual orientations.

Contents

Glossary

CBOS: Consumer, Building and Occupational Services is a Tasmanian Government Division, part of the Department of Justice, responsible for administering rental bonds and monitoring short-term rentals.

CHPs: Community Housing Providers are not-for-profit agencies who supply and manage social housing in Tasmania. Over the last 10 years the Tasmanian Government has transferred the management of significant tracts of public housing to CHPs.

INSIDE AIRBNB: An organisation based in the USA which uses data scraped from the Airbnb website to provide information on the Airbnb listings across many cities and regions of the world. Its mission is to add data to the debate (see www.insideAirbnb.com).

MOU: A Memorandum of Understanding is a type of agreement between two or more parties. It expresses a convergence of will between the parties, indicating an intended common line of action.

NHFIC: National Housing Finance and Investment Corporation. A Commonwealth Government agency dedicated to improving housing outcomes for Australians by contributing to efforts to increase the supply of housing, particularly affordable housing. A key activity is providing low-cost longer-term loans to Community Housing Providers. They also undertake research on the Australian housing market, including an annual report on *The State of The Nation's Housing*.

RAI: The Rental Affordability Index is calculated annually by SGS Economics & Planning, a consulting firm in collaboration with National Shelter. In the RAI, households who are paying 30% of income on rent have a score of 100, indicating that these households are at the critical threshold for housing stress. A score of 100 or less indicates that households would pay more than 30% of income to access a rental dwelling, meaning they are at risk of experiencing housing stress (see Unaffordable Housing).

REIT: The Real Estate Institute of Tasmania is the peak body for Tasmanian Real Estate Agents. They provide a variety of statistical data collected from their members (see www.reit.com.au).

SCRAPED DATA: Data scraping is a technique where a computer program extracts data from human-readable output, usually available on a website.

STRs: Short-term rentals are properties rented for short periods of time, outside of the *Tasmanian Residential Tenancy Act*, usually through a short-term rental platform such as Airbnb.

SQM RESEARCH: SQM Research is an investment research house which specialises in providing accurate research and data to financial institutions, investment professionals and investors (see www.sqmresearch.com.au).

TPC: The Tasmanian Planning Commission is an independent statutory authority of the Tasmanian Government that reviews, advises on, and determines a range of land use and development matters.

TUTAS: The Tenants Union of Tasmania is a specialist Community Legal Centre for residential tenants. Their aim is to secure the rights of all tenants by providing free legal advice, representation and education, as well as advocating for the improvement of tenants' rights. They compile quarterly data on Tasmanian Rents (Tas Rents).

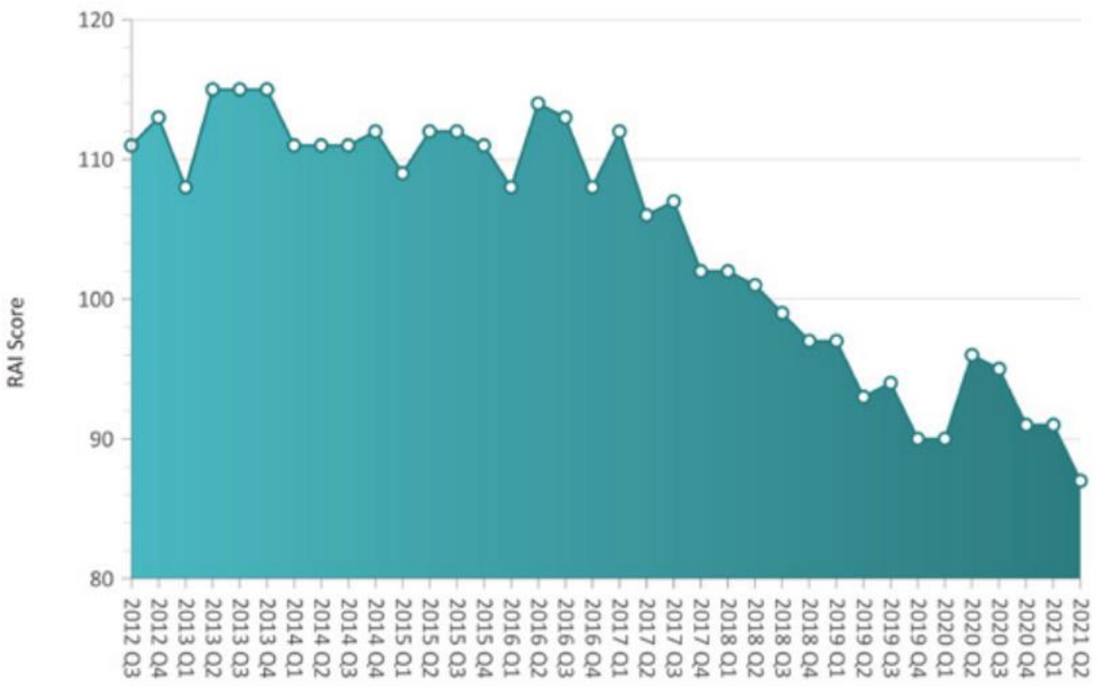
UNAFFORDABLE HOUSING: Housing is regarded as unaffordable when people on the lowest 40% of incomes are paying more than 30% of their income in rent (see RAI). These households are at risk of experiencing housing stress.

VACANCY RATE: The rental vacancy rate is the number of vacant properties divided by the total number of properties in a rental market, usually expressed as a percentage.

Summary

What is this project about?
The extent of the impacts of short-term rentals (STRs) on private housing markets is fiercely contested. STR hosts and the STR platform owners (such as Airbnb) contend that since STRs are only a small percentage of the total housing market they could not possibly have much impact on market outcomes. They also argue that housing markets are complex and that there are many factors causing high housing prices, with STRs being just one of many factors. The central aim of this study is to interrogate claims on both sides of this debate to better understand the impact of STRs on Tasmanian housing markets. Whilst there has been a great deal of Australian and international research on the impact of STRs on housing markets, the vast majority of these studies have been one-off impact studies usually focused on one city. Where this study is different is that it is a 3-year monitoring project on STRs across Tasmania.

How are rental markets currently performing in Tasmania?
It is generally conceded that rents in Tasmania have become increasingly unaffordable. For example, the well-respected Rental Affordability Index (RAI) compiled by SGS Economics and Planning (2021) shows that rents have become increasingly unaffordable in both Greater Hobart and regional Tasmania. Their latest index for Greater Hobart is shown in the figure below. It demonstrates how affordability has deteriorated from the beginning of 2017.



Why have things got so much worse since 2017?
Two things have been happening. As population growth has increased the demand for accommodation has increased, while the total size of the rental market between July 2016 and the end of 2019 appears to have shrunk in some key housing markets. This is very different behavior than other capital city housing markets, where solid private rental market growth was experienced prior to COVID-19.

Change in total rental bond holdings (from June 30th the previous year)	Greater Hobart %	Hobart City LGA %	Melbourne %	Sydney %	Brisbane City %
June-2019	-1.4	-2.9	4.1	5.3	4.4
June-2018	-2.0	-2.9	4.0	2.6	7.2
June-2017	0.5	2.2	5.5	5.7	5.7

We measured the changes in the rental market using a publicly accessible data series from the Department of Justice that shows the monthly number of closed and new rental bonds from July 2016 (hosted on the website www.data.gov.au).

What's that got to do with Short Term Rentals (STRs)?
We think the main (but not the only) reason that in some key markets the long-term rental markets have shrunk is because of the increased number of properties that have moved to short-term listings from the long-term rental market. Whilst clearly many STR dwellings will never have been rented in the long-term rental market, for Hobart we have cross-checked addresses of STR properties with listings of private rental properties to show that the majority of Hobart City STRs have a private rental history.

What has the research literature concluded about the impact of STRs on the housing market?
Our review of the independent research literature shows that whilst results vary, depending on the nature of the housing markets being examined, the vast majority of the studies describe how an increase in Airbnb activity generates an increase in rent and/or house prices.

But surely it's just a supply problem – we aren't building enough stock?
This does not appear to be the case. Apart from a period when population growth increased in 2017 and 2018 Greater Hobart has been performing well on housing supply - especially over recent years, where the supply of new dwellings has comfortably exceeded demand (based on household formation models from an Australian Government agency, NHFIC).

Surely the loss of a small number of long-term rental dwellings to STRs won't have an impact on the rental market?
No, small changes in the number of available properties in a housing market can have a significant impact on rents in an area through changes in the vacancy rate. When proponents of STRs say that they could have no impact on rents, because they are only a small percentage of the total housing market, they are ignoring the market processes that change rents. In Greater Hobart (with a private rental market of about 19500 dwellings) to move from a vacancy rate of 2% (where rent rises will be manageable) to 1% (where rent rises are likely to be double digit) would only need the withdrawal of 195 properties from the private rental market (or 0.2% of the total dwellings in Greater Hobart).

But other capital cities also have short-term rentals and their rental markets are doing better than Hobart. Surely some other issues must be causing the problems in the Hobart private rental market?
The problem for Hobart is that it has much more STR as a proportion of its total private long-term rental market than other cities (researchers call this measure STR density).

Location	Airbnb Density
Greater Sydney	**0.83%**
Sydney LGA	2.08%
Greater Melbourne	**1.25%**
Melbourne LGA	3.82%
Greater Hobart	**5.65%**
Hobart City LGA	9.33%

Estimates for December 2021.

So why don't Local Governments stop providing permits for STRs if they have a problem with their housing markets?
Some councils may wish to do this, but there are very limited grounds to refuse an application unless they amend their planning scheme.

But surely the number of STRs have stabilised, so things can't get worse?
Whilst COVID-19 and the lack of international tourists has pushed down the demand for STRs, and hence listings in the COVID-19 era, evidence from other tourist areas of Australia indicate things can get a lot worse. For example, in parts of coastal NSW Airbnb density is approaching 50% compared to about 6% in Greater Hobart.

What sort of things could we do to improve the situation?
Whilst it is too early in the study to have detailed policy suggestions, we think that there are some important principles that should shape any reasonable policy response:

- We need to closely monitor STRs and their interactions with housing markets
- The STR sector should pay for the costs they impose on government
- Different regulatory responses are required in different parts of Tasmania
- Any effective policy will need to limit the growth of STRs in some markets
- We need to increase the size of the long-term rental market
- The University of Tasmania (UTAS) needs to provide adequate housing for its international students so as not to put too much demand pressure on rental markets.

