

PREPARED FOR:

CITY OF SYDNEY 



Short-Term Rental Accommodation Review

Mecone  **Atlas**
ECONOMICS

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The City of Sydney has commissioned Mecone to lead a review of Short-Term Rental Accommodation (STRA) and its impacts within the Local Government Area (LGA). This review aims to provide a detailed analysis of how STRA affects rental availability, affordability, and tourist accommodation. The review has been informed by supplementary property economics analysis undertaken by Atlas Economics.



Executive Summary

Sydney's housing landscape has undergone significant transformation post-COVID-19, particularly in the inner city, where housing affordability has sharply declined, leaving a noticeable impact on low to moderate-income households. This situation, compounded by the rise in average rental costs, points towards an escalating housing crisis. The City's Housing Strategy, 'Housing for All', highlights these shifts, especially the distressing prevalence of rental stress among numerous households.

In 2021, the NSW Department of Planning and Environment (now Department of Planning, Housing and Infrastructure) introduced a state-wide STRA regulatory framework, which includes a planning framework and a government-run STRA Register. The City of Sydney has consistently voiced concerns about this framework, particularly regarding the 180-day cap's efficacy in balancing the availability of long-term rental dwellings against the rise in STRA.

This review delves deeply into the current state of STRA in the City of Sydney, examining its trends, regulatory framework effectiveness, and the interplay between STRA listings and the broader housing and tourism markets. It establishes a robust evidence base to understand the different market segments, particularly focusing on properties used for non-hosted short-term rentals that could otherwise contribute to the long-term rental market.

This comprehensive analysis also considers the dynamics between STRA and the availability of long-term rental accommodation, investigating how STRA listings impact housing rental stock affordability and availability. Furthermore, the relationship between the supply of STRA and traditional tourist accommodations like hotels is scrutinised, providing insights into the overall health and balance of the City's accommodation options.

Understanding the motives behind property owners' preference for STRA over long-term rentals, and the comparative revenue generation, forms a crucial part of this enquiry. This will inform potential response strategies that could be implemented by the City or the NSW Government, aiming to create a more effective regulatory environment for STRA.

The Review will thus play a pivotal role in guiding future policies and interventions, ensuring they are grounded in a thorough understanding of the local context and are responsive to the evolving needs of the City of Sydney's residents, property owners, and visitors.

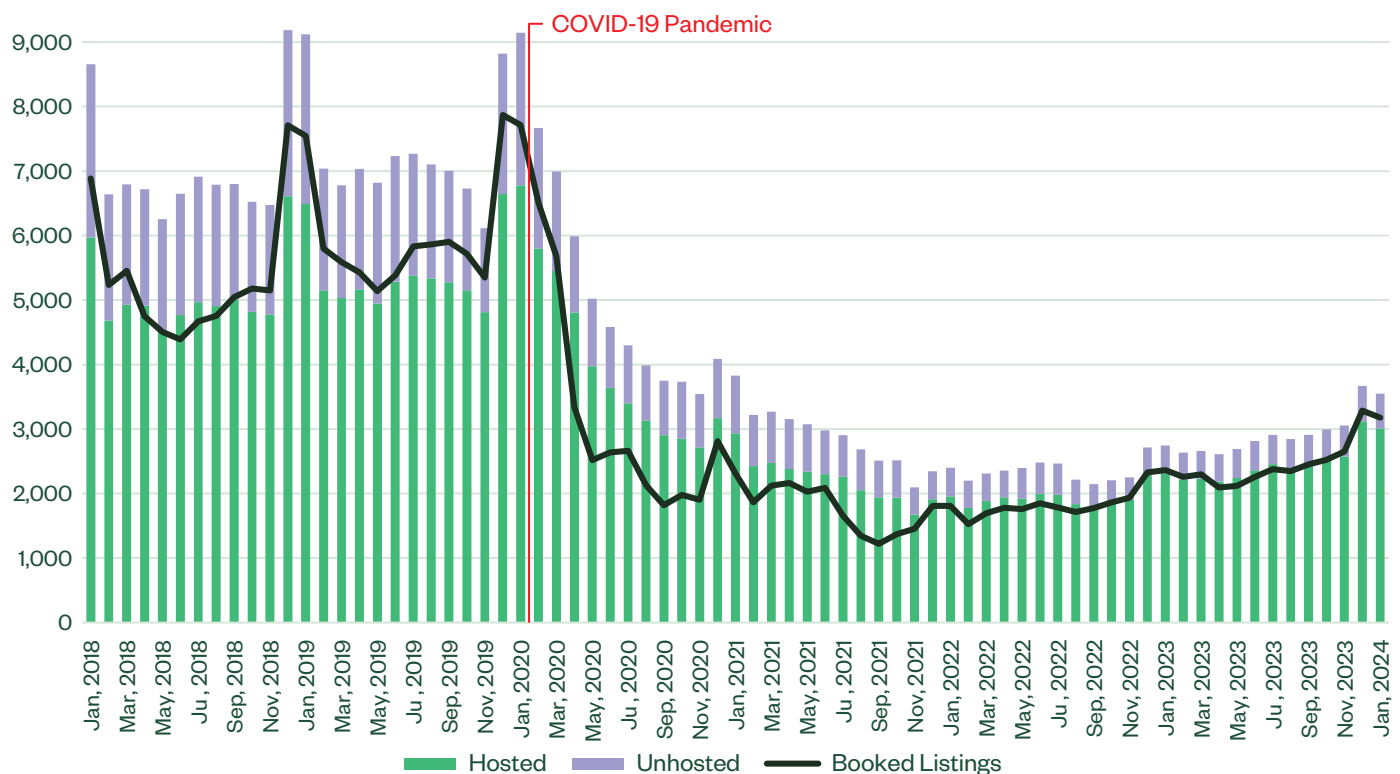


Key Findings

The review of STRA within the City of Sydney LGA has yielded several critical findings that underscore the complexities and challenges of managing STRAs effectively. These findings highlight the need for nuanced policy adjustments and enhancements to address the evolving dynamics of the STRA market:

- In the wake of the COVID 19 pandemic, average household sizes sharply declined whilst owner occupiers entered the market taking advantage of low interest rates and fiscal stimulus packages.
- Investors also began to exit the market, with the number of listed rental properties declining along with a fall in overall housing supply. This coincided with a massive fall in STRA supply over the same period.

- Following the reopening of international borders and economy, these factors have driven a significant rise in residential rents and historically low vacancy levels across Australia and in particular Greater Sydney.
- Under the STRA regulations, hosts or letting agents must report the number of days booked in each property on the NSW Department of Planning, Housing and Infrastructure (DPHI) STRA Register. Online booking platforms must also share this information with the STRA Register. Where a dwelling does not have a valid STRA registration ID, or the registration has not been renewed on time, an online booking platform must not allow the property to accept any more bookings until the



AirDNA Total Listings (Hosted, Unhosted) and Booked Listings: Monthly 2018-2023 Sydney LGA Source: Mecone (2024) using AirDNA data

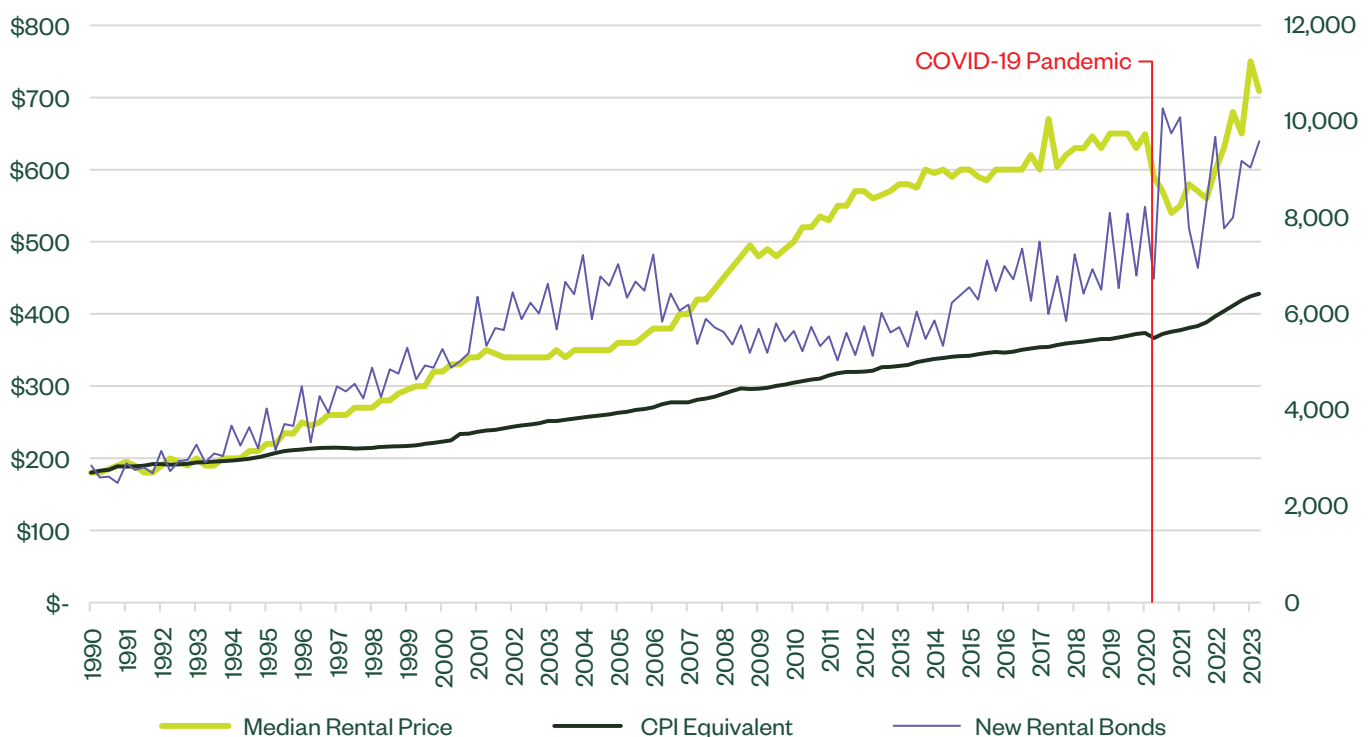


owner supplies a correct registration or renews it. Despite this requirement, there is evidence it is possible to list a property on a booking platform without a registration number and hosts are not reporting STRA activity. In 2023, the NSW Government's STRA Register listed 2,468 active registered premises in the City of Sydney LGA. According to AirDNA data for 2023, there was a total of 9,754 listings in the City of Sydney LGA, with 5,454 properties active (rented for at least 1 night that year).

- STRA is not considered to be a major driver of the City's housing market issues. In the period of escalating dwelling rents, a decline of STRA supply was observed to levels well below pre COVID.

Analysis of AirDNA and Census data reveals that approximately 4.4% of all housing stock within the City of Sydney LGA is listed as STRA, with non hosted STRA accounting for about 3.5% of the total dwelling stock.

- However, if STRA supply returned to pre COVID levels, there is significant risk for further reduction in traditional rental stock, potentially creating more pressure on vacancy levels and rents.
- STRA distribution within the City of Sydney LGA is concentrated in specific, small geographic areas that are in close proximity to the Central Business District (CBD), major tourist attractions and transport hubs, highlighting a targeted use of housing stock to cater to tourism demand.



Median Rental Prices Sydney LGA 1990–2023 Source: Mecone (2024) using FAGS Rent & Sales Report data



- The current 180 day cap implemented for STRA listings does not act as an effective financial deterrent against the conversion of properties from the long term rental market across most suburbs of the City of Sydney LGA, suggesting the need for a revaluation of this cap to better serve housing market stability.
 - STRA offers a vital source of supplementary income for numerous property owners, aiding in mortgage repayments and potentially leading to a more efficient use of the housing stock (for example, when a home is rented as STRA when the primary residents are on holidays), thus reflecting the dual economic benefits of STRA for individual homeowners.
 - A considerable number of STRA properties serve as the primary residences of their owners, implying that even with the imposition of a reduced nightly cap, these homes are unlikely to re enter the private long term rental market, underscoring the nuanced relationship between STRA usage and housing availability.
 - STRA also plays an important ancillary role to the traditional hotel market. Visitation levels (both domestic and international) are projected to surpass pre COVID levels from 2025²⁶. This coincides with an expected drop in hotel room supply, with high construction costs and cost of capital placing pressure on development. Accordingly, any STRA policy also needs to consider the importance of supporting Sydney's strong and valuable tourism sector.
 - The challenge of data availability and the quality of such data emerges as a major barrier in accurately assessing the impacts of STRA on the local housing market, pointing to a significant gap in regulatory oversight and policy formulation.
 - The enforcement of STRA policies is fragmented, with DPHI responsible for the STRA Register while the NSW Department of Fair Trading and local councils are tasked with regulation enforcement. This dispersion of responsibilities complicates the effective enforcement of STRA regulations.
 - The penalties currently imposed for STRA non compliance are insufficient to counterbalance the financial benefits derived from flouting STRA regulations, indicating a need for a reassessment of penalty structures to ensure they serve as a genuine deterrent against regulatory violations.
 - Observations from other global jurisdictions demonstrate success in establishing more comprehensive data sharing agreements with booking platforms, offering a model for enhancing the efficacy of STRA regulation and enforcement through improved data access and collaboration.
- These findings underscore the complex interplay between STRA, housing and rental availability, and regulatory challenges within the City of Sydney LGA, highlighting areas for potential policy enhancement and the need for a more integrated approach to STRA management and enforcement.

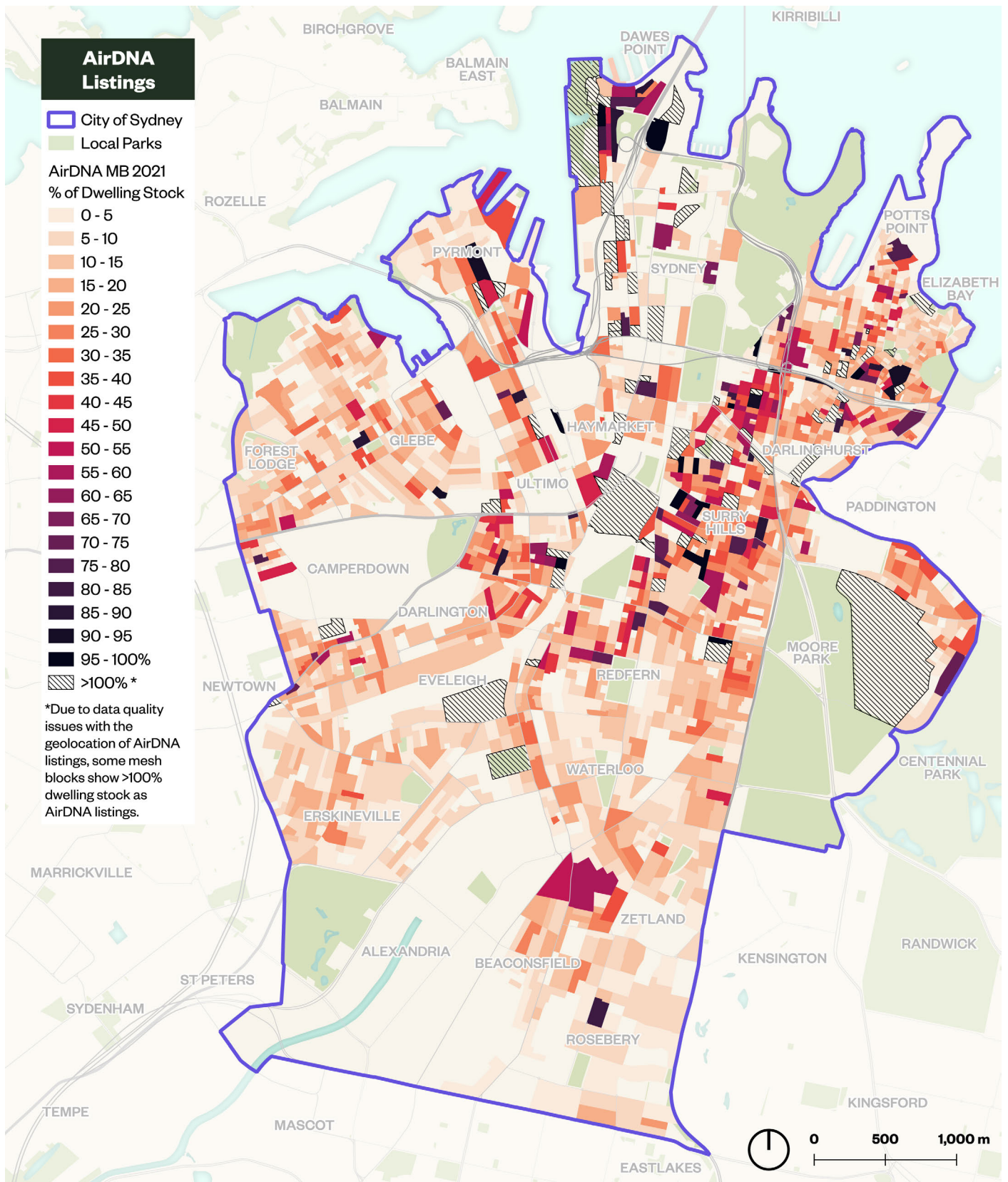


Figure 1: Percentage of dwelling stock listed on AirDNA (2021 Census Mesh Block)
Source: Mecone (2024) using AirDNA and ABS data

Policy Options

Building on our comprehensive analysis, we propose a suite of targeted policy options to improve the regulation of STRA, addressing its impact on housing affordability and the tourism industry. Not all proposed policy options are implementable at a local government level. The City of Sydney can advocate for many of the proposed STRA policy changes at the state level, as its unique position bridges local needs with state directives, though final policy adoption will depend on state decisions and may not require all suggested options.

Reduce the commercialisation of the STRA sector

Issue: The rise of commercial or long-term STRA operations contradicts the foundational principle of STRA. In the context of a housing crisis, housing should be best utilised, not sitting vacant.

Introduce restrictions for owners with multiple STRA properties

Actor: NSW DPHI / NSW Treasury

Enact regulations or impose financial levies on owners listing three or more properties as STRA. This measure aims to discourage the bulk ownership of STRA properties and encourage their return to the long term rental market.

Investigate primary residence requirements for non-hosted STRA in the City of Sydney

Actor: NSW DPHI / City of Sydney

Investigate the feasibility of mandating that non hosted STRA can only be conducted in the host's principal place of residence. While challenging to enforce, this policy could significantly reduce the number of properties used exclusively for STRA.



Enhance STRA regulation compliance and enforcement

Issue: The effectiveness of the current STRA Register is compromised by incomplete capture of STRA activities and the prevalence of unregistered property listings on booking platforms. Additionally, the STRA Register suffers from data quality issues.

Improve compliance requirements for booking platforms to verify STRA registration

Actor: NSW DPFI / NSW Fair Trading

At present, online booking platforms comply with the STRA code of conduct reporting requirements. However, it is possible for a platform user/property host to circumvent these requirements on booking platforms with no requirement for the booking platform to validate the exemption. Booking platforms should be required to validate that a property has an exemption to STRA registration, such as a consent to operate as Tourist and Visitor Accommodation, prior to approving a property listing. This change would require an update to the code of conduct to specify that booking platforms must validate a host's exemption status.

Require Service NSW accounts to register STRA

Actor: NSW DPFI / NSW DCS

Require all STRA registrations to be linked with a Service NSW account. This measure is not currently compulsory but would significantly enhance the tracking of identity, property ownership, and the verification of a property's status as the primary residence of the host, thereby closing gaps in the STRA regulatory framework. This data should also be made available to councils for compliance and enforcement duties.

