

TOURISM NORTHERN TASMANIA
DRAFT – Short Stay Accommodation Submission



Tourism Northern Tasmania incorporated (TNT) is the regional tourism organisation for the North. TNT is tasked with growing the social and economic returns from the visitor economy to the communities in Northern Tasmania.

The rise of sharing economy platforms has in recent years become more prevalent in Tasmania. Key industries to date affected by global sharing economy brands include; accommodation (Air BnB), Transport (Uber), Hospitality (Uber Eats), and lifestyle services (AirTasker). Brands yet to reach Tasmania, but are anticipated to do so very soon, include; 'Air BnB Trips' providing touring services, 'Hitch-A-Ride' promoting ride sharing and 'SideKicker' for recruitment of casual employment.

With such an array of consumer driven disruptive business models changing the dynamic of service provision across the globe, it's imperative that Tasmania at all levels of government, all industries and the community as a whole, set a 'cultural course' to determine why and how the State embraces these disruptions.

TNT see the Legislative Council's select committee investigation of the impacts of changes in the Short Stay Accommodation sector as a great opportunity of establishing a pilot for how the State responds to all future sharing economy evolutions.

The below submission responds to the four areas set out by the Legislative Committee for consideration. The summary of this submission is that when considering the facts vs believing assumptions presented in local news media, the issue has been blown out of proportion. It also tests the argument that larger factors are influencing such things as housing availability and sustained profitability of the accommodation sector. These factors to date have been overlooked in lieu of prosecuting against Tasmanian's providing short stay accommodation services.

In saying this TNT's submission also supports a need for more motivation provided to private hosts to comply with existing regulations. This to ensure visitor safety and quality services are consistent across the State, no matter what business model a service provider chooses to follow.

It should be noted that numbers and percentages stated below are derived from a third party analyst site not endorsed by Air BnB. It is assumed that even if an error level of 5-10% was appreciated in these below statements, the references made still provide an evidenced argument. Air BnB is used as an exemplifier, and by now means should be considered holistic of the issues referenced.

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;

Based on the searches undertaken on www.insideairbnb.com/Tasmania there are over 400 Air BnB properties operating in the City of Launceston, the majority of which (90%) are located within 5 km of the CBD. Of these 72% are full rental vs room-only listings.

Tourism Northern Tasmania would caution on the use of these general numbers, as approximately 20% of 'full rental' listings (at the very least) are commercial accommodation providers using the Air BnB platform as a distribution channel. Therefore, a truer figure of 'private hosts' offering entire premise rentals in Launceston is more likely to be approximately 235 properties.

There are currently 5,089 hotel (and traditional short stay accommodation) beds in the City of Launceston and the number of Air BnB beds available could range between 1,261 and 1,700. This means that Air BnB hosting is now a significant provider of accommodation in the city providing between 20 and 25% of the beds that are available to rent. Noting also this inventory is not static and can be easily switched on or off on any day of the week, month of the year.

The average occupancy rate for Air BnB is 40% and the average per night return is \$142 meaning the average annual income is about \$18,000 (\$1,506 per month). Compared to the commercial accommodation occupancy rate of 71.2% and average per night return of \$142 recorded by the Tasmanian Hospitality Association year end 31 May 2018.

Inside Air BnB indicates that 85.6% of listings in Launceston are classified as highly available. This in part reflects the stark seasonality of the visitor market for Launceston, which sees 63% of visitors to the city between October and March.

Although the annual net increase in the number of new Air BnB listings has increased from previous year, it is anticipated that the 'natural carry capacity' of the city will be reached soon and the rate of growth will likely plateau and more stable trends of both supply and occupancy will be realised.

According to the Tasmania Visitor Survey administered by Tourism Tasmania, **237,746** visitors (**18.5%** of all visitors to Tasmania) indicated they stayed in hosted accommodation (including Air BnB) during year ended 31 March 2018. This illustrated a **20%** increase on the year prior. Compared to year end September 2017 when annual growth reflected **60%**. The average annual rate of growth over the last 3 years was **36%**.

This slowing in the rate of growth by visitors preferring privately hosted accommodation, coupled with an anticipated slowing in the growth of Tasmanian's entering the visitor economy via this form of accommodation, suggests the State is reaching a threshold of supply matched by visitor demand.

The above also suggests an opportunity for the traditional tourism industry to adjust its structures and norms to more proactively absorb these new service providers. This could take the form of the Tourism Industry Council of Tasmania offering a category of accreditation designed to accommodate the specifics that relate to private hosted accommodation. The goal being to assist private hosts in their

journey to provide the highest quality visitor services. This is the shared goal the TICT aspires for all tourism businesses, through being accredited, to consistently improve visitor satisfaction and as a consequence improve yield and repeat visitation.

