



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

DECEMBER 2022

1ST UPDATE SINCE THE JUNE 2022 BASELINE REPORT

Professor Peter Phibbs & Julia Ely, for Shelter Tasmania



GPO Box 848 Hobart Tasmania 7001 | www.sheltertass.org.au
E: ceo@sheltertass.org.au | P: (03)6224 5488 | M: 0419 536 100

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Shelter Tasmania acknowledges the Traditional Owners of country throughout lutruwita/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.

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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.

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.

Pandemic: In this Report, ‘pandemic’ refers to the COVID-19 pandemic of 2020-22, an internationally declared health emergency. At the time of the writing of this report the effects of the COVID-19 pandemic on the Tasmanian community were still significant.

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). <https://www.sgsep.com.au/projects/rental-affordability-index>

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).

Shelter Tasmania: *Shelter Tasmania* is an independent not-for-profit housing and homelessness peak organisation funded by membership and the Department of Communities Tasmania. Shelter Tas represents the interests of low to moderate income housing consumers, not-for-profit Community Housing Providers (CHPs) and Specialist Homelessness Services (SHSs) across lutruwita/Tasmania. www.shelbertas.org.au

Short-Term Rentals: Properties rented for short periods of time, outside of the Tasmanian Residential Tenancy Act, usually through a short-term rental platform such as AirBnB. The term Short-Term Rentals will be abbreviated to STRs throughout this Report.

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

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.

1. Introduction

The effect of Short-Stay Accommodation on Local Rental Markets

Airbnb and other short-term renting platforms¹ 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 short-term accommodation offered on platforms such as 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 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 specifically 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.

The ‘Monitoring the Impact of Short-Term Rentals on Tasmanian Housing Markets’ Report

In 2021 Shelter Tasmania (refer to *Glossary*) commissioned Professor Peter Phibbs to conduct a study into the impact of short-term rentals on the Tasmania housing markets and how it affects the availability of housing (particularly for long-term rentals) for Tasmanian residents.

The study will provide a number of reports over a three year period, collectively known as the ‘Monitoring the Impact of Short-Term Rentals on Tasmanian Housing Markets’ Report. The initial report was the Baseline Report (published in June 2022²), to be followed at six monthly intervals by reports focusing on different aspects of the Tasmanian housing market, making seven reports overall (the Baseline Report plus six 6-monthly reports). This report is the first of the 6-monthly reports (Progress Report No. 1).

The Baseline Report

The Baseline Report:

- Described the history of STRs in Tasmania, including the regulatory settings
- Examined what causes rents to change
- Undertook a brief literature review of the impact of STRs on housing markets
- Examined 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 six monitoring reports.

The Baseline Report made a number of initial findings and recommendations about the current STR market and its implications for the Tasmanian housing market. The report recognised through its initial analyses the unique nature of STRs in Greater Hobart (in particular) and in Tasmania in general.

¹ AirBnB dominates the Tasmanian shared housing market so they will be the main focus of the study.

² https://shelertas.org.au/wp-content/uploads/2022/01/STR-Baseline-Report-June-2022_FINAL-combined-files.pdf

Monitoring the Impact of STRs on Tasmanian Housing Markets – report on progress, Dec 2022

The Baseline Report also:

- Provided an ongoing methodology for calculating the impact of STRs on overall housing supply (and especially on long-term rentals) to be used in producing the ongoing six-monthly reports to test the initial analyses of the Baseline Report.
- Identified a monitoring process for measuring the validity of that methodology, and for creating an ongoing 'real time' snapshot of STRs and their impact on housing markets
- made observations about the potential implications for future Tasmanian housing policy.

Progress Report 1

This report is the first Progress Report of the study (Progress Report 1) and interrogates and updates where necessary data from the Baseline Report. The central aim of this report is to report on the trends in the main progress report variables which were identified in section 6 of the Baseline Report (namely 'Demand variables', which is looked at in section 2 of this report; 'Supply variables' in section 3; and 'Outcome variables' in section 4).

The monitoring is divided up into examining variables which would help describe an increase in demand for rental stock and an increase in supply of rental stock. In addition, some data which examines how the rental market is performing (rents and vacancy rates) are examined.

Note: The Baseline Report described how each six-monthly Progress Report will examine a special focus issue in detail. Progress Report 1 specifically examines the potential crossover between the short-term and long-term rental market in Launceston, the second largest city in Tasmania (see 'Box 1').

2. Demand Variables

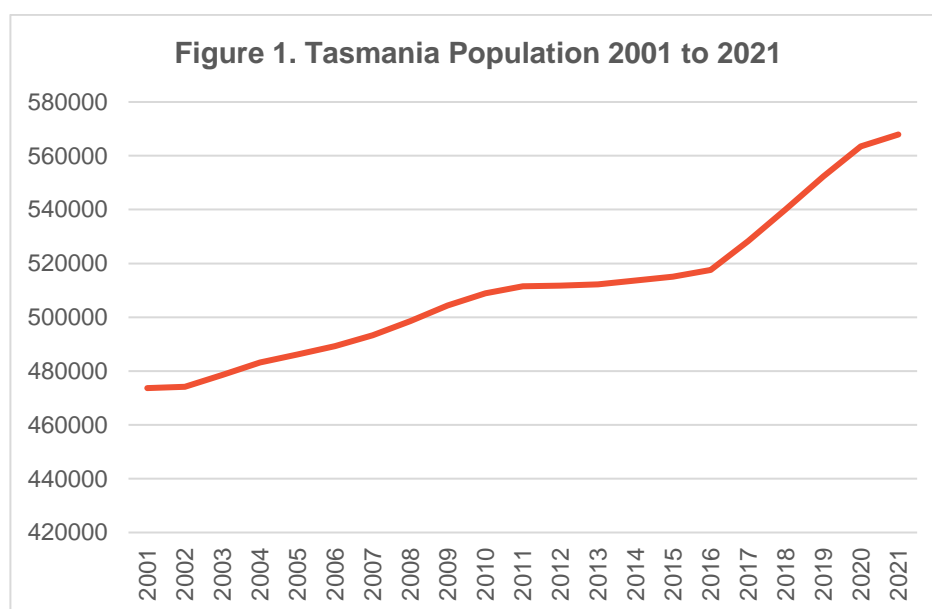
Population change

The first demand variable being examined is 'population'. There has been a lag in the reporting of ABS population data. The most recent available regional population estimate provided is for 30 June 2021. Note that the latest estimates were released earlier this year after the national Census results were released. After examining the 2021 Census results the ABS revised their estimated resident population figures back to 2017. In the case of Tasmania their population estimates were revised upwards. They also increased the population estimates for many LGAs in Tasmania - including Hobart, Glenorchy and Launceston.

