

Short Term Rental Accommodation Policy Statement

The Australian Short Term Rental Accommodation (STRA) market has over 160,000 listings on AirBNB across Australia and many more properties held through other websites and agents. This is equal to the number of new home dwellings currently built each year. Unfortunately, many of the STRA properties remain vacant during a large proportion of the year, while at the same time, driving up prices and limiting availability of long-term rentals.

Proposed action

The AHA and AA propose the Federal Government take the next step beyond the initial National Cabinet commitment made in the housing statement of August 2023 which was to “Consider options for better regulation of short-stay residential accommodation” (commitment 8 of *A Better Deal for Renters*).

Since that commitment, action by State & Territory governments has been mixed, with some of them seeming to take no action at all. We urge the Federal Government to lead the development of a national STRA regulatory framework including:

1. A State or Territory-wide minimum **cap of 90 days for un-hosted STRA** with local **councils authorised to implement a lower cap such as 60 days** depending on their local situation
2. **Obligatory registration** for all STRA including hosted and un-hosted accommodation, with host platforms and agents required to provide information to intending hosts on STRA regulations and ensure the unique property number is clearly identified.
3. **Annual registration fee** for all properties on the market for rental terms less than 90 days per letting (regardless of which platform or agent they use) to cover the cost of administering the scheme.
4. **Stronger enforcement** of the registration system and caps such that:
 - a. The listing number is required to be displayed on all advertisements of that property;
 - b. The register is available for public viewing including strata managers and the register should record the dates on which the property is used for this purpose.
5. **Significant annual fees** for STRA platforms, and the mandating that host platforms remove from their websites all properties that are not registered except when legally exempt from registration (such as commercial accommodation) and fines for non-compliance with data sharing and regulation enforcement.
6. Registration data **shared across platforms and rental property agent systems** to ensure the property’s full rental activity is tracked.
7. **Property owners seeking to exceed the cap must apply for DA approval and be subject to commercial regulation.** Owners which exceed the cap or are non-compliant with registration or other regulation subject to significant fines.
8. **Authorising local councils to charge higher than residential rates** for properties registered as STRA.

Case studies – Canada and New York

We note that Canada and New York have implemented effective STR regimes that have put more longer-term rentals back into the market.

New York saw an 83% drop in short-term rentals after implementing the following:

- Hosts cannot rent out an entire apartment or home to visitors for fewer than 30 days
- Hosts must stay in the same unit or apartment as the guests
- Hosts must have no more than two guests per stay
- Ensure every guest has access to all parts of the dwelling unit and each exit

In 2023 the Canadian government announced it is taking action on non-compliant short-term rentals which are keeping homes for Canadians off the market:

- The Federal Government provided \$50m for municipalities to regulate and enforce the rules on short term rentals
- Registration and restriction of STRA to hosted accommodation in primary residence
- Legislation currently before the Canadian parliament to deny income tax deductions for expenses incurred by STRA residential property owners for any period of non-compliance with provincial or municipal rules or restrictions.

Features of this proposed policy approach

- focuses on the objective of influencing the decision of property owners to more frequently choose long-term rental rather than STRA
- sends a clear signal to property owners and the STRA industry that unfettered, under-regulated STRA has gone too far.
- allows for regional differences of long-term rental demand and seasonal tourism needs.
- proposes a maximum cap across all regions that is well below 180 days that is in place in some jurisdictions, as the 180-day limit wherever imposed has proved ineffective in shifting owner decisions.
- does not include a call for a levy, as a levy by itself will not convert many STRA properties to long term rentals, particularly if the levy applies to a limited number of platforms such as the proposed Victorian levy. Many property owners currently listed on the major platforms who want to continue to offer STRA but avoid the levy will simply shift to other marketing channels, and for those that remain on the taxed platforms, the levy will merely be passed on to the consumer and there will be no impact on the financial equation for the property owner.
- balances the needs of property owners with the needs of the community. Those owners that have a second home in the ACT can still enjoy some income from rental up to a quarter of the year when they are not using the home,
- focuses on un-hosted STRA with hosted accommodation only having a light touch annual registration process and fee.
- addresses, in part, the disparity of costs and regulation imposed on commercial accommodation compared to those who offer their properties at STRA.
- requires data sharing across systems and platforms to ensure caps can be monitored.
- addresses key safety and noise concerns relating to STRA.
- Compared to stronger measures such as in New York and Canada, it is modest and achievable

The attached document provides supporting evidence of the effectiveness of the proposed approach.

