

Jenny Mannering

From: Barney Phillips <barney.tasmania@gmail.com>
Sent: Friday, 10 August 2018 2:46 PM
To: SSA
Subject: Submittal to the Legislative Council Inquiry into Short Stay Accommodation in Tasmania.

1. **To the committee:**

Please find my submittal to your inquiry.

Terms of Reference:

(1) 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;

Comment: The growth of short stay accommodation (SSA) in Tasmania has been significant over the last few years but in my experience is already waning. The "recent trends" have already occurred in 2016 and the prevalence of the SSA means it has become saturated, particularly in Hobart.

2. **(2) The impact of short stay accommodation on the residential housing sector;**

Comment: There is no doubt that some residential properties previously operated as rental properties for locals have been converted to visitor accommodation. It is likely that many are already returning to the market but at a higher rent to reflect changes in supply and greater demand. Likewise there are properties that were previously owner occupier residences that are now rental properties. Tracking one part of this equation will give a quite biased answer. Real Estate property prices have risen and rents have risen accordingly. Rents have risen faster than CPI and welfare payments. Persons on welfare will be squeezed out of suburbs that become expensive due to real estate price increases. This is an age old problem and has previously been experienced in Melbourne and Sydney. Suburbs such as South Hobart, West Hobart, North Hobart, New Town, Lenah Valley, Mount Stuart, Dynnyrne and Glebe are no longer affordable to persons on welfare (including in many cases students).

3. **(3) The impact of short stay accommodation on the tourism sector;**

Comment: SSA has been the reason Tasmania is currently enjoying such a boom. Without SSA there would simply not be enough bed-nights to accommodate the tourists who have flocked to Tasmania since the advent of Mona and in particular MOFO, Dark MOFO and the various events that have capitalised on Tasmania's current popularity including the visit by the Chinese president in 2013. The construction industry is fully occupied because of a hotel development boom currently occurring. Airbnb is a short term fix to the lack of visitor accommodation in Hobart. It will not continue to grow indefinitely as there is a tipping point in favour of long term rental as the vacancy rate for short term accommodation rises.

4. **(4) Regulatory issues including customer safety, land use planning, neighbourhood amenity and licensing conditions compared to other jurisdictions in Australia and worldwide;**

There is already a plethora of regulations applying to the visitor accommodation industry and also too many regulations controlling residential tenancy. We should not be encouraging more regulations but less. Australia is a free country and there should be freedom to use property as you choose.

There is already enough planning control of visitor accommodation as a land use classification.

SSA has generally some vacancy so there is actually less intense use of a property compared to long term residential tenancy. There is much less likely to be parties in SSA premises as there is immediacy on ratings and guests cannot afford to gain a bad reputation.

We do not need stricter licensing conditions. The Planning classification 'Visitor accommodation' is already quite stringent and a sensitive use with greater control than residential use.

and

5. (5) Any other matter incidental thereto.

see my story as a case study:

Whilst not ever having experienced homelessness in the modern sense of the term I have been homeless as a child when our house was destroyed by fire leaving our family with only the clothes we were wearing at the time. For three years our family of six lived in a small farm cottage thanks to the generosity of a local farmer while my father built us a new house . While on that farm at Richmond, I gained pocket money for gardening and hay carting without the need to be inducted, trained, qualified, have a Cert II in horticulture or indeed worker's compensation. I did not have to wear high viz clothing or steel toe capped safety boots. That was a long time ago and now with the advent of Workplace Health and Safety Act and classing a farm and everything on it as a workplace and a Minimum Requirement for Tenancy and Tenants Rights and Tenants Union it would be almost impossible for any farmer these days to offer the same generosity without putting themselves and their family's business at risk, thanks to "Duty of Care" and pro-bono lawyers.

What has that got to do with SSA or the housing crisis you may ask? We were better off with a lot less regulation. Landlords and even those in need of housing have been forced to change by regulations and laws which impose both on human kindness as well as human need. These regulations influence the way people interact. It is no longer good enough to work on a handshake. There are many regulations enforcing things that come with a cost and the costs must eventually be paid by someone (eventually the tenant). Regulations have increased the cost of development, the cost of construction and the cost of owning property whether for residential or Short Stay accommodation. More regulations mean more costs which mean higher rents.