Improve data sharing between DPFI/Treasury and Councils

Actor: NSW DPFI / NSW Treasury

Strengthen data sharing protocols between DPFI, Treasury and local councils. Given the local councils' responsibility in pursuing STRA non-compliance, the state government should facilitate access to essential evidence, such as financial records, that is required to support enforcement actions. The introduction of a state wide levy provides a good opportunity for these data sharing arrangements to be established.



Re-evaluate and adjust the STRA cap

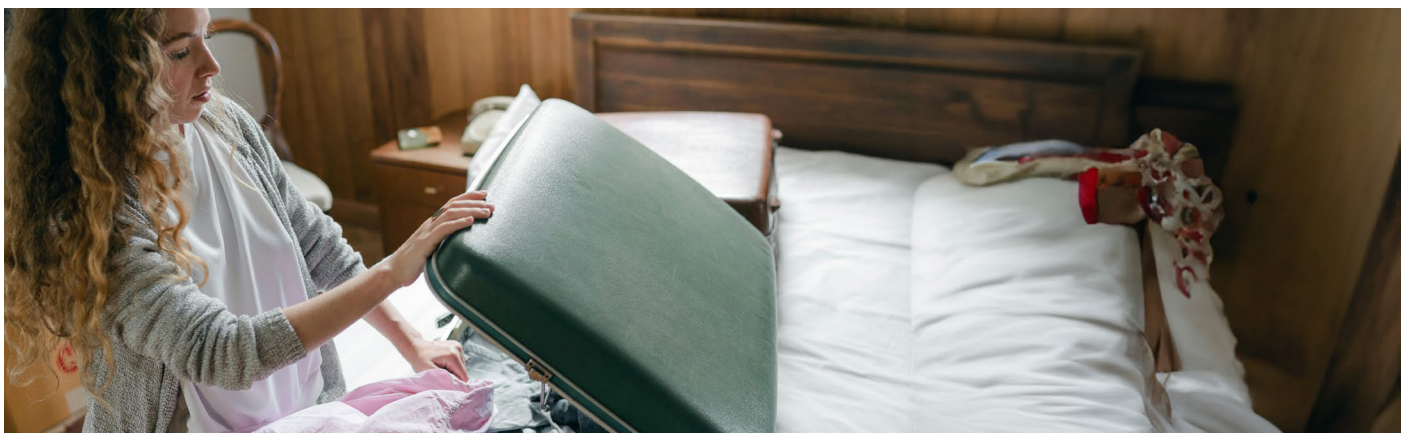
Issue: The current 180-day cap for STRA is ineffective in deterring the conversion of properties to exclusive STRA use, with financial viability for STRA operations spanning 110–197 days across the LGA.

Financial modelling undertaken in the report suggests that the current 180 day cap has proven insufficient in discouraging property owners from dedicating their properties solely to STRA. In response to this issue, two alternative caps are proposed to better align the cap with the objectives of maintaining a balanced housing market and curtailing the commercialisation of STRA.

- **Option 1 – Reduce the cap to 120-days for non-hosted STRA:** Financial modelling suggests reducing the cap to 120 days provides a moderate policy response that will protect against further commercialisation of the STRA market. This cap will reduce the viability of STRA in most areas of the City of Sydney LGA, though it still can remain an attractive alternative to long term residential tenancies.
- **Option 2 – Reduce the cap to 90-days for non-hosted STRA:** Financial modelling suggests that reducing the cap to 90 days will make STRA unviable compared to long term residential tenancies. Whilst the number of hosts which make properties available > 90 days is small, this cap provides a more stringent approach to managing STRA activity.

The financial analysis presented in this report indicates a shift in viability should a state levy on STRA be implemented. Our scenario modelling suggests that introducing a 10% levy would increase the minimum viable number of days for STRA from 110 to 120 days. This shift suggests that the reduced 120 day cap provides a moderate policy response, even with the inclusion of the levy. Should a levy be introduced, and the cap be reduced to 90 days, this will likely have more pronounced impact on STRA operations, reducing their viability across all suburbs in the City of Sydney. Any reduction to the cap would require ongoing review and monitoring. We suggest a maximum two year review period for the City of Sydney to consider the implications of the revised cap.

Consequently, any adjustments to the nightly cap would also need to be supported by enhanced compliance monitoring and enforcement, all of which should be based on a strengthened and more accurate STRA Register.





Supporting policy options for a State-wide STRA levy

The introduction of a state wide levy on STRA represents a strategic opportunity to create a new and significant revenue stream. This revenue is envisioned to support the development and provision of social and affordable housing and support compliance activities, addressing critical housing needs across the state. The concept of imposing such a levy aligns with practices in other jurisdictions, like the model adopted by the Victorian Government, and aims to tap into the STRA market to fund housing initiatives.

Levy to be implemented on STRA booking platform revenue

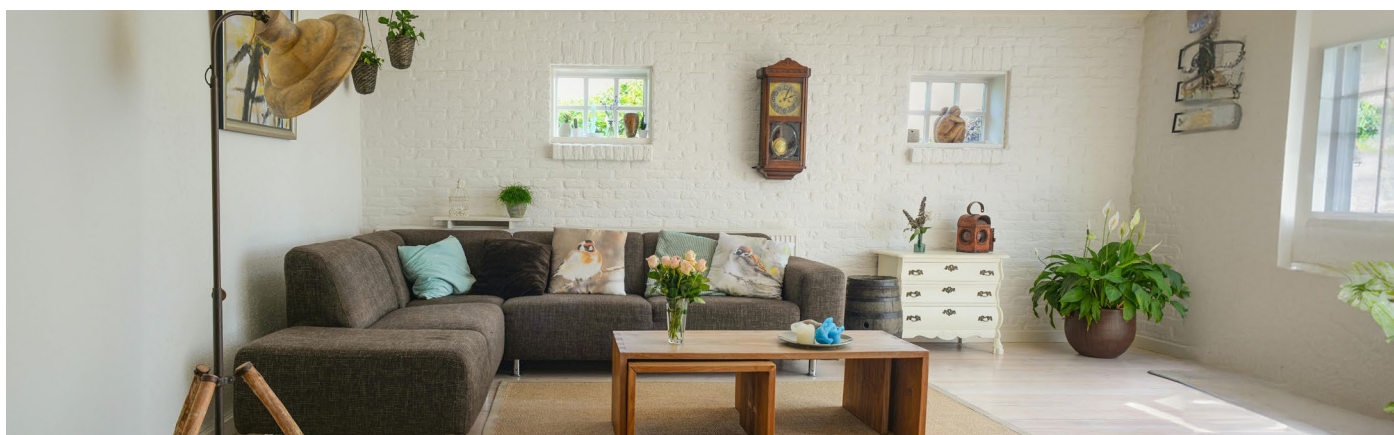
The proposed levy should be applied directly to the revenue generated by STRA booking platforms. This approach mirrors the Victorian model, where the levy is collected from the platforms and then passed on to STRA hosts. The administrative mechanism for this levy would require STRA booking platforms to report their earnings accurately, ensuring that the levy is collected efficiently and in a manner that is transparent and accountable.

The levy rate to be tested to understand likely impact on State-wide supply

To determine the most effective levy rate, an analytical assessment is necessary to gauge the potential impact on the state wide supply of STRA. Preliminary financial modelling, based on the total NSW STRA revenue of \$2.6 billion in 2023, suggests that a levy of 7.5% could theoretically generate approximately \$191 million. Specifically, within the City of Sydney LGA, where the 2023 STRA revenue was \$104 million, a levy at this rate could yield around \$7.8 million, as per data from AirDNA.

Without significant improvements to the STRA Register, enforcement will not be possible

Critical to the enforcement of any proposed levy is the improvement of the STRA Register. The register must be accurate, comprehensive, and robust, enabling effective monitoring and compliance. As highlighted in the following sections, the current STRA Register faces challenges in data quality and coverage, which could undermine the levy's enforcement. Addressing these challenges is essential for the successful implementation of the STRA levy, ensuring that the levy is enforceable, and that the revenue generated can be reliably allocated to housing projects.



1 Introduction

The City of Sydney has commissioned Mecone to lead a review of STRA (STRA) and its impacts within the Local Government Area (LGA). This review aims to provide a detailed analysis of how STRA affects rental availability, affordability, and tourist accommodation. The review has been informed by supplementary property economics analysis undertaken by Atlas Economics.

Sydney's housing landscape has undergone significant transformation post-COVID-19, particularly in the inner city, where housing affordability has sharply declined, leaving a noticeable impact on low to moderate-income households. This situation, compounded by the rise in average rental costs, points towards an escalating housing crisis. The City's Housing Strategy, 'Housing for All', highlights these shifts, especially the distressing prevalence of rental stress among numerous households.

In 2021, the NSW Department of Planning and Environment (currently Department of Planning, Housing and Infrastructure) introduced a state-wide STRA regulatory framework, which includes a planning framework and a government-run STRA Register. The City of Sydney has consistently voiced concerns about this framework, particularly regarding the 180-day cap's efficacy in balancing the availability of long-term rental dwellings against the rise in STRA.

This review delves deeply into the current state of STRA in the City of Sydney, examining its trends, regulatory framework effectiveness, and the interplay between STRA listings and the broader housing and tourism markets. It establishes a robust evidence base to understand the different market segments, particularly focusing on properties used for non-hosted short-term rentals that could otherwise contribute to the long-term rental market.

This comprehensive analysis will also consider the dynamics between STRA and the availability of long-term rental accommodation, investigating how STRA listings impact housing rental stock affordability and availability. Furthermore, the relationship between the supply of STRA and traditional tourist accommodations like hotels will be scrutinised, providing insights into the overall health and balance of the City's accommodation options.

Understanding the motives behind property owners' preference for STRA over long-term rentals, and the comparative revenue generation, forms a crucial part of this enquiry. This information will inform potential response strategies that could be implemented by the City or the NSW Government, aiming to create a more effective regulatory environment for STRA.

The Review will thus play a pivotal role in guiding future policies and interventions, ensuring they are grounded in a thorough understanding of the local context and are responsive to the evolving needs of the City of Sydney's residents, property owners, and visitors.

The review is structured as follows:

- Chapter 1 provides an executive summary of the investigation, including key findings and recommended policy options.
- Chapter 2 outlines the purpose and objectives of the project
- Chapter 3 details the applicable legislative settings for STRA.
- Chapter 4 provides an overview of national and international policies to manage STRA.
- Chapter 5 describes the local area, including key demographic and housing insights.
- Chapter 6 provides an analysis of the local housing market.
- Chapter 7 outlines the STRA investment analysis.
- Chapter 8 proposes a number of policy options to manage the negative impacts of STRAs.
- Chapter 9 concludes the report.
- Appendix A provides further detail on the extensive strategic document review.
- Appendix B provides the result of the City's online STRA survey.
- Appendix C provides the detailed financial modelling results.
- Appendix D provides a summary of industry stakeholder engagement.

For consistency, the term STRA is used throughout this paper.

1.1 Assumptions and Limitations

This report's analysis of the STRA sector within the City of Sydney's LGA encompasses a variety of data sources and methodologies to assess the impact on rental availability, affordability, and tourism accommodation. The following assumptions and limitations inherent in the study are crucial for interpreting the findings and understanding their implications within the broader context of housing and tourism policy:

- Data from sources like AirDNA are considered accurate and representative of the STRA landscape, despite potential limitations in data collection methodologies. Our team worked closely with AirDNA, undertaking our own analysis of raw data to ensure listings were not double counted.
- There is an inherent assumption that the details provided in AirDNA listings, such as location, property type, and capacity, reflect the real characteristics of STRA properties, which may not always be the case due to lack of verification or intentional misrepresentation by hosts.
- The report assumes that the discrepancy between registered STRA properties and those listed on AirDNA indicates a lack of compliance, which may not account for properties that are exempt from registration (such as serviced apartments) or inaccuracies within the STRA Register, or AirDNA data.
- Impacts of STRA on rental affordability, availability, and tourism accommodation are treated as uniformly distributed across the LGA, not accounting for potential variances by neighbourhood.
- Economic conditions influencing the housing and tourism markets, such as interest rates and housing prices, are assumed to remain constant or predictably fluctuate.
- Rapid changes in the STRA market, driven by factors like economic trends and consumer preferences, may not be fully captured.
- Future regulatory adjustments occurring post-analysis could significantly influence the findings and their applicability.
- External factors, including international travel regulations and local economic developments, might impact housing and tourism beyond the scope of this analysis.
- Applying the findings to other areas without considering local specifics could lead to inappropriate generalisations.
- Establishing causality between the presence of STRA and observed housing market outcomes is complicated by the multifaceted nature of market dynamics.
- Limitations in accurately capturing the enforcement of STRA policies and the effectiveness of current regulations may affect the assessment of STRA's regulatory landscape.

Despite these assumptions and limitations, we consider the analysis and recommendations in the report a sound evidence base for policy decisions. Understanding these assumptions and limitations is essential for accurately interpreting the report's findings and their potential impact on policy development and implementation.

2 STRA Statutory Framework

The primary legislation for land use planning in NSW is the *Environmental Planning and Assessment Act 1979*. This establishes the framework for the type of development and use of land on a property and establishes the system for development assessment. The Act establishes a range of categories of development, including development requiring development consent, and exempt development (development that is exempt from the assessment and consent or approval requirements of the Act).

The NSW state-wide regulatory framework for STRA was implemented in 2021. It incorporates a planning framework, fire safety standards, Code of Conduct, a government-run STRA Register and an Exclusions Register.

The *Housing SEPP 2021* defines STRA as ‘a dwelling used by the host to provide accommodation in the dwelling on a commercial basis for a temporary or short-term period.’ The same definition applies under the *Environmental Planning and Assessment Regulation (Development Certification and Fire Safety)*.

The *Fair Trading Act 1987* defines STRA arrangement as ‘a commercial arrangement for giving a person the right to occupy residential premises for a period of not more than 3 months at any one time, and includes any arrangement prescribed by the regulations to be a STRA arrangement, but does not include any arrangement prescribed by the regulations not to be a STRA arrangement.’ The same definition is used in the *Strata Schemes Management Act 2015*.

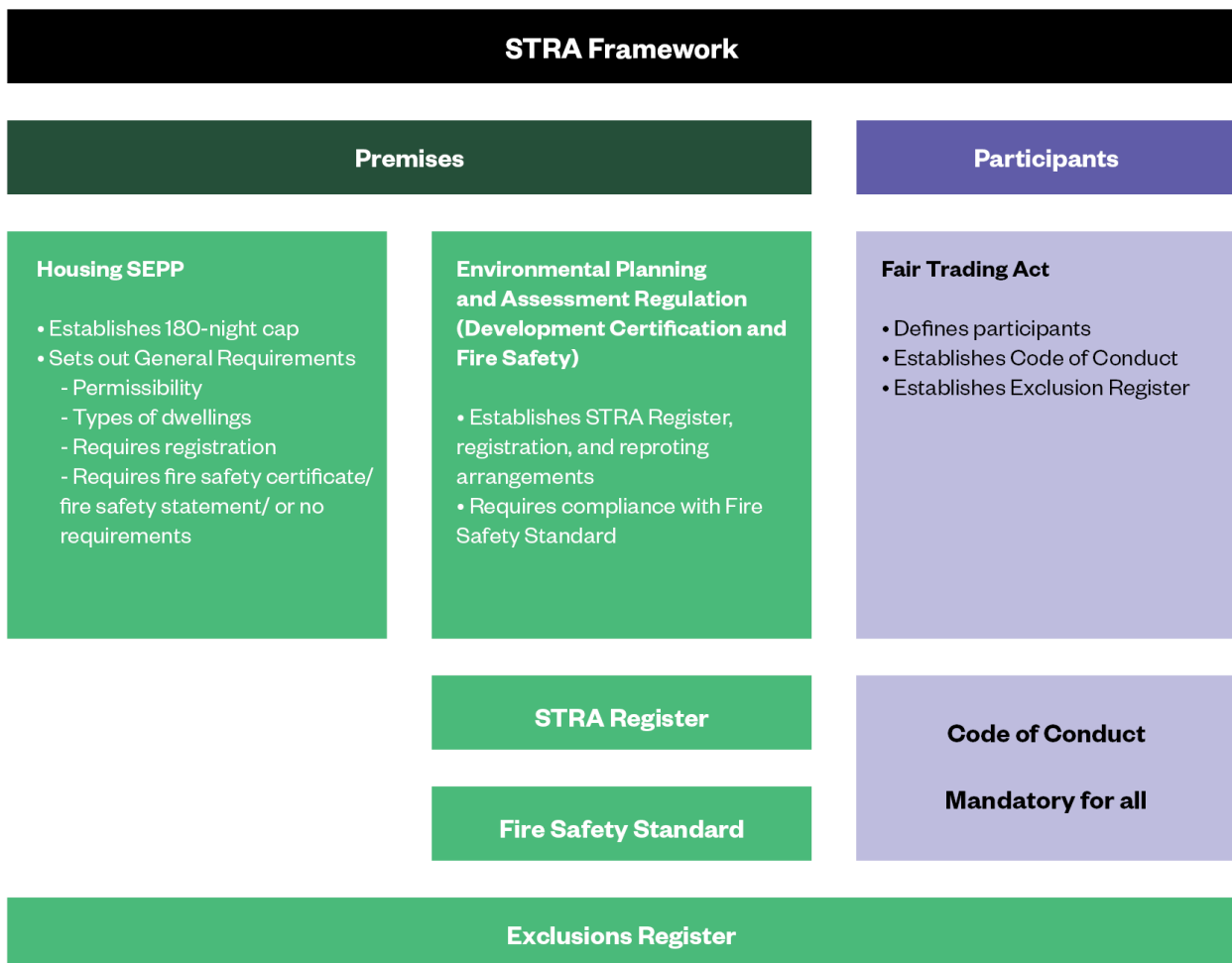


Figure 2: STRA Framework

Source: Mecone

2.1 Housing SEPP 2021

The STRA framework is enacted via Part 6 of the *Housing SEPP 2021*. This defines STRA, the types of dwellings which can be used for STRA, an exempt development pathway and caps on the use of dwellings for STRA.

In addition to defining STRA, the *Housing SEPP* differentiates between hosted STRA, meaning the host resides on the premises during the provision of the accommodation or non-hosted STRA where the host does not reside on the premises during the provision of the accommodation.

STRA is categorised exempt development, meaning a development consent under the EP&A Act is not required if the general requirements specified in the SEPP are met and the cap on the use of the dwelling for STRA is not exceeded. In Greater Sydney, the cap on non-hosted STRA is 180 days in a year. Stays of longer than 21 days by the same person or persons are excluded from the 180-day limit. There is no cap on hosted accommodation.

The *Housing SEPP* specifies the general requirements to be met. In summary these are:

- The dwelling must be lawfully constructed for residential accommodation.
- The type of residential accommodation used for STRA must be permissible on the land.
- The following dwelling types cannot be used for STRA - boarding house, co-living, group home, hostel, rural workers dwelling, seniors housing, refuge or crisis accommodation, and moveable dwellings (e.g. caravan).
- Buildings other than a Class 1a building, must have a current fire safety certificate or statement or no fire safety measures are currently implemented, required or proposed for the building. A Class 1a building is a single detached house or a dwelling or a horizontally attached dwelling e.g. semi-detached housing, attached dual occupancy, town house, terrace etc.
- The dwelling must be registered on the STRA Register established under the *EPA Reg (Development Certification and Fire Safety) 2021*
- The use of the dwelling for STRA must otherwise be lawful e.g. all applicable common law and requirements for approvals, licensing etc. must be met.

Despite the permissibility established through the *Housing SEPP*, there may be other provisions which may prohibit a dwelling from being used for STRA or impose additional conditions on its use. These may include:

- An existing by-law under the Strata Schemes Management Act which prohibits the use of a lot for STRA if the dwelling is not the principal place of residence of the host (*Section 137A*). A new strata by-law can be passed to prohibit STRA in premises other than a person's principal place of residence.
- conditions of consent;
- residential tenancy agreements i.e. lease; and
- caveats on title.