June 2024

Background Paper to the STRA Policy Statement

The decision taken by apartment and house owners to offer their properties for short-term rather than long-term rental is having a concerning impact on housing availability, both in the cities and regions. Similar to many other digital-platform-driven markets, unfettered growth has led to consequences far exceeding the initial intent. In the case of STRA, the original concept of letting out a spare room or couch in a hosted environment has been overwhelmed by property owners who are seeking a higher rental income and are choosing to list their vacant houses and apartments on the digital STRA platforms rather than making the properties available for long-term rental.

This shift away from the original concept and the detrimental impact on the long-term rental market is coming under increasing scrutiny, with the question being posed as to whether AirBNB and similar platforms are beginning to lose their social licence to operate. Even the chief executive and founder of AirBNB Brian Chesky was recently quoted as saying “it wasn’t about empty homes, it was about people staying with each other...the values got ‘watered down’ .. if I could do it over again, I would hold to those values.”¹

Governments starting to respond

In response to this massive and largely unregulated growth, and the consequent impact on the longer-term rental market both in terms of available stock and price, Governments are starting to act. More recent approaches to regulation include:

- In February 2024, NSW releases a discussion paper on options for increasing the regulation of STRA in order to increase the long-term rental housing stock.
- In November 2023, new regulations announced for Western Australia which included a state-wide registration process, a 90-day cap beyond which a DA is needed for the Perth region as well as a financial incentive of \$10,000 for owners to revert to long term rental.
- In September 2023, the Victorian Government announced a 7.5% levy on STRA platforms for all accommodation revenue commencing 1 January 2025.
- Brisbane City Council requires a development application for STRA, the adoption of a development code and a rate surcharge increase on short-term properties of 65%.
- In September 2023, the NSW Planning Minister approved Byron Shire council to impose a limit of 60 days per annum on short term rental accommodation to apply from 2024.

¹ Tulloch, Lee (2023) *AirBNB has lost its way: Even the chief executive agrees*, [Travel: Airbnb has lost its way. Even the chief executive agrees \(smh.com.au\)](https://www.smh.com.au/travel/airbnb-has-lost-its-way-even-the-chief-executive-agrees-20230523), 23 May 2023

- In August 2023, consideration by the Queensland government for compulsory registration
- Noosa Council – from 1 Oct 21, Approval required for all STRA, application fee of \$1026 for unhosted with annual renewal required (\$400 house \$200 unit). Code of conduct
- Barossa Council, South Australia – DA required for all STRA
- WA councils – Busselton, Broome, Fremantle WA – registration compulsory, with a fee and code of conduct. Fremantle has a two-night minimum (but this is easily circumvented)
- Tasmania – owners required to register with the council for a permit if non-hosted
- In November 2021, the NSW Government introduced obligatory registration and fees for short term rentals and a code of conduct. There is a limit of 180 days in Greater Sydney where the host is not present.
- In September 2023, Waverley Council (Sydney East) called for a statewide consideration of 60-day limit on Air BNB, noting that there were 3000 listings in their council area alone, 9% of dwellings.²

Internationally, we have seen more robust action taken, including these examples:

