

Tasmanian Government Submission

Legislative Council Select Committee –
Short Stay Accommodation in Tasmania

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I EXECUTIVE SUMMARY

The Tasmanian Government recognises the sharing economy makes a significant economic and social contribution to the State, and is a strong supporter of the short stay accommodation sector.

Tasmania's broader social and economic situation must be taken into account when considering the impact of the short stay accommodation sector. The Tasmanian economy is now one of the fastest growing in Australia; underpinned by record levels of investment, population growth and visitor numbers.

Economic growth is double the national average and population growth is the highest it has been in nearly eight years, as more people than ever choose Tasmania as the place to live, work and raise a family, and Tasmania's jobless rate remains well below the decade average.

In addition to this, Tasmania continues to be a must-see destination, with 1.28 million people visiting the State in the year ending March 2018. During this period, visitors spent a record \$2.37 billion in the State. Tourism is one of our State's greatest competitive strengths and supports 38,000 direct and indirect jobs.

The Government recognises that many Tasmanians have embraced the sharing economy, either listing their property online or using these sites when travelling within Tasmania.

It's important to acknowledge that the sharing economy has been vital in supporting recent growth in visitor numbers, providing alternative accommodation options during peak periods and in regions where traditional accommodation options are limited.

The short stay accommodation sector undoubtedly presents new challenges, however it's important to recognise the sharing economy is just one factor impacting tourism and housing in Tasmania.

Population growth, increases in international student numbers and rising house prices also contribute to housing affordability and rental availability. Skilled labour shortages, fuelled by increasing investment and development in the State, can also impact the building sector's capacity to construct new residential homes. The Government has introduced a range of measures to address these issues.

The Government has also introduced nation-leading regulations for the short stay accommodation sector, which provide permits where entire homes are offered for this purpose. Permits are not needed if the property is the owner's primary place of residence. However, it is clear that there is an issue when it comes to compliance of these regulations, which is cause of significant concern for the community sector and the tourism and hospitality industries.

In response to this, the State Government will introduce legislation by the end of 2018 to ensure compliance with existing regulations. The legislation will serve two important purposes: to ensure everyone is playing by the rules, and to paint a clear picture of home sharing across Tasmania.

This approach will ensure there is meaningful data to fully understand the short stay accommodation sector in Tasmania. The intent of the legislation is to require anyone listing an investment property on an online platform to show evidence of their required permit.

People sharing their primary residence online will not be affected by the legislation. Property owners and online platform providers found to be in breach of the rules could face penalties, which may include significant fines.

"It's important that those who benefit from the sharing economy make sure they are doing the right thing." Roger Jaensch, Minister for Housing

Everyone will have an opportunity to have their say through a consultation process as the legislation is drafted. The Government has also launched a public awareness campaign detailing the responsibilities of homeowners when it comes to listing a property for short stay accommodation.

These steps will ensure the checks and balances are in place when it comes to short stay accommodation so that Tasmanians and visitors alike can continue to share in its benefits.

2 INTRODUCTION

The Government has pursued a wide ranging set of policy responses to increase housing stock and housing affordability. The impact will be seen over time and positive signs are already emerging.

The latest CommSec State of the States report on 30 July 2018¹ noted that Tasmania was in 4th position nationally and recording the fastest annual pace of economic growth over the last year.

Tasmania's dwelling starts and housing finance growth led the nation, with the annual growth in dwelling starts ten times higher than the national average, showing that the housing market is responding to increased demand.²

The Government recognises the sharing economy makes a significant economic and social contribution to the State and remains supportive of the short stay accommodation sector. Planning reform and other initiatives recently introduced by the Government, including legislation to ensure compliance with appropriate planning scheme regulations, gets the balance right.

The accommodation sector is only one of many industries supported by the sharing economy. Other industries include food delivery (Uber Eats), transport (Uber and Driverless cars); finance (Prosper and Lending Club), social food (Gobble and Neighbourhood Fruit) and employment (Airtasker and Skillshare).

Deloitte Access Economics in its 2015 report, *The sharing economy and the Competition and Consumer Act*, suggests there is an almost universal view among academic, market and technology commentators that the sharing economy will continue to grow. It suggests that this will include the geographic and service-line expansion of existing players and the potential development of new services around urban living, broadband and additional task services.³

New business ventures in the sharing economy will emerge over time and existing systems and structures will have to be adaptable.

The Productivity Commission released a research paper on 15 June 2016⁴ which considered the role of governments in the face of disruptive technological change (including digital platforms enabling short term accommodation rentals). Key recommendations made in the report regarding governments' response to a disruptive industry include:

In principle, governments should

- *adopt a 'wait and see' approach to new business models and products rather than reacting quickly to regulate what may be unrealised risks where relevant regulations already exist*
- *adopt fixed term regulatory exemptions for innovative entrants that maintain overarching regulatory objectives*

¹ CommSec, *State of the States*, July 2018 economic performance report, https://www.commssec.com.au/content/dam/EN/Campaigns_Native/stateofstates/July2018/CommSec_State_of_the_States_July2018.pdf

² Ibid.

³ Deloitte Access Economics, *The sharing economy and the Competition and Consumer Act*, 2015, <https://www2.deloitte.com/au/en/pages/economics/articles/sharing-economy-competition-consumer-act.html>

⁴ Productivity Commission 2016, *Digital Disruption: What do governments need to do?*, Commission Research Paper, Canberra, Finding 4.1, p9, <https://www.pc.gov.au/research/completed/digital-disruption/digital-disruption-research-paper.pdf>

- *use the opportunity of disruption to reform markets where there have been undue regulatory restrictions by removing restrictions that impose a competitive disadvantage on incumbents rather than extend existing restrictions to new business models*
- *where regulation is needed to manage negative externalities, take a proportionate approach (that is, balance the benefits and costs) and regulate outcomes not technologies*
- *take an evidence based approach drawing on Australia's scientific agencies in making assessments of the risks to the community from new technologies*
- *regularly review regulations affected by digital technologies, especially where an increasing share of activity is mediated through digital platforms*
- *assign the responsibility for reporting to the parties best able to comply at least cost, and design transparent mechanisms for dealing with complaints. (Finding 4.1)*

Findings also related to government responses to: the creation of standards; promoting innovation; the regulation of digital platforms in providing information to consumers; protecting consumers' privacy; and other aspects of regulation and innovation.

The Deloitte report commissioned by the Australian Competition and Consumer Commission suggests the need for creating 'regulatory neutrality' between sharing economy providers and traditional businesses. This doesn't mean the same regulation: it does mean having the same effect.⁵

The sharing economy coordinates exchanges between individuals in much the same way as a traditional market, but does so in a flexible, self-governing way. The sharing economy has been described as a democratisation of the economy: where we are less concerned with who owns production than who has access to what is produced.⁶

These benefits of the sharing economy have been outlined as: more sustainable use of idle and underused resources; flexible employment options for contractors; bottom-up self-regulating mechanisms; lower overheads leading to lower prices for consumers; and more closely tailored and customised products for users.⁷

The Tasmanian Government recognises that the sharing economy has the potential to increase individual wealth and promote economic growth.

The Government is intent on ensuring a balanced and evidence based approach to the sharing economy.

There is no doubt the sharing economy can drive economic growth. The challenge for governments is to ensure that the growth is inclusive and benefits the broader community.⁸

⁵ Deloitte Access Economics, *The sharing economy and the Competition and Consumer Act*, 2015, <https://www2.deloitte.com/au/en/pages/economics/articles/sharing-economy-competition-consumer-act.html>

⁶ https://simonwhite.com.au/2016/08/09/shared_economy-inclusive-growth/

⁷ https://www.parliament.vic.gov.au/images/stories/committees/SCEI/Ride_Sourcing/Submissions/Submission_145_-_Institute_of_Public_Affairs_Attachment_1.pdf

⁸ See for instance https://www.bsr.org/reports/BSR_An_Inclusive_Sharing_Economy.pdf.

There is a current perception that short stay accommodation models in the sharing economy, while supporting economic growth, are not supporting inclusive growth, with a negative perceived impact on affordable housing and rental availability. However this perception is difficult to test without considering the fact that the sharing economy is also part of a broader system. When combined with other factors, such as population growth, an increase in the number of international students and an increase in housing prices, the sharing economy may impact affordable housing and rental availability, but the literature suggests this impact is difficult to quantify. The Government is confident that supply and demand will adjust over time as new housing stock and tourism developments come on line. It is also taking a number of regulatory and supportive measures to address short term issues and provide long term solutions.