Despite these increases, the figures for 2021 show a much weaker growth rate resulting from the pandemic, during which time Australia's international borders were shut and interstate travel restricted. The biggest change has been a significant reduction in net overseas migration, resulting from the closed international borders. The net overseas migration into Tasmania was -338 in 2020-21, compared to an increase of 3,185 in 2018-19.

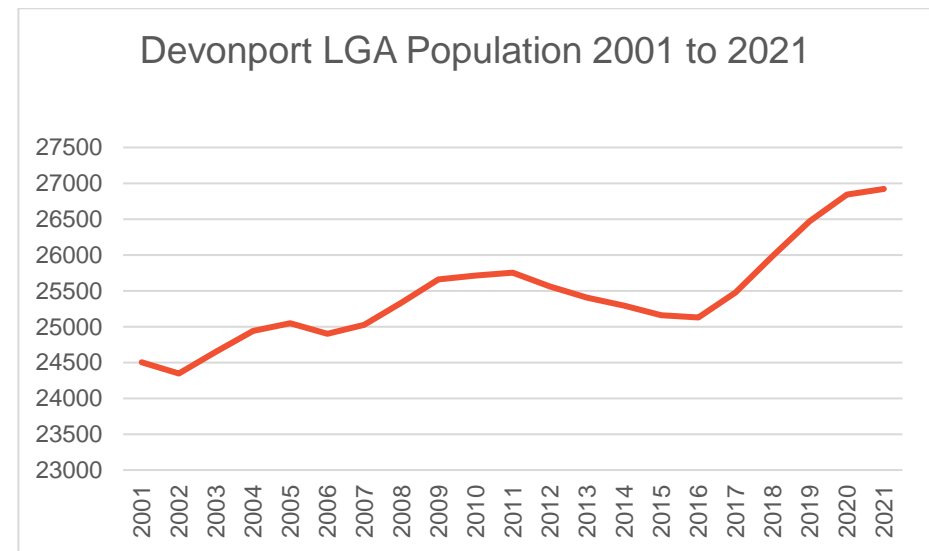
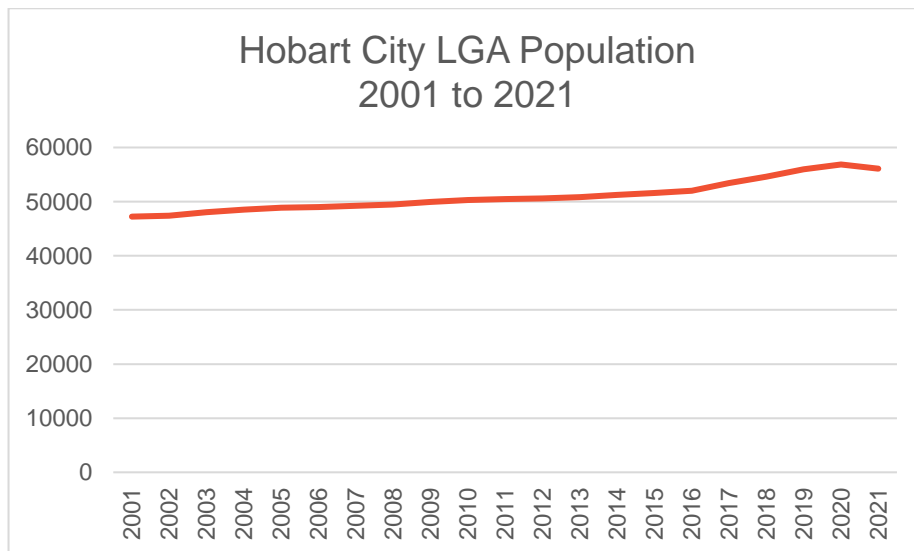
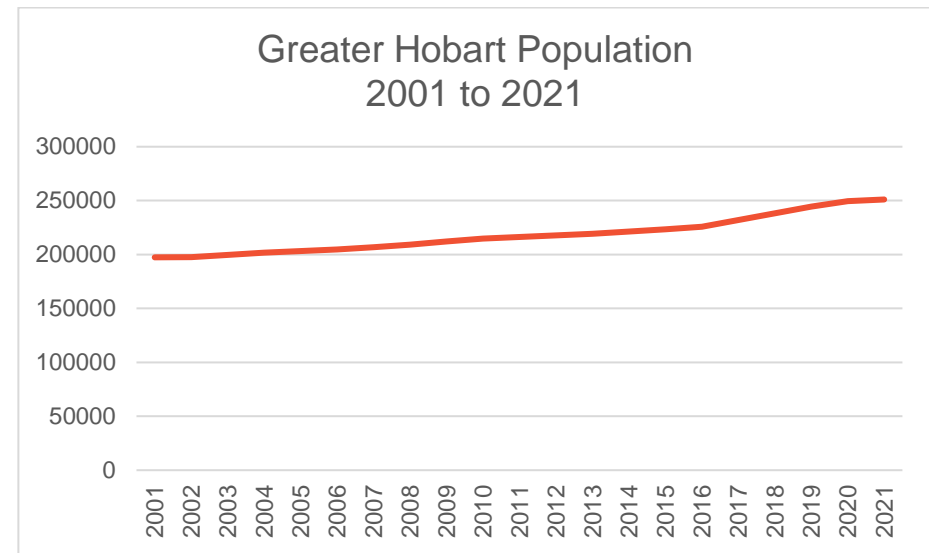
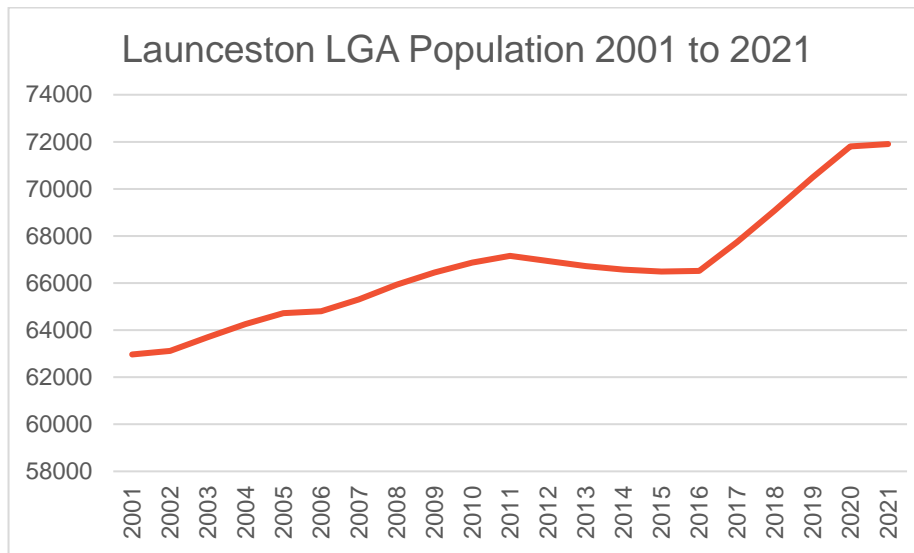
Twenty year population growth trend