2. The impact of short stay accommodation on the residential housing sectors;

Much media hype has been generated connecting the rise of short stay accommodation with a reduction of long-stay rentals available in Hobart. What has been concerning is a lack of credible intelligence to validate;

- a. The level of impact shorty stay accommodation rentals is really having on long-term rental supply vs other influences and
- b. Whether the issue of availability of rental properties is a State-wide dilemma vs being isolated to specific areas of the State, nor whether similar factors are contributing to this restricted supply. (this point will be addressed in section 3 of this submission)

To address the first issue – is there an impact on availability of long-term rental supply, specifically in Launceston? As referenced earlier in this submission, 235 properties in Launceston can be confidently assumed to be rental properties that are now available for short-term lease via Air BnB.

It's fair to assume a portion of this inventory has always in the short-stay rental market, particularly centrally located apartments being offered as fully furnished units for professionals and others seeking accommodation for durations of a few weeks or months. Property owners who operate in this part of the rental market confirm their guests are now using Air BnB and other platforms to book their accommodation needs given the convenience of these websites.

With regard to the volume of short-stay accommodation vs restrictions in long-term rental supply available in Launceston city. The issue is two-fold; the impact on availability of affordable housing vs the impact on general rental supply.

With regard to affordable housing it has been clearly evidenced in Launceston (via www.insideairbnb.com/tasmania) that few if any Air BnB properties are available for rent in neighbours where affordable housing is concentrated (eg. Ravenswood and Rocherlea). Generally speaking this is consistent in any city anywhere in the world. Visitors tend to seek accommodation either in central city areas, defined visitor precincts or villages/resorts that cater to visitors.

With regard to the broader impact upon long-term rental supply. When treated in isolation, a few hundred long-term rentals properties taken out of the market does not have a significant impact upon rental supply in Launceston. However, commentary offered by the local real estate industry suggests a larger influence is at play, that when combined with short stay accommodation, has amplified the matter.

Unfortunately, the media hype focusing on short stay accommodation given its visibility has resulted in the broader issues referenced below not to date being a focus.

This is best illustrated by the below commentary sourced from a local property agent:

“There are a number of interrelated trends currently at play in the Launceston real estate market. Short stay accommodation is not perceived to be having a great effect on the residential housing sector. Short stay accommodation is perceived to be making similar returns to those in a rental market but with a lot less hassle.

By far the biggest impact relates to investors who purchased houses for rental over the past 5-10 years and now find the investment real value has appreciated. What was a \$200,000 - \$250,000 housing property may now be worth \$300,000- \$350,000. However, the rent has not moved from \$200-\$250 per week to \$300-\$350 per week and the people who have been renting these properties are not now in a position to pay \$300-\$350 per week for rent. This means the real rate of return that investors are seeking has declined. This is triggering the sale of properties where annual returns on real value are dropping below 6%. These properties are being sold to owner occupiers (not renters) and the investors are taking their \$350,000 - \$400,000 and buying two housing properties in the \$200,000 market for rental purposes. By doing this they maintain a return on the value of their investment. This trend has created a hole in the rental market for the people who were renting these properties and they do not have affordable rental options. Their only option is to move to lower quality rental housing. This is by far the biggest trend influencing real estate in Launceston. Rental options in the \$200-\$250 per week are currently very limited in Launceston.”

In summary, the majority impact on lack of availability of long-term rentals be they affordable or in other price categories cannot be confidently explained by an increase in short-stay accommodation. Rather the changing dynamic of property ownership, the need for property owners to gain a good return upon their investments, and properties converting to owner occupiers seem to be more telling influences.

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

The issues that are arising maybe putting competitive pressure upon three star accommodation providers. The main impact of increased inventory is likely to be experienced during the low-season (April to September), but the degree is unknown for a number of reasons:

- a. The seasonal fluctuation in the ‘private host’ accommodation sector is not clear. As Air BnB providers can ‘switch off’ their inventory at any time, it can be assumed the pool of inventory available will have a seasonal variation. A confident measure of this is currently is not available
- b. The dynamic of users of Air BnB. During the off-peak season leisure visitors are the main category to decrease, while business travellers and conference visitors tend to be consistent against other times of the year. Air BnB listings are known to be popular with leisure visitors, especially family or friend groups travelling together. What is unclear is the impact upon the business traveller sectors, which are for many commercial accommodation providers a primary revenue stream during the off-peak periods.

Low levels of compliance raise concerns for visitor safety and quality of service provision. However, there are no examples of either being evidenced, so the assumption remains that the dual review

nature of sharing economy platforms, where both host and guest rates the quality of the experience, is likely self-regulating most of these issues at an operational level.