The Government's actions to manage the challenges include:

- Holding the Tasmanian Housing Summit on 15 March 2018 comprising the Tasmanian Government and 34 peak bodies and stakeholders;
- Releasing Planning Directive No. 6 that clarifies the requirements for visitor accommodation permits under Local Government Planning Schemes;
- Providing \$500,000 for immediate emergency accommodation options in the Greater Hobart area, for Tasmanians in greatest need. The funding was directed towards providing a mix of cabins, hotel and motel-style accommodation, with the emphasis on providing safety and warmth to those in greatest need over the winter period;
- Providing funding to Housing Connect partners to support clients in a range of emergency accommodation options, and help transition them into permanent affordable housing options;
- Releasing an audit of Government-owned land that may be suitable for affordable housing development, with fast-track legislation to accelerate zoning changes and the supply of affordable housing;
- Ensuring there is a greater dispersal of the tourism boom to the regions by:
 - Supporting the supply of tourism beds by establishing the \$20 million Tourism Accommodation Refurbishment Loan Scheme (TARLS) to improve the standard of the tourism offering in the State. To date, ten applications to the value of \$5.496 million have been assessed and approved; and
 - Extending the success of the Great Eastern Drive which resulted in a 20 per cent increase in visitors to Tasmania's East Coast equating to an additional 62,800 visitors to the region each year. The Government is extending this initiative by creating three more journeys, including the North-West Journey, Northern Journey and Southern Journey, all of which will provide unique experiences encouraging exploration of regional Tasmania;
- Providing a Land Tax rebate to incentivise property owners to list up to 500 existing properties for long term rental. This program is now open by application to www.sro.tas.gov.au;
- Commencing Housing Tasmania Stock Match – a voluntary, incentivised program to better match tenants and properties. Housing Tasmania is working with interested tenants to relocate around 40 smaller households into smaller dwellings, freeing up larger homes for families on the social housing register; and
- Other housing incentive programs committed at the State election and introduced the *Taxation Related Legislation (Housing Availability and Payroll Relief) Act 2018* include:
 - A 50% stamp duty holiday for first home buyers for homes up to \$400,000;

- Extension of the \$20,000 First Home Owner Grant to 30 June 2019;
- A three-year land tax holiday on all new-built housing available for long-term rental; and
- A 50% stamp duty discount for seniors downsizing.

Housing assistance in Tasmania is provided to people who are on low to moderate incomes who need some help to access and maintain affordable housing. It ranges from homelessness services to home ownership assistance, and is aimed to match the right product to the person's needs.

In Tasmania, the Director of Housing owns around 13,000 social housing properties. Around 7,400 of these are public housing and Aboriginal housing. The remaining properties are community housing. This includes around 3,900 homes managed by community housing providers under the Better Housing Futures initiative.

On average, around 300 households are assisted with affordable private rentals each month through our Private Rental Assistance program delivered by Housing Connect.

Dwellings are also provided as homelessness shelters and supported accommodation. Housing Tasmania also funds organisations to provide long term accommodation and support for people in housing need.

Housing Tasmania is expanding its role to assist people in housing need to better access affordable housing within private rental market.

Tasmania's Affordable Housing Strategy 2015-2025 and Action Plan 2015-2019 (Action Plan) outlines the housing reform agenda for Tasmania over 10 years. The Action Plan also includes actions that will contribute to the realignment of social housing stock to better match housing need.

Under the Action Plan the Government is well on track to assist over 1,600 households by June 2019 including new supply of 941 affordable lots and homes. The Government has assisted a total of 878 new households as at the end of June 2018. Of these 878 households:

- 262 households have been assisted into affordable home ownership comprising:
 - 125 assisted through Streets Ahead; and
 - 137 households assisted through HomeShare;
- 194 affordable land lots have been released;
- 190 new social housing dwellings have been constructed comprising:
 - 173 new public and community housing dwellings; and
 - 17 units of disability accommodation;
- 122 households have been assisted into affordable private rentals including 119 households assisted in escaping family violence; and
- 110 new units of homeless accommodation have been provided including 39 units of crisis and transitional accommodation.

These initiatives have supplied 533 new lots of land and new affordable homes as at the end of June 2018.

In addition, the Government has commenced consultation on the Action Plan for the Government's \$125 million Affordable Housing Strategy (Stage II) which is targeting the development of a further 1,500 new supply outcomes by June 2023.

In August 2018, the Government announced it will introduce legislation and launch a public awareness campaign to address compliance concerns relating to short stay accommodation.

3 THE GROWTH OF SHORT STAY ACCOMMODATION IN TASMANIA AND THE CHANGING CHARACTER OF THE MARKET INCLUDING RECENT TRENDS IN ONLINE LETTING OF SHORT STAY ACCOMMODATION

3.1 The growth of short stay accommodation in Tasmania

It is difficult to accurately assess the growth in online letting in Tasmania.

The nature of growth can be understood in two distinct categories. The first is letting a room in a house, or enabling it to be rented while the owner or occupier is on vacation or temporarily absent, which is increasing the use of available floor space and not diverting houses from the rental market. The second is investment properties or whole properties that could be used for private long-term rental.

The Government's new legislation will serve two important purposes: to ensure everyone is playing by the rules, and to paint a clear picture of home sharing across Tasmania.

This approach will ensure the Government has meaningful data to fully understand the short stay accommodation sector in Tasmania. Obtaining this data has been challenging due to the following reasons:

3.1.1. The number of accommodation/booking platforms

A number of different online platform providers have Tasmanian listings and new operators are likely to continue to emerge. 'Airbnb' is often used to describe the short stay accommodation market options. However, many other platforms offer a variety of listing types. Not all listing types create housing supply problems. The following platforms all have Tasmanian rental listings:

1 Airbnb

Airbnb provides three options for listings – shared rooms (where there is no private space and shared kitchens); private room with shared facilities (private bedroom but other rooms such as bathrooms are shared with other guests under separate bookings or with the occupier of the property; and 'entire properties'. It is important to recognise Airbnb listings for entire homes can include granny flats, backyard studios, sectioned off areas of the main home, which have their own entrances and facilities which make them self-sufficient or homes that are available for short term rental only and not for extended periods.

2 Booking.com

Booking.com was traditionally a site for booking of flights, hotels and packages. It has now also extended into share accommodation platform where owners can list properties. Owners can easily 'open' and 'close' the availability of their accommodation on this site. This enables owners to list across a number of platforms and easily manage bookings.

Booking.com has a number of categories of listings:

- Apartments - Furnished and self-catering accommodation available for short- and long-term rental;
- Villas - Private self-standing and self-catering home with a luxury feel;
- Cabins - Free-standing home characterised by sloped roof and rented specifically for holidays;
- Holiday Homes - Free-standing home with private, external entrance and rented specifically for holidays;
- Guest Houses - Private home with separate living facilities for host and guest; Private home offering overnight stays and breakfast;
- Homestays - Private home with shared living facilities for host and guest;
- Campsites - Accommodation offering cabins or bungalows alongside areas for camping or caravans with shared facilities or recreational activities;
- Country Houses - Private home with simple accommodation in the countryside;
- Farm stays - Private farm with simple accommodation;
- Boats - Commercial travel accommodation located on a boat; and
- Luxury Tents - Tents with fixed bedding and some services, located in natural surroundings.

3 Trip Advisor Rentals

Trip Advisor markets itself as advertising 'everything from private rooms to castles, houseboats to villas.' Trip Advisor Rentals has a number of associated platforms including: Flipkey, Holiday Lettings, Niumba, Vacation Home Rentals and HouseTrip.⁹

4 Homeaway¹⁰

Homeaway is operated by Stayz Pty Ltd and is part of the Homeaway Group.¹¹ The Homeaway Group contains 11 platforms: Homeaway, VRBO, VacationRentals.com, Homelidays, OwnersDirect, Abritel'Homeaway', FeWo-direkt, Toprural, bookabach, stayz and AlgueTemporada.

5 Search Engines

Search engines allow listed accommodation to be promoted across a large number of platforms. One such engine, Hometogo, suggests that it covers more than 300 providers in over 200 countries.¹²

⁹ https://www.flipkey.com/pages/about_us/

¹⁰ Homeaway is part of the Expedia Group. "The Expedia Group brands cover virtually every aspect of researching, planning, and booking travel, from choosing the best airplane seat, to reading personal travel reviews of hotels, to planning what to do in a destination once you arrive. The Expedia Group portfolio serves both leisure and business travellers with tastes and budgets ranging from modest to luxury." <https://www.expediagroup.com/expedia-brands/>.