Figure 1 shows the population trends in Tasmania from 2001 to 2021.



Greater Hobart, Hobart City, Launceston and Devonport population trends for the same period are shown in Figure 2. Some interesting differences emerge between southern and northern Tasmania. Greater Hobart and Hobart LGA have had reasonably steady long-term growth, with the exception of a short period after 2010 when growth slowed. Growth accelerated after 2015. In Launceston and Devonport growth was faster pre-2010, but both places lost population from about 2011 until 2016, after which growth again accelerated quickly.

Figure 2. Population Trends in Tasmania 2001-2021

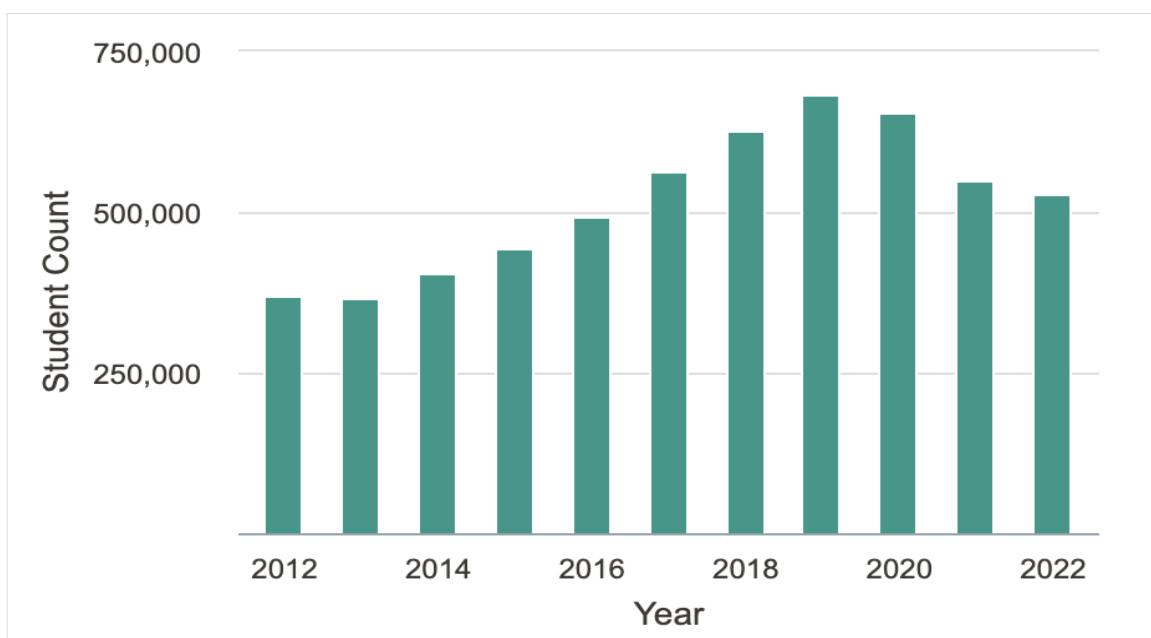


These broad trends matched the situation in the State of Tasmania (Figure 1). As discussed in the Baseline Report, this acceleration of population growth occurred at the same time as the short-term rental market took off in Tasmania, making it harder for households to find rental accommodation.

One of the main generators of this changing demographic picture has been the decrease in international students studying in Tasmania. These Tasmanian trends mirror trends across the country (see Figure 3). This has been due to a number of factors but most obviously the closing of international borders, the lack of financial support for international students during the pandemic, the contemporaneous worsening of Australia’s relationship with China, and a larger number of students studying online from their own country.

The Tasmanian data shows there was a dramatic drop of people arriving in Tasmania on student visas. While 7,750 people entered Tasmania on student visas in 2019, there were only 2,600 arrivals in 2022.³ The overall number of international students studying Tasmanian courses decreased from 13,572 in 2020 to 11,952 in 2021 and 9,586 in 2022. This is a 29% decrease since 2020.⁴

Figure 3. International Students in Australia



Source: Austrade (2022)

³ Australian Government Department of Education: <https://www.education.gov.au/international-education-data-and-research/student-visa-arrivals> (accessed 12 November 2022)

⁴ Australian Government Department of Education: <https://www.education.gov.au/international-education-data-and-research/international-student-numbers-country-state-and-territory> (accessed 12 November 2022)

Changes in Social Housing Supply

In June 2022 13,870 households lived in social housing in Tasmania, comprising 6,904 public housing households, 6,658 community housing households and 308 households in Aboriginal and Indigenous community housing. Overall, social housing supply decreased by 39 households in 2021-22 despite 323 new homes having been built in the same timeframe under the Affordable Housing Strategy.⁵ Specifically, there has been a decrease in public housing tenancies and an increase of households in community housing.