2.2 Environmental Planning and Assessment Regulation (Development Certification and Fire Safety)

Part 13A of the *EPA Reg (Development Certification and Fire Safety)* enacts the fire safety standards for STRA and the establishment of the STRA Register.

The provisions of *Part 13A* only apply to a Class 1a or Class 2 building or a single detached dwelling or a class 4 part of a building being used for STRA.

A Class 1a building is a single detached house or a dwelling or a horizontally attached dwelling e.g. semi-detached housing, attached dual occupancy, town house, terrace etc. Class 2 buildings are generally apartment buildings but may also be attached dwellings with a common space e.g. basement below. A Class 4 part of a building is a dwelling in a non-residential building e.g. a caretaker's residence. Most STRA within the City of Sydney fall within these building classes.

Clause 102B of the regulation requires STRA to comply with the STRA Fire Safety Standard approved by the Planning Secretary and sets out the penalties for non-compliance with the Standard.

Clause 103C provides for the establishment of a STRA Register by the Planning Secretary. It also sets out the information to be provided in the register as:

- the address of the STRA
- type of STRA,
- whether the STRA is hosted or non-hosted,
- the host name and address,
- description of how the dwelling complies with the fire safety standard.

It establishes the first registration fee as \$65 for 12 months, with an annual registration for \$25 after that. Renewal of registration can be completed up to 45 days before the end of the period and up to 3 months after the lapse of registration.

Under *Clause 102E*, a person must not make a dwelling available for STRA unless the dwelling is on the register. The maximum penalty for failing to comply with this requirement is \$2,200.

Clause 103F sets out the requirement for information about letting arrangements to be provided to the Planning Secretary by the host or letting agent. This includes a declaration that dwelling complies with fire safety standard and number of days of each short-term arrangement (stay). This must be provided no earlier than 5 days before or on day of that each arrangement commences and in approved form for inclusion in the register.

2.3 Fair Trading Act 1987

Division 4A Section 54B of the Act provides for a Code of Conduct for STRA industry participants, who are defined as including:

- online booking services for STRA
- booking agents for STRA
- person who provides short-term accommodation
- person who occupies STRA
- any other person who in trade or commerce who facilitates STRA and is identified by the regulations

The Act sets out the content of the Code of Conduct.

It also sets out the penalties for contravention of the code by a participant in STRA. It also authorises the establishment of an 'Exclusion register' with details of participants who have failed to comply with the code and the prohibition/restriction of participants on the exclusion register from entering into/participating in STRA.

The Act also clarifies that the code of conduct prevails over development consent conditions relating to a premises, but does not in itself authorise the use of residential premises for STRA if that use is prohibited by an environmental planning 'instrument'.

2.4 Fair Trading Regulation 2019

Part 2A STRA Industry Code of Conduct declares the Code of Conduct as commencing on 18 December 2020. The Regulation also identifies property management services as a participant in STRA.

2.5 Short-term Rental Accommodation Fire Safety Standard

The Short Term Rental Fire Safety Standard sets out the specific fire safety requirements for all STRA dwellings. The requirements are determined by the class of building as shown in the table below.

Table 1: STRA Fire Safety Standard

Source: NSW Government

Class of Building	Fire Safety Requirement
Class 1a building	Smoke and heat alarms Evacuation diagrams
Class 2 buildings and Class 4 part of building	Smoke and heat alarms Evacuation diagrams Egress doors Portable fire extinguishers Fire blankets



2.6 Code of Conduct

The Code of Conduct for STRA commenced on 18 December 2020 and is administered by the Commissioner for Fair Trading in the NSW Department of Customer Service. The Code of Conduct is mandatory.

The objectives of the Code of Conduct are to:

- a) set out the rights and obligations of STRA industry participants
- b) provide for resolution of disputes and complaints about the conduct of STRA industry participants
- c) outline the compliance and enforcement approach that applies to contraventions of the code by STRA industry participants
- d) facilitate the oversight of the STRA industry.

Obligations

Under the Code of Conduct, all participants are required to act honestly and in good faith, comply with requests by the Commissioner of Fair Trading to provide information, which can be used to monitor, evaluate and inform further development of the STRA regulatory framework and comply with Section 4 – Compliance and Enforcement of the Code. This includes not knowingly misrepresenting the identity of a host or premises to avoid the application of the code because the host or premises is on the exclusion register. The code establishes that contravention of these requirements is an offence under the Fair Trading Act and a civil penalty applies to contravention.

For the purposes of this study, the review focuses on the application of the Code to hosts, booking platforms, letting agents and property management service providers (e.g. real estate agents) in relation to premises for STRA.

When advertising premises online via a booking platform service, the booking platform must:

- only advertise premises that are registered
- display the registration number alongside details of the premises on the online booking service or wherever the premises details are advertised by a letting agent
- provide the following relevant information about each STRA arrangement to the STRA Register operator (Fair Trading) - Property id and postcode of the premises, booking reference number, request type (new, modified or cancelled), start and end dates of booking
- Keep a full record of particulars of each transaction involving STRA arrangements booked using the online platform for 3 years after end of occupancy period and in a readily producible form.
- Not advertise premises (or otherwise facilitate access to premises) if the host or premises are on the Exclusion Register
- Not permit guests on the Exclusion Register to enter into a STRA arrangement
- Notify a host or guest as soon as possible if the platform is made aware that a host, guest or premises is recorded on the exclusion register.

Non-compliance with the requirements above is an offence under the Fair Trading Act and civil penalties apply.

Booking agents, letting agents and property management services are required to inform participants of the Code, their obligations and to provide access to the code. They must ensure a host or guest is aware of how to lodge a complaint with Commissioner and if made aware of a complaint or dispute concerning host or premises, they must notify the host or guest as soon as practicable.

Complaints process

Under the Code of Conduct, a person may lodge a complaint with the Commission for Fair Trading about an alleged failure to comply with the code. If the complaint is regarding contravention of a criminal or civil law, the Commissioner may request the complainant to take the matter to the Police. If the complaint is regarding a contravention of planning law, the Commissioner may request the complainant to take the matter to the local council. If the Commissioner investigates a complaint, evidence of completed enforcement action by the relevant council is considered by the Commissioner as conclusive evidence of contravention of the Code of Conduct.

If the complaint is regarding contravention of a by-law in a strata scheme or community scheme, the Commissioner may decline the complaint on the basis that it should be pursued through the NSW Civil and

Administrative Tribunal. If the Commissioner accepts and investigates the complaint, an order by the Tribunal of a financial penalty for the contravention is by the Commissioner as conclusive evidence of contravention.

Compliance and Enforcement

If the matter is investigated by the Commissioner and a contravention of the Code established, disciplinary action may be taken or the guest, host or premises recorded on the Exclusion Register.

Enforcement actions available to the Commissioner are to:

- Issue a warning to the host advising of the contravention and direct the host to comply in the future or face disciplinary action
- Issue a direction to act or stop acting in a manner in contravention of the code or issue directions that specify the minimum or maximum occupancy period involving a participant, a maximum number of visitors, restrict use of common property, prohibit certain behaviour or impose other conditions.
- Record a strike against the premises or host
- Record the premises or host on the exclusion register.

Participants can be excluded from participation in STRA if:

- they are found by NSW Fair Trading to have committed two serious breaches (strikes) of the Code of Conduct in a two year period. NSW Fair Trading can record a strike against a guest or host, in relation to one or all their premises, following consideration of a complaint.
- NSW Fair Trading is satisfied that a host or a guest has been charged with a criminal offence and it is in the public interest to exclude the person until the criminal proceedings are determined.
- A person has been convicted of a criminal offence and NSW Fair Trading considers it in the public interest.

The Exclusion Register must record the name and any other details necessary to identify an excluded host or guest, the address of an excluded premises and the name of the host who incurred the strikes with respect to the premises and any other details about the excluded host, guest or premises the Commissioner considers appropriate.

A person or premises listed on the register is excluded from participating in the STRA industry for five years. If a person is convicted of a criminal offence and it is in the public interest, NSW Fair Trading can record a person on the Exclusion Register for a specified period or indefinitely.

An appeal can be lodged if a person or premises is listed on the Exclusion Register. The Commissioner will remove the premises from the register if it is satisfied that the owner is not the host against whom the strikes were recorded and it is satisfied that the former host has no direct or indirect interest in the premises.

A premise or host may not participate in STRA if they are listed on the exclusion register. However, if a premise or host is placed on the exclusion register, bookings made before the date of exclusion and where the occupancy is within one month of the record date are not required to be cancelled.

2.7 Exclusion Register

The Exclusion Register is a list of guests and hosts who have been excluded from participating in the short-rental accommodation industry. Hosts can be excluded in general or in relation to a specific premises.

The Exclusion Register is publicly available through the Fair Trading website. As of 3 November 2023, no hosts or premises were listed on the Exclusion Register.

2.8 STRA Register

The STRA Register is hosted via the NSW Planning Portal. All STRA properties are required to be listed on the register. Each registered premise is issued with a unique STRA property ID number which must be displayed on an online property listing.

Registrations are renewable annually. If a premises is not renewed by the expiry date, the registration is held for a further 3 months after which it is automatically de-registered. During the three-month period, the dwelling is not to be used for STRA and the registration is blocked from accepting bookings from online booking platforms.

Once the property is de-registered, a new property registration must be completed before the dwelling can be used for STRA once again.

If a premises is available for booking via an online booking platform, the registration number must be provided to the online platform. This facilitates the stays booked to be automatically recorded on the register. Where a premises is self-managed, the host must manually upload booking details to the register.

The register is not available to the general public. The information within the register may be provided to the Department of Customer Service and local governments, who may use the information for statutory purposes such as taking action to address fire safety concerns or enforcement of the mandatory code of conduct.

2.9 City of Sydney properties on the STRA Register

An extract of the STRA Register for premises in the City of Sydney has been examined. Key to this study are the following findings. The STRA Register records 2,468 registered premises as of 20 October 2023, of which:

- 1,629 are non-hosted premises (66%)
- 1,623 are premises in a residential flat building, of which 1,163 non hosted.
- 170 are non-hosted dwelling houses (the next most common form of premises).

2.10 Monitoring and enforcement mechanisms relating to the STRA general requirements.

The STRA general requirements are set out in the *Housing SEPP*, making them matters of planning law.

The establishment of the STRA Register under the *Environmental Planning and Assessment Regulation (Development Certification and Fire Safety)* sets out information to be provided when registering a premises. This requires basic information about premises to be provided – address, type of residential dwelling and compliance with the fire safety requirements. There is no requirement for information to be provided regarding any of the other general requirements e.g. the permissibility of residential accommodation on the land, approval or lawful construction of the dwelling or any matters e.g. conditions of consent.

A premises can be registered as long as the requested information is provided. The framework requires hosts and premises to be registered, and establishes that non-compliance is an offence under the *Fair Trading Act*.

The City of Sydney investigates complaints where these are related to a breach of planning law. Where an investigation identifies that a premises is not registered, the owner/host is advised to register the premises for STRA. Where a premises is registered but is found to breach the applicable conditions or consent or property bylaws, then enforcement action is commenced.

Where investigations identified breaches of the Code of Conduct, the City of Sydney advised NSW Fair Trading.

These actions are undertaken using Council's compliance powers under the *Environmental Planning and Assessment Act 1979*.

3 Policy Setting Review

This chapter examines the policies surrounding STRA across various global and local jurisdictions, including Amsterdam, Barcelona, New York City, San Francisco, Victoria, and Queensland. Each location presents a unique approach to managing STRAs, balancing the benefits of tourism with residential community needs and housing market dynamics. This comparative analysis aims to provide insights into the varying strategies employed to manage the growing STRA sector worldwide.

3.1 International Policy Settings

3.1.1 Amsterdam

The regulation of STRA in Amsterdam, initiated in February 2014, aimed to preserve residential neighbourhoods, curb the professionalisation of the STRA market and to define STRA as an activity. By 2020, in response to increasing STRA supply, Amsterdam municipal government imposed stricter policies to mitigate the increase in STRA.

The initial 60-night rental cap per year was reduced to a 30-night cap with a mandatory permit system. Additionally, the municipal government placed an outright ban on STRA in the popular tourism districts of Burgwallen-Oude Zijde, Burgwallen-Nieuwe Zijde and the Canal Belt-Zuid. The ban sought to protect local residents quality of living, increase housing stock and to reflect local community sentiment.⁶ However, by 2021, the outright ban on STRA in the three districts was overturned by the court of Amsterdam as they agreed with plaintiff that the *Housing Act 2014 (Netherlands)* did not provide legal justification for the prohibition of STRs and ruled that anyone who can meet the conditions set out in the permit system is eligible to host.⁷

The conditions to obtain a permit to host an STRA in Amsterdam⁸ include:

- The house or houseboat is the host's main residence and is registered in the Municipal Personal Data Records Database (BRP) of the municipality of Amsterdam. All other residents listed on the permit are also registered at that address in the BRP of the municipality of Amsterdam.
- The permit can only be used by the resident(s) named in the permit and for the address stated in the permit.
- The house listed in the permit cannot rent out a rental property owned by a housing association.

The rules that apply in the permit include:

- Annual maximum of 30 nights for holiday rental purposes.
- A maximum of 4 people at a time are allowed to stay.
- Hosts must report each period of holiday rental to the municipality in advance before guests arrive.
- Guests must not cause any nuisance.

Non-compliance for not obtaining a permit or failure to report holiday rentals in advance will receive a fine of €8,700. For most extreme circumstances, such as renting to a tourist without living in a property can result in a fine of €21,750.⁹ When a host has been imposed a fine for at least twice in the last five years, they will be imposed a rental ban for one year for the third violation.

As of 2024, a 12.5% tourist tax on the overnight price is implemented on all forms of accommodation including hotels, campsites, holiday rentals, bed & breakfast, short stay and any other types of visitor accommodation.¹⁰

⁶ <https://nos.nl/artikel/2330660-amsterdam-verbiedt-airbnb-verhuur-in-drie-wijken-om-overlast-tegen-te-gaan>

⁷ <https://uitspraken.rechtspraak.nl/details?id=ECLI:NL:RBAMS:2021:1017>

⁸ <https://www.amsterdam.nl/wonen-leefomgeving/wonen/vakantieverhuur/vergunning/>

⁹ <https://www.amsterdam.nl/wonen-leefomgeving/wonen/boetes-overtredingen-vakantieverhuur-bed/>

¹⁰ <https://www.amsterdam.nl/veelgevraagd/toeristenbelasting-2c7c2#>

3.1.2 Barcelona

The regulation of STRA in Barcelona, initiated in January 2017, aimed to mitigate over tourism, preserve affordable housing, rebalance territorial distribution of STRA and to define STRA as an activity. Barcelona was initially not a popular place for tourism. It was only until the Summer Olympics of 1992 and the government's investment in the beautification of the city that led it to becoming a prime destination. By 2019, Barcelona, a city of 1.6 million residents, had over 21.3 million overnight stays, which is more than double the figure from 2005.¹¹ Evidently, a study published in 2020 found that Airbnb activity in Barcelona has increased rents by 7% and house prices by 17% in neighbourhoods that have high STRA activity.¹² The areas with the highest level of tourism receive the worst impacts of the Airbnb as seen in Figure 12.

Unlike other international examples used for this report, Barcelona does not have a cap on the number of nights that an STRA can be rented out. Despite this, Barcelona uses strict licensing requirements alongside a stringent process for obtaining a license to regulate STRA. The city has vigorous enforcement against properties operating as STRA without a license, including substantial fines for both the property owners and listing platforms like Airbnb. The city spends approximately 2 million euros per year to ensure the rules are enforced on STRA.¹³

Uniquely, as of 6th August 2021, Barcelona had banned the short term rental of private rooms as a response to restricting private tourist accommodation to address the issues of excessive tourism and the cost of living for local residents.¹⁴

Airbnb and Vrbo (previously Homeaway) had previously been fined up to €600,000 each for repeatedly listing unlicensed properties in 2016.¹⁵

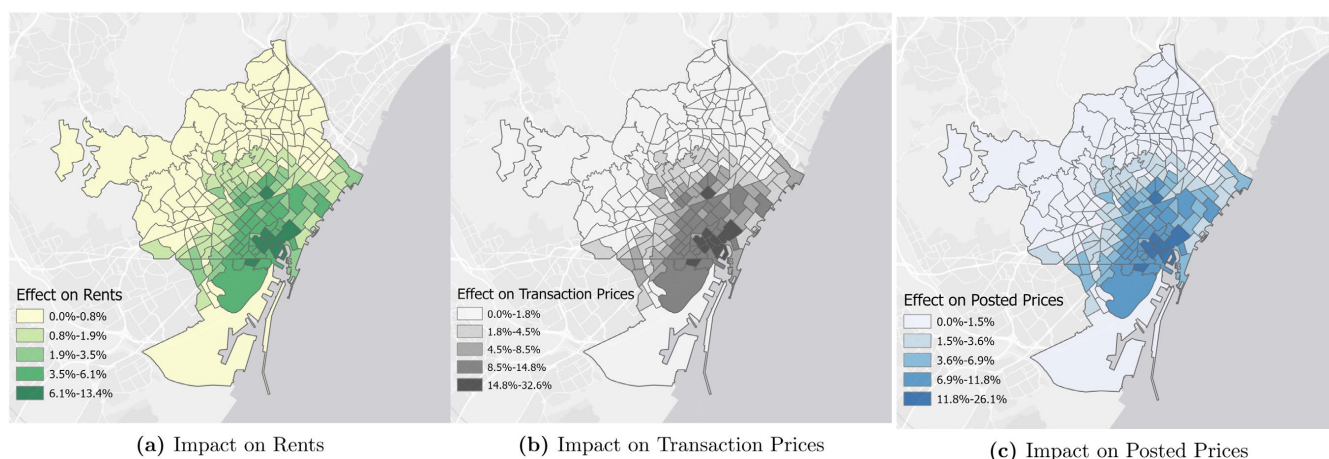


Figure 3: Implied effects of Airbnb across Barcelona

Source: Garcia Lopez et al, 2020

¹¹ <https://www.nytimes.com/2021/09/22/travel/barcelona-airbnb.html>

¹² <https://www.sciencedirect.com/science/article/pii/S0094119020300498>

¹³ <https://www.nytimes.com/2021/09/22/travel/barcelona-airbnb.html>

¹⁴ <https://www.nytimes.com/2021/09/22/travel/barcelona-airbnb.html>

¹⁵ [https://www.reuters.com/article/idUSKBN13J1ZC#:~:text=MADRID%20\(Reuters\)%20%2D%20Barcelona%20fined,regional%20government%20said%20on%20Thursday.](https://www.reuters.com/article/idUSKBN13J1ZC#:~:text=MADRID%20(Reuters)%20%2D%20Barcelona%20fined,regional%20government%20said%20on%20Thursday.)

3.1.3 New York City

The regulation of STRA in New York City, updated in September 2023, aimed to preserve the availability of long-term rental housing. New York City had some of the strictest regulations prior to the implementation of *Local Law 18*. The rules were widely flouted, causing New York City to issue \$8.9 million in fines during 2021.¹⁶ With the implementation of *Local Law 18*, New York City saw number of listings drop from 22,500 to just only 3,227.¹⁷

The *Local Law 18* took effect on 5th September, 2023, prohibited Booking platforms from allowing transactions for unregistered short term rentals. The key features of *Local Law 18* include:

- Rentals that are shorter than 30 days are only allowed if hosts register a permit with the city with hosts to be physically present in the home for the duration of the rental.
- A Prohibited Building List are either placed by law due to heritage significance or fire safety compliance, the entire building is rent controlled or the building owner, landlord or manager of the building voluntarily registers the development onto the list.¹⁸ This list prohibits STRA from operating in an entire building.