1. Introduction and Background

Airbnb and other short-term renting platforms[1] have disrupted housing markets across the globe. Cities, towns and regions attractive to interstate and international tourists are particularly vulnerable, with large differences between the potential rental returns from Airbnb and from long-term rentals. Hobart and many other places across Tasmania have seen their long-term rental markets substantially disrupted by short-term rentals (STRs).

The extent of the impacts of STRs on private housing markets is fiercely contested. STR hosts and the STR platform owners contend that since STRs are only a small percentage of the total housing market they could not possibly have much impact on market outcomes. They also argue that housing markets are complex, that there are many factors causing high housing prices and STRs are just one of many factors. The central aim of this study is to interrogate claims on both sides of this debate to better understand the impact of STRs on Tasmanian housing markets. Whilst there has been a great deal of Australian and international research on the impact of STRs on housing markets[2], the vast majority of these studies have been one-off impact studies usually focused on one city. Where this study is different is that it is a 3-year monitoring project on STRs across Tasmania. This report is the Baseline Report of the study. The aim of this report is to:

- Describe the history of STRs in Tasmania, including the regulatory settings
- Examine what causes rents to change
- Undertake a brief literature review of the impact of STRs on housing markets
- Examine the relationship between STRs and changes in the size of the private rental market
- Describe the variables which will be examined in each of the 6 monitoring reports.

After the baseline study is finalised the first monitoring report will be released. A further 5 monitoring reports will be released at six-monthly intervals.

[1] Airbnb dominates the Tasmanian shared housing market so they will be the main focus of the study.
[2] Some of this literature will be examined in Section 4.

2. Regulating STRs in Tasmania[3]

Whilst there had been a variety of online platforms in the Australian STR market, the business really accelerated with the arrival of Airbnb in Australia in 2012. Since then the market has grown quickly. Sigler and Panczak (2020) estimate that across the country Airbnb listings grew by 2.43% a month between July 2016 and February 2019. Over that same period they estimate that Tasmanian listings grew from 2303 to 5218.

In Tasmania, STR providers had to initially comply with the same local authority regulations as traditional accommodation operators. Operators breaching regulations faced substantial fines. In the period 2015-2016 the State Government used a new statewide planning scheme to consider a range of policy options, including putting a quota on the number of nights per year that a property could be occupied by guests. In a February 2017 policy announcement, the State Government rejected any significant limits on STRs and instead opted for a permit system for dwellings which were not the primary address (i.e. the home) of the host. For primary addresses hosts were allowed to let up to 4 bedrooms in their home without requiring a permit.

In announcing the new policy, then Premier Will Hodgman and Minister of Planning Peter Gutwein issued a media release (Hodgman and Gutwein, 2017) where they emphasized the ability of the STR sector to stimulate tourism.

> *The Hodgman Government is acting to support continued growth in the tourism and hospitality sectors by embracing the sharing economy.*
>
> *The Premier, Will Hodgman, said* ***deregulating the sector**** *would mean Tasmania's vital visitor economy is able to support continued growth by providing choice for consumers and clarity for businesses and homeowners.*
>
> *"That's why we are embracing the sharing economy, because it will help us meet demand and grow the tourism and hospitality sectors, which will in turn create jobs.*
>
> (*Our emphasis)

The State Government issued a Planning Directive[4] in July 2017 to enable the permit system to be implemented, which was amended after a review by the Tasmanian Planning Commission (TPC) in 2018. A range of submissions to the review highlighted the impact of the current directive on housing affordability. In relation to affordability the TPC concluded in its Executive Summary (Tasmanian Planning Commission, 2018, np):

> *12. There was concern raised regarding the impact the draft Planning Directive may have on the affordability and availability of housing. The Commission is limited in its assessment process to deal with these issues however, it has recommended that the impacts on the housing market as a result of the draft Planning Directive be monitored and reviewed. With subsequent and informed modifications to the Planning Directive being proposed if that is required.*

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[3] This section relies heavily on Grimmer at al (2019).

[4] Interim Planning Directive Number 2 which came into force on July 1 2017, was replaced by Planning Directive 6 on July 1 2018. The latest version of Planning Directive 6 is shown in the Appendix.

The most important features of the Planning Directive include:

- It overrides Local Council Interim Planning Schemes; and
- The wording of the Directive makes it very difficult for Councils to reject an application for a permit in most cases (see Appendix 2 for details).

Councils are able to introduce changes to their planning scheme to overrule the terms of their Planning Directive. This is a slow and resource-intensive process, however, and it is unclear if it would be possible for a Council to use this mechanism to stop the issuing of permits for STRs for their entire municipality. This process is also problematic because, if after going through this process, a Council wanted to issue some more STR permits (e.g. if housing market conditions improved in their area) they would need to reverse the change to their planning scheme and have that approved – another time-consuming process. The strategy also has the disadvantage of bringing forward the demand for STR permits.

A much simpler approach would be to change the Planning Directive so that councils could consider the local housing market conditions (e.g. whether rents had increased by more than a certain percentage over the last quarter) when considering a permit application.

Monitoring the Short-Term Rental Market

In June 2019, in response to concerns about the level of compliance with the Planning Directive, the Government passed the *Short Stay Accommodation Act 2019*. In the fact sheet accompanying the 2018 Bill (Department of Justice, 2018, p2) it stated that:

> *"The proposed legislation is intended to serve two important purposes; to ensure everyone is 'playing by the rules' and to paint a clear picture of home sharing across Tasmania".*

The Act mandates a system for collecting data from each of the major STR platforms, which is used to provide quarterly reports on trends in the sector. These reports are described in Section 5. The Act also requires hosts to advertise their permit details on their listing. [5]

Quarterly reports are provided as a result of the collection of data from the STR platforms. However, very little further analysis is undertaken of the data provided. For example, no comparison is made of the data provided by the platforms with the listings on their platform websites. The larger concern is that there is no analysis of the relationship between the short-term rental market and the long-term rental market. This analysis was a specific recommendation of the Tasmanian Planning Commission and the Tasmanian Parliament's Select Committee Report on Short Stay Accommodation (Tasmanian Parliament, 2019), yet it is not happening in any meaningful way.

[5] Whilst most hosts appear to be complying, inspection of the website Inside Airbnb, which collects the permit details from the Airbnb website suggests that a number of listings (about 80 across the state) have no permit information, with a significant number of others having provided information which does not comply with the Act.

Conclusion

In summary, compared to many other jurisdictions (see Section 3 for details), regulation in the Tasmanian system is very soft. The emphasis was on 'deregulating the sector' and the current system could be described as a monitoring system (even though what is there is poorly monitored) rather than a regulatory system. Perhaps this is why it was so warmly welcomed by Airbnb itself, who described the system as 'world class' (Crawley, 2017).

3. Literature review on STR impacts and Regulation

Introduction

There are a number of approaches that have been adopted in a range of research studies attempting to assess the impact of Airbnb on local housing markets.

The *first method* is the simplest. We call it the income-led investor model. This model estimates the number of nights that properties are hosted on Airbnb and compares the potential revenue from Airbnb with the revenue from traditional long-term private rental. Where the Airbnb revenue for most of the urban market is less than the private rental market revenue it assumes that Airbnb is not having an impact on the housing market. A recent study undertaken by private consultants, funded by Airbnb, is a good example of this method. The report states:

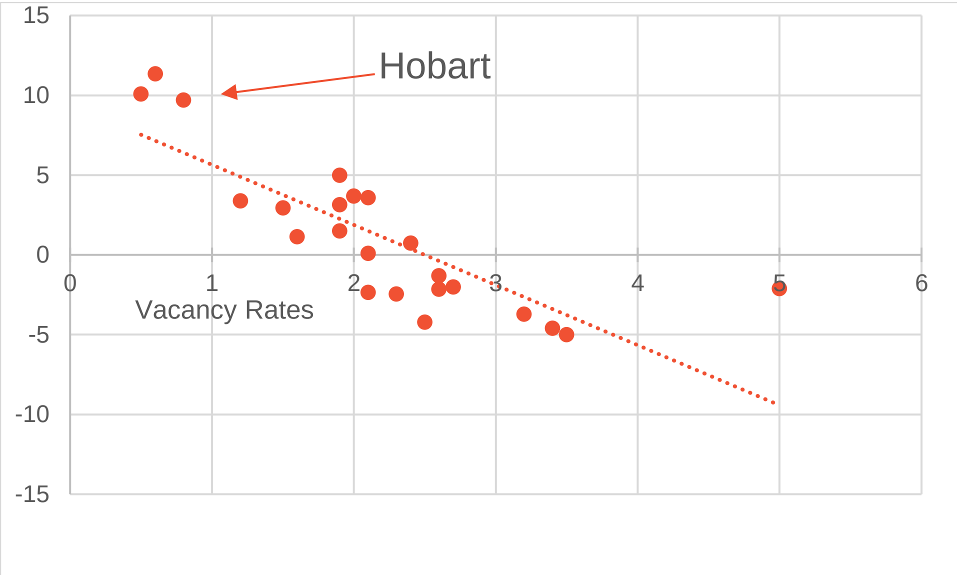
> *Broadly, in Sydney and Melbourne, it is not financially beneficial to host a property on Airbnb instead of renting to a long term tenant. In only a small number of cases, it is more profitable to list a property on Airbnb full time rather than on the rental market.*
> ……
> *Based on this analysis, the impact of Airbnb on the housing markets in Sydney and Melbourne appears to be minimal.*
> *(SGS, 2018, p3)*

The *second method* tries to examine the actual working of rental markets. We call this the local housing market assessment model. It is based on the hypothesis that sharing platforms will have a significant impact on housing markets if they are able to reduce the vacancy rates in rental markets below an equilibrium level[6]. In markets where vacancy rates are above this equilibrium rate, if there are not enough dwellings on STR platforms to move the vacancy rate below the equilibrium level you can conclude STRs are not impacting the housing market by putting upward pressure on rents[7]. In Australia the equilibrium vacancy rate is approximately 2 percent (see Section 4). When vacancy rates are below this rate there tends to be upward pressure on rents. When they are above this rate rents are relatively stable or might decrease. Figure 1 shows rental trends and vacancy rates in a number of housing markets in three

[6] Note that the vacancy rates are the vacant dwelling divided by the total dwellings in the rental market.
[7] Nevertheless, they could be reducing the likelihood of a decrease in rents.

Australian cities: Sydney, Melbourne and Hobart. The data has been generated using a data series supplied by a private data firm, SQM Research.

