

8th August 2018

RE: SHORT STAY ACCOMMODATION IN TASMANIA

Dear Committee

Thank you for the opportunity to submit our business's view on the short stay accommodation industry in Tasmania.

I am the Director of Little City Group – a property management business based in Hobart offering services for Airbnb Management as well as Residential Leasing. Due to our involvement in both facets of the property management sector I believe our business can provide a great insight into the short stay accommodation industry and all aspects of the Inquiry's Terms of Reference. Please see our thoughts/observations in respect to the Terms of Reference outlined in order of 1 – 4 only, as per your submissions document.

1.

The volume of short stay accommodation providers in Hobart has clearly grown rapidly. This is obviously demand driven (ie increased tourism numbers and shortage of accommodation beds) however it also signifies the change in habit of modern tourists whom often prefer the comfort, space and convenience that these properties can provide. This change in habit will not subside and it is therefore crucial Hobart services this sector of the tourism market. In our experience a saturation point has been found in the sector and many operators (particularly those offering a poor/expensive product) have seen a reduction in financial returns and many are choosing to return to the rental market. This will only increase as the new hotel developments become available for occupation in the coming years. We believe allowing the market to dictate the number of short stay accommodation providers will provide the ideal balance/availability for both the tourism and residential housing sector.

2.

Investors are obviously interested in maximising their ROI and the short stay accommodation sector has opened up a new avenue for them to consider. Having said this, it takes time, consideration and money to set-up an appealing and profitable sort stay venture and many investors are still content with the traditional option of finding

a tenant. The reality is that Hobart housing prices have increased exponentially in the past 18 months and this has also been a driving force behind rental price increases/landlord expectation. Many investors have had poor experiences with tenants and the idea of their property being inspected and maintained up to several times per week provides peace of mind and protection. A large proportion of our clients also enjoy spending time in Tasmania so short stay ventures allow them to visit regularly and enjoy their investments.

Not all properties are in the right location for or in the required condition for, short stay accommodation. Those that do not meet these requirements will inevitably fail to perform. In our experience the properties that do perform well are in areas that demand a very high rental return and are not suitable for rent by lower income earners or students. The large influx of students (particularly international) and the lack of University accommodation has a much greater impact on the rental market. Typically these students are prepared to pay more than local low – middle-income earners. The slow relocation of the University of Tasmania to the city has also had an affect as international students are now prepared to live in areas like North Hobart, New Town resulting in a rise in rental prices in these areas and puts pressure on affordable rental/housing prices in the northern suburbs.

I think the pressure on the residential housing sector has been impacted by many factors and to point the finger at the short stay sector is narrow minded and lacks adequate understanding.

3.

As with anything new and 'different' it seems the knee-jerk reaction of many Tasmanians is to resist rather than embrace. The rise of the short stay sector through platforms like Airbnb has had so many positive effects which deserve attention. The service has significantly aided with the shortage of tourist accommodation in Hobart and created opportunity for my wife and I to be entrepreneurial in a State which has historically forced young, ambitious individuals to move away. Further, our business (still in its early days) already sub-contracts \$10,000 of cleaning per month to a local operator, easily employing 6 Tasmanians on a part-time basis. Our business is also passed on to local gardeners, photographers, wine-makers, dairies, linen-hire providers, electricians, plumbers and so on. In each property we leave a house manual with dozens of recommendations for local businesses and attractions. Not only do our guests spend money there, they then also recommend these businesses to others via social media.

4.

We are supportive of any licensing condition, which improves customer safety and enjoyment. However we feel the market is the best controller of the number and location of viable short stay ventures and any measure put in place to restrict this is fraught with risk to the tourism and housing markets. I think time will be the best

controller of the short stay market as competition increases from Hotels in the coming years and investors return to the rental market in search of reliable returns from their properties.

I thank you again for the opportunity to express my views and urge you to consider the points I have made in my submission. I believe our business is perfectly positioned to provide a snap shot of the issues raised in your Inquiry's Terms of Reference. If there is ever an opportunity to front the inquiry in person I would be more than happy to oblige.

Warm regards

Tom Gibson | Director