Local Law 18 had also resulted in the establishment of the 'Office of Special Enforcement' that required hosts to register for a permit through this office. This aims to ensure the strict requirements from the permit system are complied with whilst preserving affordable housing, local communities and to educate locals on legal short term renting.¹⁹ This permit system resulted in the City receiving more than 3,800 applications with only under 300 of those applications to be approved.²⁰ If hosts are found to be non-compliant, they can be issued to pay a fine that ranges between \$1,000 to \$7,500 based on the severity of the matter.

Despite these regulations, Airbnb sued the New York City Mayor's Office for Special Enforcement over these restrictions arguing that the ban would hurt tourists finding affordable accommodation as a result of *Local Law 18*. *Airbnb, Inc. v. N.Y.C. Mayor's Office of Special Enft*, 2023 in the New York State Supreme Court found that the city had acted within its authority for it to require hosts to register with a local agency as an attempt to crack down on listings that operate illegally.²¹

¹⁶ https://www.washingtonpost.com/business/2023/09/05/airbnb-s-new-nyc-regulations-what-renters-and-hosts-need-to-know/26f6a928-4c34-11ee-bfca-04e0ac43f9e4_story.html & <https://fortune.com/2023/03/03/airbnb-new-york-city-1-million-fines-city-cracking-down-rental-market/>

¹⁷ <https://www.domusweb.it/en/news/2023/11/02/airbnb-the-new-rules-in-the-cities-of-the-world-lisbon-florence-amsterdam-paris.html>

¹⁸ <https://www.nyc.gov/site/specialeenforcement/stay-in-the-know/information-for-hosts.page>

¹⁹ <https://www.nyc.gov/site/specialeenforcement/registration-law/registration.page>

²⁰ <https://www.smh.com.au/world/north-america/you-are-not-welcome-airbnb-crackdown-causes-trouble-for-travellers-to-new-york-20230907-p5e2nk.html>

²¹ <https://www.apartmentlawinsider.com/article/judge-dismisses-airbnb-lawsuit-over-local-law-18-enforcement#:~:text=Judge%20Dismisses%20Airbnb%20Lawsuit%20Over%20Local%20Law%2018%20Enforcement,-August%2024%2C%202023&text=A%20state%20Supreme%20Court%20judge.days%20%5BAirbnb%2C%20Inc%20v>



3.1.4 San Francisco

The regulation of STRA in San Francisco, initiated in 2014, aimed to preserve the availability of long-term rental housing.²² Around this period, San Francisco's economy avoided many of the effects of the Global Financial Crisis due to a boom in the tech industry, which resulted in a spike in house prices causing a housing affordability crisis. Hosts from Airbnb and similar platforms started to enter the San Francisco market which set in fears about STRA impacting the quality of living of residents and the housing affordability crisis. The first round of regulations were enacted in 2014 and the council asked in a ballot measure (a local council referendum) to enact wider restrictions the following year and the vote prevailed. This led to further regulations in a bill that passed unanimously in 2016.²³ This bill provides the basis of the STRA regulations that San Francisco has to this day.

To be eligible as a Short-Term Host in San Francisco²⁴, hosts must:

- Be permanent San Francisco residents which requires the host to reside in their unit for at least 275 nights per year.
- Hold liability insurance with at least US \$500,000 in coverage.
- Ensure that the unit that will be designated as STRA satisfies building, housing, and planning code compliance. Hosts are required to print signs that show the location of all fire extinguishers in the unit and the building, fire exits, fire alarms, and gas valves.
- Register with both San Francisco's Treasurer and Tax Collector, the Office of Short-Term Rentals, and a Business Account Number. The registration to the San Francisco Treasurer and Tax Collector Certification must be renewed annually. The Office of Short Term Rentals Certification must be renewed biannually with a \$250 renewal fee.

The rules that apply in the permit include:

- Ensuring that the hosts limit renting out their unit for a maximum of 90 days per year. Violators who continue to rent their apartments beyond 90 days are subject to a daily fine of \$484 for first offences and up to \$968 for repeat offenders. Despite this, rentals that last longer than 30 consecutive nights will not be subject to STRA regulations or be subject to any transient occupancy taxes.²⁵
- Requiring hosts to file quarterly reports to the Office of Short-Term Rentals to keep track of the number of days a unit is rented as a short-term rental.
- Comply with Rent Control Laws which require hosts who are tenants to not charge their guests more rent in any month than they are paying to their landlord. Tenants who violate this provision could be issued a fine of up to \$1,000 per day which may result in their unit being delisted.
- Pay a 14% Transient Occupancy Tax and an additional 2-2.25% Tourism Improvement District Assessment. This tax applies to all hotels and STRA within the city.
- File a report on their business personal property and potentially pay a Business Personal Property Tax.

²² <https://thefrisc.com/as-cities-scramble-to-rein-in-airbnb-san-francisco-actually-got-this-one-right-541e440ae294>

²³ <https://thefrisc.com/as-cities-scramble-to-rein-in-airbnb-san-francisco-actually-got-this-one-right-541e440ae294>

²⁴ <https://www.amsterdam.nl/wonen-leefomgeving/wonen/vakantieverhuur/vergunning/>

²⁵ <https://sfplanning.org/str/faqs-short-term-rentals>



3.2 Local Policy Settings

3.2.1 Victoria

In Victoria, there are no planning restrictions on STRA under the Victoria Planning Provisions. Some popular tourist destinations have introduced local council bylaws to manage STRA. These include requiring short-term rentals to be registered with council or the payment of annual fees to council.

In October 2023, the Victorian state government's *Housing Statement - The Decade Ahead 2024 - 2034* introduced a levy on short-stay rental platforms, effective January 2025. The levy will be set at 7.5% of the short-stay accommodation platform's revenue, with the funds directed to Homes Victoria to support social and affordable housing investment. This will replace local council charges on STRA.

3.2.1.1 City of Melbourne

City of Melbourne has no requirements for STRA. It has become increasingly concerned about the tight rental housing market and the impact of STRA on housing supply. In August 2023, the City of Melbourne agreed in principle to introduce a new local law that includes an annual registration fee of \$350 per property and a limit of 180 days on the use of property for short-stay accommodation. The intention was to introduce the new law in February 2024. Consultation on the proposed policy was undertaken in September 2023. Council is yet to consider the outcomes of the consultation.

3.2.1.2 Mornington Peninsula

The Mornington Peninsula introduced a STRA Local Law in 2018 in response to concerns about the impact of STRA on neighbours. This was amended in 2022. The local law requires property owners to:

- Register the property with Council.
- Display the registration number on all online platforms that advertise the property.
- Appoint a designated contact person to respond to neighbour complaints within two hours.
- Ensure occupants adhere to the Code of Conduct.
- Provide adequate off-street parking and garbage bins.

Registration must be renewed annually. The registration is specific to a property and cannot be transferred to another owner.

It is an offence under the local law to accept a booking if the property is not registered. Registration may be cancelled if council received three substantiated complaints over a rolling 12-month period, or if a substantiated complaint is severe enough that immediate cancellation is warranted.

The local law assigns responsibility for disturbance caused by occupants to the designated contact person. Neighbours can also report the matter to Council at any time, who will investigate the matter. However, intervention with the occupants remains the responsibility of the owner.

3.2.2 Queensland

In Queensland, the statutory framework regulating STRA is established at local council level. Some councils have introduced controls in the planning framework (City Plans) or through local laws.

Brisbane City Council, Noosa Shire Council and Sunshine Coast Council have introduced a new general rate category, “transitory accommodation” for STRA. This new rating category allows local councils to identify premises that are used as temporary residence for paying guests and require different rates to be paid.

Local councils have called for state-wide regulation of the STRA sector. A government-appointed reference group was established in 2018 and reported in 2023. The report makes two main recommendations:

- Implementation of a STRA registration system that mirrors the NSW centralised registration and data collection system to support monitoring, policy formulation, regulation and compliance and enforcement actions.
- There is no evidence to support statewide STRA restrictions. Acknowledged that a one-size-fits-all statewide approach may not be effective due to the diverse nature of STRA across different regions of Queensland.

3.2.2.1 Brisbane City Council

STRA requires development approval from the Brisbane City Council. In addition, if the STRA activity is of the entire dwelling or unit, then generally a Material Change of Use (MCU) application is also required. The intention is to ensure the potential impacts on the immediate neighbourhood are considered and that the accommodation is of a scale and occupancy turnover that is compatible with community expectations in the immediate neighbourhood.

Brisbane City Council City Plan 2014 distinguishes between hosted-STRA and non-hosted STRA, and applications are assessed against different criteria. Hosted STRA is classified as a home-based business and non-hosted STRA is defined as Short Term Accommodation

Non-hosted STRA is assessed against criteria in Section 9.3.10 Home based business code in City Plan 2014. These criteria seek to ensure that the use is subsidiary to the principle residential use of the dwelling and do not impact on the amenity of neighbours and of the surrounding residential area. Small establishments that do not impact on neighbours will generally meet the criteria for acceptable development, while others will be impact assessable and require development approval.

Non-hosted STRA is defined as Short Term Accommodation and requires development approval. Applications are assessed Section 9.3.22 Short-term accommodation code in City Plan 2014. Short-term accommodation is impact assessable development, with applications assessed against:

- the benchmarks identified in Section 9.3.22 Short-term accommodation code.
- The whole of the planning scheme (to the extent) relevant. This includes consideration of cumulative outcomes.
- The relevant building assessment provisions under the Building Act 1975.

The benchmarks in the short term accommodation code primarily support short-term accommodation in centre zones, the high density residential zone and locations with high accessibility to high-frequency public transport services, long distance transport routes and social, cultural, tourist and leisure facilities and shopping facilities. Specific provisions relate to noise, odour and air quality to ensure that development is designed and sited to minimise impacts on the amenity of a nearby residential dwelling or other sensitive use, the continued operation of existing businesses and considers the health and wellbeing of occupants.

There are no public notification requirements for applications in sites in the centres zones, high density zone and in some low-medium density zones on arterial or suburban roads.

In June 2023 Brisbane City Council commenced a short-stay accommodation taskforce to identify a best practice approach to plan for and manage short-stay accommodation in the city.

From 1 July 2022, Brisbane City Council's rates for ‘transitory accommodation’ have been 50% higher than the rates on owner-occupied residential properties, with the aim of encouraging properties back to the private long-term residential market. Initially owners of STRA were encouraged to self-identify, but council has also identified properties through online sources. The minimum general rate for this rate category is \$1,861.

3.2.2.2 Noosa Shire Council

STRA in Noosa requires approval under a local law and may require planning approval.

Noosa Council adopted a new local law for STRA which commenced on 1 February 2022 (Noosa Shire Council Administration (Amendment) Subordinate Local Law (No. 1) 2021) and Codes of Conduct for Guest Behaviour for Home hosted accommodation and for Short Stay Accommodation.

The local law differentiates between home hosted accommodation and short-stay letting. One-off approval is required for home hosted accommodation and short-stay letting. The approval requires annual renewal while the property is used for STRA.

The local approval allows the council to impose regulations on STRA. These include:

- A written complaints register must be kept, containing details of any complaint and how this was resolved. This must be kept for a period of 2 years.
- A guest register must be kept, including the duration and number of guests. This must be kept for a period of 2 years.
- The complaints and guest register must be made available for inspection by Council within 5 business days.
- Public liability insurance is to be held at all times, in an amount not less than \$10 million.
- The operation of the home must not negatively affect the surrounding residential amenity.
- Details relating to parking and waste management.

For short term letting, additional regulations also apply, which require the approval to be displayed at the front of the property along with the approval number and a 24/7 complaints hotline number. The nominated person of contact also has specific requirements, such as residing within 20km radius of the premise and responding within 30 minutes of receipt of notification of complaint.

Complaints are directed to Council's 24-hour hotline, who will then contact the responsible person within 30 minutes of the complaint being received. The hotline is responsible for recording the complaint details and resolution. If the responsible person does not resolve the complaint to the satisfaction of the code of conduct, council can take compliance action.

For home based accommodation, complaints regarding guest behaviour are to be directed to the host residing at the property and the host is responsible for resolving complaints.

Under Noosa Plan 2020, home-hosted accommodation is defined as a home-based business. Planning approval is not required provided the minimum accepted development requirements of Noosa Plan 2020 can be met.

For short-stay letting, existing properties may be able to rely on approvals issued under previous planning schemes, approvals for short-term accommodation issued in the 12-month period between 31 July 2020 and 31 July 2021 or existing use rights.

New short-term letting may be accepted development and not require development approval if it is not let for more than 4 times and 60 days per calendar year. Development approval is required if these requirements are not met. The code assessable pathway is available for all zones except the low density zone, where an impact assessment is required. Under the code-assessable pathway, if a development can demonstrate that it meets the relevant assessment benchmarks then it will be approved.

Noosa Council's rates for 'transitory accommodation' vary, depending on the categorisation (Stata/non-strata, hosted/non-hosted, no of properties etc). The general rate (cents in the dollar) for transitory accommodation is between 50% and 100% higher than the applicable rate for residential properties. The minimum general rate (2023-24) for hosted home STRA is \$1,934 and \$2,578 for non-hosted STRA. This is generally twice the minimum rate for residential properties.

4 Understanding the Local Area

The ABS census data from 2011 to 2021 reveals how key metrics in the Sydney LGA have changed over the past decade. While the LGA’s median monthly household income has increased by 35% from \$6,556 to \$8,848 over the past 10 years, growth in the median monthly mortgage and rent repayments have been more moderate in comparison. During the same 10-year period, median mortgages increased by 6.3%; rents saw a higher level of change – increasing by 18.3%. However, it should be noted that 2021 census figures were undertaken during the restrictions of the COVID-19 pandemic. This would result in a lower than usual demand for rental properties, with reduced numbers of temporary residents from overseas.

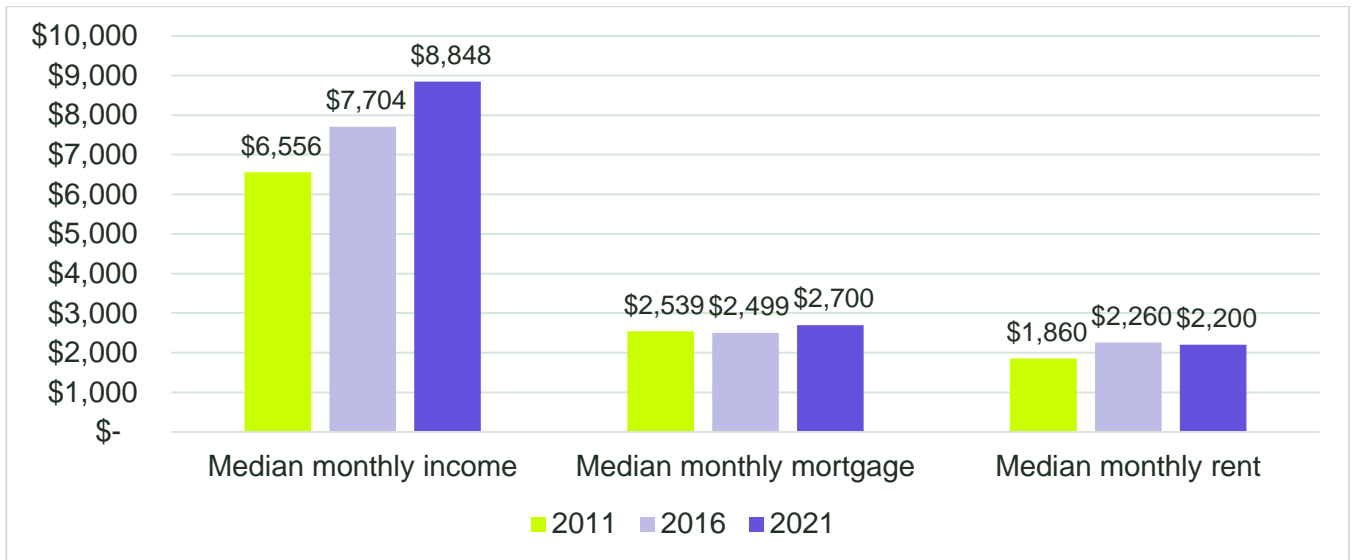


Figure 4: Median Incomes Versus Rent & Mortgage

Source: ABS census (2011, 2016, 2021)

While both population and dwelling numbers have increased in the 10-year period between 2011 and 2021, the rates at which these two indicators have changed compared to one another have differed. The LGA’s population increased by 23% between 2011 and 2016 while dwellings increased by only 16%. Between 2016 and 2021 however, population increased by 1.6% while dwellings increased by 13%, acknowledging the 2021 Census was undertaken during the COVID-19 pandemic. Between 2011 and 2016, the LGA saw an increased occupancy rate per dwelling; however, this trend reversed for 2016 and 2021, presumably in a temporary manner, as the number of temporary residents from overseas was reduced due to COVID-19. Recent data from the ABS shows that the LGA’s population had increased to 231,086 by 30 June 2023 or 9.1% since 2021.

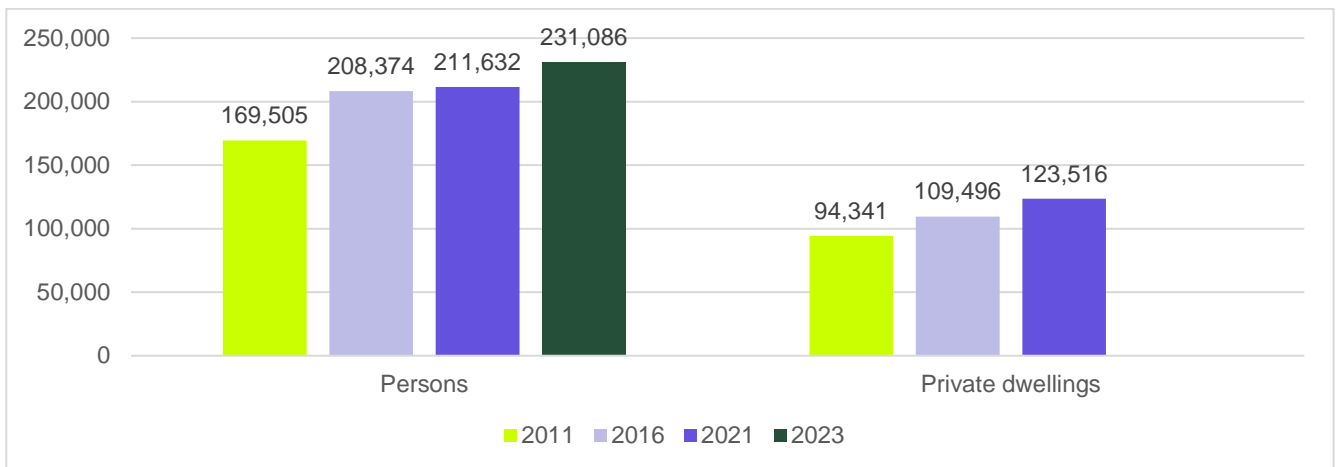


Figure 5: Change in Population and Dwellings

Source: ABS census (2011, 2016, 2021) and ABS ERP estimates (June 2023).

Comparing the Sydney LGA with the NSW average reveals that the LGA has a significantly higher proportion of renters than the state average. One of the key reasons for this is the larger proportion of younger adults in the LGA, including those who are attending higher education facilities such as the University of Sydney. 26.5% of the LGA's population consists of 20- to 29-year-olds, just over double the state average of only 13%. Another reason is the relatively higher number of recent arrivals to Australia and temporary residents (e.g. international students). Figures from the 2016 census show that of census respondents who answered the question of their usual residence five years ago, 29% currently residing in the Sydney LGA lived overseas five years ago – in contrast to the NSW average of just 7.5%. Figures from the 2016 census were used for this indicator to show a more representative long-term trend as data from the 2021 census were affected by the COVID-19 restrictions at the time.