Figure 1. Annual percentage change in rents (vertical axis) and vacancy rates (horizontal axis) in submarkets of Sydney, Melbourne and Hobart (2017-18)



Source: Phibbs (2018)

Note the general trend of rents increasing when the vacancy rate decreases, especially when the vacancy rate is 2% or less. Hobart is significantly represented in the graph by its very small vacancy rates yet large double digit rent increases, as seen in the top left of the figure.

An example of this second method is Gurran and Phibbs (2017) in their study on the Sydney rental markets. They show that Airbnb properties have the capacity to reduce the vacancy rate in some higher income suburbs of Sydney but in Western Sydney are unlikely to be having an impact on the rental market.

The *third* (and final) *method* is to undertake an econometric study of urban housing markets in order to measure the actual impact on rents by using detailed models of the market with robust statistical techniques. We call this the housing market analysis model. An example of this method is the work by Barron et al (2018) on the US rental market. They show that a 10% increase in Airbnb listings is associated with an increase in asking rents of 0.4%.

Comparing Research Findings

Table 1 below provides a summary of a number of recent studies that have examined the housing market impacts in Australia and elsewhere. **The results vary, but every study in the table describes how an increase in Airbnb activity generates an increase in rents and/or house prices**[8]. The majority of the studies examined periods when Airbnb activity was expanding in cities. However, several recent studies have taken advantage of reduction in Airbnb activity during COVID-19 to examine rent changes in a shrinking STR market.

[8] Ayoubi et al found that there was no significant housing market impacts in some French cities.

The magnitude of the results shown in the last column suggests that STRs are not the only factor impacting rental markets and the impacts are likely to be larger in cities where the housing market is already under pressure. In places where the population is shrinking and rental markets have ample supply of stock the impacts are likely to be more muted.

Table 1. Summary of Independent Research Findings on the Impact of STRs on housing markets

Authors	City	Year	Method/ COVID	Finding
Liang et al	Hong Kong	2021	3	Airbnb will increase rents by 3.6 to 4 %
Cunha and Lobão	Lisbon	2021	3	A one percent increase in the share of STR leads to a 27.4% and 16.1% increase in housing prices of the Lisbon and Porto MSA municipalities respectively
Franco and Santos	Lisbon	2021	3	A one percentage increase in Airbnb share generates a 3.2% increase in house prices
Thackway and Pettit	Sydney	2021	2/Covid	During COVID rents decreased more in LGAs with higher Airbnb densities, with a 7% reduction in areas with the highest Airbnb densities
Shabrina et al	London	2021	3	100% increase in Airbnb density generates 8% increase in rents
Trojanek et al	Warsaw	2021	3/Covid	1% change in listings leads to a 0.031% change in rents
Zou Z	Washington	2020	3	One additional Airbnb dwelling in a 200 foot buffer increases prices by 0.78%
Ayoubi et al	Paris	2020	3	A 1 unit increase in density leads to a .53 percent increase in rents (note: not in all French cities studied)
Buckle et al	Hobart	2020	2/Covid	During COVID rents decreased more in LGAs with higher Airbnb densities
Rodríguez-Pérez de Arenaza	Andalusia Coast, Spain	2019	3	Airbnb leasing is responsible for 14% of the total rents in the region
Barron et al	US Cities	2018	3	10% increase in Airbnb listings leads to 0.39% increase in rents and 0.64% increase in house prices
Elíasson and Ragnarsson	Iceland	2018	3	Increase in Airbnb had a 2% increase on house prices per annum, or about 15% of increase
Horn and Merante	Boston	2018	3	One standard deviation increase in listings leads to a 0.4% increase in rents

Source: Compiled by authors from the peer reviewed research literature

4. What drives prices in long term private rental markets

Prices in rental markets are driven by the relative balance between supply and demand. When demand exceeds supply, prices tend to rise - often sharply. When the reverse is true, prices will fall.

It is also instructive to think about the actual processes that occur when a dwelling is let. When demand exceeds supply a lot of applicants try to lease a property (when vacancies are limited). Landlords and/or their real estate agents see that demand (e.g. through the number of applications, or the number of people at inspections) and realise that they can increase the rent on similar properties and still secure a tenant for their property. This can lead to sharp increases in rents.

In a market where supply exceeds demand, landlords might advertise a property and receive no applications from prospective tenants. They are forced to decrease the advertised rents in order to attract applicants.

So, how do you assess the relative balance between supply and demand? The most common measure is the vacancy rate, which is the number of vacant and available rental properties divided by the total stock of rental properties. Economists from the Reserve Bank (Kendall and Tulip, 2019) describe that the dominant influence on real rents is the vacancy rate (real rents are rents adjusted by inflation – so real rents increase when they rise faster than the rate of inflation measured by the CPI). They suggest that real rents will increase when the vacancy rate is less than 2.4%. Phibbs (2018, p3) reached a similar conclusion when examining rents and vacancy rates in Sydney, Melbourne and Hobart when he suggested to:

> *Note the general trend of increasing (nominal) rents with decreases in the vacancy rate especially when the vacancy rate is 2 percent or less.*

This is consistent with a report on the Tasmanian Housing Market by the Tasmanian Treasury, who reported that (2018, p8):

> *"Until very recently, the vacancy rate had been steadily falling in Hobart. It appears that, until 2017, this decline in the vacancy rate was not putting significant pressure on housing rental prices."*

The vacancy rate was not putting pressure on rents prior to 2017, because the rates were in excess of 2.4%.

When there is no growth in demand over time (e.g. the population is not growing) the vacancy rate will remain stable, with a constant supply of rental properties. However, if demand is growing over time as a result of an increasing population, especially if this increase was generated by an increasing number of people migrating into a market rather than through natural increase, for the vacancy rate to remain stable the number of rental dwellings must also increase over time.

Looking on the supply side, a decrease in the vacancy rate over time in a rental market with increasing demand would show that the number of available rental dwellings is not keeping up with the increase in demand. This could be due to:

- a problem of supplying new dwellings into the market, or
- if there was a conversion of rental dwellings into other uses such as short-term rentals or owner-occupied housing.

What *has* been going on with vacancy rates in Tasmania? – a case study of Hobart

There are two main sources of vacancy rate data in Tasmania:
- A rate published by the property data firm SQM Research; and
- A rate published by the Real Estate Institute of Tasmania (REIT).

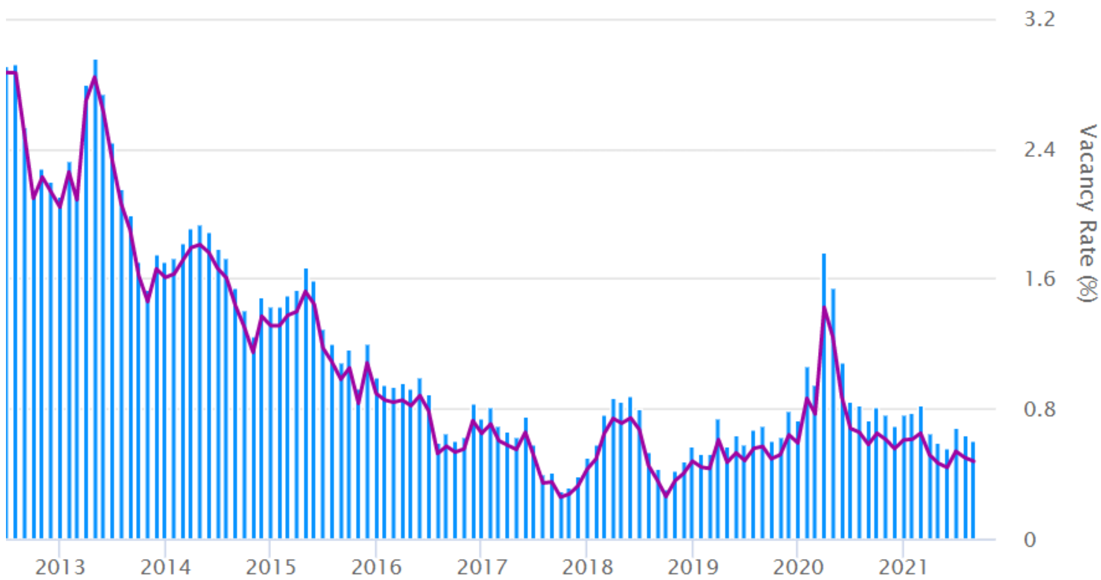
SQM Research counts vacant rental dwellings through the monitoring of major listings sites. Only those properties with unique addresses or a unique listing ID are used. Moreover, only those listings that have been advertised for three weeks or more are used. The total number of rental properties in an area is estimated using census data. Vacancy rates are available for many regions of Tasmania.

The REIT estimates the vacancy rate through a survey of members, who provide information on the total properties on their rental roll and the number available for rent. Vacancy rates are available for Hobart, Launceston and the North West region.

In a tight rental market it is possible to see why these two measures might diverge, with SQM Research rates being lower than the REIT. If demand exceeds supply it might not be necessary to advertise properties on the major online sites (Domain and realestate.com) – they might be posted online on the real estate agent's website, or even just advertised in their shop window or through a sign erected at the property. Also, in a tight market listing might not be available for the SQM standard of three weeks. For example, in June 2021 the SQM Research rate was 0.4% and the REIT rate was 1.4%. It is therefore best to consider SQM Research rates as being reliable indicators of vacancy rate *trends* rather than the absolute vacancy rate number.

Figure 2 shows the SQM Research vacancy rates for Hobart from July 2012 to 2021. The trend shows a decrease in rates since 2013, with two exceptions to this long-term trend - an increase in 2018 and a larger increase in the middle of 2020. There is also an annual cycle in vacancy rates with vacancies declining from May to November and then increasing from December to April.