¹¹ <https://www.homeaway.com.au/info/about-us/legal/privacy-policy.html>

¹² <https://www.hometogo.com.au/about-us/>

3.1.2 Determining Tasmanian Activity

It is difficult to accurately determine the extent of Tasmanian activity on short stay accommodation platforms. This is in part due to the number of platforms and the fact properties are often listed on more than one site.

1 Categorising listing types

There are two broad classes of short stay accommodation. However, there is no agreed definition of listing types across platforms. The two broad types of categories are:

- genuine home sharing where owners offer a room in their principal residence while they are occupying it or offer the whole of their principal residence for use while they are temporarily away from home; and
- owners who list whole investment properties as short term accommodation on a seasonal or ongoing basis.

Properties that are only available for use when the owner or occupier is temporarily absent are likely to be counted along with investment properties when considering 'entire homes' that have been diverted from the market, however this is erroneous. Those homes listed during temporary absences would unlikely be available for long term rental.

2 Measuring 'entire properties' on accommodation platforms

Obtaining information on the number of 'entire' properties listed on accommodation platforms compared with the number of permits issued by local government could give an indication of compliance. However, the situation is complicated by the fact that an 'entire property' listing, on booking platforms, can include:

- Entire houses or apartments that are not the normal place of residence of the owner – this requires a permit under Planning Directive No. 6 (PD6).
- Entire houses or apartments which is the normal place of residence and only let out while the owner is temporarily absent (e.g. working away from home or on holidays) – this is exempt under PD6.
- Separate, self-contained part (not exceeding four bedrooms) of a house that the owner lives in – this is exempt under PD6.
- Separate building (e.g. granny flat) in the yard (not exceeding four bedrooms) of a house that owner lives in – this is exempt under PD6.

Many of these options do not equate to stand alone houses or flats that would otherwise be available for longer term rental.

3 Measuring 'investment properties' by determining the number of permits issued by local government

The Government began collecting data from 2016-17 which shows the number of applications made to local government for visitor accommodation. This data shows that 244 applications were made in 2016-17, however this was before the Minister issued Interim Planning Directive No. 2 – Exemption and Standards for Visitor Accommodation in Planning Schemes (IPD2), which commenced on 1 July 2017.¹³

The next round of data will be available from local government in December and will give a better indication of the number of permits issued for the 2017-18 year in accordance with IPD2. Draft Planning Directive No. 6 – Exemption and Standards for Visitor Accommodation in Planning Schemes (draft PD6) came into effect by way of IPD2.

PD6 commenced on 1 July 2018 and data for the 2018-19 year will be available late 2019.

4 Lack of base line data

There is no clear base line data to enable an accurate assessment of the growth of short stay accommodation in Tasmania.

Some groups have cited *Inside Airbnb* data in assessing the impact of short stay accommodation in Tasmania. However, using this data as a single source of data for the demand/supply of short term accommodation in Tasmania is not accurate. The data is 'scraped' from publicly available information on provider websites, which is unverified and unlicensed to filter out properties which don't meet government criteria for entire homes.

The other aspect that is not clear from available data is how many entire properties that were offered as 'holiday accommodation' previously are now being offered through accommodation platforms. This type of holiday accommodation would have no net effect on the availability of long term rentals.

5 Privacy laws

Privacy laws mean there is limited publicly accessible detail about properties listed on these sites such as owners' full name and/or address and accommodation platform operators are restricted from releasing this detailed information.

The provision of personal information by private sector organisations, with an annual turnover of more than \$3 million, is regulated under the *Privacy Act 1988* (Cwth). Privacy principles under the Act prevent the use or disclosure of personal information for a purpose other than the purpose for which it was collected, unless the individual consents, the individual would reasonably expect their personal information to be used for the secondary purpose, or another prescribed exception applies.¹⁴ Prescribed exceptions generally only arise where the disclosure is necessary to protect someone's health or safety or is otherwise in the public interest.

¹³ Further detail on Planning Directive No. 6 is provided in the response to the fourth term of reference "Regulatory issues including customer safety, land use planning, neighbourhood amenity and licensing conditions compared to other jurisdictions in Australia and worldwide".

¹⁴ <https://hallandwilcox.com.au/overview-of-privacy-law-in-australia/>

6 Duplication across sites

Other accommodation platforms existed before Airbnb¹⁵ and there are continual changes to the market with more platforms coming online and the creation of search engines to trawl across all sites. It is likely that there are duplicate listings across these sites. If identifiable information could be provided by each platform provider, without something more,¹⁶ there would likely be duplications in the information received and considerable work and resources involved in developing a single set of reliable data.

7 Businesses using the accommodation platforms as an additional advertising platform

Due to the market reach of accommodation sharing platforms, some businesses have started listing on accommodation platforms in order to retain market share. As an indication of listings on accommodation platforms, Tasmanian Tourism Industry Council data shows:

- 58% of its accredited accommodation operators are listed on Airbnb;
- 28% of its accredited accommodation operators are listed on Expedia/Stayz (now Homeaway);
- Some are listed on both; and
- 40% are on neither.

Of those:

- 15% get the majority of their bookings from those platforms.
- 47% get 10-15% of their bookings from those platforms.
- 38% are listed but rarely obtain bookings from those platforms.

8 Intermittent listings

Similarly, there is difficulty when trying to calculate the number of listings at any one time because some owners list properties for 365 days per year, whereas other properties may be listed for limited periods per year (such as during vacation periods).

These properties may be included in aggregate figures but there is no clear way of determining whether they are properties that have been diverted from the rental market.

¹⁵ <https://www.linkedin.com/pulse/airbnb-didnt-create-brand-new-concept-so-what-made-leigh-gallagher/> Airbnb launched in Australia in 2012.

¹⁶ Such as a licence number or permit number.

3.2 Assessment of the growth of the short stay accommodation market in Tasmania and the changed character of the market

There is some existing work, such as Inside Airbnb, that has been used to inform an assessment of the growth of the short stay accommodation market in Tasmania. However, analysis from this site has been criticised for an inability to provide complete and meaningful data¹⁷. Caution must be exercised when referring to this type of data as it uses a process of webscraping to analyse data. The accuracy of the data has been criticised by Airbnb as being 'grossly misleading' and 'deeply inaccurate'.¹⁸

3.3 Recent trends in online letting of short stay accommodation

Given the continuing evolution of Tasmania's travel markets and consumer expectations, it is considered that the online booking of short term accommodation fulfils a valuable role in meeting market demand for visitor accommodation in Tasmania. (Tourism Tasmania) ¹⁹

Tourism Tasmania has provided the following information on recent trends in online letting of short stay accommodation.

3.3.1 Tasmania's market segments

Tourism Tasmania targets discrete sub-sections of the travelling leisure market through domestic and international marketing activity. These market segments are informed by research and insights about the types of customers who will best suit the experiences Tasmania has to offer and can provide the best return on investment for the State.

For the past six years Tourism Tasmania has targeted a segment of the domestic (interstate) holiday market known as 'Life Long Learners'. In targeted international markets we market to High Value Travellers consistent with Tourism Australia's approach.

Research has shown that Life Long Learners have an interest in exploring and learning more about the world in which they live, have a positive outlook on life, and live mainly on Australia's eastern seaboard. Their reasons for taking a holiday are to discover and understand new people and places, or to escape and spend time together and create new memories.

A more recent segmentation study conducted by NEEDSCOPE® has identified two additional market segments that strongly align with Tasmania's brand strengths and these visitors are seeking enrichment from their holiday – either connecting outwardly to the environment and/or to others, or inwardly through self-reflection or expression.

¹⁷ See for instance, Australian Financial Review, March 2, 2018. Murray Cox, the Australian 'data activist' taking on Airbnb, <https://www.afr.com/real-estate/residential/murray-cox-the-australian-data-activist-taking-on-airbnb-20180225-h0wn4g>.

¹⁸ Ibid.

¹⁹ Information provided to the Tasmanian Government submission.

Tourism Tasmania's marketing activity in attracting these identified market segments will contribute to achieving Government's and industry's T2I strategic targets of increased yield and increased dispersal of visitors, so that communities throughout Tasmania share in the economic and social benefits of a strong visitor economy.