Applications on the social housing waiting list, meanwhile, increased from 4,144 in June 2021 to 4,453 in June 2022.

3. Supply variables

Changes in the dwelling supply - Census results

The recently released 2021 Census results provide estimates of dwelling numbers. The Table below compares the number of private dwellings in 2016 and 2021 for Hobart LGA and Greater Hobart, and its percentage change against that of the population change.

Table 1. Census estimates of private dwellings

	2016 Private Dwellings	2021 Private Dwellings	% change in dwellings	% change in population
HOBART LGA	23,681	24,748	5%	9%
GREATER HOBART	99,009	106,298	7%	11%

Source: ABS Census Quickstats – 2016, 2021

Whilst there has been steady growth in the number of dwellings, over the 5-year period shown dwelling growth has not kept up with population growth in either the Hobart LGA or Greater Hobart. Two issues need to be considered when assessing the degree to which this difference has put pressure on dwelling rents and prices. The first is the extent to which additional dwelling capacity was provided by renovations. This is often a pathway to cater for growth through natural increase (eg an extra bedroom is added to cater for a growing family). The second is to consider the growth in special purpose student housing which was built in Hobart over this period to cater for the growing student population in Hobart. Since much of this stock involves sharing of kitchen facilities, this housing is not included in the above figures (since ABS does not count premises with shared kitchens as dwellings). Given the reduced levels of population growth since the Census, and the surge in dwelling approvals associated with the Commonwealth HomeBuilder Program (eg in Greater Hobart total dwelling approvals were 1,884 in 2021-2022, the highest total for over twenty years), it is likely this balance between dwelling growth and population growth will improve in the next few years as these record number of building approvals generate dwellings.

⁵ Department of Communities Tasmania: Housing Dashboard, June 2022.

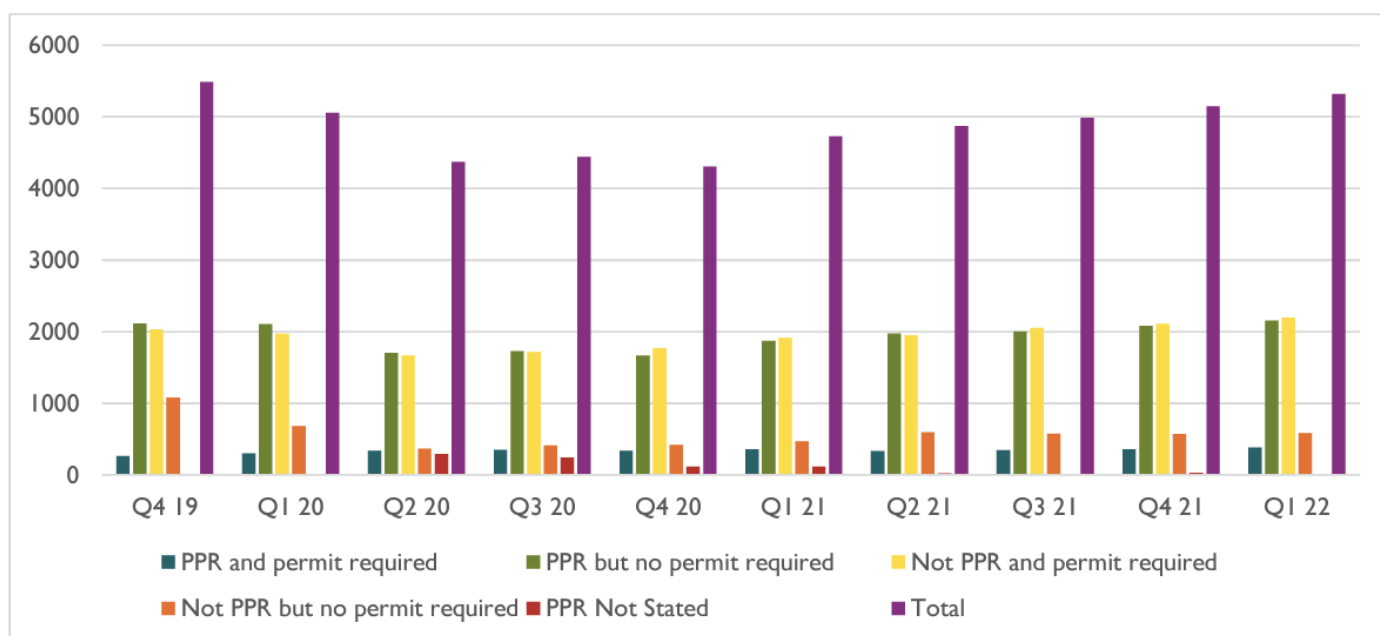
Short-term rental listings

Trends in short-term rental listings

The trends in recent listings are captured from the CBOS data series on Short Term Rentals, established through the Short Stay Accommodation Act of 2019. The Act requires the Government to collect data on the number of properties listed on short-term rental websites in Tasmanian residential zones. CBOS provides quarterly reports on the data.⁶

Figure 4 below is taken from the most recent CBOS report and tracks the trends in total quarterly listings since the series was commenced in Quarter 4 of 2019. The figure shows a pattern of decreasing listings as tourist activity reduced during the pandemic, slowly increasing as national and international travel restrictions were eased. Note, however, it is likely that the data from the first two quarters might have been impacted by some data quality issues whilst data systems were being developed, so the actual number of short-term rentals might be overestimated. For this reason, the trend data reported in Table 2 will only provide data from Quarter 2, 2020 through to the most recent quarterly data.