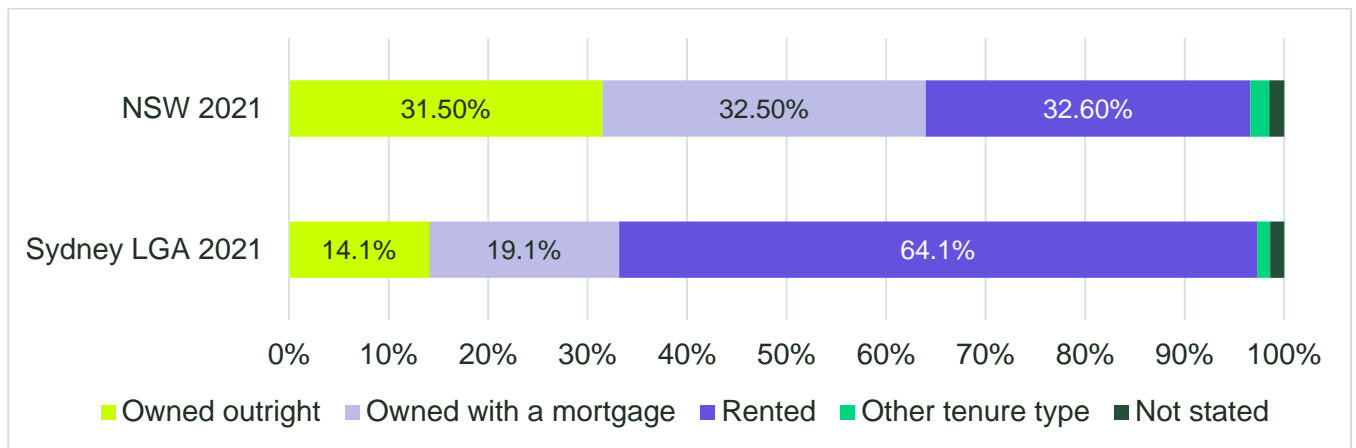


Figure 6: Tenure Type – Sydney LGA vs NSW

Source: ABS census (2021)

The percentage of renters in the Sydney LGA has continued to progressively increase between 2011, 2016 and 2021. This is despite the reduced number of temporary overseas residents in 2021, indicating that even amongst domestic residents of the LGA, the proportion of renters is increasing over time. As the proportion of renters in the LGA increases, it is important to ensure that sufficient housing stock is available for long-term rentals to accommodate the LGA's residents.

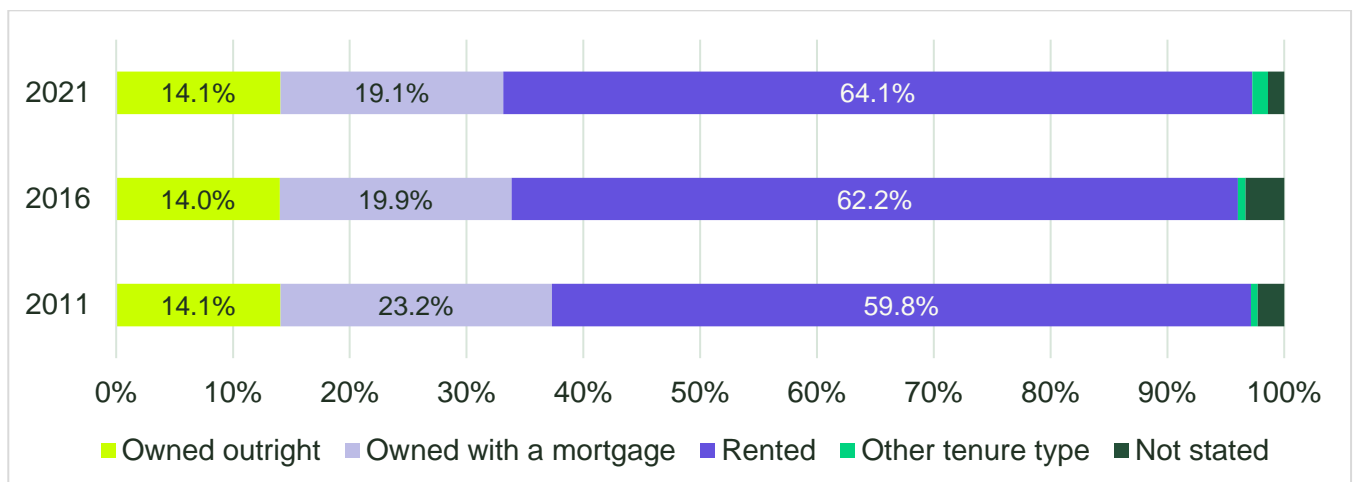


Figure 7: Tenure Type – Sydney LGA Time Series

Source: ABS census (2011, 2016, 2021)

The NSW Government's Travel Zone Projections 2022 show strong growth in the Sydney LGA of all three indicators of employment, dwellings and population. While the graph below shows that the NSW Government had initially anticipated a reduction in total population and population growth in the years following the COVID-19 pandemic, more recent migration figures show that this has not occurred – instead record levels of migration were recorded following the COVID-19 pandemic, making the need for a sufficient number of housing units and rentals even more pressing.

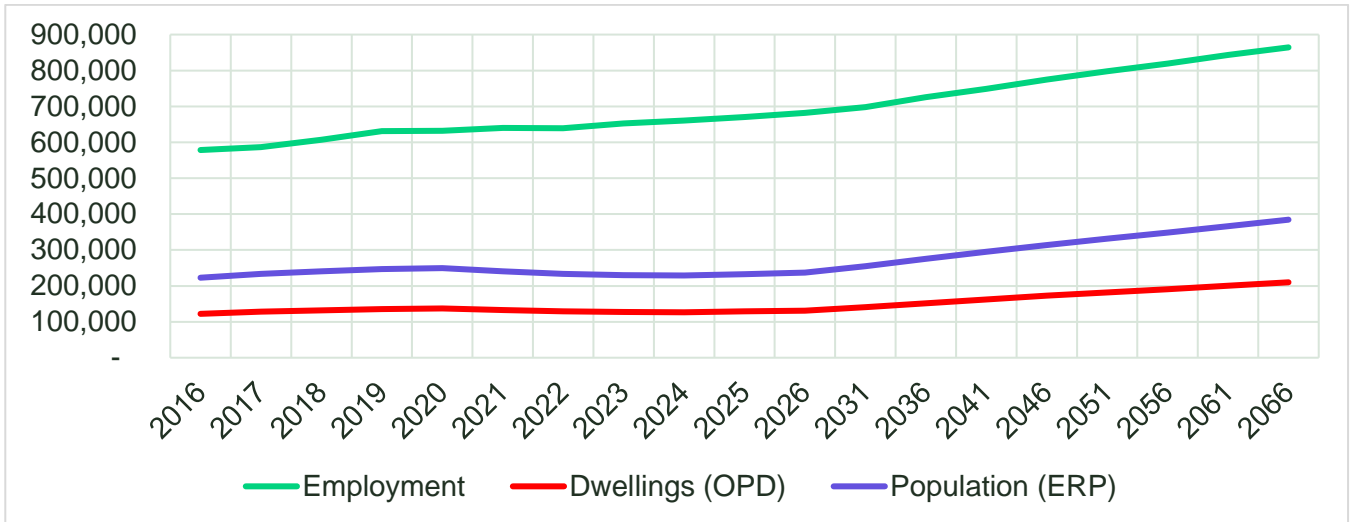


Figure 8: Sydney LGA Projections

Source: Travel Zone Projections 2022

Despite the current and projected population growth for the Sydney LGA, dwelling approvals data show that following a peak in the period around 2016, housing approvals have fallen significantly in the LGA, with the 2022-23 period seeing the lowest number of lodgements and approvals in the past decade. In the 30 months since Oct 2021 lockdown, housing delivery has been challenged by a perfect storm of:

- increased interest rates;
- withdrawal of foreign investors;
- increased domestic demand;
- conversion of rental stock to owner/occupier;
- dramatic increase in material and construction costs;
- wet weather - 24 weeks when contracts allow for 12 weeks;
- labour and subcontractor shortages;
- difficulties in accessing finance for developers and purchasers; and
- effect of tougher legislation to crack down on builders and certifiers.

This has resulted in lodgements, construction commencements and completions slowing, waiting for market conditions to improve. The low number of dwelling approvals in contrast to the continued levels of population growth will exacerbate the housing shortage in the LGA. For renters, vacancy rates will continue to remain low, putting upward pressure on rental costs.

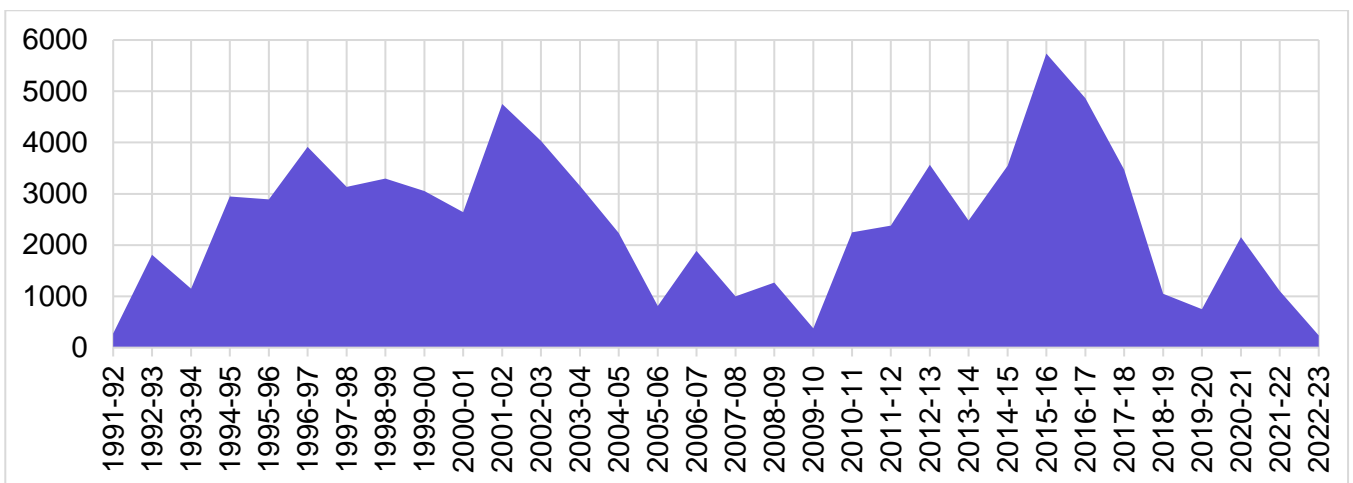


Figure 9: Sydney LGA Dwelling approvals

Source: Department of Planning, Housing and Infrastructure

The chart below compares the change in median rental prices, the number of new bonds lodged and the consumer price index (CPI) between 1990 and 2022. Up until the early 1990s, rental prices were tracking in line with CPI increases; however, since then, rental prices have increased at a level that is considerably above CPI. This was further exacerbated from around 2006, when a reduction in the number of new rental bonds lodged saw prices increase even further. While the gap between CPI and rent prices decreased temporarily for a few years during the COVID-19 pandemic, following the pandemic, rental prices have increased to levels higher than ever experienced previously.

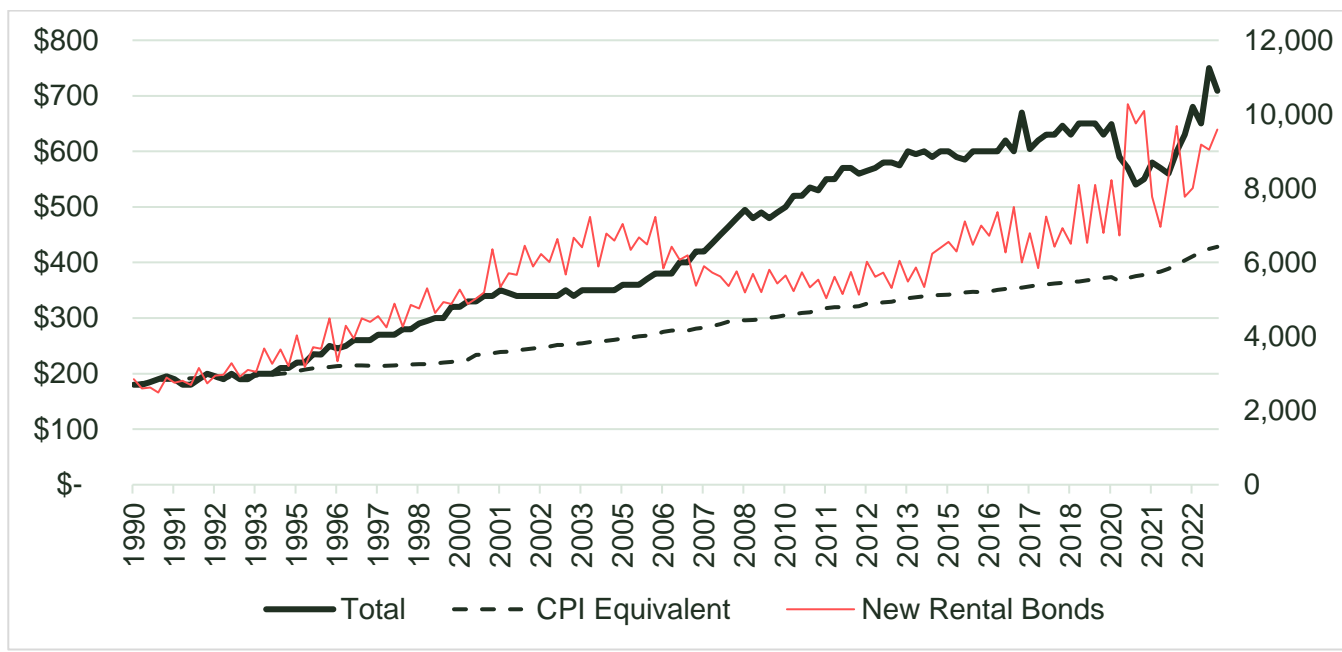


Figure 10: Median Rental Prices & New Bonds Lodged

Source: FACS Rent and Sales Report, ABS Consumer Price Index

In addition to rental prices in the Sydney LGA rising faster than CPI, rental prices in the Sydney LGA are also increasing at a rate higher than that of the Sydney Greater Metropolitan Region (GMR). This can be attributed to a number of reasons, such as a greater gap between demand and supply compared to other areas in the GMR and relatedly, the fact that the Sydney LGA is seen as a relatively more attractive place to live compared to some other areas in the GMR.

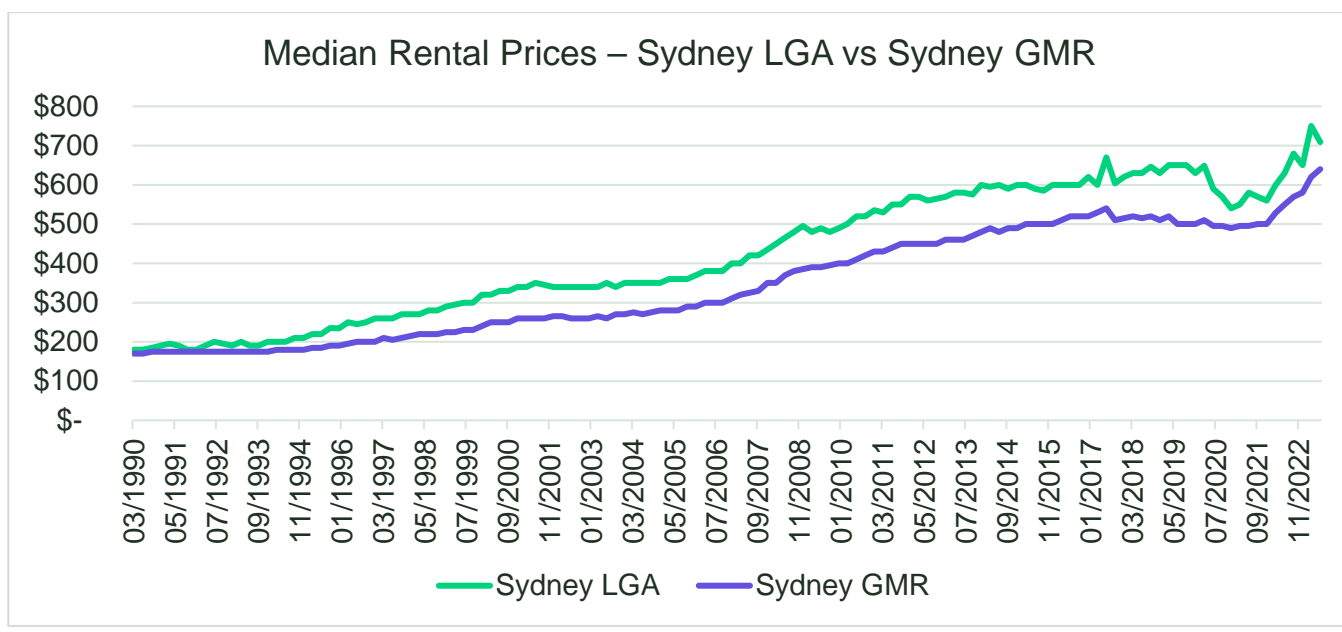


Figure 11: Change in Rents – Sydney LGA vs GMR

Source: FACS Rent and Sales Report

Breaking down the rental data further into quartiles, we can see that, historically, the difference between the quartiles have been relatively stable; however, in recent quarters, there has been an increase in the price difference between the median and third quartile, indicating an increase in the number of higher end rental units.

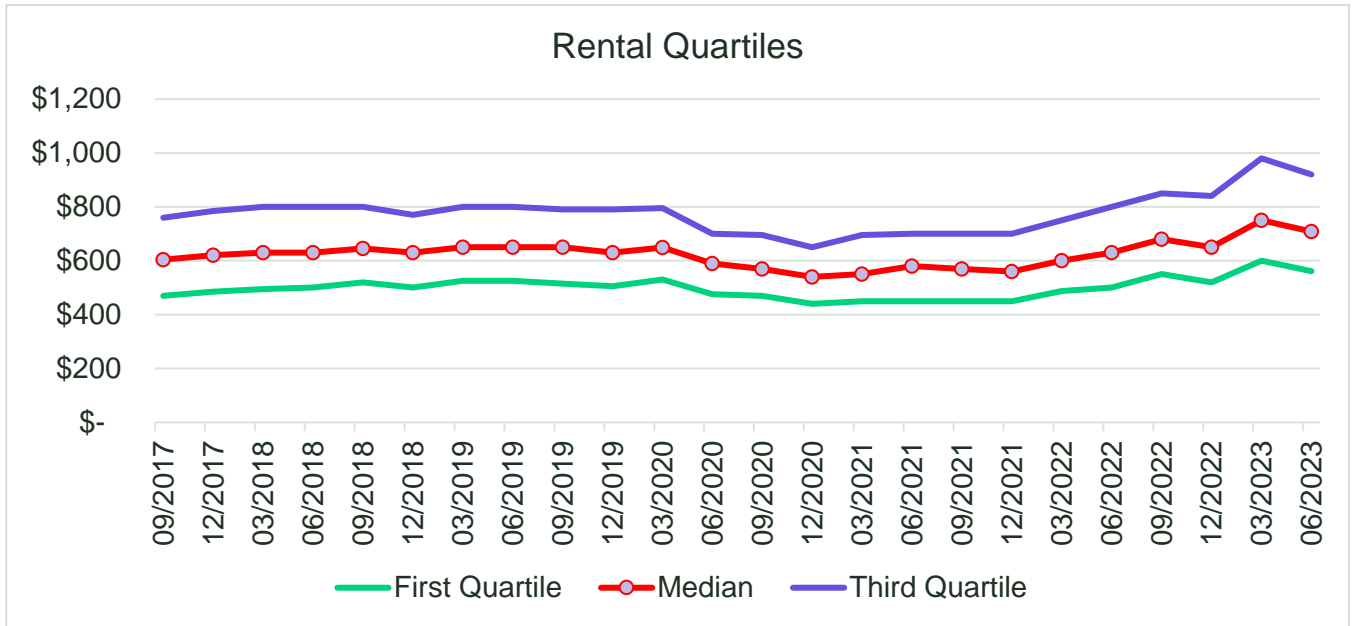


Figure 12: Change in Rental Quartiles – Sydney LGA

Source: FACS Rent and Sales Report

Of the rental units available in the Sydney LGA, the percentage breakdown of the number of bedrooms has remained relatively stable over the past six years*. Single-bedroom dwellings account for approximately 50% of rentals, two-bedroom dwellings accounting for approximately 25% and three-bedroom dwellings accounting for approximately 10%.