3.3.2 Sharing economy opportunity

Sharing economy platforms such as Airbnb and Stayz cater to a segment of the travel market who are looking for unique and alternative accommodation styles to main-stream hotels at a range of price points, and who seek the opportunity to 'live like a local', often engaging with local hosts to benefit from their insider knowledge of the destination.

A similar attitude, immersing themselves in the local environs and engaging with local Tasmanians, is also held by the market segments targeted by Tourism Tasmania. Consequently there is strong synergy between Tourism Tasmania's marketing efforts and the audiences reached by sharing economy platforms.

3.3.3 Growth of short stay accommodation in Tasmania

As the destination marketing organisation, Tourism Tasmania is not directly involved in industry supply side matters, however due to the nature of its work and its involvement with the T2I strategy implementation, it retains a strong understanding of factors impacting supply and demand for tourism services.

It has been well-documented over a number of years that there has been a shortfall of beds in Hobart to accommodate current and projected growth in visitor arrivals to reach the T2I goal of 1.5 million annual visitors by 2020. If visitors are unable to book to stay in Hobart at a date of their choice, this impacts their overall Tasmanian holiday plans and they may choose another travel destination.

Alternative short stay accommodation options available through digital platforms have helped to meet the shortfall, thereby contributing to visitor economy growth which sees additional money being spent in Tasmanian communities – on both core tourism products and other services utilised by visitors, as well as by businesses in the supply chain that provide products and services to the tourism industry.

3.3.4 Market share of Tasmanian visitor accommodation

The long-standing Tasmanian Visitor Survey (TVS) began collecting data on use of Airbnb by visitors in July 2016. Following are insights from the TVS for the year ending March 2018:

- *Of a total of 1.28 million visitors in the year ending March 2018, some 148,000 stayed in Airbnb accommodation for at least part of their trip. (Visitors may stay at a combination of accommodation types.)*
- *This equates to 12% of visitors utilising Airbnb accommodation during their trip to Tasmania. The number of total visitor nights spent in Tasmania for the 12 months was 10.83 million, while total visitor nights spent in Airbnb was 680,647 – i.e. 6% of total visitor nights were spent in Airbnb according to TVS results.*

3.3.5 Trends in online bookings

Over the past decade there has been phenomenal growth in the online booking of travel products, with new technologies revolutionising the way people research and plan their holidays, book services, and share feedback via social media channels.

The accommodation sector has not been immune to this and indeed, to meet consumer expectations, has had to utilise digital platforms that enable confirmation of bookings in real time.

Insights from the TVS for the year ending March 2018 include:

- *359,160 visitors or 28% of all visitors, booked their transport/accommodation/activities prior to arriving in Tasmania through an online-only travel provider or website.*
- *In addition 135,490 or 11% of visitors booked accommodation online while they were in Tasmania: 53,720 on the internet via computer/tablet and 81,770 on the internet via mobile phone.*

Digital technologies have provided efficiencies and savings for both the suppliers and consumers of travel products; and digital distribution channels are now essential for most travel products and visitor economy services.

3.4 Accommodation supply analysis

Tourism Tasmania notes that the Office of the Coordinator-General has discussed the shortage of visitor accommodation in its report on Accommodation Supply. The Office engaged industry, local councils and Tourism Tasmania in undertaking a range of regional tourism demand studies. The findings of this work provides analytical support to help underpin investment activity and promotion in the Tourism sector. High level findings from the studies undertaken in 2016 and early 2017 include:

3.4.1 Hobart and Greater Hobart

- Tourism demand has grown strongly over the past four years, with the biggest gain from the international market.
- Average annual occupancy levels are high with Hobart City at 82% and Greater Hobart at 78% to June 2016, with Hobart City's occupancy sitting at over 90% for six months of the year.
- With analysts advising that 75% occupancy is good for a vibrant sector, these results indicate that accommodation businesses in Hobart and surrounds are practically full year round.
- Under a number of demand growth scenarios more rooms are required in Hobart and Greater Hobart to meet growing demand.
- For the T21 target, Greater Hobart requires an additional 1,700 rooms by 2020 which includes 1,478 rooms in Hobart City. If visitor numbers continue to grow at the current growth rate the requirements could be as high as or higher than 1,763 rooms in Hobart and 2,069 in Greater Hobart.
- The number of visitors to the State who spend over \$2,000 per trip has grown by over 50% in the last three years.
- These higher spending visitors are evenly split among genders, are more likely to be older, are working or retired with above average income. They spend an average of 15 nights in Tasmania compared to the current State average of 8.5 nights.

- This high-yield group spend around double that of the average visitor and prefer 4 to 5 star accommodation options.
- As a result, there has been especially strong growth in demand for these 4 to 5 star hotels.
- Demand for rental accommodation is rising strongly and the sharing economy is estimated to be used by about 10% of domestic visitors.
- 17% of members of high-end hotel loyalty programs are either driven (3%) or at least influenced (14%) in their decision of holiday location by the presence of branded properties.
- Given that between 50 and 60% of guests staying in the Australian properties of the top branded programs are loyalty members, it is expected that the introduction of premium brands such as Hyatt, Marriott, InterContinental and Accor to Tasmania will introduce new visitor demand of around 10% of all guests who stay in these hotels, even without any distribution impact of these loyalty programs.

3.4.2 Launceston

- Tourism demand has grown strongly over the past four years, with the biggest gain from the interstate market and strong international demand.
- In the year to June 2016 average annual occupancy was 64% in the Greater Northern Region and 69% in Launceston. However, the larger, higher rated hotels are indicating significantly higher occupancy rates than this.
- Occupancy in the region is still showing seasonality with average occupancy as high as 86% in the summer months and over 75% in Launceston for six months of the year.
- With analysts advising that 75% occupancy is good for a vibrant sector, these results indicate that accommodation businesses in Launceston are already at that level from November to April each year with significant future visitor growth expected.
- Achieving the T2I target will see an additional 386 rooms required in Northern Tasmania and at least 271 of those in Launceston by 2020. If visitor numbers continue to grow at the rate they have been the requirements could be as high as or higher than 592 in Northern Tasmania and 387 specifically in Launceston.
- There are currently 108 rooms under construction in Launceston with a further 250 rooms under consideration, however this additional supply will not meet the requirements at 2020, let alone beyond, especially for the stronger demand scenarios.
- There is strong recent growth in demand for 4 to 5 star hotels. Demand for more standard hotels has been well up in the last three years, but is starting to steady.
- The number of visitors to the State who spend over \$2,000 per trip has grown by over 50% in the last three years.
- Half of the high spending visitors to northern Tasmania are aged over 55 years and another 33% are aged between 35 and 54 years.
- Around two-thirds of high spending visitors are working and their household income is above average.
- Demand for rental accommodation is rising strongly and the sharing economy is estimated to be used by about 7% of domestic visitors to Launceston, in line with the Australian average.

3.4.3 North West

- In 2015-16 there were 465,000 visitors to the region.
- Visitor nights in the region increased by 17%, with strong growth in the three hubs of Devonport, Burnie and Cradle Mountain between 2014-15 and 2015-16.
- 70% of visitors stay in paid accommodation, with hotel/motels being the most popular followed by rented house, flat, unit and serviced apartments.
- There are currently 77 accommodation properties in Devonport, Burnie and Cradle Mountain offering approximately 1,346 rooms.
- Devonport is the most popular place to stay overnight, followed by Cradle Mountain and Burnie.
- 62% of visitors are leisure travellers with many on short breaks from Victoria and New South Wales who prefer Cradle Mountain for an overnight stay.
- Over two thirds of accommodation offered in the three hubs are at the 3 to 3.5 star range, with Cradle Mountain having a higher proportion of 4 to 4.5 star properties.
- As at December 2016 there were 35 properties listed on Airbnb across the three hubs and anecdotal evidence suggests that this figure is increasing.

3.4.4 East Coast

- Around 632,800 visitors spend 1.3 million nights on the East Coast.
- Occupancy rates reach up to 95% for hotels/motels and 99% for rentals during peak periods.
- The region recorded a growth rate of 9% per annum on average from 2012 to 2015.
- Domestic visitors make up 94% of those who visited the East Coast, with the majority visiting for leisure purposes.
- 68% of visitors to Triabunna-Bicheno stayed in commercial accommodation, compared to 50% in St Helens and surrounds.
- Triabunna-Bicheno has the largest visitor capacity with a total of 260 properties, 1,401 rooms and 5,273 capacity with 35% in Coles Bay.
- St Helens and surrounds has a total of 180 properties, 1,003 rooms and 2,934 capacity.
- Private rentals including Airbnb make up 79% of total properties and 52% of rooms on the East Coast.