Figure 2. Hobart Vacancy Rates 2013-2021

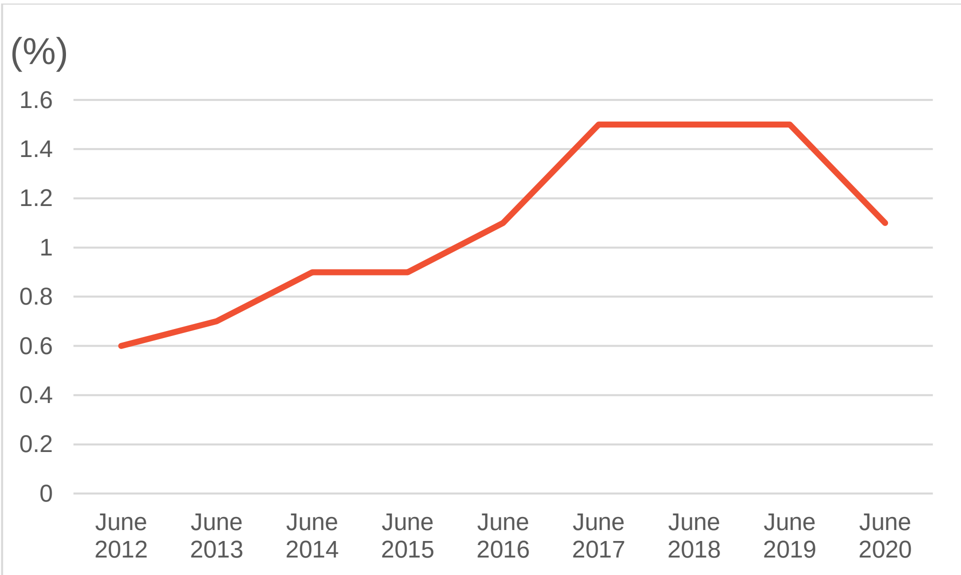


Source: SQM Research

The 2018 increase in vacancy rates may have been associated with the opening of the UTAS Melville Street apartments at the end of 2017, which injected substantial rental supply into Hobart (113 studio rooms and 309 rooms in shared apartments). The larger 2020 increase in vacancy rates could be associated with short-term rental dwellings returning to long-term rental as a result of closed Tasmanian and international borders (Buckle et al, 2020) associated with the pandemic (discussed further in Section 3).

Looking at Figure 2, what factors might explain the long-term downward trend in vacancy rates? One is the increase in demand associated with Greater Hobart's increasing population (see Figure 3).

Figure 3. Annual Population Growth Rates – Greater Hobart 2012-2020



Source: ABS (2021a)

These annual population growth rates have grown consistently and pre-pandemic were at rates approaching Sydney's growth rate. Over time we have seen a larger proportion of this growth being based on migration into Greater Hobart rather than through natural increase. In recent years much of this migration has been net overseas migration, mainly due to the growth of international student numbers[9]. The NHFIC (2020, p76), suggests that for the supply of houses to maintain a balance between supply and demand (at a 1.5% growth rate) Hobart would need to generate approximately 1100 additional dwellings per annum. Given the large numbers of international students (who are most likely to be renters) in the annual population growth numbers, from these 1100 dwellings Greater Hobart may need to produce an additional 400 private rentals per annum (at an annual growth rate of 1.5%) to keep vacancy rates steady.

A common response to the increasing rents and decreasing vacancy rates in Hobart is to suggest that they are generated because of a lack of new dwelling construction. In order to investigate this issue, the dwelling approval numbers[10] were compared with the likely demand for new dwellings as a result of population increase (using the NFHIC analysis as the starting point). This task is undertaken in Table 2 for the period 2012 to 2022.

Table 2. Comparing underlying demand for dwellings with net dwelling completions – Greater Hobart 2012-2020

	Population growth (a)	Underlying dwelling demand (b)	Net dwelling completions (c)	Surplus/Deficit
2012	0.6	440	886	446
2013	0.7	513	638	125
2014	0.9	660	608	-52
2015	0.9	660	807	147
2016	1.1	807	981	174
2017	1.5	1100	742	-358
2018	1.5	1100	1052	-48
2019	1.5	1100	1257	157
2020	1.1	807	1309	502
2021	NA	700	1400	700
2022	NA	1200	1800	600

Notes:

(a) From Figure 1
(b) Based on NFHIC estimate for 2019, 2021 and 2022, pro-rated for population growth in remaining years using 2019 estimate (note 2019 estimate refers to adjusted underlying dwelling demand)
(c) Based on 80% of dwelling approvals from the previous year – reduction is to allow for demolitions and lapsed approvals (2019, 2021 and 2022 based on NFHIC figures)
(d) Column (c) minus column (b)

Source: Analysis of NFHIC (2020, 2022): ABS (2021b)

[9] For example, in 2018-19 about 20% of Greater Hobart's population growth came from natural increase, 29% from net internal migration from the rest of Australia, and 51%t from net overseas migration.

[10] Unfortunately, dwelling completions are not available for Greater Hobart from the ABS.

Whilst there have been some periods where there has been a deficit of dwelling approvals (notably 2017 and 2018 after the sharp increase in the population growth rate), looking at the total period it would appear that the increase in the dwelling supply has been keeping up with the overall dwelling targets over the medium term. The surge in dwelling completions over the last two years occurred, despite being during a period of lower household formation, due to the closed international borders.

Given that total dwelling construction does not seem a major issue, the question remains - what has generated the strong trend of decreasing vacancy rates and rising rents in Greater Hobart and other Tasmanian cities and towns? Clearly, the long term private rental market has not been able to keep up with demand. Examining the size of the long-term private rental market over time is the topic of the next section.

5. Changes in the size of the long term private rental market in Tasmania

Estimating the size of the private rental marker over time is reasonably difficult in Tasmania. Whilst the Census provides estimates of the private rental market, it does not differentiate between long-term and short-term rentals and is only undertaken every five years. In many other Australian States estimates of the size of the private rental market are available from State Government Rental Bond Authorities, who publish on their website statistics on totals of active bonds by geographic area (see Table 4).

However, the Department of Justice (2021) does publish a data series (on the Federal Government website data.gov.au) that shows the bonds lodged and closed every month since July 2016. It is assumed in this study that if the number of bonds lodged exceeds the number of bonds closed, the private rental market is expanding. This data has been used to generate Table 3, which lists the bonds lodged and closed for every quarter up to the June quarter of 2021. A sample from the Department of Justice data series is provided in Appendix 1. Data is provided for Greater Hobart, Hobart City LGA, Greater Launceston and Devonport.[11]

A consistent theme of the table is that a majority of the quarters up to the middle of 2019 saw a reduction in the size of the long-term rental market as measured by rental bond holdings. This trend of an apparent shrinking private rental market is very unusual in an Australian capital city context. Table 4 shows the changes in total bond holdings for three additional Australian cities with readily available data on total bond holdings over the same period.

[11] Concordance tables were used to allocate suburbs listed in the Department of Justice data to areas listed in Table 3.

Table 3 – Changes in Bond Holdings, 2016-2021

	Hobart City Council				**Greater Hobart**				**Greater Launceston**				**Devonport**			
Bonds	lodged	closed	*change*	*total change*	lodged	closed	*change*	*total change*	lodged	closed	*change*	*total change*	lodged	closed	*change*	*total change*
Sep Qtr 2016	635	606	*29*		1845	1667	*178*		*705*	*683*	*22*		209	203	*6*	
Dec Qtr 2016	674	739	*-65*		1685	1874	*-189*		*624*	*714*	*-90*		202	225	*-23*	
Mar Qtr 2017	1283	1025	*258*		2445	2189	*256*		*984*	*949*	*35*		225	240	*-15*	
Jun Qtr 2017	627	710	*-83*		1700	1852	*-152*		*630*	*677*	*-47*		210	206	*4*	
Sep Qtr 2017	680	622	*58*		1646	1543	*103*		*631*	*651*	*-20*		203	203	*0*	
Dec Qtr 2017	616	695	*-79*		1596	1739	*-143*		*634*	*683*	*-49*		180	196	*-16*	
Mar Qtr 2018	956	1088	*-132*		2006	2178	*-172*		*962*	*1015*	*-53*		171	223	*-52*	
Jun Qtr 2018	653	685	*-32*		1692	1846	*-154*		*684*	*793*	*-109*		187	201	*-14*	
Sep Qtr 2018	633	680	*-47*		1628	1719	*-91*		*675*	*718*	*-43*		209	209	*0*	
Dec Qtr 2018	593	717	*-124*		1472	1775	*-303*		*626*	*790*	*-164*		166	200	*-34*	
Mar Qtr 2019	920	1065	*-145*		1884	2187	*-303*		*811*	*944*	*-133*		164	193	*-29*	
Jun Qtr 2019	794	660	*134*		2110	1661	*449*		*853*	*676*	*177*		270	192	*78*	
Sep Qtr 2019	710	723	*-13*		1850	1768	*82*		*754*	*646*	*108*		199	196	*3*	
Dec Qtr 2019	666	708	*-42*	-283	1659	1684	*-25*	-464	*699*	*737*	*-38*	-404	152	166	*-14*	-106
Mar Qtr 2020	1018	1049	*-31*		2359	2137	*222*		*986*	*856*	*130*		173	169	*4*	
Jun Qtr 2020	749	718	*31*		1860	1729	*131*		*704*	*682*	*22*		162	154	*8*	
Sep Qtr 2020	783	673	*110*		1855	1573	*282*		*658*	*519*	*139*		161	159	*2*	
Dec Qtr 2020	810	769	*41*		1998	1837	*161*		*746*	*710*	*36*		167	182	*-15*	
Mar Qtr 2021	1142	1159	*-17*		2436	2371	*65*		*889*	*849*	*40*		157	169	*-12*	
Jun Qtr 2021	702	693	*9*	143	1877	1783	*94*	955	*715*	*642*	*73*	440	192	164	*28*	15

Note: Greater Launceston excludes the suburb of Newnham because of the dominance of student accommodation.

Source: Analysis of Tasmanian Department of Justice data on rental bond lodgment and closures available on www.data.gov.au.

Table 4. – Changes in Total Bond Holdings between 2016 and 2019
Selected Australian capital cities

Change in total bond holdings (from June 30th the previous year)	Greater Hobart (a) %	Melbourne %	Sydney %	Brisbane City %
June-2019	-1.4	4.1	5.3	4.4
June-2018	-2.0	4.0	2.6	7.2
June-2017	0.5	5.5	5.7	5.7

(a) An estimate of total bonds was made based on 95% of the total private long-term rentals identified at the 2016 Census for Greater Hobart

Source: Table 3, Victorian DHHS Rent Report (2021), NSW Rent and Sales Report (2021), Queensland Residential Tenancies Authority Rent Report (2021).

It was also unusual in Tasmania before 2016. Between the 2011 and 2016 ABS Censuses properties rented through a real estate agent, or by a person who was not a member of the renting household, grew by 11.6% in Tasmania (ABS, 2017).

Another significant change from the Table was in 2020, when total bonds lodged increased across all the areas in Table 3.

In a previous report on the rental market Tasmanian Treasury (2018, p9) suggested that:

> *Further, detailed analysis would be needed to identify the reasons for the exceptionally low rental vacancy rates in Hobart, which may include investigating trends in the completion of new dwellings and in the short stay accommodation market*.