* Between 2022 and 2023, there was a large number of rental bonds lodged where the number of bedrooms were not specified, affecting the bedroom proportions for that period.

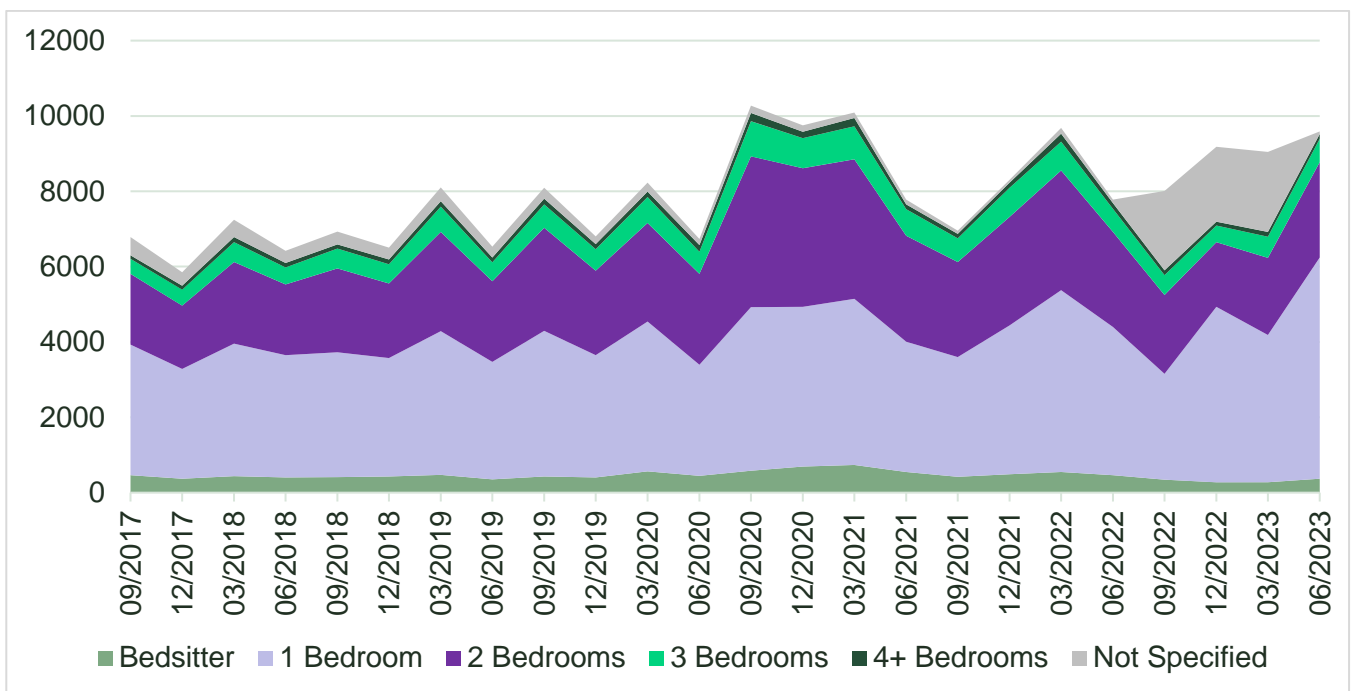


Figure 13: New Bonds Lodged – By No. of Bedrooms

Source: FACS Rent and Sales Report

Breaking down rental bonds by structure type, with approximately half of the new rental bonds lodged, flats are the predominant rental type, reflecting the high-density nature of Sydney LGA. 'Other' mostly represents medium density structure types, such as townhouses and villas, and has approximately half the new rental bonds share compared to units. Houses have had a relatively small share of new bonds lodged, with approximately only 1%; however, this has risen slightly in recent years.

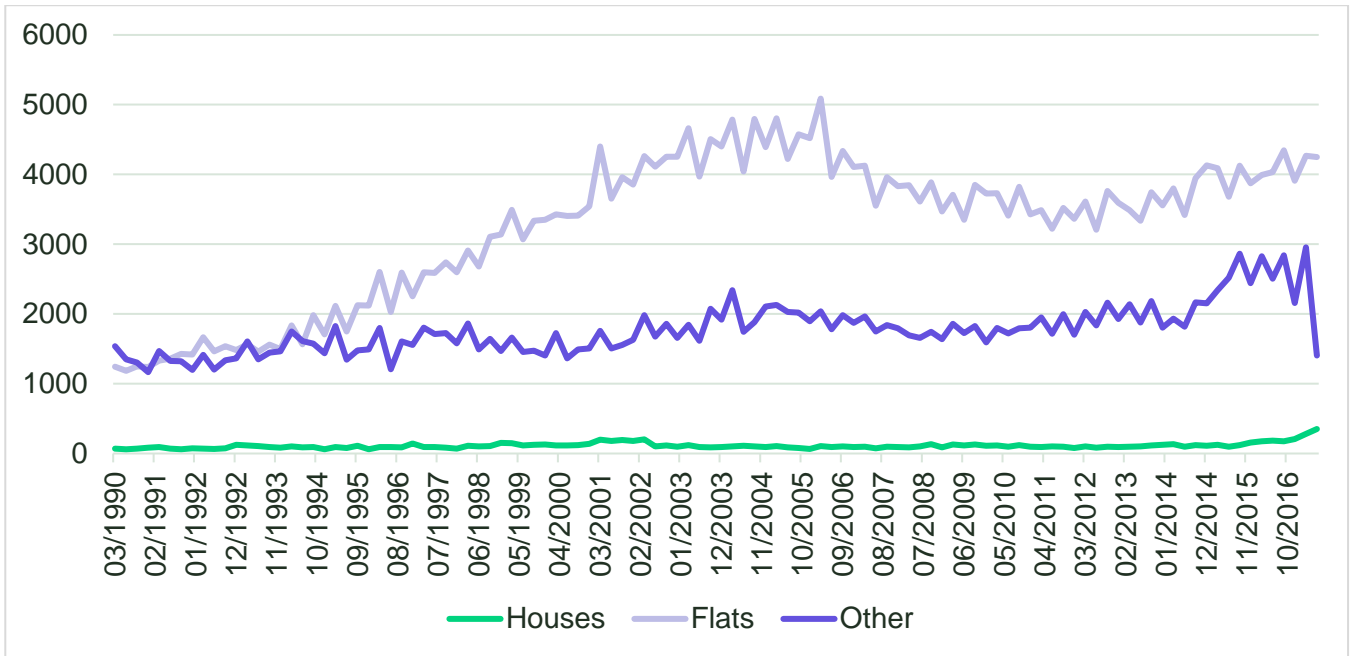


Figure 14: New Bonds Lodged – Time Series

Source: FACS Rent and Sales Report



5 Local Housing Market

5.1 Supply by Typology and Size

Housing stock in the Sydney LGA has steadily grown over the past ten years. In 2011, the total housing stock was some ~94,350 dwellings. The total number of dwellings in 2021 was recorded at ~123,500, equating to growth of 2.7% annual growth of housing stock (or 2,920 dwellings per annum).

Including recent net dwelling completions (up to May 2023), there is an estimated ~125,200 dwellings across the Sydney LGA (NSW DPFI, 2024).

The LGA’s housing market is dominated by high-density housing formats. Approximately 95,000 dwellings of housing stock is high density (i.e. apartments), equating to 77% of total stock. Approximately 20% of housing stock is medium density formats (i.e. villas, terraces, townhouses), with just 3% being detached housing.

The quantity of high-density housing increased from 66,250 in 2011 (70% of all dwellings) to 95,240 in 2021 (77%). This reflects annual growth of ~2,900 dwellings. Conversely, the quantity and proportion of detached houses in the LGA has decreased, as developers acquire low-density housing formats for medium and high density development.

The most common size of high-density dwellings in the Sydney LGA are two-bedroom dwellings, with ~34,900 high-density dwellings having two bedrooms, and ~28,800 having a single bedroom. Of the 24,570 medium-density dwellings in the Sydney LGA, 26% have three bedrooms (6,500 dwellings), and 25% having two bedrooms. Less than 0.6% of Sydney LGA high-density dwellings have four or more bedrooms.

Some 25% of the separate housing stock in the Sydney LGA has three bedrooms, and 21% (~750 dwellings) have four or more bedrooms.

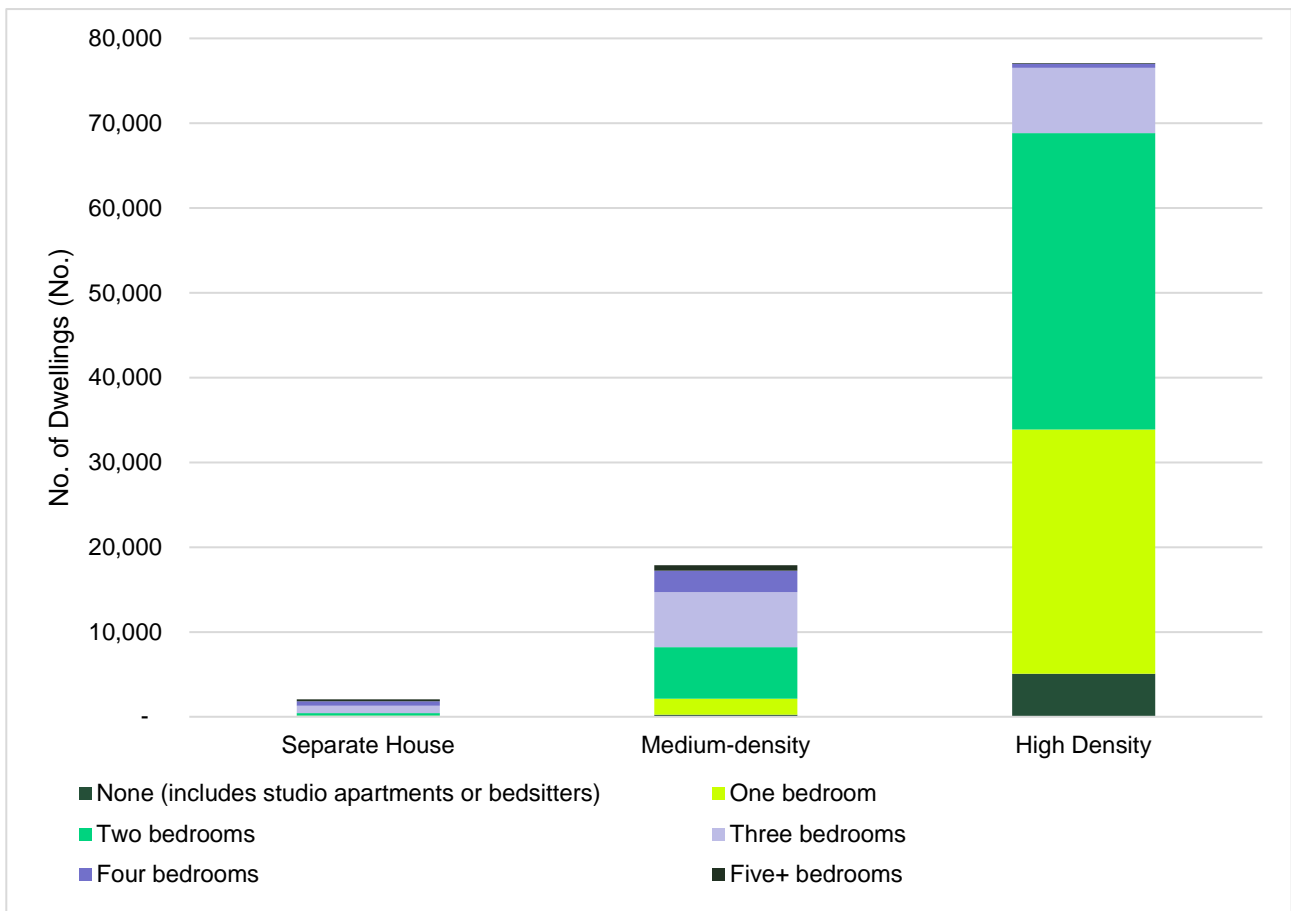


Figure 15: Housing Stock by Typology and Size

Source: Australian Bureau of Statistics

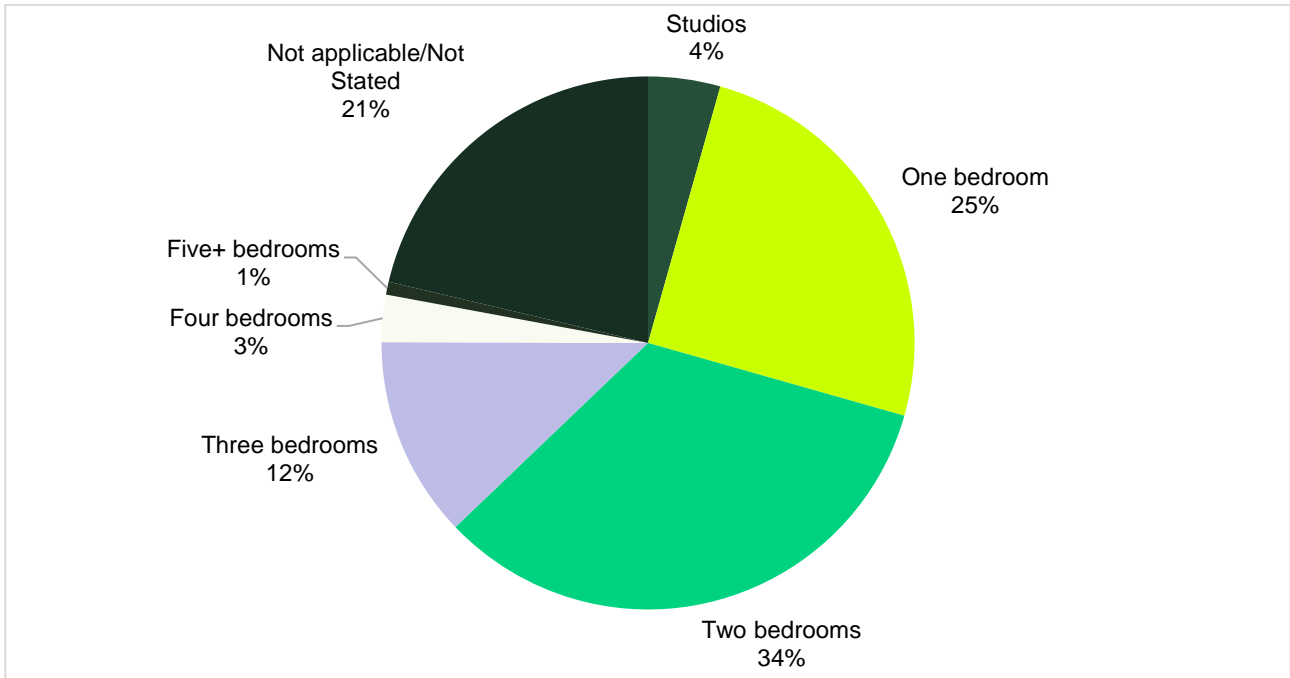


Figure 16: Housing Stock by Bedroom

Source: Australian Bureau of Statistics

5.2 Spatial Distribution

Housing supply in the Sydney LGA is clustered in four main areas. The areas of Waterloo – Zetland, Darlinghurst – Surry Hills, Central Sydney, and Elizabeth Bay – Potts Point – Rushcutters Bay and Woolloomooloo comprise 52% of all housing stock (64,300 dwellings). These four areas are unsurprisingly characterised by high and medium-density residential housing.

Comparatively, areas such as Centennial Park – Paddington, Camperdown, and Enmore – Newtown, account for less than 8% of the City’s total housing stock.

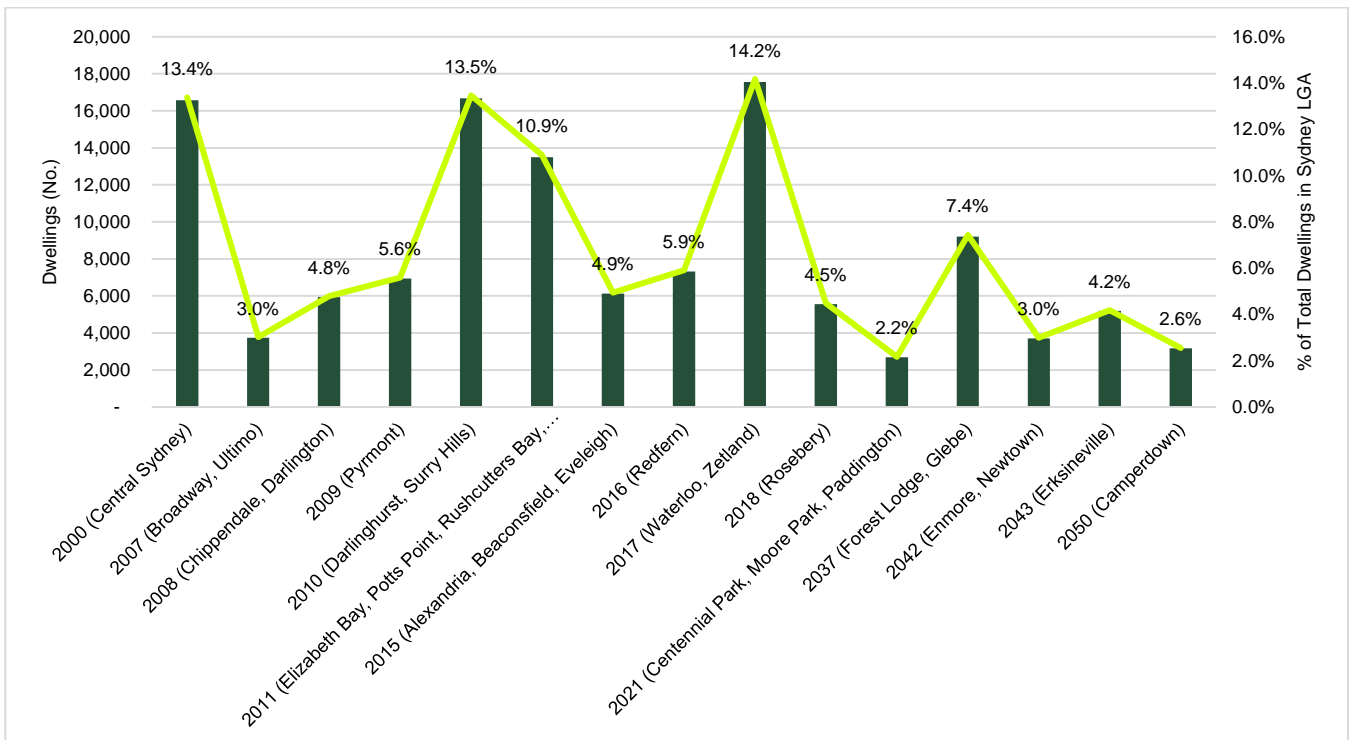


Figure 17: Housing Stock by Location

Source: Australian Bureau of Statistics

5.3 Housing Stock by Tenure

The majority of dwellings in the Sydney LGA are rented. In 2021, some 52% of dwellings (~63,600 dwellings) were rented (either by private, government or non-government landlords). This contrasts to just 35% in 2011.