3.4.5 King Island

- King Island's visitor economy is growing rapidly due to the completion of two world class golf courses.
- The visitor economy currently generates \$20.57 million in spending both on and off the Island and generates 64.3 or 9% of direct and indirect full time equivalent jobs.
- 189 rooms are currently available for visitor accommodation.
- The majority of accommodation is small properties, such as houses, cottages and bed and breakfasts located in Currie.

- Short stay golf visitors prefer hotels, motels and units at the higher end of the rating scale. There are currently three motels on the Island.
- The average star rating is 3.5 stars (self-rated) and a median price of \$170 to \$180 per night.
- Current annual occupancy sits is between 44 and 50% with winter being very quiet and operators reporting being full or close to capacity between November and April.
- Golf driven visitor demand could require up to 179 additional rooms for five months during high season.
- There are currently over 236 visitor accommodation rooms in the pipeline several of which are targeted to the golf market and include the facilities essential for the higher-end visitor and meeting market.

3.5 Government action

The Government is committed to sharing the benefits of the Tourism boom across all Tasmanian regions and encouraging visitors to spend more time in regional Tasmania.

3.5.1 Statewide

The Tasmanian Government's Visitor Economy Strategy is a partnership between government and industry that aims to grow annual visitor numbers to Tasmania to 1.5 million by 2020, and so generate visitor expenditure of around \$2.5 billion a year, greater capital investment and more jobs.

The Office of the Coordinator-General has been established by the Government to promote and attract investment into Tasmania, to facilitate major projects and to reduce red tape. It is the principle agency for investment attraction and is the first point of contact within the Tasmanian Government to establish, relocate, diversify or expand a business in Tasmania.

The Government, through the Office of the Coordinator-General, is providing low interest loans through the [Tourist Accommodation Refurbishment Loans Scheme](#) to commercial tourism operators to revitalise and raise the standard of their accommodation offering.

3.5.2 North West

The Office of the Coordinator-General is also instrumental in playing a key role in the implementation of two projects that will drive significant investment and growth, the Devonport Living Cities project and the Cradle Mountain Master Plan, and is working with potential investors to develop further accommodation options on the North West Coast.

3.5.3 East Coast

The Office of the Coordinator-General is also delivering Austrade and Tourism Australia's Regional Tourism Infrastructure Investment Attraction Strategy for the East Coast. The Strategy focuses on coordinated facilitation, reform and investment promotion to attract investment to the East Coast region.

The region was selected as the visitor economy shows strong signs of growth and it offers a unique offering to investors, but has witnessed lower levels of investment – for example, tourism infrastructure is not keeping up with demand.

The Strategy's objective is to improve the availability, quality and choice of accommodation options, introducing high quality products and services, encouraging visitor dispersal and increasing regional Australia's share of the social and economic benefits of the visitor economy.

The Strategy recognises there is a shortage of affordable tourism industry staff accommodation, particularly in the Coles Bay, Bicheno and Swansea areas of the East Coast. The Office of the Coordinator-General has commissioned some work to look at staff accommodation demand and supply, and what the market (tourism workers) want. The results of the study are expected by the end of 2018.

3.5.4 King Island

The Government is working with the King Island Council and other key stakeholders on a number of suggested options, particularly the development of worker accommodation.

3.5.5 Flinders Island and Huon Valley

Accommodation supply analyses for Flinders Island and the Huon Valley – locations that do not have a considerable supply of hotel or resort accommodation – are currently underway, with results expected by the end of 2018.

4 THE IMPACT OF SHORT STAY ACCOMMODATION ON THE RESIDENTIAL HOUSING SECTOR

There are various factors impacting on the residential housing sector in Tasmania. Short stay accommodation is seen as a possible contributing factor to the shortage of dwellings available for residential use, particularly dwellings available for rental and affordable housing. However, the impact of the short stay accommodation market cannot be considered without also looking at the other impacts on housing.

4.1 The residential housing sector

In response to community concern about housing availability in the Greater Hobart region, the Tasmanian Government hosted a Housing Summit (the Summit) on 15 March 2018. Attendees at the Summit represented the whole housing sector, including the construction industry, planning and local government, the finance sector, the University of Tasmania (UTAS), TasCOSS, Shelter Tas, the short stay rental market, as well as social and crisis accommodation providers and peak groups.

At the Summit, nine key actions were agreed upon, one of which was undertaking further research to better understand trends in Hobart's rental market. The Government released this research paper, *Housing rental market trends in Tasmania – analysis of recent trends and assessment of data quality – Information Paper*, in June 2018 and the full report is available at

<http://www.treasury.tas.gov.au/Documents/Housing%20Rental%20Market%20Trends%20-%20Information%20Paper.pdf>.²⁰

4.2 Measures of changes to the rental market

Economic data can give an indication of the relative supply in Tasmania's housing market. This data is only indicative of increases or decreases in supply. It does not indicate how much supply is being diverted to the short stay accommodation market.

4.2.1 Median rental prices

Median rentals provide the middle score for recently rented properties. With 50% of properties above the median rental price and 50% below it, the median rental price is a more reliable measure than the average rental price which may shift misleadingly based on high or low cost properties. Therefore increases to the median rental price may mean an increase in rental prices overall. However, medians, as a measure of rental prices, need to be considered in light of what else is occurring in the market as well.

²⁰ Tasmanian Government, Department of Treasury and Finance, *Housing rental market trends in Tasmania - analysis of recent trends and assessment of data quality*, June 2018.

The Department of Treasury and Finance analysis of data shows:²¹

- Hobart has experienced strong rental price growth, compared to the rest of Tasmania. According to the Real Estate Institute of Tasmania (REIT), the median weekly rental price for a three-bedroom house in the Greater Hobart area increased by 8.1%, or \$30 per week between the March quarter 2017 and the March quarter 2018. Over the same period, the median weekly rental price in Launceston decreased by 3.4%, or \$10, while the price increased by 3.9%, or \$10, on the North West Coast.
- According to the REIT, the median weekly rental price for a three bedroom home in Hobart was \$400 for the March quarter 2018, compared with \$330 for the March quarter 2013, a 21.2% increase over that period. Much of this increase has been over the past 12 months.
- Launceston and the North West have not experienced similar rises in the median rental price over the last five years. According to the REIT, the median rent price was \$290 in Launceston and \$270 in the North West Coast for the March quarter 2018, less than 10% above the prices five years earlier (\$280 and \$250 respectively).

4.2.2 Vacancy Rates

Vacancy rates are used as a measure the gap between supply and demand in the rental property market. The methodologies and source data for calculating vacancy rates can vary significantly, so they should only be used as an indicator of market conditions compared to another geographic market at the same point in time, or another point in time for the same market.

Vacancy rate data in Tasmania is collected by REIT and SQM Research.²² The Tasmanian Department of Treasury and Finance examined the differences in vacancy rates reported by the REIT and SQM Research, published in the *Housing rental market trends in Tasmania - analysis of recent trends and assessment of data quality - Information Paper June 2018*.²³ Notwithstanding the differences, both vacancy rates tend to show the same trend over time. More information about vacancy rates is included in Treasury's Information Paper.

The vacancy rate in Hobart has been declining since 2012, hitting a low in November 2017 but is currently rising.²⁴ According to the REIT data, there are signs that the rental market is responding with latest figures showing that it has softened and therefore improving. The vacancy rate in Hobart for the June Quarter 2018 was 1.7%. This compares with a vacancy rate of 1.9% in Launceston and 3.1% on the North West Coast for the same quarter.²⁵

Vacancy rates in Hobart and the North-West Coast have increased from the March Quarter (1.4% and 2.8% respectively) and Launceston has remained stable.

²¹ Ibid p3.

²² <http://sqmresearch.com.au/>

²³ <http://www.treasury.tas.gov.au/Documents/Housing%20Rental%20Market%20Trends%20-%20Information%20Paper.pdf>.

²⁴ See SQM figures for Hobart from November 2017 to July 2018.

²⁵ REIT Media Release, June Quarter Results, <http://reit.com.au/quarter-results-media/>.