Generally speaking, in the City, the impact of short-stay accommodation can be absorbed by the industry, especially during the October through to April period. Most hotel managers have cited concerns regarding the number of new hotels being opened and what this increased commercial supply will do to pricing and yields particularly during the cool season of April through to September. Commentary with regard to the impact of Air BnB hosts has been varied from this sector.

Regionally, to date Tourism Northern Tasmania has not received any formal advice that local tourism destinations and their associated industries are suffering because of an increase in Air BnB providers. But there is tension which is expected when a disruptive influence is introduced into the 'status quo' of regular business.

Comments have been shared with industry associations by small regionally based accommodation businesses that negative impacts are being experienced. However empirical causal evidence is not easy to come by. It can be appreciated that the rise of sharing economy in this format has reduced barriers to entry for new competitors to offer accommodation services in our small towns. These new providers in some cases may offer services more cost effectively and are able to 'switch off' their businesses to avoid incurring costs during periods of the year when low levels of visitation occur. This presents a competitive pressure that some small accommodation providers may not yet be able to adapt to, therefore the immediate reaction is to demand for more controls and protections, and for these to be lobbied for via industry associations.

The positive in this is the industry can now attract 'new blood' who offer exciting, personalised services at low cost. These new providers can test assumptions and/or whether they want to be in a service industry, before investing heavily in capital. If they decide the service industry is not for them then they can exit without major losses. If they like the industry and see potential, some can choose to commercialise their enterprise and/or invest seriously. A good example of this is the opportunity provided to farming families seeking to enter the 'agri-tourism' sector and diversify their revenues. Many rural properties have existing structures such as shearing quarters or managers cottages which require very little investment to be converted to commercial accommodation. Again, these families can 'test the waters' of being involved in a service industry before deciding upon expanding their enterprises.

Positive impacts upon service standards are being illustrated by good accommodation providers looking at the personalised service that private hosts are able to offer and are adapting their service offering. In this way lifting service standards and the competitiveness of commercial accommodation offerings.

A case study of success driven by short-stay accommodation investment is the small town of Derby in the North East of Tasmania. Now home of the world famous Blue Derby Mountain Bike trail network. Derby has approximately 40 listings on Air BnB. Many of these listings are private investors who have repurposed existing cottages and other buildings into accommodation to service the influx of MTB riders the town has enjoyed. Two things are clear; i) without these private host investors Derby would

not have been able to cater to this increase in travellers, nor would it have been able to host the Enduro World Series in 2017 (or indeed again in 2019), and ii) traditional industry investors have been few and far between.

Another opportunity presented is visibility of small destinations. Flinders Island has 17 Air BnB listings, many of which are commercial accommodation providers. On other distribution channels Flinders Island is not often presented due to the levels of sales commission and other conditions imposed upon the small commercial accommodation providers on the island. Air BnB as a global platform enables intrepid travellers to find Flinders Island in its menu system and actively plan and book travel.

Visitor choice and quality are good things in a vibrant visitor economy. The perception of restricting that choice to protect current businesses practices of an industry isn't good for visitors, the businesses involved nor the community that hosts both.

If Tasmania is to thrive in a 21st century visitor economy, we need to acknowledge and embrace new ways that Tasmanian's can host our visitors, and new pathways for commercial enterprises to develop. Insisting that new entrants to our 'industry' follow traditional commercial investment and accreditation pathways is not adaptive, resilient or innovative. Without these characteristics our current industry runs the risk of becoming stagnant.

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

The vision for Tourism 21 Strategy challenges Tasmania to become "...a world-leading destination of choice, with a vibrant visitor economy supported by our tourism and hospitality industries, strong business and education sectors and a community that embraces our visitors and all the benefits they bring."

Key to this is ensuring visitors can engage with the island and its community in ways they choose that the community also supports. However those community members seeking to offer services do need to recognise the commercial nature of such enterprises and they need to be willing to actively comply with standards set by government.

City of Launceston records suggest only 20% of new Air BnB listings have passed through their planning department, reflecting a substantive rate of non-participation with existing requirements set out by State Government.

For the sake of visitor safety and to 'protect' the quality of service provided by private hosts, compliance with the existing regulations is essential. The current system of notifying the Council of intention to provide short stay accommodation seems to be based on self-identification, or on someone else reporting the activity.

Although not an area of expertise for a regional tourism organisation, it would seem wise to introduce more intelligent incentives for property owners to engage with their Councils to ensure they are compliant, offering a safe environment and ultimately able to offer great consistent service.

It should be noted that the recently announced intention to introduce permits and to police the application of permits most likely will not have the desired affect sought by industry lobby groups to reduce or restrict the supply of short stay accommodation.

It should also be cautioned that 29 councils across Tasmania may well hold differing views with regard to policing such permits and the added burden that may well come with such activity.

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