Given the earlier section on dwelling activity, suggesting that dwelling completions are keeping up with population growth[12], and the fact that the problem appears to be one of shrinking rental supply, the focus now turns to examining whether some other factors might be contributing to this shrinking of the private rental sector, before turning more explicitly to examining changes in short-term rentals.

[12] A finding supported by the Tasmanian Treasury Report (2018).

What other factors might be impacting the results in Table 3?

Before examining the issue of the impact of short-term rentals on the Tasmanian long-term rental market, it is useful to examine some other potential impacts on the data shown in Table 3.

The first issue is an administrative issue. The Consumer, Building and Occupational Services (CBOS) Division of the Department of Justice, converted their bonds system - MyBonds – to a new online system in 2019, which made it easier to lodge bonds. This may have led to an increase in bond lodgments compared to earlier periods.

Another trend that might lead too large number of CBOS bonds over time has been the transfer of public housing stock to Community Housing Providers. When properties are first transferred, the sitting tenant is not required to pay a bond but Community Housing Providers charge bonds to subsequent tenants. Through their Better Housing *Futures* program the Tasmanian Government transferred almost 4000 tenancies to Community Housing Providers in the period 2013-2016. In 2021 the Tasmanian Government announced that a further 2000 dwellings would be transferred.

It is difficult to remove the impact of this increase in bonds from the data in Table 3, because the CBOS bond system has only started identifying Community Housing Providers in bonds since late 2019. The growth in Community Housing-lodged bonds since the information has become available in the CBOS system is about 450 per annum statewide.

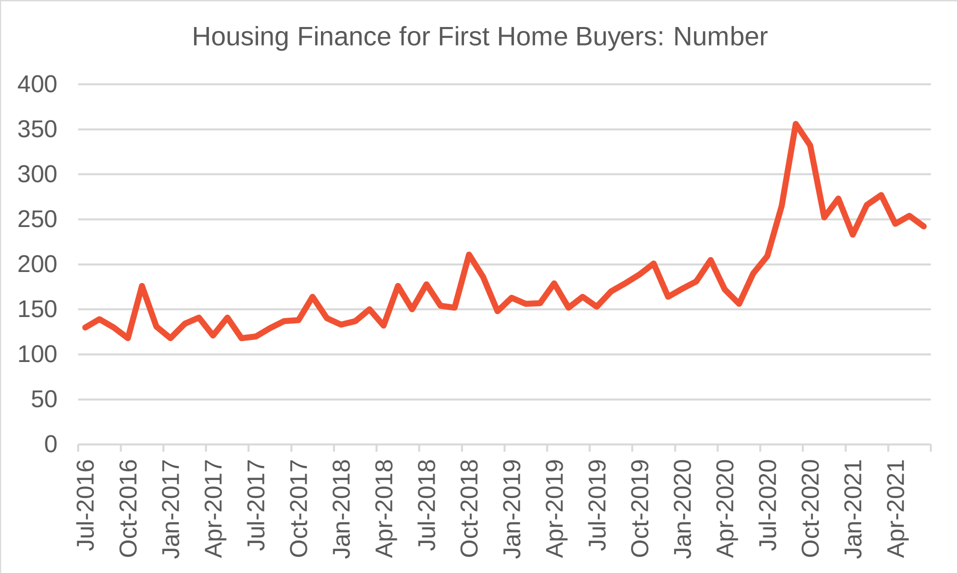
The other trends that might have an impact on the growth in lodged bonds are general trends in the housing market. For example, first home buyers might be very active in the market. They tend to purchase cheaper properties that may have previously been in the rental market. A trend in the opposite direction is generated by investors who might purchase a dwelling owned by an owner-occupier and move it to the long-term rental market.

Figure 4 shows first home buyer activity in Tasmania, based on Housing Finance data. The figure describes a reasonably static level of first buyers in the market, except during a surge in 2020 associated with the pandemic and increased levels of government support.

Figure 5 shows the activity of investors in the Tasmanian housing market, again using housing finance data. The trend is reasonably similar, with fairly static investor interest until the pandemic, when the surge in property prices encouraged investor interest. Given that investors and first home buyers tend to impact the long-term rental market in different directions, it would appear that these two trends would not have a major impact on the long-term rental market. They are unlikely to be able to explain the changes to the market we can see from Table 3.

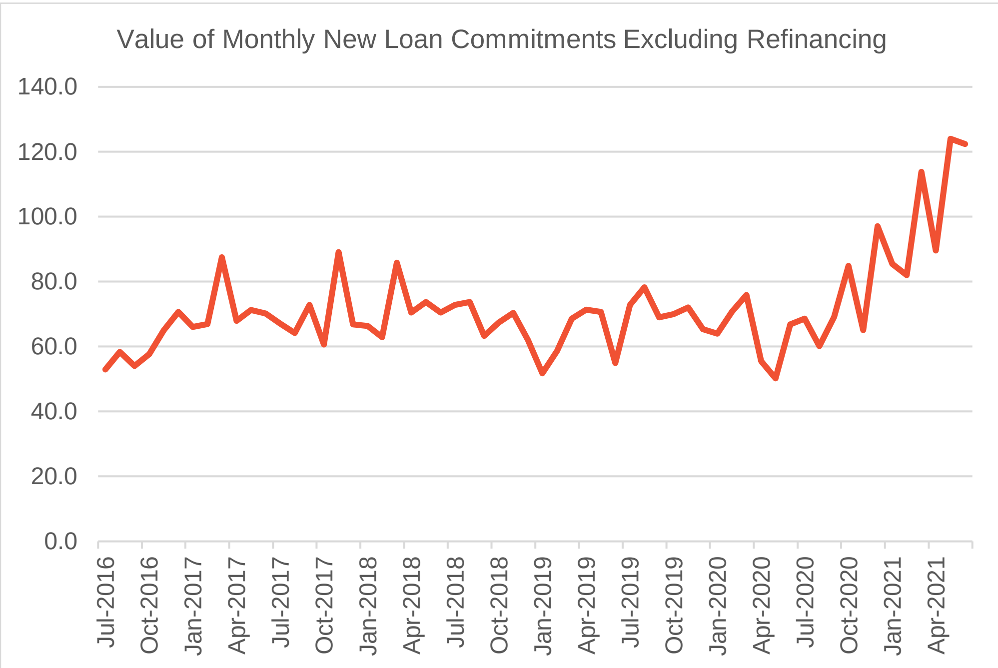
However, it is possible that owner-occupiers relocating from the mainland might have purchased dwellings that were previously rented and hence reduced the size of the private rental market. This is possible, but population data shows that the main components of growth have been net overseas migration and, given the relative value of properties in Sydney and Melbourne, it is more likely that relocators would have purchased owner-occupied housing. Moreover, given the positive price performance of the Tasmanian housing market over the 2016-2021 period, this seems like an unlikely time for investors to exit from the housing market.

Figure 4. Changes in First Home Buyer Activity in Tasmania 2016-2021



Source: ABS (2021c)

Figure 5. Changes in Investor Activity in Tasmania 2016-2021



Source: ABS (2021d)

Do changes in STRs help explain the changes in the Long-Term Rental Market?

In order to better examine the correlation between the rental market and the short-term rental market, it would be necessary to get a time series of listings beginning in 2016 (to match the rental bond data). The CBOS reports on Short Stay Accommodation, however, start from the last quarter of 2019 so are not suitable for this task. Instead, data points from an Airbnb data site (Inside Airbnb) are used to generate a time series. Inside Airbnb obtains its data by "scraping" the Airbnb web site. Data, or web, 'scraping' is a process used to extract data from websites and to save the data into a file for later use.

Airbnb themselves have been critical of 'scraped' data. The biggest weakness of 'scraped' data is that it cannot measure how often a property is booked. It can provide some indirect measure, such as the number of reviews (but not everyone who stays will leave a review). Another indirect measure is the number of days the property is available, but a property may be unavailable because it has been reserved by the host for their own personal use. However, 'scraped' data will provide reliable estimates of listings, since each listing is clearly available on the Airbnb website.

'Scraped' data will also report the type of booking which is available on the listing - whether as an entire dwelling, a private room, a shared room or a hotel room. It should be noted that when an entire dwelling is listed in the "scraped" data it does not show if it is a separate dwelling on a separate lot. This information, however, is separately available through the CBOS data reports, which are based on the *Short Stay Accommodation Act 2019* (see below) and can be cross-referenced.

It is difficult to evaluate the accuracy of 'scraped' data, as Airbnb does not provide data which can be used to benchmark 'scraped' websites. The only comprehensive study in Australia which has been provided with and includes Airbnb data was conducted by consultants and paid for by Airbnb (SGS, 2018). It is possible, however, to evaluate the 'scraping' sites against each other. The largest commercial provider of Airbnb data is AirDNA. It has been operating since 2014, with an estimated turnover of $20 million. Benchmarking Inside Airbnb data, using estimates provided by two Australian academics who used AirDNA data (Sigler and Panczak, 2020), demonstrated that Inside Airbnb estimates are almost identical. For example, AirDNA data recorded total Tasmanian Airbnb listings in February 2019 as 5218, whilst the AirbnbInside Airbnb number on March 6th was 5242.

One indicator of the correlation between bond holdings and short-term rentals is the connection between bond holdings and government decisions concerning short-term rentals.

- Note the large decrease in bonds in the last quarter of 2016 (Table 6) when there was significant debate about the imposition of short-term rental quotas, and
- The even larger reductions in the last quarter of 2018 and the first quarter of 2019, which was after the *Short Stay Accommodation Bill* was released but before it became law on June 4th 2019.

The other interesting issue is that the turning point in the data series was in 2019, when a pattern of increasing bond holdings occurred after the Act came into force and CBOS reported that providers began to delist properties that were non-compliant. However, the most significant change was in 2020 when the number of total bonds lodged increased. This was the year when many commentators reported across the country that private rents had decreased because short-term rentals returned to the long-term rental market as a result of the COVID-19 pandemic (see for example, Evans et al, 2020).

In order to examine the relationship more closely, Table 6 below shows the Inside Airbnb listing for entire dwellings and the changes in rental bonds taken from Table 3 for the period before and after the pandemic (2016 through to the end of 2019; Jan 2020 to the end of June 2021). Clearly not all entire dwellings listed on Airbnb would have been in the long-term rental market. For example, Tasmanian shacks (which are frequently used by the owners as holiday destinations) historically would have been only in the short-stay market. Similarly, many home owners are letting out part of their dwellings (such as a basement flat) on the short-stay market and long-term rental accommodation has never been a feasible alternative use for them for a range of reasons. However, the variety of empirical studies that have shown that the presence of short-term letting raises long-term rents (see Section 3) suggests that there is a crossover between short- and long-term letting. The aim of Table 5 is to explore the nature of that relationship.