4.2.3 Real Estate Institute of Tasmania Quarterly Report – June 2018

The REIT Quarterly Report outlines a number of positive signs pointing to a shifting market and increases in housing supply. In particular:

- Land sales in 2018 (1,088 lots) are 20.4% higher than at the same time last year.
- First Home Buyers (FHBs) acquired 170 lots while 560 were purchased by existing home owners looking to upgrade. The balance was acquired by investors and developers.
- Rents appear to have flattened out following the easing of demand over the quarter.
- FHB sales increased by 1.0% and were greatest in Hobart (16%) and the North West (16%) of all sales, while Launceston was lower at 12%. The median purchase price for FHBs across the State was \$340,000.
- Foreign investors acquired 21 properties in the quarter at a median price of \$392,000. These represent less than 1% of total sales.
- Local buyers dominate the Tasmanian residential property market accounting for more than three quarters (76%) of the property transactions that occurred in the June quarter. Interstate and foreign buyers accounted for 24% of sales.
- Of the suburbs, cities or towns, Devonport recorded the highest number of sales (59), followed by Newnham (41), Glenorchy (36), Riverside (34) and New Norfolk (33) while Launceston dominated the municipal sales (with 419), followed by Clarence (273), Glenorchy (246) and Hobart (240).

4.3 Factors impacting on the residential housing sector

There are numerous and complex factors in both supply and demand sides, which have contributed to a decreasing vacancy rate and increasing rental costs, especially in Hobart, since around late 2016. These include:

- high rates of employment growth in the Hobart and the South East region;
- steady population growth in the Hobart region;
- increasing house prices;
- growth in international students;
- access to skilled labour in the construction industry; and
- changes to the way we live.

4.3.1 Employment Growth

Total employment in the Hobart area has been increasing strongly and Hobart has recorded the strongest growth of the three regions within Tasmania, particularly since November 2016. The latest CommSec State of the State Report shows Tasmania's unemployment rate is below its relative decade average.²⁶ Being employed is obviously a key factor in owning a home and can create increased housing demand.²⁷

4.3.2 Population Growth

While Tasmania's annual population growth is around 0.9% statewide, it has been more than 1% in the Greater Hobart area, the highest since 2010. During the December quarter 2017, net migration to Tasmania comprised 78% of population growth, or 930 people. Population growth from migration tends to create a greater demand for housing than natural population growth because migration generally includes an increase in the working age population and families, who require housing.

The July 2018 CommSec State of the State report shows Tasmania is the strongest of all states and territories on its relative population measure, with its 0.94% annual population growth rate almost 65% above the decade-average rate.

4.3.3 Increasing house prices

ABS figures indicate that Hobart's median house price for the December quarter 2017 had risen 12.6% since the December quarter 2016. This rapid house price growth impacts affordability for some home buyers when the supply of new affordable housing is limited, forcing some potential buyers to remain in the rental market, adding to demand.

4.3.4 Increased tourist growth

In addition, according to Tourism Tasmania, Tasmania had 1.28 million international and interstate visitors in the year to March 2018. Since December 2012, average year-on-year growth in total visitors has been 7.0%.

4.3.5 Growth in international students

The growth in international students may have contributed to the demand for rental housing, with the number of onshore international students at UTAS increasing from just over 3,000 students in 2011 to just over 4,000 students in 2016.

4.3.6 Access to skilled labour in the construction industry

Increasing investment and development in the State has seen the demand for skilled labour increase and this may impact the building sector's capacity to construct new residential homes.

²⁶

https://www.commsec.com.au/content/dam/EN/Campaigns_Native/stateofstates/July2018/CommSec_State_of_the_States_July2018.pdf.

²⁷ See for instance: <https://www.corelogic.com.au/news/the-relationship-between-the-labour-force-and-the-housing-market#.W1vctlzbD4>.

4.3.7 Changes to the way we live

There is a national trend toward a smaller number of people residing in each dwelling. While the Greater Hobart statistical area has been relatively consistent at 2.4 persons per dwelling, central Hobart is showing signs of following this national trend with rates per dwelling dropping. Tasmania's housing stock is predominately detached dwellings with 2 to 3 bedrooms. However, an ageing population and changing social norms is likely to add to demand for the number of dwellings available if we see an increasing number of single occupants.

4.4 Government and other responses to increase the supply side of the rental market

With continued low vacancy rates and median weekly rents and yields at high levels, it is expected that the market will respond with investors and developers investing in the new supply of rental housing. This will help the market to adjust over time.

Additionally, when house prices in Tasmania are significantly below mainland prices, this tends to attract interstate migration to Tasmania, with a relatively large share of house purchases being interstate buyers..

There are indications that some supply-side response has commenced. For example, the value of residential building approvals has increased strongly over the last 12 months in Tasmania, and, according to the ABS, in the year to May 2018 was \$837 million, up 25.8% on the year to May 2017.

The REIT June quarter 2018 summary information available from the REIT website and the SQM data shows vacancy rates easing across Tasmania in June 2018. The REIT reports vacancy rates have increased marginally to 1.7% in Hobart and 3.1% in the North West, while remaining steady in Launceston at 1.9%. The REIT summary indicates that rents appear to have flattened as demand has eased over the June 2018 quarter.

A combination of initiatives outlined in the following section may have an impact on the supply side of accommodation.

4.4.1 Increasing tourist accommodation

Approximately 2,500 new hotel rooms were completed in the last year or are under construction in Hobart. This extra supply in the short stay accommodation market is likely to result in some properties being returned to the rental housing market as yields in the short stay market decrease.

Recent developments include:

- Fragrance Group opened the Ibis Styles Hobart, bringing online an additional 296 rooms in the city; and
- Federal Group opened MACq 01 at Macquarie Point with 114 new luxury rooms.

Further beds are coming online:

- In Hobart there are currently 744 rooms under construction; another 274 rooms are likely to proceed and have development approval; and 919 rooms are under consideration by developers and/or going through the development approval process.

In Launceston:

- Errol Stewart's Silo Hotel opened in June 2018, bringing an additional 108 rooms in to the market;
- Hotel Verge on Tamar Street has received development approval for 86 rooms; and
- The JAC Group has announced the \$50 million, 4.5 star Gorge Hotel comprising 130 rooms.

The Devonport City Council has also announced that Fairbrother is the winning developer for a \$40 million waterfront hotel site in the city's CBD. This will provide 175, 4-star rooms.

There are also initiatives underway to help entice visitors into our regions, consistent with the Government's regional dispersal strategy.

These will be supported by the Government's \$20 million Tourism Accommodation Refurbishment Loan Scheme (TARLS). The Scheme will provide assistance to tourism operators, particularly in regional Tasmania, to improve the standard of the tourism offering in the State. To date, ten applications to the value of \$5.496 million have been assessed and approved.

4.4.2 Increasing student accommodation

UTAS has taken a number of steps to increase the supply of student accommodation in Hobart.

- A significant investment in student accommodation was funded through the Australian Government's National Rental Affordability Scheme (NRAS). The NRAS funding delivered University apartments at West Park (40) on the Cradle Coast, Newnham (180), Inveresk (120) and Hobart (430) which – under the terms of the funding - must be offered for a minimum of 20% below market value rates. Now complete, these 770 new apartments represent a \$120 million investment in Tasmania;²⁸
- In March 2018, UTAS also announced it had secured private investment funding to underwrite a new student complex of about 430 beds, worth more than \$70 million, at 40 Melville Street, with work expecting to be completed by 2020; and
- In May 2018, UTAS purchased the Midcity Hotel in Hobart's CBD to provide approximately 140 new student beds initially and increasing to more than 170 by Semester 1, 2019.²⁹

The combined capacity of all three new student accommodation developments in Hobart CBD is approximately 1,030 beds, and approximately an additional 140 in other areas of the State.

4.4.3 Increasing the supply of skilled labour

The Government has been working with the construction and engineering industries to fill the gap in the market, including investing in workforce development and grants to support the uptake of apprentices and trainees.

²⁸ <http://www.utas.edu.au/news/2017/10/24/443-university-apartments-open-on-melville-street-hobart/>

²⁹ <http://www.utas.edu.au/latest-news/utas-homepage-news/new-student-accommodation-for-hobart>.