A landlord will not evict a good tenant. The idea of owning an investment property is to create passive income. A good tenant provides a landlord passive income with not much effort. Landlords choose short term alternatives (such as Airbnb) only when the long term tenancy is too much of a risk or a problem or does not provide a reasonable return on investment.

I have two residential investment properties in Sandy Bay which are identical. One is run as an Airbnb (whole unit) by my wife and one is a long term rental.

The one which is an Airbnb was for a time a 2 bedroom rental property although we purchased it from an owner occupier. The rental market is and always has been fluid. Properties change hands and change occupancy regularly.

Our units are quite near the University. When we purchased the first unit in 2011 Tasmania was still recovering from the Global Financial Crisis and there was not a lot of optimism around. We were lucky to find a tenant reasonably quickly but only for a six month lease. When the tenants moved out we had a long vacancy as it was winter time. It was hard to find a tenant. Rents were falling (early 2012). We got another six month lease then another long vacancy. We could not find a tenant so we tried to rent the place out furnished. That was successful except we only managed to get the same rent after putting new furniture and household contents into the apartment. We managed to get a two year lease for the furnished unit which was extended monthly at the end. We did not increase the rent as we were happy with the tenant and so by the end of 2015 we were getting the same rent we started with in 2011 despite fully furnishing the place.

When that tenant left our daughter suggested Airbnb. At that time Airbnb was just starting to be noticed in Hobart and HCC were already clamping down. We had to do a Planning Application to change the use from Residential to Visitor Accommodation. Despite there being no physical change to the property (not even the furniture) we had to advertise and pay quite a lot of money to get approval, requiring reports and answering queries from the HCC. The property was vacant for several months while we obtained the necessary approval. Once approved and listed, Airbnb was immediately successful. Within a few hours of listing the property we had 10 or 11 bookings. We have continued to run that property on Airbnb since that time and my wife treats every guest and our neighbours with the utmost respect. She has now had more than 150 5-star reviews and has been a "Super host" for a few years now. This means those staying have appreciated the accommodation and no doubt have spread a good word about Hobart. Our guests are approximately 50% interstate, 40% overseas and 10% Tasmanian.

We bought another unit in 2015 thinking that we would also run that as Airbnb. Whilst both units were identical we paid about 25% more for the second unit as Hobart real estate prices had started to rise sharply. The second unit had an existing residential tenancy running which expired in mid 2016. At the end of that lease the tenant extended monthly so it was difficult for us to time an entry into AirBnB as we did not know when the property would become vacant. Finally after Christmas 2016 it became vacant and we had to quickly assess whether to continue as a long term rental or start it off as a visitor accommodation unit. By this time the government policy on short stay accommodation had been announced but there was no change from previous requirements for us as it was not our own house and we already had planning approval for visitor accommodation. The second time around seemed more predictable but would still have to go through the process and it would have cost quite a bit. We also weighed up the extra work. One Airbnb was manageable by ourselves but once we started the second one we would most likely have to pay for services such as cleaning, laundry and the like as there was a strong likelihood that both units would be occupied and vacated at similar times. My wife is a nurse. If she had to give up 2 or 3 shifts a week to manage the second Airbnb it was simply not worth it.

We made the decision to leave the second unit as a long term rental and got a tenant for a 2 year lease in early 2017. Notably in 2017 rents had finally risen after falling during 2012 and 2013 and being fairly stable in 2014 and 2015.

Another reason for leaving our second unit as a long term rental was that after only one year we had already started noticing an increase in vacancy for the Airbnb unit. The rapid escalation of the number of properties in Hobart on Airbnb meant the prospective visitor was spoiled for choice. Airbnb were constantly suggesting via email to drop prices or go for one night stays to attract more business. Market forces were at work. The second unit was simply not viable for us to operate as an Airbnb unit.

In my opinion (based on sound industry knowledge) whilst the total volume of “bed nights” in Airbnb (and/or Home Away/Stayz) is probably still growing, the number of nights in an individual property are more than likely falling (which is certainly the case for us). Already we have decreased the accommodation charges for the Airbnb property despite real estate property values continuing to rise.

At the same time there are a great many hotel rooms under construction around greater Hobart. When more of these come online there will be even more pressure on people operating residential premises as visitor accommodation.

There is no need for further regulation. The short versus long term rental market is correcting itself.

thank you for considering my submission,

Bernard Phillips,
Richmond,
Tasmania