The table shows two major trends: one of expanding listings of Airbnb entire dwellings up to the end of 2019 (with a corresponding contraction of the rental market), and then a reverse pattern after the COVID-19 pandemic took hold in 2020 and Airbnb listings declined along with tourism numbers. There does seem to be a large difference between the relationship in movements in the total bond holdings and Airbnb listings in the contraction phase of the Airbnb market. A possible explanation of this change is the increasing influence of Community Housing Providers registering bonds from public housing stock transfers. It is also possible that the move to online reporting of bonds in June 2019, which made it easier for people to register their bonds, may have led to greater compliance with the legislation. The trends are also shown in the two graphs in Figure 6.

The trends in rental supply have flowed through to market rents. Figure 7 shows weighted median rents (estimated by the Tasmanian Tenants Union, from data supplied from MyBond, for the four areas from Table 3 for the period from 2012 to 2021). The Figure shows a general trend of increasing rents after 2016 up until the growth in total bonds from 2020, and the reduction in population growth associated with the COVID-19 pandemic, led to a short period of decreasing rents in the first half of 2020. Since then the pattern of steadily increasing rents has returned.

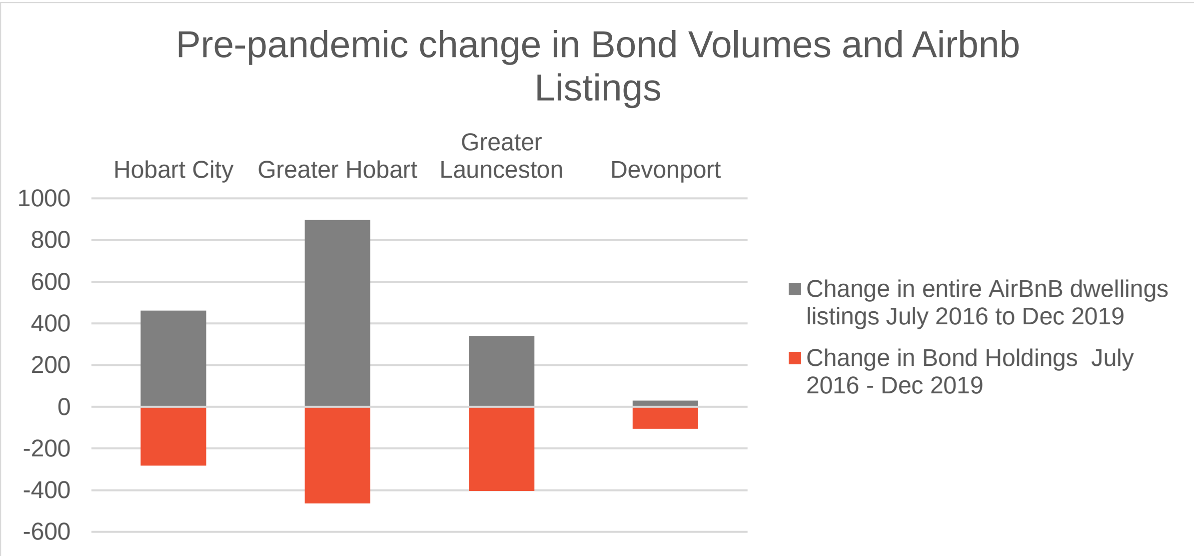
Many alternative theories have attempted to explain the decreasing vacancy rates in Hobart. A common explanation is that the housing market has not been growing fast enough to accommodate the additional people in the rental market as a result of Tasmania's (and especially Hobart's) increasing population growth. However, it appears that a much more obvious fact is at play – the Tasmanian rental market up until the pandemic had been shrinking and it would appear that the most significant factor associated with this shrinkage is the growth of the STR sector.

Table 5. Comparing Change in Bond Holdings and Airbnb Listings 2016-2021

	Hobart City	Greater Hobart	Greater Launceston	Devonport
Change in Bond Holdings July 2016 to Dec 2019	-283	-464	-404	-106
Change in entire Airbnb dwellings listings July 2016 to Dec 2019*	461	897	340	29
Change in Bond Holdings Jan 2020 to June 2021	143	955	440	15
Change in entire Airbnb dwellings listings Jan 2020 to June 2021*	-119	-204	-80	1

*Only dwellings that were available for greater than 60 days were included.
Source: Table 3 and Inside Airbnb data

Figure 6. Changes in rental bond volume and Airbnb listing 2016-2021



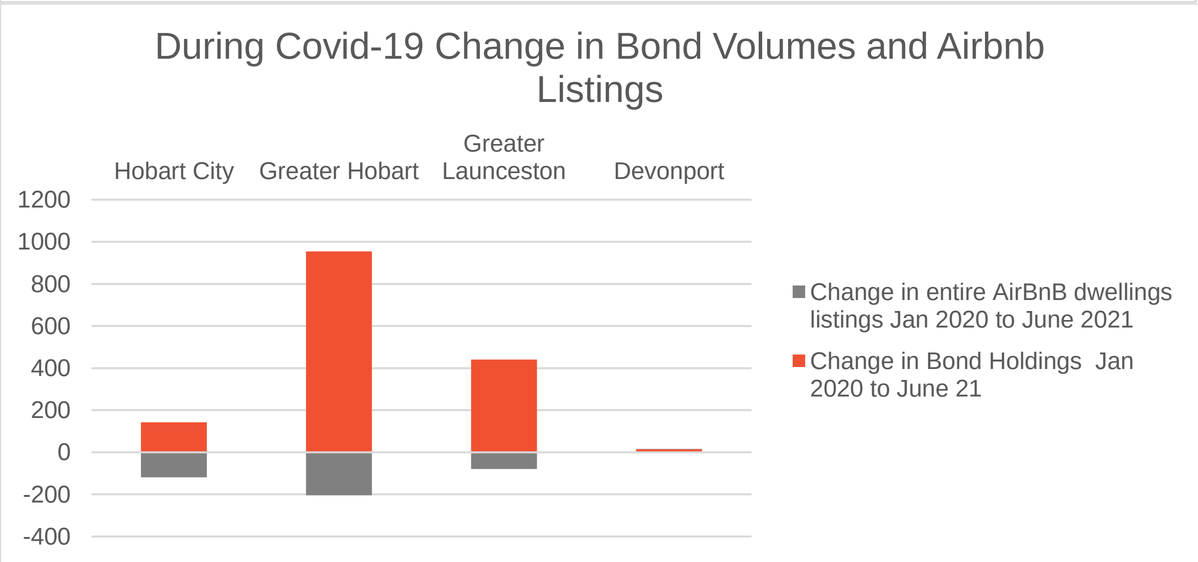
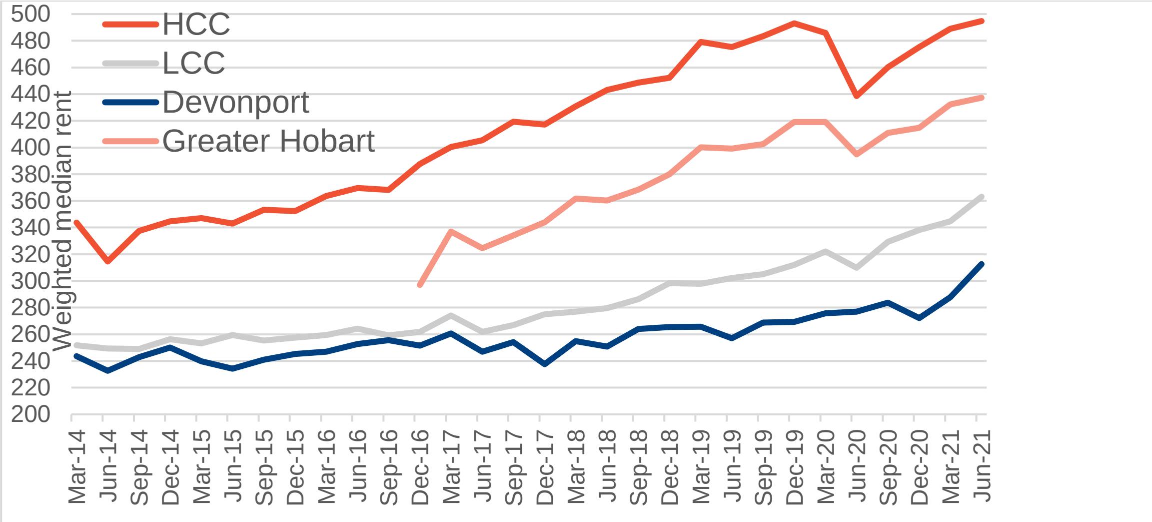


Figure 7. Quarterly rents (Table 3 locations) 2014 – 2021



HCC – Hobart City Council; LCC – Launceston City Council
Source: Tenants Union of Tasmania (2022)

Methods for identifying possible correlation between bond closures and increases in STR market listings

One simple research method to provide a definite answer to this issue would be to match the addresses of bond closures since 2016 with the addresses of STR properties collected through the *Short Stay Accommodation Act 2019*. This would provide direct evidence of the relationship between a shrinking private rental market and an expanding STR market in Tasmania. This was not possible as part of this study because of privacy issues, but perhaps it is a task the Tasmanian Government could undertake as part of its forthcoming *Tasmanian Housing Strategy*.

As an alternative a property listing site (propertyvalue.com.au), which is sponsored by CoreLogic Data, was used to view the rental history of properties that were listed as short-term rental properties in the State Government's lists of short stay accommodation (acquired through the operation of the *Short Stay Accommodation Act 2019*). Shelter Tasmania entered into an MOU with CBOS to gain limited access to this data. The addresses from short-term rentals from quarter 4 of 2019 were queried on the propertyvalue.com.au site to see if they had a rental history in the long-term rental market. Propertyvalue.com.au captures rental data from properties advertised online via real estate agents (note, however, that in Tasmania a significant proportion of rental stock is not managed via real estate agents – e.g. at the 2016 Census there were 3572 rental properties in Hobart LGA managed by real estate agents and 2332 properties managed by a person not in the same household, indicating that real estate agents only manage about 60% of private rentals [ABS 2017]). Note the propertyvalue.com.au site does not capture the substantial number of the Hobart properties that are self-managed. Nonetheless, it will provide some indication of the crossover between short- and long-term renting.