In comparison, the proportion of owner occupied dwellings (either owned with a mortgage or owned outright) has progressively fallen across the Sydney LGA over the past decade. This aligns with declining ownership rates observed across Greater Sydney over the same period, along with other capital cities LGAs including the City of Melbourne and the City of Brisbane.

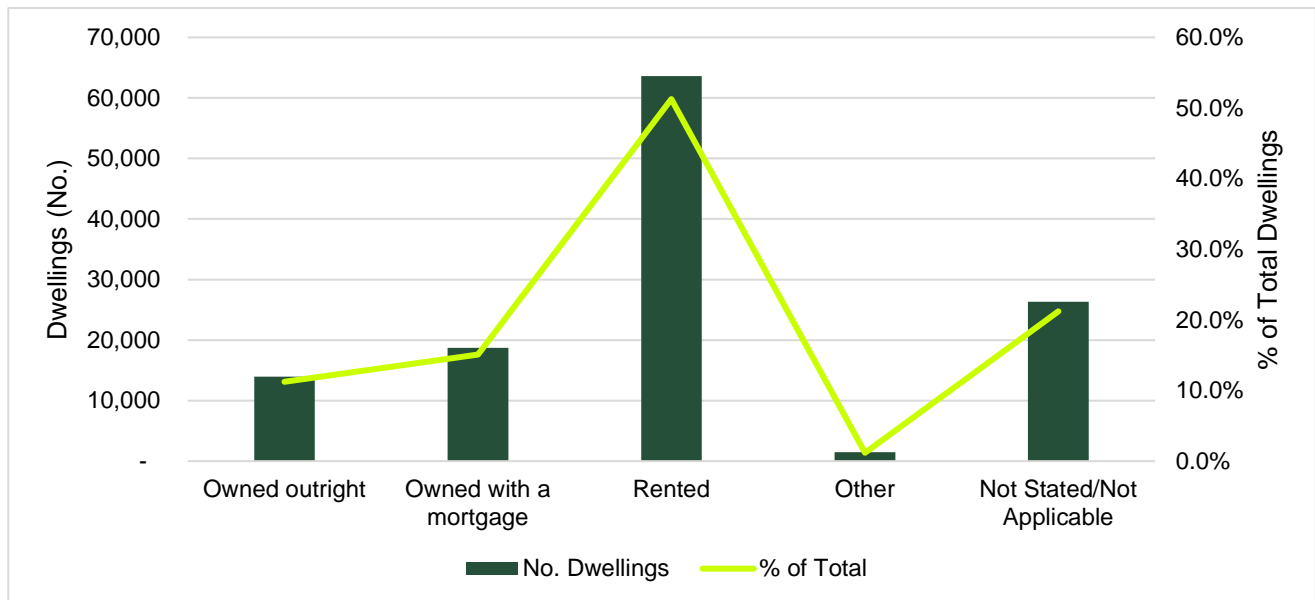


Figure 18: Housing Stock by Tenure

Source: Australian Bureau of Statistics, 2021

Rental stock in the Sydney LGA is dominated by two- and one-bedroom dwellings. The number of two-bedroom and one-bedroom rented dwellings is 26,300 and 23,500 respectively (equating to 42% and 37% of all rental stock). Just 3.1% of all rental stock comprises four or more bedrooms, illustrative of a clear lack of rental stock diversity.

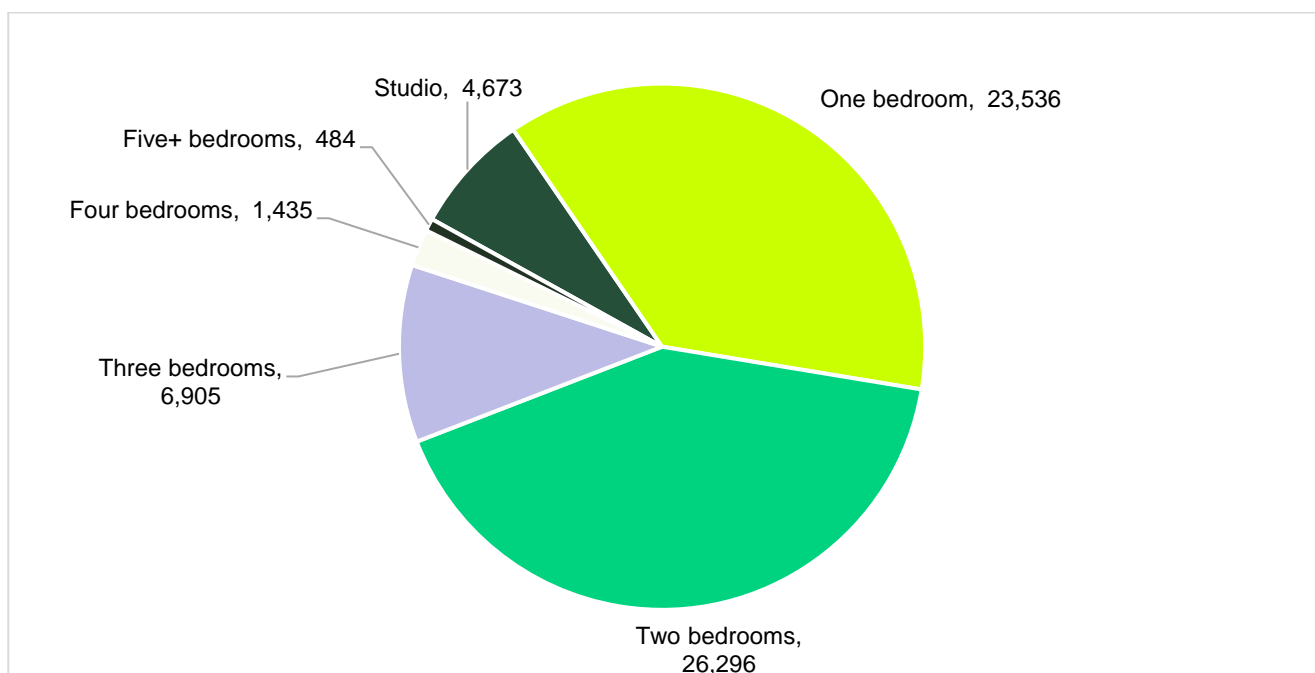


Figure 19: Rental Stock by No. of Bedrooms (2021), Sydney LGA

Source: Australian Bureau of Statistics, 2021



5.4 Local Market Conditions

5.4.1 Dwelling Prices

Since 2015, the Sydney LGA has experienced significant house price growth. The median house price has increased by \$600,000 during this period – rising from \$1,400,000 in 2015 to \$2,000,000 in 2023, equating to an average growth rate of 4.6% per annum, or \$75,000. In the past 3-years alone, detached house prices have risen by some 22% (\$360,000).

By comparison, median unit prices across the Sydney LGA have recorded much softer growth over the 2015-2023 period. In 2015, the median unit price was recorded at \$890,000. This increased to \$936,000 in 2023, equivalent to a 0.6% annual growth rate (or ~\$5,750 per annum). Over the past 8 years, median unit sale prices reached a high of \$965,000 in 2021.

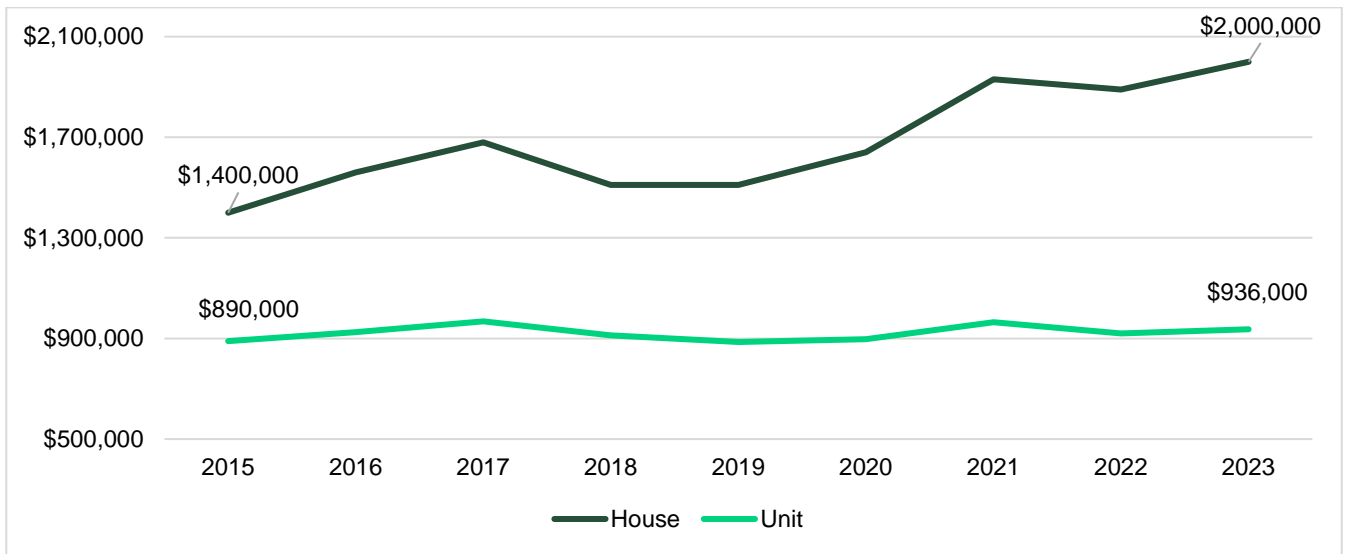


Figure 20: Median House and Unit Prices (2015-2023), Sydney LGA

Source: Pricerfinder

5.4.2 Rents

The Sydney LGA has experienced swift rental price growth over the past 3-years. In September 2023, the median weekly rent of a house in the Sydney LGA was \$900, with units recording a median weekly rent of \$800.

Aligning with much of Greater Sydney, rental price growth across the Sydney LGA has risen markedly over 2022-2023, median house rents rising by 34% (\$270 per week) and unit rents by 45% (\$250 per week). This is the swiftest rise in weekly apartment rents across the Sydney LGA observed on record. The significant growth in rents was driven by a mix of factors; a drop in household sizes, decline in rental stock and sharp return of overseas migration.

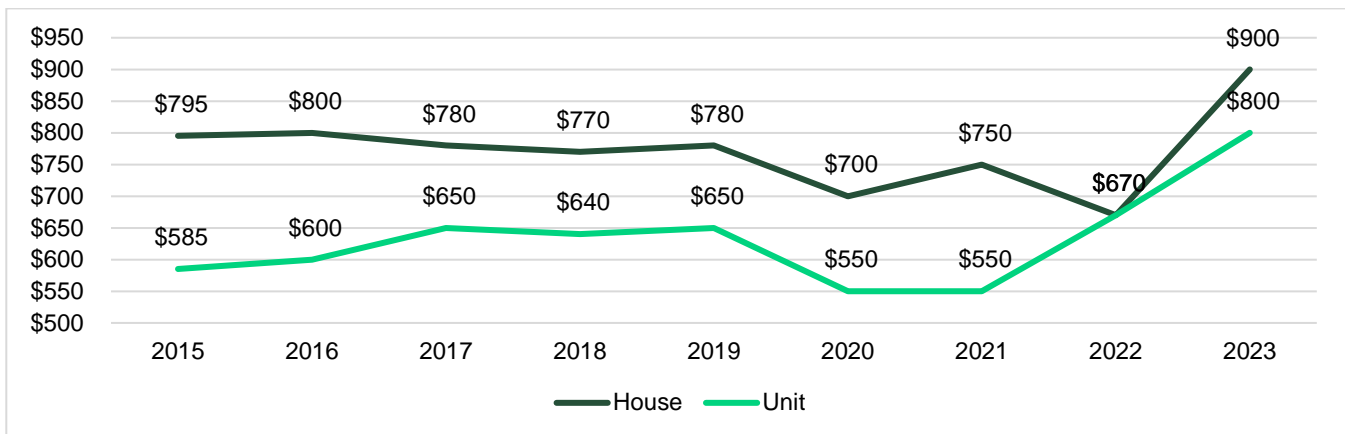


Figure 21: Median Weekly Rents (2015-2023), Sydney LGA

Source: DCJ



5.4.3 Vacancy Levels

Across the suburbs that comprise the Sydney LGA, residential vacancy levels have fallen within a tight range since 2013. The average vacancy rate for Sydney LGA in the seven years leading up to the COVID-19 pandemic in Q1 2020 was 2.3%, with a range between 1.0% and 3.7%. The Sydney CBD – characterised by almost entirely high-density dwellings – recorded higher vacancy rates compared to other parts of the LGA, reaching a vacancy rate of 8.3% in Q1 2019.

Like much of Australia's urban areas, vacancy levels across the Sydney LGA rose markedly during the COVID-19 period of 2020-2022, with the LGA recording a record high vacancy rate of 7.7% in October 2020 (SQM Research). Aligning with historical trends, Sydney CBD experienced the highest residential vacancy rates across the LGA, reaching a record high rate of ~17% in Q2 2020.

Also aligning with broader market trends observed across Australia's capital cities, residential vacancy rates have markedly tightened over the past 24-months. The LGA recorded a vacancy rate of just 1.5% in October 2023. When excluding the Sydney CBD, most areas across the Sydney LGA are experiencing vacancy levels of sub-1%.

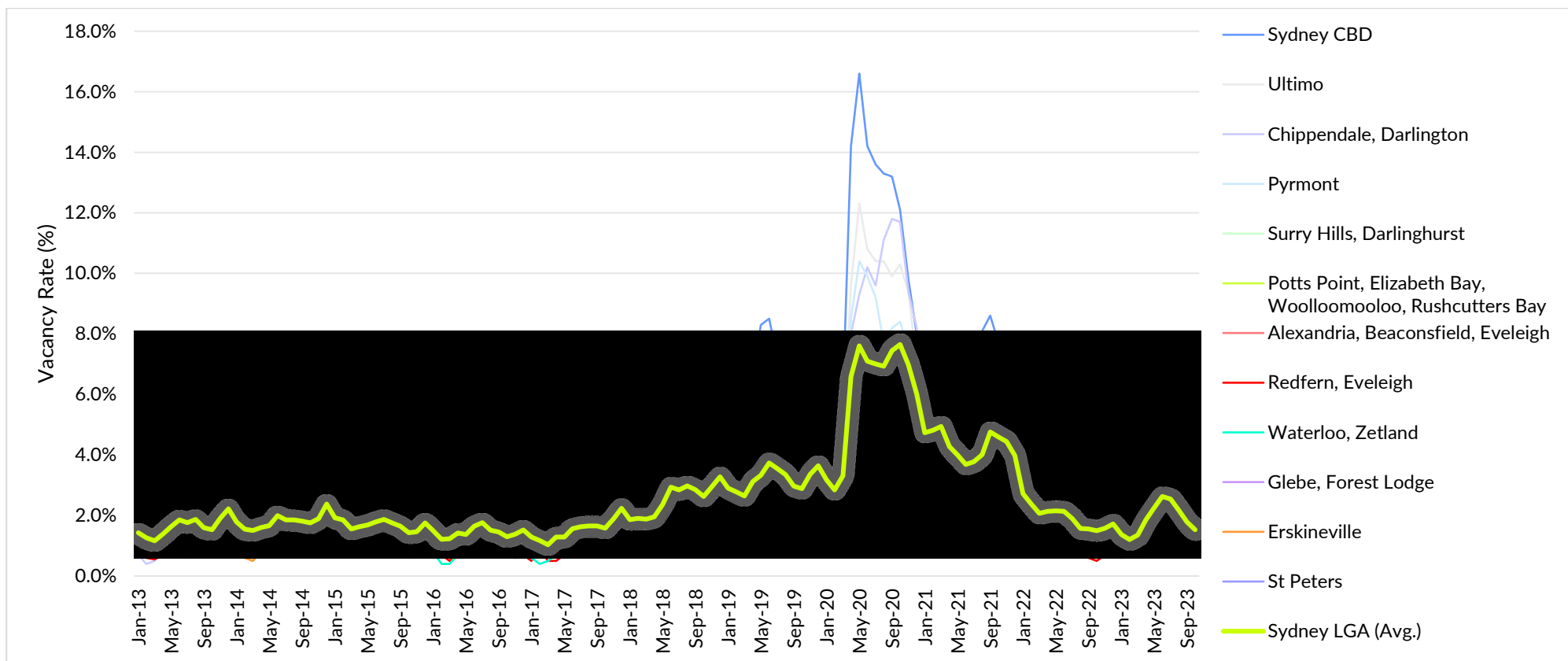


Figure 22: Vacancy Levels

Source: SQM Research

5.5 STRA Market

5.5.1 Historical Supply

According to data gathered and analysed from AirDNA, the supply of STRA in the Sydney LGA steadily increased over the 2014-2019 period. The number of STRA properties recorded in 2014 was just over 1,600 properties. Supply peaked in 2018 with approximately 16,500 properties, before falling slightly to ~16,300 properties in 2019. It is acknowledged that AirDNA data includes some tourist accommodation, such as serviced apartments, that use online booking platforms to advertise and are not classified as STRA.

At the peak of the market, nearly 45% of supply fell within three key areas (SA2s); Sydney – Haymarket – The Rocks, Waterloo – Beaconsfield and Surry Hills SA2s (collectively comprising some 7,250 STRA dwellings).

Unsurprisingly, STRA supply dramatically declined over the 2020-2022 period as a result of the COVID-19 pandemic and subsequent international border closures. Supply fell to ~5,900 in 2021 before falling to a historic low of ~4,600 in 2022 – the lowest level recorded on record.

In the 12-months to December 2023, supply levels have begun to recover with stock growing to ~5,450. Despite this recovery, current stock remains some 66% lower than that recorded in 2019.

As at December 2023, supply remains clustered in similar locations to that observed prior to the COVID-19 outbreak, with the Sydney – Haymarket – The Rocks, Waterloo – Beaconsfield and Potts Point – Woolloomooloo SA2s collectively accounting for almost half of all current stock (~2,600 dwellings).