The Government:

- extended the Payroll Tax Rebate Scheme for apprentices and trainees to 30 June 2021, with a targeted focus on addressing workforce needs in identified areas of Tasmania's economy. The extended scheme provides a payroll tax rebate for apprenticeships and traineeships in identified areas, including building and construction and will support around 3,000 new apprenticeships and traineeships in total;
- introduced the Small Business Grants for Apprentices and Trainees pilot program to support more apprenticeships and traineeships for small business (\$5 million over two years, from 2017-18). This pilot program has been highly successful and is now fully subscribed having supported over 1,300 individuals into new apprenticeships and traineeships with small business;
- in March 2018, recommitted to provide \$2.5 million annually in small business grants for employers of apprentices and trainees through a program targeted to specific industries. This funding provides a grant of up to \$5,000 for each new apprentice or trainee taken on by a small business in identified sectors of the economy such as building and construction, tourism and hospitality and advanced manufacturing. It is anticipated this will support 1,500 new apprenticeships and traineeships and assist local small business to access the skilled workers they need to grow; and
- committed to investing \$7 million to establish a Trades and Water Centre of Excellence as a purpose-built training workshop for the industries. The new centre will include onsite accommodation and a new purpose-built workshop fitted out with the latest technology, and will offer training courses covering plumbing, electrical, automotive, plastics, refrigeration and air-conditioning.

Efforts to address industry skills demand are supported by the Building and Construction Training Policy, which is a whole-of-government initiative aimed at increasing the skilled workforce of the building and construction industry in Tasmania. The Training Policy applies to Tasmanian Government-funded building and construction projects of \$250,000 or higher in value. It requires that a minimum of 20% of the total labour hours worked on such projects be undertaken by apprentices under a training contract in a trade directly related to the building and construction industry.

The Government is also supporting targeted skilled migration to fill immediate skill shortages, including through the *You in a Year* campaign, and Tasmanian Employment Network Service (TENS) being progressed through the Population Growth Strategy.

TENS provides assistance to people seeking employment in construction, engineering, information and communication technology (ICT), health and hospitality related fields by connecting them with relevant industry and business contacts. The service is free and open to people from all geographical locations who are eligible to work in Australia and interested in finding employment in Tasmania. This service is available through the MakeltTasmania.com.au website.

4.4.4 Incentivising owners of private rental properties into the rental market

In late 2017 the Government undertook an analysis of the Tasmanian Housing Register (common wait list) to determine the demand for affordable accommodation. The analysis showed about 700 applicants citing inability to access affordable accommodation as the reason they were seeking housing assistance from Housing Connect. There were no other support needs cited.

The Private Rental Incentive scheme is aimed at assisting this cohort of people across the State. It is an initiative under the first *Affordable Housing Action Plan 2015 - 19*. The initiative arose from proposals put forward by stakeholders, including Shelter Tasmania, during the workshops conducted to develop the *Affordable Housing Strategy 2015-2025*. The Government has committed \$1.785 million for this pilot which commenced in May 2018.

The initiative provides a payment to property owners of \$10,000 in the North and North West and \$13,000 in the South to make their homes available at affordable rents for a 12 month period.³⁰ The homes will be head leased by a community housing provider and sub-let to households from the Housing Register. The initiative seeks to approve 110 properties into the scheme by 30 June 2019.

As the properties are being sought from the private rental market, preference is given to properties which are currently not subject to residential leases. Properties that meet this criterion include new homes, properties recently purchased by investors or dwellings that may have been used for short stay accommodation.

Suitable applicants will be low income households with low or no support needs who can afford a private rental property at the prescribed maximum rent for the program. They must be 18 years or older and must meet the income eligibility threshold for social housing. Applicants will also be eligible to apply for Private Rental Assistance and Commonwealth Rental Assistance.

As at the 12 July 2018, 50 properties have been approved to enter the program.

4.4.5 Releasing land for new residential development

The Tasmanian Government is facilitating the release of land for new residential development and has legislated to accelerate zoning changes. A key initiative of the Government's *Affordable Housing Strategy 2015-2025* is the prevention of housing stress and homelessness through providing new affordable supply. To assist in delivering this outcome, in the 2017-18 Budget the Treasurer announced a broad scale whole-of-government review to assess underutilised government land that may be suitable for repurposing into housing. The *Housing Supply Side Options: A review of Government owned land holdings potentially suitable for conversion to residential housing* was released on 16 March 2018, available on the Treasury website - <http://www.treasury.tas.gov.au/Documents/Housing%20Supply%20Side%20Options%20Project%20-%20Final%20Report.pdf>

This resulted in the Government endorsed action at the Housing Summit, hosted by the Premier on 15 March 2018, which was to introduce land-release fast track legislation in the autumn session of Parliament 2018 to rezone government land to enable an accelerated supply of affordable housing.

This legislation, the *Housing Land Supply Act 2018*, provides for a more direct and efficient process for rezoning Housing Tasmania land and surplus Crown land to help accelerate the supply of land that can be developed for affordable housing, in Tasmania. It also provides for the nomination of specific planning controls relating to residential use and development that will apply to certain areas of Housing Tasmania land or surplus Crown land.

³⁰ The value of the incentive is higher in the South as rent prices and property costs are higher.

The Act overrides the rezoning process in the *Land Use Planning and Approvals Act 1993* and provides the Minister with the power to:

- rezone certain areas of Housing Tasmania land and surplus Crown land after it has been identified and assessed as being suitable for affordable housing; and
- nominate specific planning controls relating to residential use and development that apply to certain areas of Housing Tasmania or Crown land.

4.4.6 Legislation taxation measures to support housing supply and affordability

The Government has legislated specific measures to support housing supply and affordability through the *Housing Availability and Payroll Tax Relief Act 2018* which received Royal Assent on 29 June 2018. Initiatives in the Act include:

- a duty concession for first home buyers of established homes, of 50% of the duty payable for a property value of up to \$400,000, for an initial period of 12 months;
- a duty concession for pensioners downsizing to a new home, of 50% of the duty payable on the new home for a property value of up to \$400,000, for an initial period of 12 months;
- a three-year land tax exemption for newly built housing made available for long-term rental;
- a one-year land tax exemption for newly listed rental properties returning from the short stay accommodation market within the Greater Hobart area;
- extension of the \$20,000 First Home Owner Grant for eligible first home owners buying or building a new home, to 30 June 2019; and
- a Foreign Investor Duty Surcharge of an additional 3% of the dutiable value for all purchases of residential property by foreign residents

The impact of these measures is likely to be seen in the next 12 months.

4.4.7 Developing the Hobart City Deal

The agreement to develop a Hobart City Deal includes action on affordable housing. Options will be explored in partnership with the Australian and local governments.

5 THE IMPACT OF SHORT STAY ACCOMMODATION ON THE TOURISM SECTOR

The Tasmanian Government notes that Tasmania continues to be a must-see destination with international visitor numbers experiencing strong growth, coupled with visitors spending record amounts in our economy.

While the Tourism sector is best placed to comment on this term of reference, the Tasmanian Government submission recognises that tourism is one of our State's competitive strengths, it supports 38,000 direct and indirect jobs.

The 2018-19 State Budget delivered more than \$129 million to support Tasmania's tourism, events and hospitality sectors through more marketing, better infrastructure and new experiences and events.

The latest International Visitor Survey results show that Tasmania has welcomed 300,400 international visitors in the year to March 2018, the highest number on record and an increase of 20%.

For the first time, international expenditure in Tasmania exceeded half a billion dollars at \$559 million, a 32% increase over the year.

The number of nights international visitors stayed in Tasmania is also at a record high, with over 5.2 million nights in the year to March; a 44% increase on the previous year.

The average length of stay is now 17.3 nights, which is an important element in achieving more visitors for our regions.

5.1 Providing accommodation in periods of peak demand

The Tasmanian Government's response under the first term of reference outlines the findings of the Office of the Coordinator-General's accommodation supply analysis, which provide insights into regional tourism demand. These figures show that during high season, particularly in January and February, occupancy levels are very high. During these periods of peak demand, the private short stay accommodation market has filled an important role by providing accommodation, however the pipeline of supply is hard to predict. A summary of the analysis is provided below.

5.1.1 Hobart and Greater Hobart

- Average annual occupancy levels are high with Hobart City at 82% and Greater Hobart at 78% in the year to June 2016, with Hobart City's occupancy sitting at over 90% for six months of the year.
- With analysts advising that 75% occupancy is good for a vibrant sector, these results indicate that accommodation businesses in Hobart and surrounds are in high demand year round.
- At that time, the sharing economy was estimated to be used by about 10% of domestic visitors.

5.1.2 Launceston

- Data for 2017 shows a seasonal market with average occupancy in Launceston as high as 86% in the summer months and over 75% for six months of the year (November to April). It is important to note that significant future visitor growth expected for the region.
- At that time the sharing economy was estimated to be used by about 7% of domestic visitors to Launceston, in line with the Australian average.