Addresses from six suburbs in the City of Hobart were entered into the propertyvalue.com.au website to establish whether a long-term rental history existed for the property. The suburbs included were Hobart, West Hobart, South Hobart, North Hobart, Sandy Bay and New Town. In total, 47% of short-term rental properties also had a rental history from the long-term rental market shown on the propertyvalue.com.au site[13].

This finding would suggest that the majority of the properties in the STR market in Hobart City[14] were previously in the longer-term rental market, and hence the increases in STR listings were likely to be a major reason why we can see the shrinking of the long-term rental market in the period 2016 to 2019. This finding could be confirmed by a more sophisticated analysis of matching STR properties with long-term rental addresses captured by the Tasmanian MyBond system.

Comparing Hobart's STRs with other capital cities

Given that STR is a national (and indeed worldwide) phenomenon, yet other Australian cities with many STRs don't seem to experience the same rental market problems as Hobart, there might be alternative explanations of Hobart's rental market. In order to explore this issue Table 6 compares the relative market penetration of STRs in Greater Hobart with that of Sydney and Melbourne. The key statistic is what researchers call the STR density (the number of STRs divided by the size of the long-term rental market).

The number of STRs are defined as the number of entire dwellings available for sixty days or more from the Inside Airbnb website, whilst the size of the long-term rental market is defined by the number of active rental bonds in each city. The Airbnb density is also estimated for the Local Government Area in each city with the largest number of Airbnb listings.

Table 6. Comparing the penetration of Airbnb in Hobart, Melbourne and Sydney - December 2021 estimate

Location	Airbnb Density
Greater Sydney	**0.83%**
Sydney LGA	2.08%
Greater Melbourne	**1.25%**
Melbourne LGA	3.82%
Greater Hobart	**5.65%**
Hobart City LGA	9.33%

Source: Inside Airbnb, NSW Government Rent and Sales Report (2021,) Victorian Department of Health and Human Services (2021), ABS Census 2016 and Table 3.

The Table shows that both Greater Hobart and Hobart City have much greater Airbnb densities than Sydney and Melbourne. The densities for Greater Hobart are almost 7 times greater than Sydney and about 4.5 times greater than Melbourne.

[13] Note that some of the STR properties from the CBOS list could not be identified from the propertvalue.com.au site. This ranged from about 8 to about 18 percent of properties, depending on the suburb.
[14] It's a majority, after allowing for the relatively large proportion of self-managed properties.

6. Monitoring Reports

This Monitoring project will feature 6 Monitoring Reports. The first Monitoring Report will be published after the publication of the Baseline Report and subsequently at about 6 monthly intervals.

The Monitoring Reports will examine the main trends in the housing market and monitor the changes in the STR sector. This task will be assisted by the availability in Tasmania of listings of STRs published by CBOS.

The geographical areas which will be examined include the state as a whole, Hobart LGA (since it has such a high density of STR listings), Greater Hobart, Greater Launceston and Devonport.

The main variables that will be measured are listed below:

DEMAND VARIABLES

1. *Population change*

   The total population change will be measured, as well as the components of change – whether growth is being driven by natural increase, or internal or overseas net migration.

2. *Changes in Social Housing Supply*

   Increases in social housing supply will reduce demand for private rental stock.

SUPPLY VARIABLES

3. *Changes in the dwelling supply*

   ABS dwelling completions and approvals will be examined to analyse trends in new dwellings.

4. *STR listings*

   STR listings will be examined using data from Inside Airbnb as well as the Department of Justice quarterly reports.

5. *Changes in the private rental market*

   Bond lodgments and closures will be used to analyse the Department of Justice data (similar to Table 3 in this report).

OUTCOME VARIABLES

6. *Rent levels and changes will be measures using the TUTAS's Tas Rents report.*

7. *Vacancy rates will be measured by using both SQM and REIT data.*

In addition, each Monitoring Report will examine a separate related housing issue as a theme and write a short analysis of the issue.

7. Conclusion

This Baseline Report has presented an interesting picture of the STR market in Tasmania and its impact on the broader housing market. It paints a picture of government policy having deregulated the STR market as a way of expanding tourism in Tasmania, yet in doing so the State Government effectively removed the opportunity for local governments to calibrate its response to the STR market based on the circumstances of their own housing markets. The State Government made this decision against a backdrop of moderate population growth and manageable rent rises, with a Hobart hotel sector struggling to keep up with demand. It appears, however, that like many policy interventions the change has had some unintended consequences. The policy has succeeded in helping to create a rare phenomenon in Australia – a capital city with what appears to be a pre-pandemic shrinking of the long-term private rental market, which has generated low vacancy rates and increasing rents. This is a particular concern in Tasmania, given its lower household income levels and the large proportion of private renters whose only source of income is Government Benefits.

The report has also tried to describe how rental markets operate, and the dominance of vacancy rates in setting rent levels. This means that small changes in the number of available properties in a housing market can have a significant impact on rents in an area through changes in the vacancy rate. When proponents of STRs say that they could have no impact on rents, because they are only a small percentage of the total housing market, they are ignoring the market processes that change rents. In Greater Hobart (with a private rental market of about 19500 dwellings) to move from a vacancy rate of 2 percent (where rent rises will be manageable) to 1% (where rent rises are likely to be double digit), would only need the withdrawal of 195 properties from the private rental market (or 0.2% of the total dwellings in Greater Hobart).

The concern for Hobart and other parts of Tasmania is that the rental market is under so much pressure despite COVID-19 significantly reducing population growth and demand for STRs. When population growth is restored to pre-pandemic levels it is very likely that rents will continue to push higher.

Implications for Policy

Whilst it is too early in the project to suggest in detail potential policy changes for STRs in Tasmania, it is important to describe some principles that could be used in designing a new approach that attempts to balance the competing needs of the tourism industry, STR owners and Tasmanian renters.

We need to closely monitor STRs and their interactions with the long-term rental market?

Whilst Tasmania led the country with the introduction of the *Short Stay Accommodation Act 2019* it has failed to provide effective housing market monitoring. Monitoring the number of STRs at points in time is important, which the State Government does through its quarterly reports (although the reports could be improved by distinguishing STRs that are based on sharing a room inside a home from an "entire dwelling" that is located on a lot). However, it is also important to understand the interactions between STRs and the long-term private rental market and whether the overall private rental market is growing or shrinking.

Designing a data matching system that records whether STRs were previously rented in the long-term rental market would be reasonably straightforward, given the data is held inside the one government agency and properties could be matched by address. In addition, it is important that the MyBond system starts reporting total bond lodgments by LGA and/or region so that the size of the long-term rental market can be monitored.

The STR sector should pay for the costs they impose on government
At the moment the STR sector is imposing costs on both levels of government, particularly local government. Their impact on rents is also increasing demand for subsidised housing. Monitoring and enforcement are expensive activities for Local Councils, who only receive a one-off payment to assess the application for a permit.[15] It would not be unreasonable to impose an annual charge on STRs to cover these ongoing additional costs.[16]

Different regulatory responses are required in different markets
The current regulatory system for STRs in Tasmania applies the same approach in Hobart, where the long-term rental market is under considerable stress and there is ample supply of hotel accommodation, to areas with well performing long-term rental markets, shrinking local populations and few commercial accommodation providers. Other Australian States have recognized that this 'one size fits all' approach is not efficient[17].

There will be a need to limit the growth of STRs
Recent experience of housing markets in attractive tourist areas of NSW show that the growth of STRs can continue unabated. For example, in Byron Bay Airbnb densities are approaching 50 percent (compared to an equivalent figure in Hobart of 9.3%).

Support initiatives to expand the size of the private rental market
If we could grow the long-term rental sector we would be able to improve the housing outcomes for renters. For example, this could be achieved by increasing the number of apartments completed in Hobart City (given that apartments are more likely to be rentals than detached houses). In addition, large redevelopment sites such as the UTAS Sandy Bay campus could be encouraged to deliver housing products for investors as well as owner-occupiers.

UTAS needs to keep delivering housing for international students
A considerable proportion of the annual growth rate of Hobart's population are international students attending UTAS. Whilst recent activity of the university in securing additional long-term accommodation in Hobart for their students has assisted in taking pressure off the rental market, the balance between supply and demand of their accommodation should be closely monitored and additional accommodation should be provided if demand exceeds supply.

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[15] In economic terms, the STR sector is imposing negative externalities both on government but also on the Tasmanian community through issues such as the loss of neighbours.

[16] Note the Hobart City Council proposal of charging higher rates for STR properties.

[17] For example, in NSW it is possible for LGAs with stressed rental markets to apply for a shorter cap than the NSW standard of 180 nights per annum.

Appendix 1

Sample data download from Department of Justice data on www.data.gov.au

Bond Status	Suburb	Bond Amount	Weekly Rent	Bond Lodgement date (DD/MM/YYYY)
Active	SMITHTON	1000.00	250.00	01/08/2016
Active	SMITHTON	800.00	200.00	01/08/2016
Active	SMITHTON	1240.00	310.00	01/08/2016
Active	STANLEY	480.00	140.00	01/08/2016
Active	SMITHTON	1120.00	280.00	01/08/2016
Active	LILEAH	960.00	240.00	01/08/2016
Active	STANLEY	840.00	210.00	01/08/2016
Active	PENGUIN	1200.00	300.00	01/08/2016
Active	ST HELENS	980.00	245.00	01/08/2016
Active	SCOTTSDALE	880.00	220.00	01/08/2016
Active	GLENORCHY	1364.00	341.00	01/08/2016
Active	NEW TOWN	920.00	230.00	01/08/2016
Active	BATTERY POINT	1360.00	340.00	01/08/2016
Active	GLENORCHY	1364.00	341.00	01/08/2016
Active	ST HELENS	800.00	200.00	01/08/2016
Active	LAUNCESTON	1680.00	420.00	01/08/2016
Active	STIEGLITZ	840.00	210.00	01/08/2016
Active	MOUNT NELSON	400.00	215.00	01/08/2016

Bond Status	Suburb	Bond Amount	Weekly Rent	Bond Closed date (DD/MM/YYYY)
Closed	HUNTINGFIELD	1200.00	300.00	02/08/2016
Closed	BRIDGEWATER	1080.00	270.00	02/08/2016
Closed	DEVONPORT	1000.00	285.00	02/08/2016
Closed	HOWRAH	1600.00	800.00	02/08/2016
Closed	DEVIOT	780.00	195.00	02/08/2016
Closed	SHEARWATER	1100.00	275.00	02/08/2016
Closed	HOWRAH	1780.00	445.00	02/08/2016
Closed	WEST HOBART	740.00	185.00	02/08/2016
Closed	CLAREMONT	1280.00	320.00	02/08/2016
Closed	LINDISFARNE	900.00	225.00	02/08/2016
Closed	PUNCHBOWL	1000.00	250.00	02/08/2016
Closed	NEWNHAM	780.00	195.00	02/08/2016
Closed	MARGATE	1400.00	350.00	02/08/2016
Closed	DEVONPORT	1080.00	270.00	02/08/2016
Closed	NEWNHAM	748.00	187.00	02/08/2016
Closed	SANDY BAY	840.00	210.00	02/08/2016
Closed	BURNIE	1280.00	320.00	02/08/2016
Closed	SOUTH LAUNCESTON	368.00	368.00	02/08/2016
Closed	NORTH HOBART	1520.00	380.00	02/08/2016
Closed	TREVALLYN	1280.00	320.00	02/08/2016

Appendix 2

Planning Directive Number 6

Note: A council has to approve an application for a permit if the Acceptable Solution Conditions in the first column of the Table on Page 18 are met (highlighted in yellow).