- New York City limits Air BNB to only “hosted” accommodation, where the owner is on site. This reflects the original concept of letting out a spare room to tourists rather than converting a whole dwelling for short term holiday rentals.
- In Canada, the limitation of STRA to hosted accommodation in primary residences, backed by strong enforcement resourced through federal funding available to the provinces and municipalities; plus a proposal to deny tax deductions for non-complying STRA property owners for expenses incurred during periods of non-compliance
- the State of Penang, in Malaysia, banned Air BNB in all but serviced apartments where 75% of residents have agreed to allow it. Each rental unit will also only be allowed to receive guests for a maximum of three days a week.
- After consultation in 2023, North Devon to subject unhosted STRA to planning processes.
- Scotland – from 1 Oct 23, owners need to apply for a licence or face fines. Those listing whole properties will need to apply for planning permission
- England and Wales – from October 23 – AirBNB hosts need to comply with all safety rules including the fitting of fire doors and smoke alarms in every room. New national registration in the UK.
- Florence - 4 euros per night, for a maximum of 7 consecutive nights to be paid by each guest staying in holiday homes and apartments, guesthouses, bed & breakfasts, and short term tourist rentals (with similar taxes in place in other cities in Italy). Airbnb directly collects this tax.
- 14% levy on short stays in Los Angeles, California

² Healey, B (2023), *Waverley Council proposes motion for NSW 60-day limit on short term rentals*, Airbnb, Wentworth Courier, 12 September 2023,

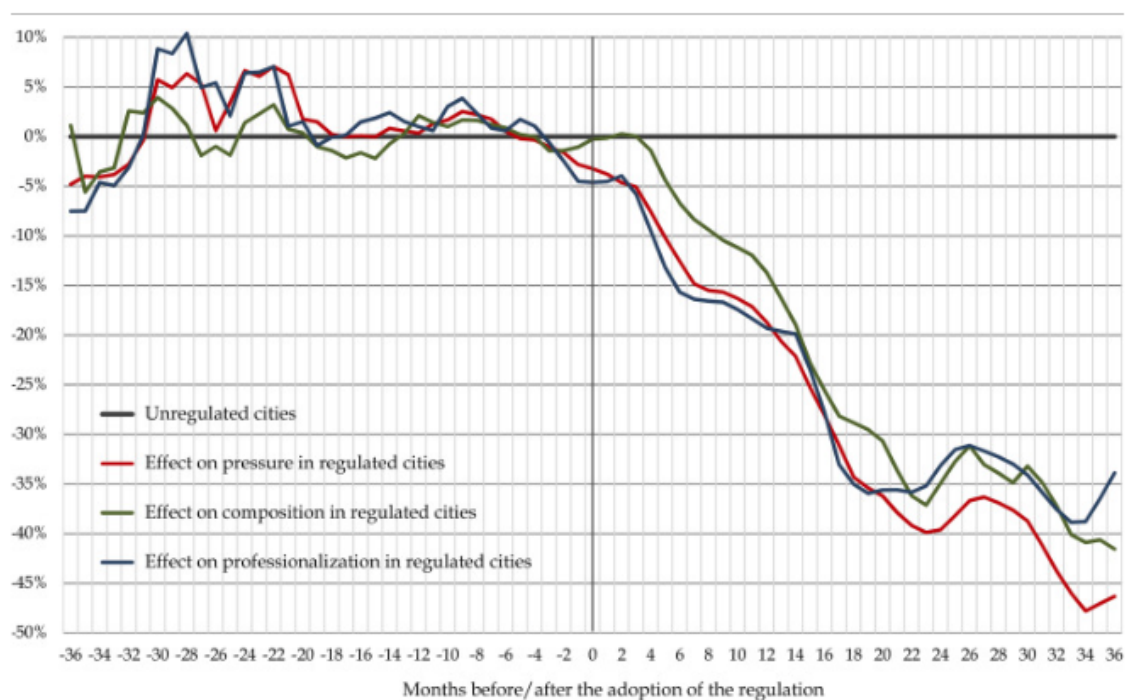
STRA regulation does not just address the concern about the impact on long term rental stock and rental costs that are driving a review of the regulatory approach, but also noise, disruption and local amenity in residential areas as well as safety considerations.