5.1.3 East Coast

- Occupancy rates on the East Coast are highly seasonal, with occupancy rates highest for private rental accommodation providers.
- The data reveals that the stock of both private short stay and hotel/motel accommodation is at capacity, particularly for Triabunna-Bicheno, and seasonally (December to March).
- As of June 2016, private rental accommodation made up 79% of total properties and 52% of rooms on the East Coast.

5.1.4 North West

- Occupancy rates in the North West are also highly seasonal, with occupancy rates highest in February, and lowest in June/August.
- The report suggests that on average, Airbnb hosts only make units available for rent about half the time.

5.2 Market share of Tasmania visitor accommodation

Tourism Tasmania notes:

The long-standing TVS began collecting data on use of Airbnb by visitors in July 2016. Insights from the TVS for the year ending March 2018 include:

- *Of a total of 1.28 million visitors in the year ending March 2018, some 148,000 stayed in Airbnb accommodation for at least part of their trip. (Visitors may stay at a combination of accommodation types.)*
- *This equates to 12% of visitors utilising Airbnb accommodation during their trip to Tasmania.*
- *The number of total visitor nights spent in Tasmania for the 12 months was 10.83 million, while total visitor nights spent in Airbnb was 680,647 – i.e. 6% of total visitor nights were spent in Airbnb according to TVS results.*

5.3 Airbnb contribution to the Tasmanian economy generally

The Deloitte Access Economics Report on the *Economic Effects of Airbnb in Australia*, Tasmania, 2017, commissioned by Airbnb, suggests the following economic contribution of Airbnb to Tasmania and to Tasmanians:

- Airbnb guests contributed \$54.5 million to Tasmania's Gross State Product (GSP) in 2015-16 (\$42.1 million in direct contributions and \$12.5 million in indirect contributions), supporting 599 jobs in addition to the activities of hosts;³¹
- One of the drivers in growth has been creating lower cost accommodation options;
- One of the key differences influencing the use of Airbnb is location – three quarters of Airbnb properties in major markets around the world are located outside traditional tourist areas. Other features include bringing people together from other states or countries, home-like facilities in accommodation, and the features of the Airbnb app such as the rating system; and
- Airbnb hosts in Tasmania earned a median income of \$7,000 in 2015-16.

The provision of Airbnb accommodation in popular regional tourist areas, such as the East Coast of Tasmania, provides an important additional accommodation option.

The Tasmanian Government notes that Airbnb is only one of the short stay accommodation providers in Tasmania and therefore the actual contribution of the entire market is significantly higher.

³¹ Deloitte ranked Tasmania fifth in Airbnb contribution to state/territory economic contribution, behind New South Wales, Victoria, Western Australia and Queensland and in front of South Australia, the Northern Territory and the Australian Capital Territory, p22.

6 REGULATORY ISSUES INCLUDING CUSTOMER SAFETY, LAND USE PLANNING, NEIGHBOURHOOD AMENITY AND LICENSING CONDITIONS COMPARED TO OTHER JURISDICTIONS IN AUSTRALIA AND WORLDWIDE

Tasmanians have embraced the sharing economy and we are committed to ensuring it continues to play a positive role in our visitor economy and community.

However, it is clear that there is an issue when it comes to compliance that is cause of significant concern for the community sector and the tourism and hospitality industries.

To address this, we will introduce legislation by the end of this year to ensure compliance with our existing regulations.

The legislation will serve two important purposes; to ensure everyone is playing by the rules, and, to paint a clear picture of home sharing across Tasmania.

This approach will ensure we have meaningful data to fully understand the short-stay accommodation sector in Tasmania.

The intent of the legislation is to require anyone listing an investment property on an online platform to show details of their required permit. Roger Jaensch, Minister for Housing³²

³² Tasmanian Government Media Release, Short-stay: Play by the rules, Roger Jaensch, Minister for Housing, 7 August 2018.

The Government has taken action to ensure compliance of the regulations around short stay accommodation. It considers that the regulatory setting strikes the correct balance with the most recent set of changes being made following the review of draft Planning Directive No. 6, which included a full public consultation undertaken by the independent Tasmanian Planning Commission (TPC).

6.1 Planning Scheme changes

The Tasmanian Government has embraced the home sharing economy, introducing nation-leading regulation in July 2017 that changed the rules surrounding short stay accommodation (such as Airbnb and Homeaway) to provide certainty, consistency, reduce red tape and support consumer choice.

This was done through an Interim Planning Directive, which was subsequently assessed by the independent TPC. The TPC's recommendation was to retain the exemption for Tasmanians renting out rooms in their own home, or their primary place of residence while on holidays,

This was an indication that the Tasmanian Government had put in place the correct regulatory settings, ensuring that only investment-type properties require a permit and at the same time making it easier for people to share their home.

The Government also implemented the TPC's other recommendations, including minor changes to secondary reforms for visitor accommodation that goes to investment properties and homes with more than four bookable rooms, such as:

- A reduction to the permitted floor area;
- Further controls on visitor accommodation in strata schemes; and
- Reverting the regulation of visitor accommodation for some areas within Battery Point back to the way it was under the Hobart Interim Planning Scheme 2015.

These changes came into effect on 1 July 2018.

6.1.1 The changes that came into effect on 1 July 2018

Since 1 July 2017 there has been a general 'home sharing exemption' which means that there is an exemption from permit requirements if a dwelling is used by the owner or occupier as their main place of residence and: it is let out to visitors while the owner or occupier is on vacation or temporarily absent; or not more than four bedrooms are let out to visitors.

The 1 July 2018 changes implemented by the Minister for Planning, on the recommendation of the independent TPC, did not affect this general exemption. The new requirements change the circumstances for when visitor accommodation within residential zones is a 'Permitted' use under the planning scheme.

They relate to new visitor accommodation use within existing dwellings or other existing habitable buildings in residential zones if: they are not used by the owner or occupier as their main place of residence; or they are used by the owner or occupier as their main place of residence and visitors are accommodated in more than 4 bookable bedrooms.

These types of properties do not meet the 'home sharing exemption' and also have to meet a number of standard requirements under the Planning Directive to be deemed a 'Permitted' use under the planning scheme. The use must also meet all requirements in the planning scheme that are necessary for a 'Permitted' use.

Applications for visitor accommodation that meet the 'Permitted' use requirements must complete a Visitor Accommodation Standard Application Package and submit it to their local council for approval. The Application Package includes the planning permit application form and a building self-assessment form.

The building self-assessment form is a requirement of the Director's Determination – Short or Medium Term Visitor Accommodation issued by the Director of Building Control under the *Building Act 2016*. The building self-assessment form must be completed as part of the Application Package to demonstrate that the minimum building safety standards can be met. The Director will conduct an audit to ensure compliance.

Changes were also made to the planning requirements for visitor accommodation use of dwellings that are part of a strata title arrangement (such as multiple dwellings or apartments). Planning restrictions that applied to visitor accommodation use in Battery Point prior to 1 July 2017 were reinstated for uses that do not meet the 'home-sharing' exemption.

Full details of the requirements are available at the Tasmanian Planning Reform website <https://www.planningreform.tas.gov.au/facts/visitor-accommodation-reforms>.

6.2 New legislation to ensure compliance with existing regulations

The Government will introduce legislation and launch a public awareness campaign to address compliance concerns relating to short stay accommodation. The Government knows that Tasmanians have embraced the sharing economy and the Government is committed to ensuring it continues to play a positive role in Tasmania's visitor economy and community.

However, it is clear that there is an issue when it comes to compliance that is cause of significant concern for the community sector and the tourism and hospitality industries. To address this, the Government will introduce legislation by the end of 2018 to ensure compliance with existing regulations.

The legislation will serve two important purposes; to ensure everyone is playing by the rules, and to paint a clear picture of home sharing across Tasmania. This approach will ensure that the Government has meaningful data to fully understand the short stay accommodation sector in Tasmania.

The intent of the legislation is to require anyone listing an investment property on an online platform to show details of their required permit. People sharing their primary residence online will not be affected by the legislation.

Property owners and online platform providers found to be in breach of the rules could face penalties, which may include significant fines.

All Tasmanians will have an opportunity to have their say as part of the consultation process as legislation is drafted.

To ensure that all Tasmanians know whether they are required to have a permit, the Government has launched a public awareness campaign detailing the responsibilities of homeowners when it comes to listing a property for short stay accommodation.

These steps will ensure the checks and balances are in place when it comes to short stay accommodation so that Tasmanians and visitors alike can continue to share in its benefits.