Figure 4. Trends in Short Term Rentals, Tasmania 2019-2022



Source: CBOS Reports on Data collection – Short Stay Accommodation Act.
(Note PPR = Place of Primary Residence)

Table 2 shows a similar trend to Figure 4, with the number of STRs decreasing in 2020 and then increasing. In the case of Total STRs, however, the numbers bottomed out in all locations in Quarter 4, 2020 (when Sydney and Melbourne were experiencing lockdowns) while STRs which weren't the primary residence of the owner bottomed out in Quarter 2, 2020.

⁶ <https://cbos.tas.gov.au/topics/housing/short-and-medium-term-visitor-accommodation>

**Table 2. Trends in Short-Term Rentals 2020-2022
(Tasmanian Centre - CBOS Data Collection)**

Totals STRs

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Hobart City	1023	1030	974	1084	1105	1128	1157	1179
Greater Hobart	2000	2037	1937	2146	2195	2239	2314	2378
Devonport	89	90	88	92	95	99	104	106
Greater Launceston	682	687	670	733	769	783	811	851

Non-Primary Residence STRs

	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Hobart City	343	350	350	375	410	420	430	436
Greater Hobart	706	722	732	768	824	846	861	887
Devonport	38	40	38	40	44	46	47	46
Greater Launceston	327	356	355	384	416	423	438	461

Source: CBOS reports on data collections from the Short Stay Accommodation Act, 2019

Changes in the private rental market

In the Baseline Report data from CBOS on bond lodgements and closures were used to provide estimates of whether the private rental markets were growing or shrinking in various locations. This data was available on the Federal Government website www.data.gov.au and was described in some detail in the Baseline Report.

Inspection of the 2021 Census results, however, did not show the same patterns in the rental market. Whilst Census data on the rental market does not distinguish between short-term and long-term rentals it is clear that the Department of Justice data available on data.gov.au is not giving a full picture of what is happening in private rental markets. To enable better monitoring of private rental markets it is important that CBOS develops the capacity to provide data on total active bonds by location to enable the private rental market to be effectively monitored (as is available in most other states in Australia).

Box 1. Where do short-term rental listings come from?

A common argument raised in the public discourse is that properties advertised in the short-term rental market were not in the long-term rental market for a variety of reasons, including owners fearing depreciation of their properties through tenant wear and tear, or they weren't suitable for long-term rentals, or simply that their owners just weren't interested in the long-term rental market. To investigate the potential crossover between the short-term rental market and the long-term market we repeated some analysis from the Baseline Report, using Launceston specifically as a case study for Report 1.

Method

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 should 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. As an alternative, propertyvalue.com.au (a property listing site 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).

The addresses from short-term rentals 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. For example, at the 2021 Census there were 4,929 rental properties in the Launceston LGA managed by real estate agents while 2,261 properties were managed by a person not in the same household, indicating that 31% of private rentals are not managed by real estate agencies).⁷ (Note that the propertyvalue.com.au site does not capture the substantial number of the properties that have always been self-managed. Nonetheless, it does provide some indication of the crossover between short- and long-term renting).

The addresses of short-term properties in three suburbs of Launceston from the first quarter of 2022 were queried on the propertyvalue.com.au website. In those three suburbs (Launceston, West Launceston and East Launceston) we identified 239 properties listed as properties that were not the primary residence of the owner. Of those properties 159 were in Launceston, 43 in West Launceston and 37 in East Launceston. For a third of the properties no data was available on propertyvalue.com.au, which usually means they have never been advertised for sale or rent on the relevant websites or had a recent sales transaction. It is possible, however, that some of the properties may have been sold or rented through other channels.

In the suburb of Launceston almost half of the properties listed on Airbnb had previously been in the long-term rental market. In West Launceston and East Launceston around 35% of listed homes had a rental history. **In summary, of the Launceston properties that were available on propertyvalue.com, two thirds had previously been in the long-term rental market.**

	Launceston	%	West Launceston	%	East Launceston	%	Combined	%
Total listings	159	100	43	100	37	100	239	100
No data	60	37.7	10	23.3	12	32.4	82	34.3
Rented	77	48.4	15	34.9	13	35.1	105	43.9
Not Rented	22	13.8	18	41.9	12	32.4	52	21.8
% <u>with</u> data rented	99	78%	33	45%	25	52%	157	67%

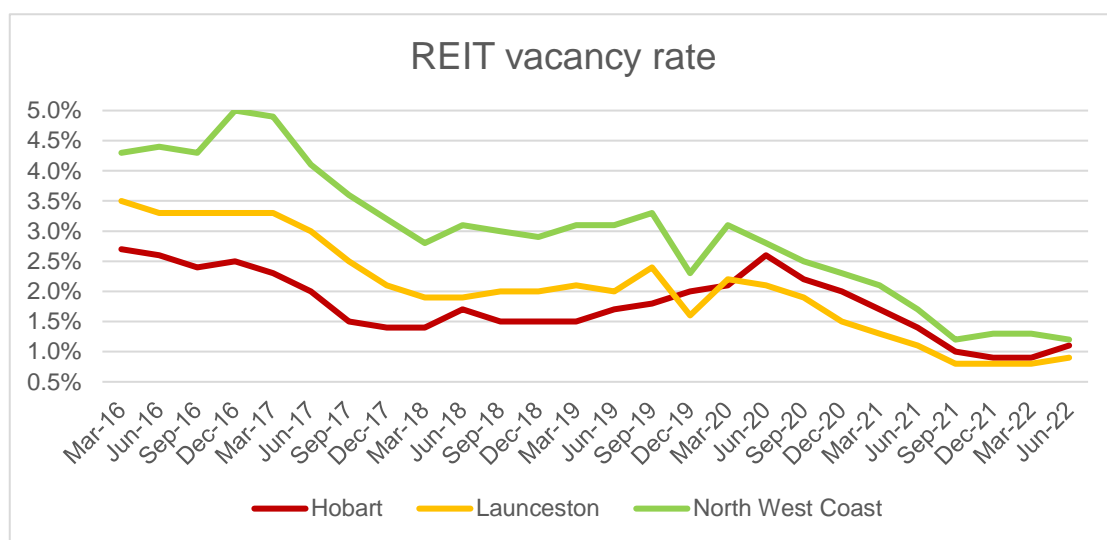
⁷ ABS Census data 2021

4. Outcome Variables

Vacancy rates

Two sets of vacancy rates are available to monitor the Tasmanian rental market: one set is published by SQM research (a company collating and analysing data for financial institutions, investment professionals and investors); the other set of data on vacancy rates is published by the Real Estate Institute of Tasmania (REIT) - the peak body of Real Estate Agencies in Tasmania. Historically, the vacancy rates published by SQM are lower than REIT rates, which must be attributed to the different data sources both organisations utilise⁸. Trends are, however, reasonably similar.