Despite the increasing regulatory activity, the disparity of approaches demonstrates the lack of a consistent, orderly, and most importantly, effective approach to regulation across the board. Effectiveness should primarily be measured by the return of housing stock to the long-term rental market, and hopefully a reduction in rental costs. Regulatory success should also be measured by the return to a more predictable market for short-term accommodation supply.

International evidence of regulatory impact

In 2023 a comprehensive review of European regulation of STRA showed, that in cities adopting explicit zonal restrictions on Short Term Rental Accommodation, there was an additional and highly significant effect of -13.9% . Cities that entered into agreements of cooperation with booking platforms obtained a very high and highly significant additional effect of -12% in terms of pressure on listing numbers. Cities that adopted the time-cap obtained an additional impact of around -7.7% in terms of pressure.

Effect of regulation in European Cities on Short Term Rental Listings of whole apartments³



As the authors of this study stated:

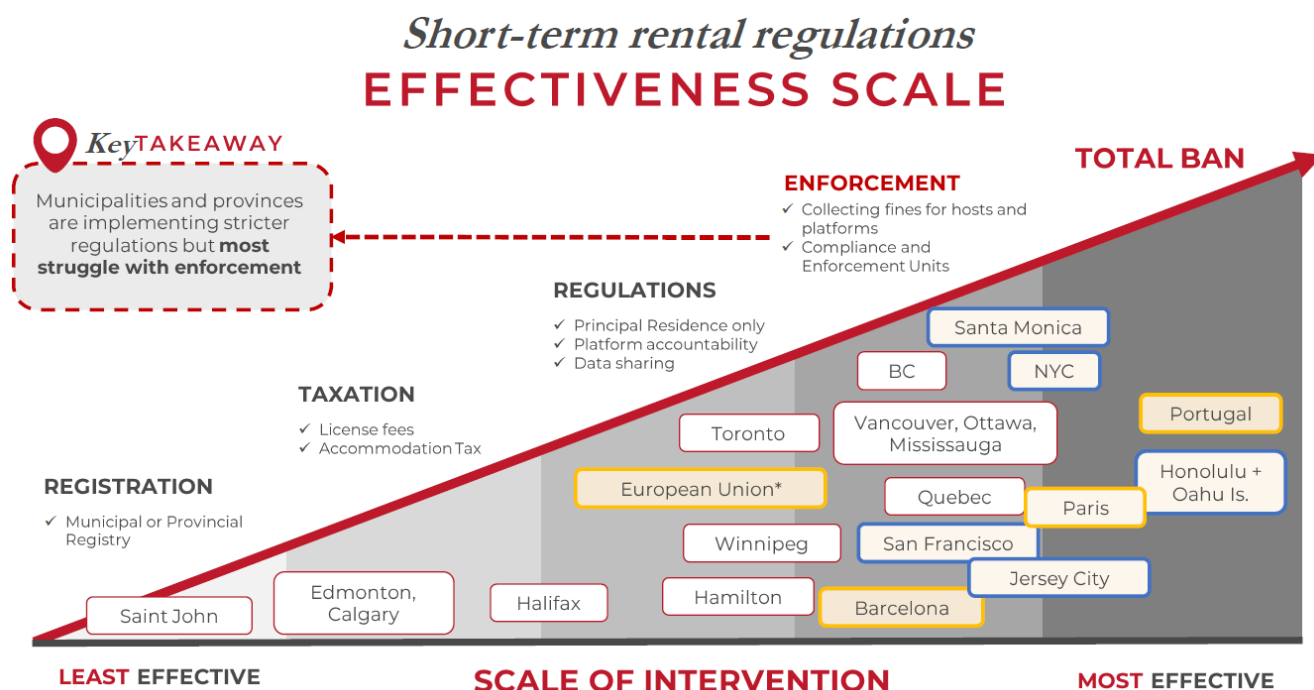
“.. we proposed a counterfactual assessment in order to detect how short-term rental dynamics in regulated cities diverge from the same dynamics in cities that, at least until 2019, did not adopt any sufficiently stringent regulation. The results are significant and highly positive. The strongest impact we observe is a reduction of the pressure of short-term rentals of almost -30% , when measured in terms of the

³ Bei, G & Celata, F (2023), [Challenges and effects of short-term rentals regulation: A counterfactual assessment of European cities](#), Annals of Tourism Research

number of listings of entire apartments on Airbnb.com, which confirm what had been already observed in US cities.”