Planning Directive No. 6
Exemption and Standards for Visitor Accommodation in Planning Schemes

This Planning Directive has been issued by the Minister for Planning under section 13(1) of the former provisions of the *Land Use Planning and Approvals Act 1993* (the Act) and came into effect on 1 August 2018[18]. It replaces *Planning Directive No. 6 – Exemption and Standards for Visitor Accommodation in Planning Schemes* which came into effect on 1 July 2018

[18] References to provisions of the *Land Use Planning and Approvals Act 1993* (the Act) are references to the ***former provisions*** of the Act as defined in Schedule 6 – Savings and transitional provisions of the *Land Use Planning and Approvals Amendment (Tasmanian Planning Scheme Act) 2015.* The ***former provisions*** apply to a planning scheme that was in force prior to the ***commencement day*** of the *Land Use Planning and Approvals Amendment (Tasmanian Planning Scheme Act) 2015*. The ***commencement day*** was 17 December 2015.

Version	Issue date	Description
1.0	1 July 2018	Original version, replaces Interim Planning Directive No. 2
2.0	1 August 2018	Modification to clarify clause 3.1(e) Acceptable Solution A1

1.0 Citation

This planning directive may be cited as Planning Directive No. 6 – Exemption and Standards for Visitor Accommodation in Planning Schemes.

2.0 Application

2.1 This planning directive applies to the following planning schemes:

(a) interim planning schemes that have been declared or made under the *Land Use Planning and Approvals Act 1993* (the Act);

(b) notwithstanding 2.1(a), the area identified as Battery Point Heritage Precinct (BP1) in the Hobart Interim Planning Scheme 2015 is excluded from the application of 3.1(c), 3.1(d) and 3.1(e); (c) the *Flinders Planning Scheme 2000*; and

(d) the *Sullivans Cove Planning Scheme 1997*.

3.0 Effect of the planning directive (Mandatory provisions)

3.1 For all interim planning schemes to which this planning directive applies must have the effect that:

(a) the description for the Use Class of Visitor Accommodation is: use of land for providing short or medium term accommodation, for persons away from their normal place of residence, on a commercial basis or otherwise available to the general public at no cost. Examples include a backpackers hostel, bed and breakfast establishment, camping and caravan park, holiday cabin, holiday unit, motel, overnight camping area, residential hotel and serviced apartment.

(b) the following use is exempt from requiring a planning permit:

Visitor Accommodation in a dwelling (including an ancillary dwelling) if:

(i) the dwelling is used by the owner or occupier as their main place of residence, and only let while the owner or occupier is on vacation or temporarily absent; or

(ii) the dwelling is used by the owner or occupier as their main place of residence, and visitors are accommodated in not more than 4 bedrooms.

(c) unless 3.1(b) applies, Visitor Accommodation is 'Permitted' with no qualification within the Use Tables for General Residential Zone, Inner Residential Zone, Low Density Residential Zone, Rural Living Zone, Environmental Living Zone and Village Zone.

(d) Unless 3.1(b) applies, the following standards must be complied with:

(i) all relevant zone development standards for buildings and works; and

(ii) all relevant use and development standards if within an applicable zone or code.

(e) the following use standard for Visitor Accommodation is in substitution for all
Visitor Accommodation use standards in the General Residential Zone, Inner Residential Zone, Low Density Residential Zone, Rural Living Zone, Environmental Living Zone and Village Zone:

Visitor Accommodation

Objective:	
That Visitor Accommodation: (a) is compatible with the character and use of the area; (b) does not cause an unreasonable loss of residential amenity; and (c) does not impact the safety and efficiency of local roads or rights of way.	
Acceptable Solutions	**Performance Criteria**
A1 Accommodation must: (a) accommodate guests in existing habitable buildings; and (b) have a gross floor area of not more than 200m^2 per lot.	**P1** Visitor Accommodation must be compatible with the character and use of the area and not cause an unreasonable loss of residential amenity, having regard to: (a) the privacy of adjoining properties; (b) any likely increase in noise to adjoining properties; (c) the scale of the use and its compatibility with the surrounding character and uses within the area; (d) retaining the primary residential function of an area; (e) the impact on the safety and efficiency of the local road network; and (f) any impact on the owners and users rights of way.
A2 Visitor Accommodation is not for a lot, as defined in the *Strata Titles Act 1998,* that is part of a strata scheme where another lot within that strata scheme is used for a residential use.	**P2** Visitor Accommodation within a strata scheme must not cause an unreasonable loss of residential amenity to long term residents occupying other lots within the strata scheme, having regard to: (a) the privacy of residents; (b) any likely increase in noise; (c) the residential function of the strata scheme; (d) the location and layout of the lots; (e) the extent and nature of any other non-residential uses; and (f) any impact on shared access and common property.

(f) For the purpose of A2 and P2 in the Visitor Accommodation Use Standard in 3.1(e), the meaning of "lot"[2] and "strata scheme"[3] is as defined in the *Strata Titles Act 1998*.

3.2 For the *Flinders Planning Scheme 2000* to which this planning directive applies must have the effect that:

(a) The use of a House, House and Ancillary Apartment or Grouped Housing (the premises) for Visitor Accommodation is exempt from requiring a planning permit, if:

(i) the premises is used by the owner or occupier as their main place of residence, and only let while the owner or occupier is on vacation or temporarily absent; or

(ii) the premises is used by the owner or occupier as their main place of residence, and visitors are accommodated in not more than 4 bedrooms.

(b) For the purposes of clause 3.2(a) Visitor Accommodation means:

means the use of land for providing short or medium-term accommodation, for persons away from their normal place of residence, on a commercial basis.

3.3 For the *Sullivans Cove Planning Scheme 1997* to which this planning directive applies must have the effect that:

(a) Bed and Breakfast Establishment and Visitor Accommodation uses in a dwelling are exempt from requiring a planning permit, if:

(i) the dwelling is used by the owner or occupier as their main place of residence, and only let while the owner or occupier is on vacation or temporarily absent; or

(ii) the dwelling is used by the owner or occupier as their main place of residence, and visitors are accommodated in not more than 4 bedrooms.

(b) the definition for Bed and Breakfast Establishment is:

A Dwelling used, by a resident of the dwelling for permanent accommodation, to provide accommodation for persons away from their normal place of residence, on a commercial basis.

(c) the definition for Visitor Accommodation is:

Means the use of habitable buildings and spaces for short term occupancy by people who are visitors to the Planning Area, on a commercial basis, including Residential Hotel, Holiday Unit and Motel.

(d) Unless 3.3(a) applies, Bed and Breakfast Establishment use and Visitor Accommodation use are 'Permitted' within Activity Area 1.0 Inner City Residential (Wapping), subject to the following:

(i) guests are accommodated in existing habitable buildings; and

[2] *Strata Titles Act 1998* defines 'lot' as:

*'**a lot**, in respect of a site, means a part of the site –*

(a) allocated for separate occupation by the owner of the lot or a person deriving rights of occupation from the owner; or

(b) consisting of land that, by virtue of a certificate under section (A of the Meander Dam Project Act 2003, is to be treated as a lot' [3] *Strata Titles Act 1998* defines 'strata scheme' as:

*'**strata scheme** means the complex of lots and common property (together with the system of administration and management) created on the registered strata plan'*

(ii)the use has a floor area of not more than 200m2 per lot

Otherwise 'Discretionary'.

(e) Unless 3.3(a) applies, Bed and Breakfast Establishment and Visitor Accommodation that does not comply with the provisions in 3.3(d) is 'Discretionary' in Activity Area 1.0 Inner City Residential (Wapping) subject to the following conditions:

Bed and Breakfast Establishment and Visitor Accommodation must:

(i) not cause an unreasonable loss of privacy to adjoining properties;

(ii) not likely to cause an unreasonable increase in noise;

(iii) be of a scale that respects the character and use of the area;

(iv) not adversely impact the safety and efficiency of the local road network;

(v) not unreasonably disadvantage owners and users of rights of way;

(vi) not be located on the same site as a dwelling providing long term residential accommodation, unless:

a. it has a separate ground level pedestrian access to a road; or

b. there is an existing mix of uses on the site; and the impact on the amenity of the long term residents within the site is not unreasonable.

Otherwise 'Prohibited'.

4.0 Application of Standards and planning requirement

4.1 If any provision or requirement in a planning scheme to which this planning directive applies is directly or indirectly inconsistent with the provisions or requirements specified in subclauses 3.1, 3.2 or 3.3, that provision or requirement does not apply to the extent of the inconsistency.

4.2 Notwithstanding 4.1, any provision or requirement in the Flinders Planning Scheme 2000 and the Sullivans Cove Planning Scheme 1997 that would normally apply to Visitor Accommodation use or development, remains in force providing it does not cause the substitution for, modification of or an addition to:

(i) the definitions for Visitor Accommodation to that stated in 3.2(b) and 3.3(c) and the definition for Bed and Breakfast Establishment to that stated in 3.3(b);

(ii) the exemption from requiring a planning permit to that stated in 3.2(a) and 3.3(a) and;

(iii) the use status for Visitor Accommodation to that stated in 3.3(d) and 3.3(e), including any applicable conditions, in the use tables of Activity Area.

5.0 Suspension of Provisions

The description of Visitor Accommodation under Table 8.2 - Use Class in Planning Directive No. 1 – The Format and Structure of Planning Schemes is suspended for the period this planning directive is in force.

6.0 Commencement

This planning directive takes effect on 1 August 2018.

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