Figure 5. Vacancy Rates in Tasmanian Housing Markets



Source: Real Estate Institute of Tasmania⁹.

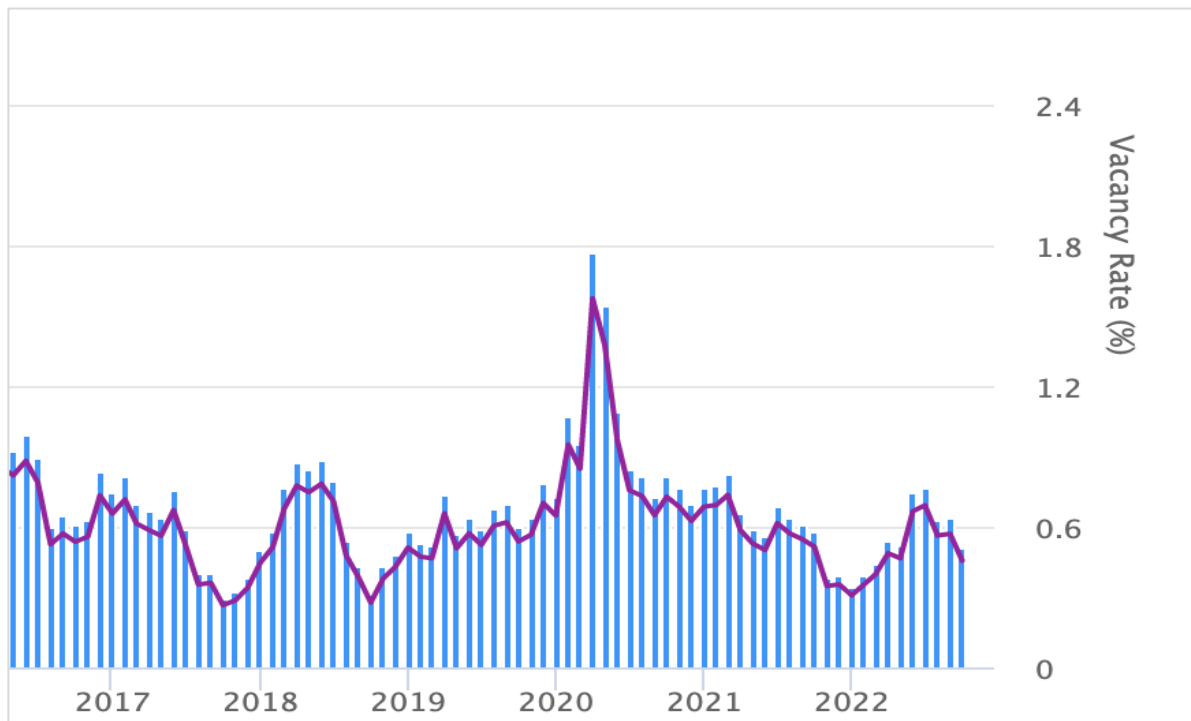
Even the traditionally higher REIT vacancy rate for Hobart, Launceston and the North West Coast is at dramatically low levels of around 1% (see Figure 5). Launceston records the lowest vacancy rate of 0.9%, down from 1.1% a year earlier. Hobart's vacancy rate dropped from 1.4% in June 2021 to 0.9% in December and March; it however, has slightly increased to 1.1% in June 2022. Vacancy rates on the North West Coast are the lowest they have ever been, at 1.2%.⁹

Figure 6 shows vacancy rates generated by SQM research for the same period. Note that the trends are the same as the REIT data, but the absolute rate is lower in Figure 5.

⁸ See the discussion in the Baseline Report on this issue

⁹ REIT Media Releases and Quarterly Reports

Figure 6. Hobart Vacancy Rates - SQM Research



Source: SQM Research

Rent levels

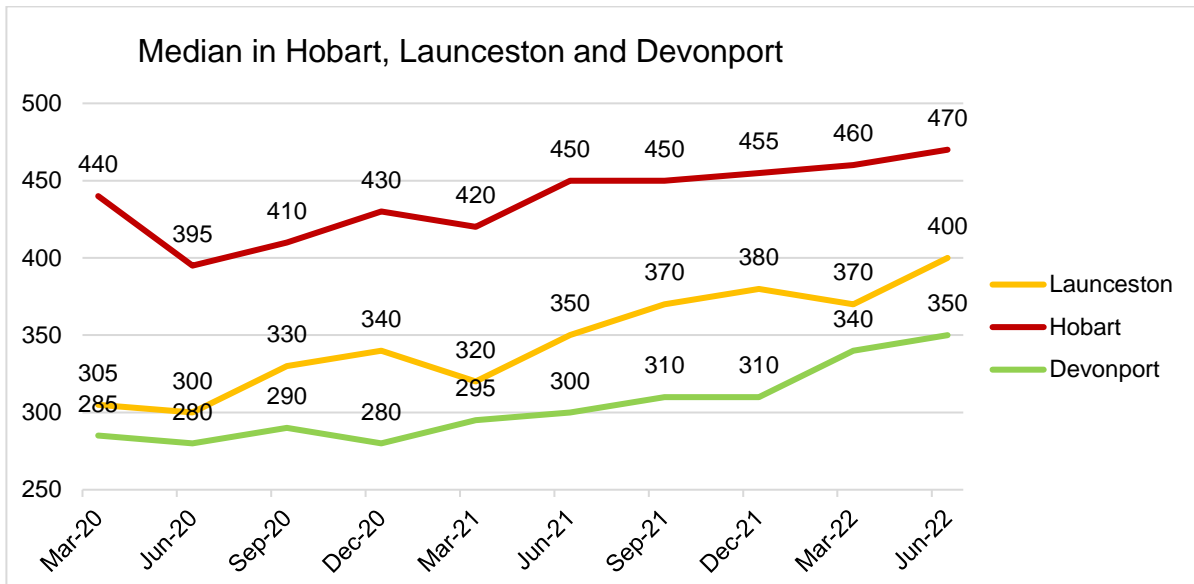
Rents in Tasmania have increased over the last year (June 2021-June 2022); however, rent levels and growth differ significantly between the three regions of Tasmania.