“Regulating short-term rentals, in short, produces a more sustainable growth and a more balanced market. According to our results, these effects seem not limited to the period soon after regulation, but persist over time...”

The Hotel Association of Canada has also conducted a detail analysis of the effectiveness (as measured by the return of STRA to the long-term rental market) of various approaches to regulation. As the figure below shows, their analysis reinforces the view that levies and taxes are the least effective, whereas a multi-faceted regulatory approach with resources to enforce the regulations was the most effective.



Impact on commercial accommodation sector

In recent years, the accommodation sector has not only been negatively impacted by the pandemic, but also by the growth in the largely unregulated short-term rental accommodation (STRA) market which is dominated by AirBNB and Stayz. This trend is happening locally as well as globally. According to the Skift Global Accommodation report, the fastest growing segment of accommodation globally has been short-term rentals which has grown at a compounded growth rate (CAGR) of 10 percent between 2018-2022 while the hotels sector shows a negative CAGR (-1 percent) for the same time period. Skift estimates that STRA share of global accommodation has increased from 10 percent in 2018 to 14 percent in 2022.⁴

In Australia, over the 18 months to June 2023, the growth particularly in Air BNB has seen listings increase by 25%, totaling 166,000 listings, ranking Australia as 10th largest globally.⁵

⁴ Skift, Global Accommodation Market Estimates, [Global Accommodation Sector Market Estimates 2022: New Skift Research](#), accessed 28 August 2023

⁵ Pricelab, The State of Short-Term Rentals in Australia: Insights and Opportunities, <https://hello.pricelabs.co/the-state-of-short-term-rentals-in-australia/#:~:text=About%20PriceLabs-,The%20growth%20of%20the%20supply,listings%20as%20of%20June%202023>, accessed 28 August 23

Before the pandemic, the listings in Australia topped over 300,000, only one-quarter of which were “hosted” accommodation where the owner was on site.

Commercial accommodation providers operate in a highly regulated business environment, with a raft of related compliance costs – increased land tax, commercial Council rates, payroll tax, Workcover levies and insurances, staff wages, food safety, fire safety and building compliance – for example, disability access and egress.

By contrast, short-term rental accommodation in Australia has very little regulation in most jurisdictions and generally owners only pay residential-level council rates. A home or apartment can be transformed into a tourist accommodation “overnight”. For many properties in tourist areas, occupancy needs only to be as low as 35% for there to be a greater financial incentive for landlords to choose short-term over long-term rental. This is a gross under-utilisation of the accommodation amenity from a community perspective, and at a time of high housing rental costs and low availability, it is adding to the difficulties.

In addition, as short-term accommodation is often concentrated in higher tourist areas, the reduction in rental stock has exacerbated the difficulties in staff who work in tourism areas being able to find rental accommodation. More broadly, the lack of rental properties across most regions of Australia is limiting the attractiveness of people migrating to take up important skilled positions.

Unfettered, unpredictable, growth in STRA also makes commercial accommodation planning very difficult, particularly in smaller tourism markets in the regions. Investors looking to purchase a motel, or existing motel owners looking to refurbish or expand their offering, struggle to develop sound business plans due to the difficulties in accurately estimating accommodation competition in their region. Prior to the major STRA platforms, such as AirBNB and Stayz, the local STRA market was relatively stable, and planning and development of new commercial accommodation properties usually took years so investors had greater certainty. The platforms have created a much more volatile marketplace on the supply-side, and residential property owners have increasingly been drawn into the net, converting their offering to STRA with minimal additional investment.