The South Region, and in particular Hobart, has historically been the most expensive region in which to rent. The weighted median rent in the City of Hobart municipality has increased from \$450 per week (pw) in June 2021 to \$470 pw in June 2022. While this is the highest median rent level, when compared regionally it is also the smallest yearly change in both real terms and percentage.

In the City of Launceston municipality (in the North Region), the weighted median rent increased from \$350pw in June 2021 to \$400 pw in June 2022 – a yearly change of 14%. Weighted median rents in the Devonport City Council (in the North West Region), while being the lowest historically, have seen the highest increases over the last year. The median rent increased from \$300pw to \$350 pw. This equates to a yearly change of 17%.

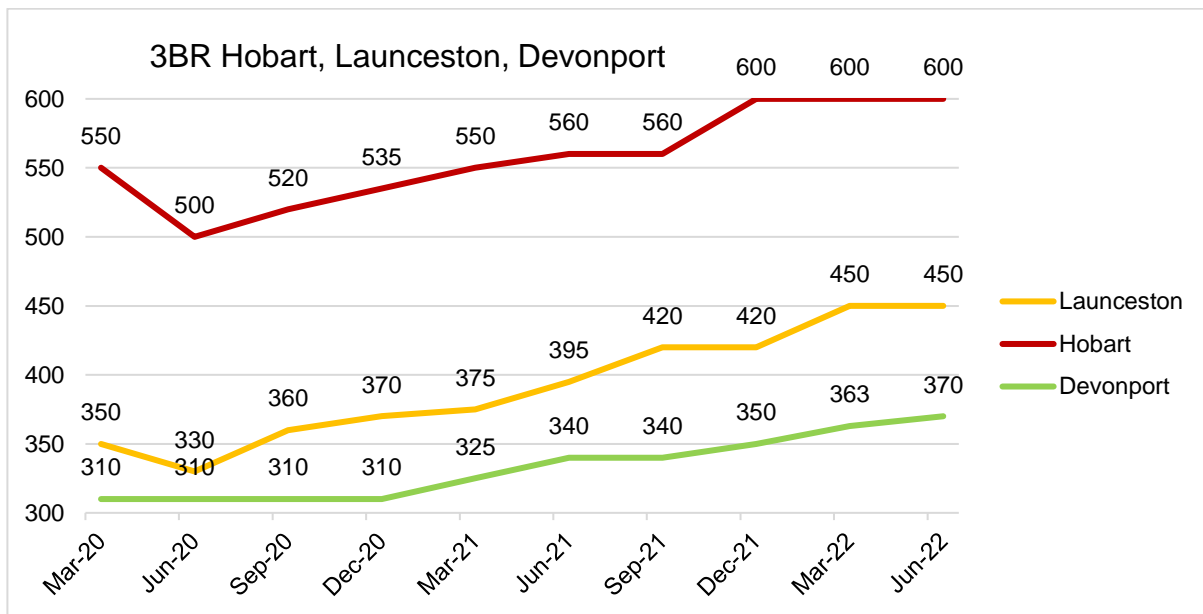
Three-bedroom properties in the same three municipalities appear to show a slowing in rent increases, with rents in the City of Hobart remaining at the very high level of \$600 pw for the last three quarters and City of Launceston three-bedroom properties costing a median of \$450 pw over the last two quarters (up from \$420 in the two quarters prior). Median rent for three-bedroom properties in the City of Devonport increased steadily; although the weighted median rents were the lowest of the three cities, Devonport reported the highest yearly change in percentage terms – from \$340 pw in June 21 to \$370 pw in June 22 (9%).

Figure 7. Median Rents in Tasmanian Centres



Source: Analysis of rental bond data from CBOS

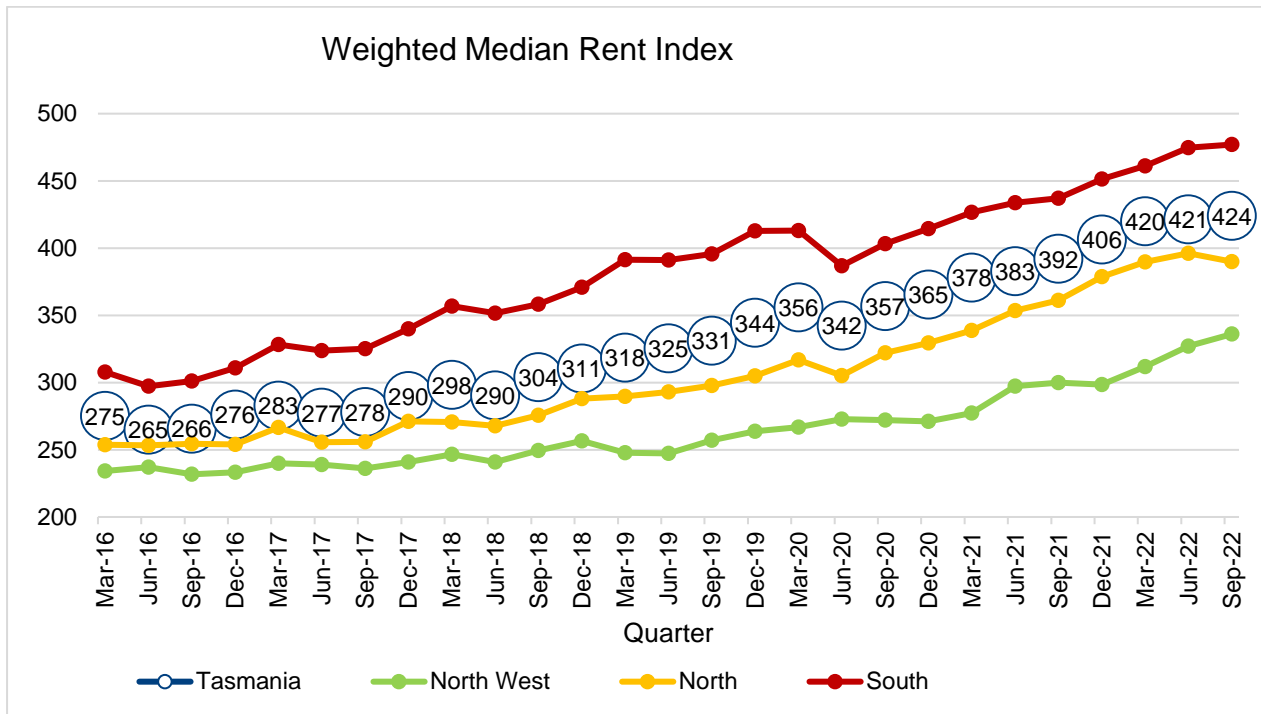
Figure 8. 3BR Rents in Tasmanian Centres



Source: Analysis of rental bond data from CBOS

As Figure 9 highlights, rents started to increase significantly in the south of the state around 2017 (mainly driven by the Hobart and Greater Hobart markets), they picked up in the north of the state (driven by rents in Inner Launceston) about a year later in 2018 and more gradually in 2019 in the northwest. Rents dropped dramatically in the south and north in June 2020 as a result of the pandemic; however, they began rising again in September 2020, reaching pre-pandemic levels in December 2020 and have been rising steeply ever since. The growth appears to have slowed since the March 2022 in the south of Tasmania, but is picking up pace in the northwest.

Figure 9. Weighted Median Rents – Tasmanian Regions, 2016-2022



Source: Analysis of rental bond data from CBOS

Discussion

Tasmanian rental markets are still under pressure. This is despite the relatively low levels of population growth being experienced in recent years and, in particular, the sharp drop off in numbers of international students in Hobart. In other cities the tightness in the rental markets can be explained by the tendency of tenants to look for more space for working from home and other activities. This has meant that reasonably stable populations have generated increase in demand as the persons per dwelling count has gone down. In Sydney, for example, the Census revealed that occupancy has dropped from 2.8 persons per dwelling in 2016 to 2.7 persons per dwelling in 2021. Similarly, Melbourne dropped from 2.7 to 2.6 in the same period. Hobart, however, has remained steady at 2.4 persons per dwelling.

REIT vacancy rate data shows that vacancy rates have continued to track down. This is despite a reduction in demand through a slackening of population growth for a short period at the start of the pandemic. While some of this impact may be from properties reverting from the long-term rental sector to the short-term sector this would not explain all of the tightening in the vacancy rate. Some of this could be explained by the internal dynamics of the market – the sharp increase in prices might be preventing first home buyers from entering the home ownership market and hence staying in the rental market longer.

One key piece of missing data is the total size of the rental market in Tasmanian markets. In other states it is possible to see whether tightening vacancy rates are due to demand side or supply side pressures but this is not possible in Tasmania due to limitations in CBOS reporting of the rental deposit (bond) information.

Looking at rents, we can see how the reasonably modest reduction in STR renting at the start of the pandemic was associated with a decrease in rents. As properties have returned to the short-term rental markets, however, rents have increased in both Greater Hobart and Greater Launceston (as shown by the increase in non-primary residence STRs from 2020 to Q1, 2022 in Table 2). The findings in the study of the Launceston rental markets (Box 1), that confirm the connection between short- and long-term rental markets, help demonstrate how changes in the short-term rental market can flow onto the long-term rental market. However, in other markets such as Devonport the change in STRs has been modest but rents have continued to rise significantly until recently.

One further complication is the alignment of rent data and vacancy rate date. With the very low vacancy rates shown by both sets of vacancy rates you would expect to see sharp increases in rents. If you examine the 3BR rents in Figure 8, however, they are reasonably stable. This may indicate different vacancy rates in this segment of the market, suggesting different market segments are operating very differently.

5. Conclusion

The June 2022 Baseline Report concluded that 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.¹⁰ It would not be unreasonable to impose an annual charge on STRs to cover these ongoing additional costs.¹¹

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 efficient¹².

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.

CBOS Data Reporting

To enable better monitoring of private rental markets it is important that CBOS develops the capacity to provide data on total active bonds by location to enable the private rental market to be effectively monitored (as is available in most other states in Australia).

¹⁰ 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.

¹¹ Note the Hobart City Council proposal of charging higher rates for STR properties.

¹² 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.

Additional evidence from Progress Report #1

Now, in December 2022, this Progress Report shows that the concern for Launceston, as well as Hobart and other parts of Tasmania, is that the rental market remains under so much pressure, despite COVID-19 having significantly reduced population growth. When population growth is restored to pre-pandemic levels the clear indication is that rents will very likely continue to push higher.

The findings of this report highlight the need for effective monitoring of rental markets and interactions between short-term and long-term rental markets. They underline the policy suggestions in the Baseline Report, where it was highlighted that whilst Tasmania led the country with the introduction of the Short Stay Accommodation Act in 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. It is also important, however, to understand the interactions between STRs and the long-term private rental market and whether the overall private rental market is growing or shrinking.

Although trends are evident that long-term rental availability is not keeping up with population increases, and the move to short-stay accommodation marketing is significantly effecting this, to support evidence-based policy and understand and manage the long-term and short-term rental markets in Tasmania better data is needed.

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, at regular, eg monthly intervals, as is best practice interstate.

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