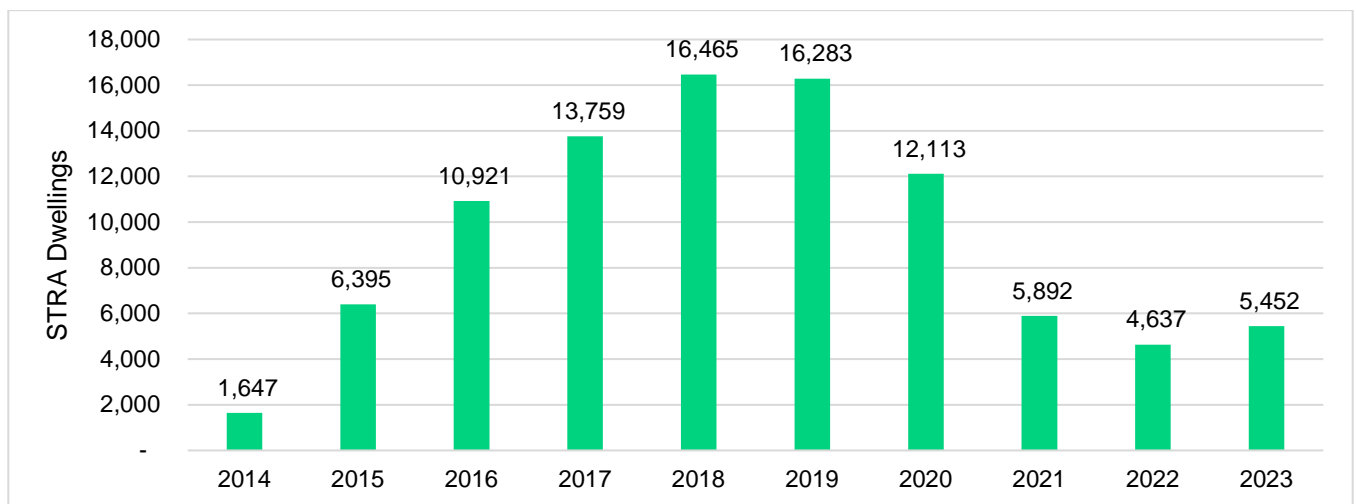


Figure 23: STRA Supply (2014-2023), Sydney LGA

Source: AirDNA

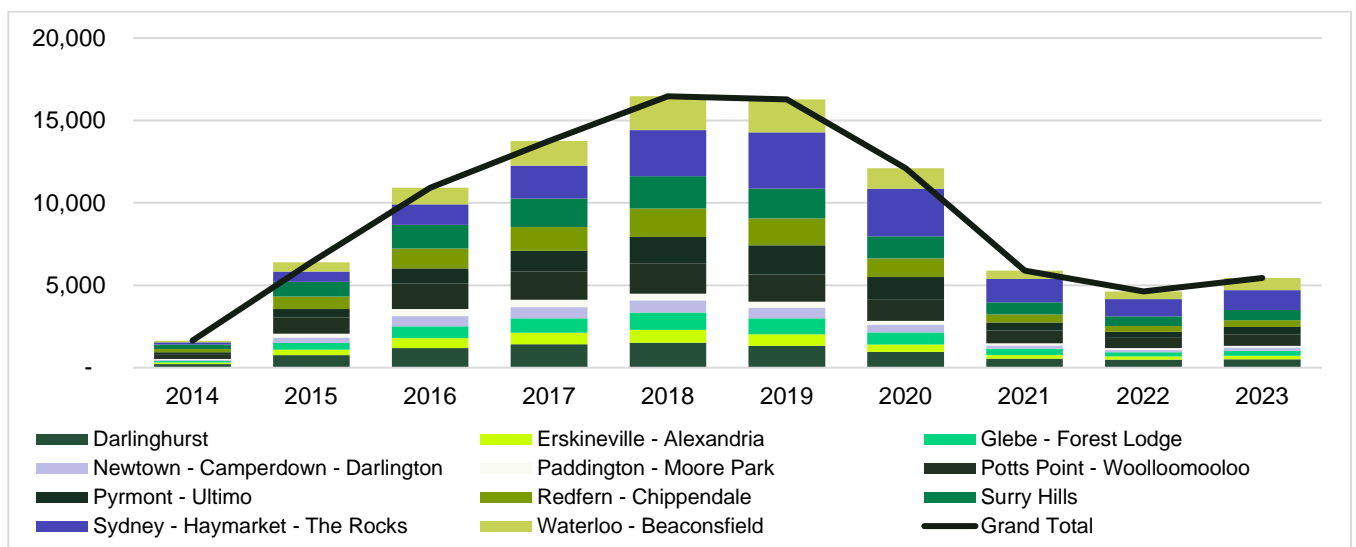


Figure 24: STRA Supply by SA2 (2014-2023), Sydney LGA

Source: AirDNA

5.5.2 Supply by Bedroom Size

STRA supply across the Sydney LGA is overwhelmingly characterised by small housing formats (studios, 1-bedrooms and 2-bedrooms). As of 2023, approximately 88% of STRA stock comprises 2-bedrooms or less with just 9% of stock comprising 3-bedrooms.

This concentration of small STRA stock aligns with that historically observed prior to the COVID-19 pandemic, with around 92% of STRA comprising 2-bedrooms or less as at 2019.

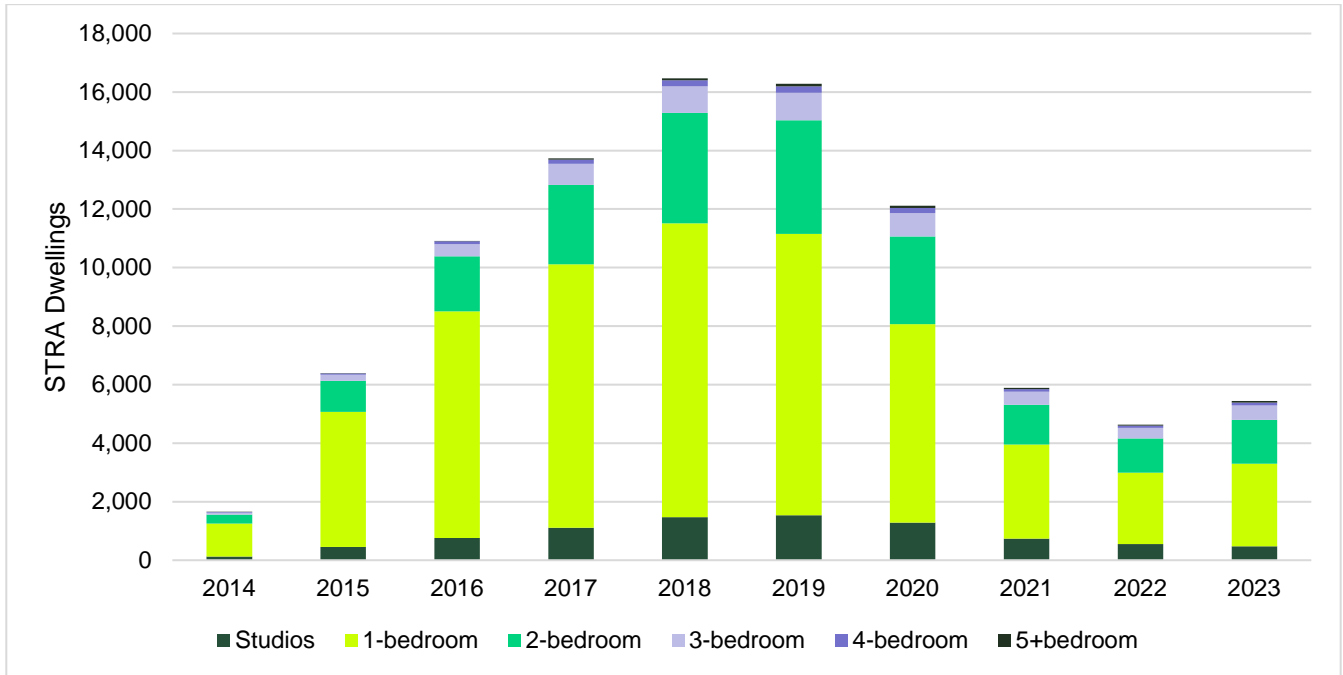


Figure 25: STRA Supply by Bedroom (2014-2023), Sydney LGA

Source: AirDNA

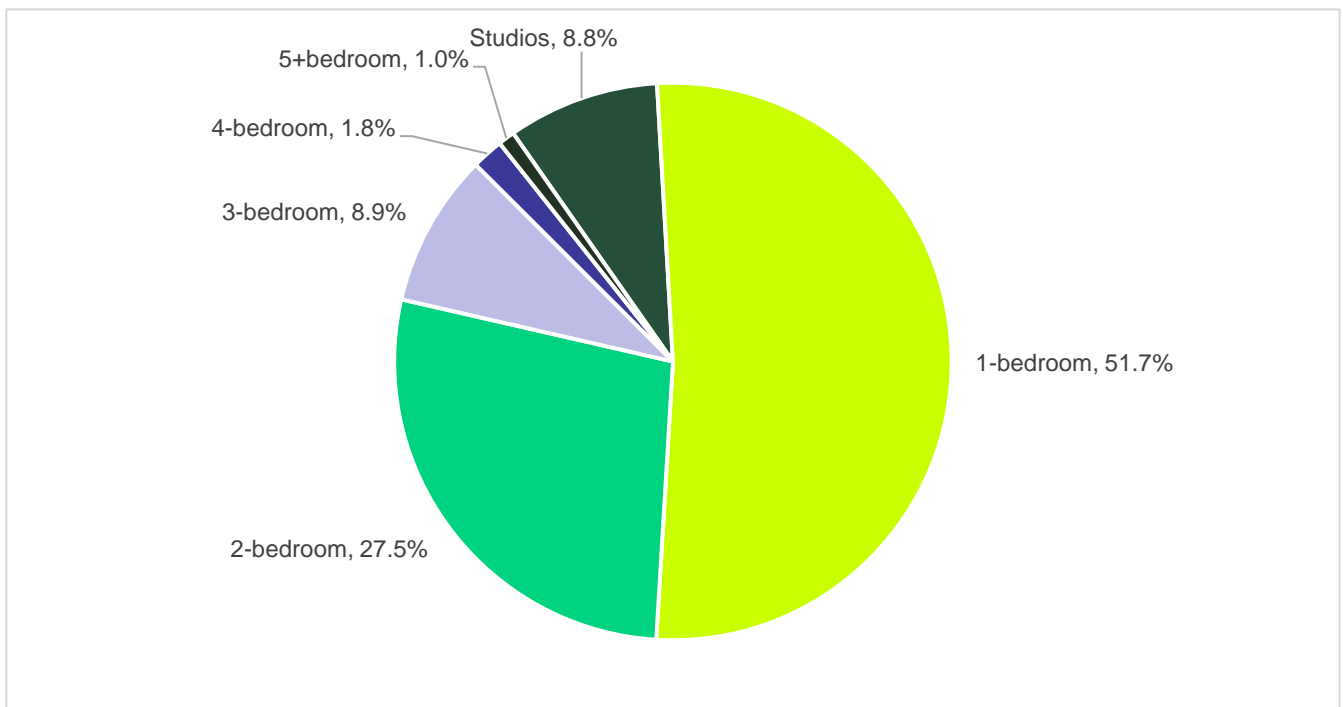


Figure 26: STRA Supply by Bedroom (2014-2023), Sydney LGA

Source: AirDNA



5.5.3 Host Profile

Hosted STRA refers to the STRA provided where the host resides on the premises during the provision of accommodation, whereas non-hosted STRA refers to the accommodation provided where the host does not reside on the premises during the provision of accommodation.

The dynamic of host and non-hosted STRA supply across the Sydney LGA has shifted significantly in recent years.

In 2016, the proportion of hosted and non-hosted STRA supply was relatively evenly spread, with 42% of supply being hosted (~4,500 properties), and 58% non-hosted (~10,800 properties). As of 2023, this proportion has become much more skewed towards non-hosted properties, with 81% of STRA supply being non-hosted. In absolute terms however, the total stock of non-hosted properties is much smaller than observed in 2019 though (~4,400 in 2023 compared to ~10,800 in 2019).

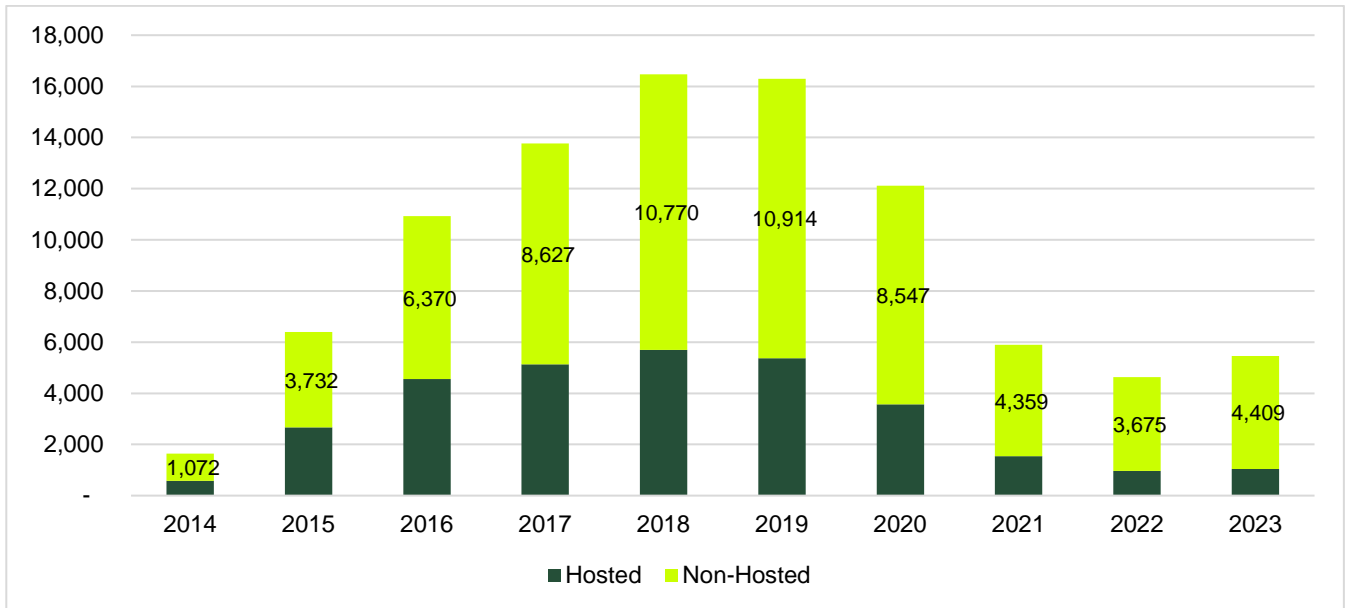


Figure 27: STRA Supply Host Status (2014-2023), Sydney LGA

Source: AirDNA

Historically, the majority of non-hosted STRA supply in the Sydney has been focused in three key areas – Sydney - Haymarket - The Rocks, Potts Point – Woolloomooloo and Waterloo – Beaconsfield. Over the 2016-2019 period, these three precincts accounted for between 41% and 48% of all non-hosted STRA supply in the Sydney LGA. As at 2023, these three areas accounted for 50% of total non-hosted STRA stock (~2,200 dwellings).

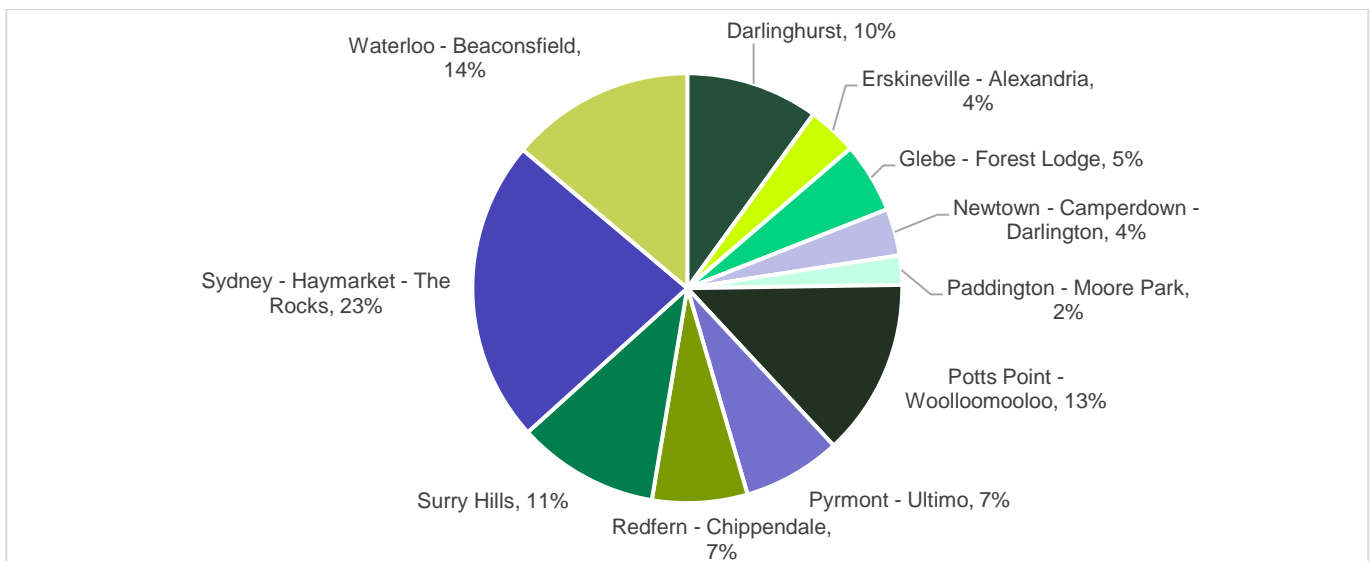


Figure 28: Non-Hosted STRA Supply by SA2 (2023), Sydney LGA

Source: AirDNA



5.5.4 Long-Term Non-Hosted STRA Stock

For the purposes of this Study, long-term STRA stock has been defined as STRA reserved for more than 180 days in a calendar year. Long-term, non-hosted STRA properties has been examined given their implications for the City’s residential rental market.

Since 2015, both the number and proportion of STRA dwellings across the Sydney LGA reserved for 181+ days has been progressively rising. While the count of properties peaked at ~1,700 in 2019, the share has continued to grow – reaching 23% in 2023. 2020 and 2921 were exceptions to this trend – most likely due to the impact of Covid.

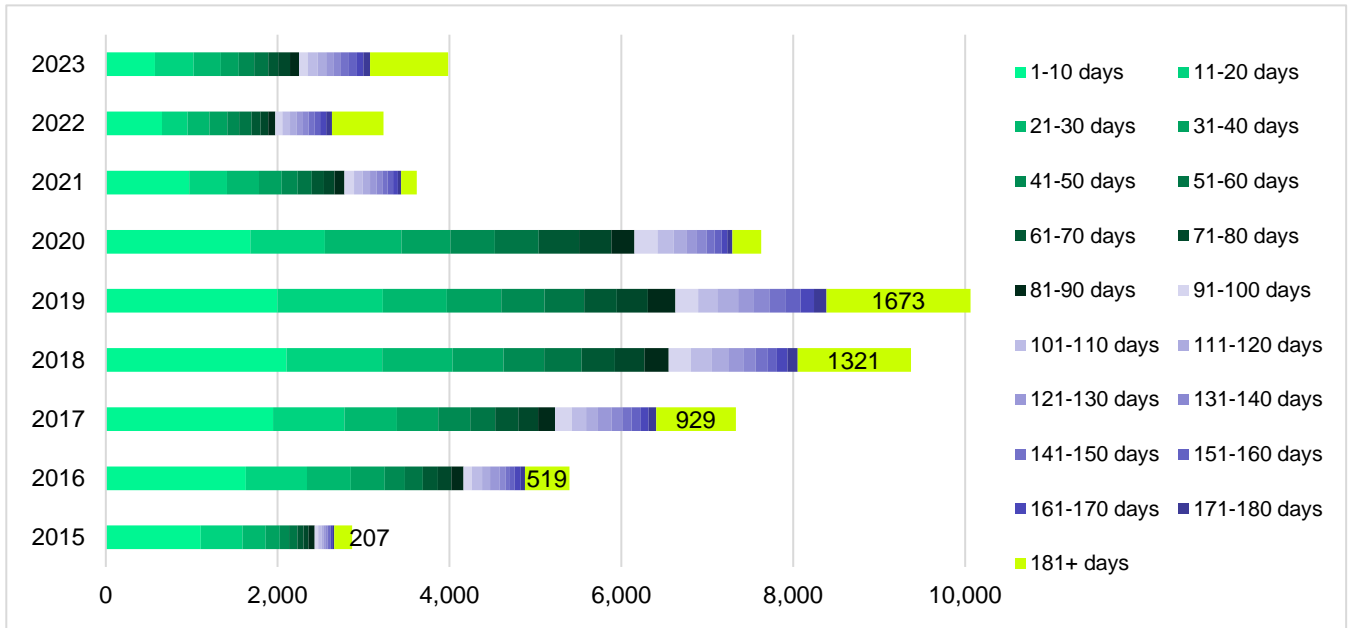


Figure 29: Non-hosted STRA supply by reserved days per year – number of properties (2015-2023), Sydney LGA

Source: AirDNA

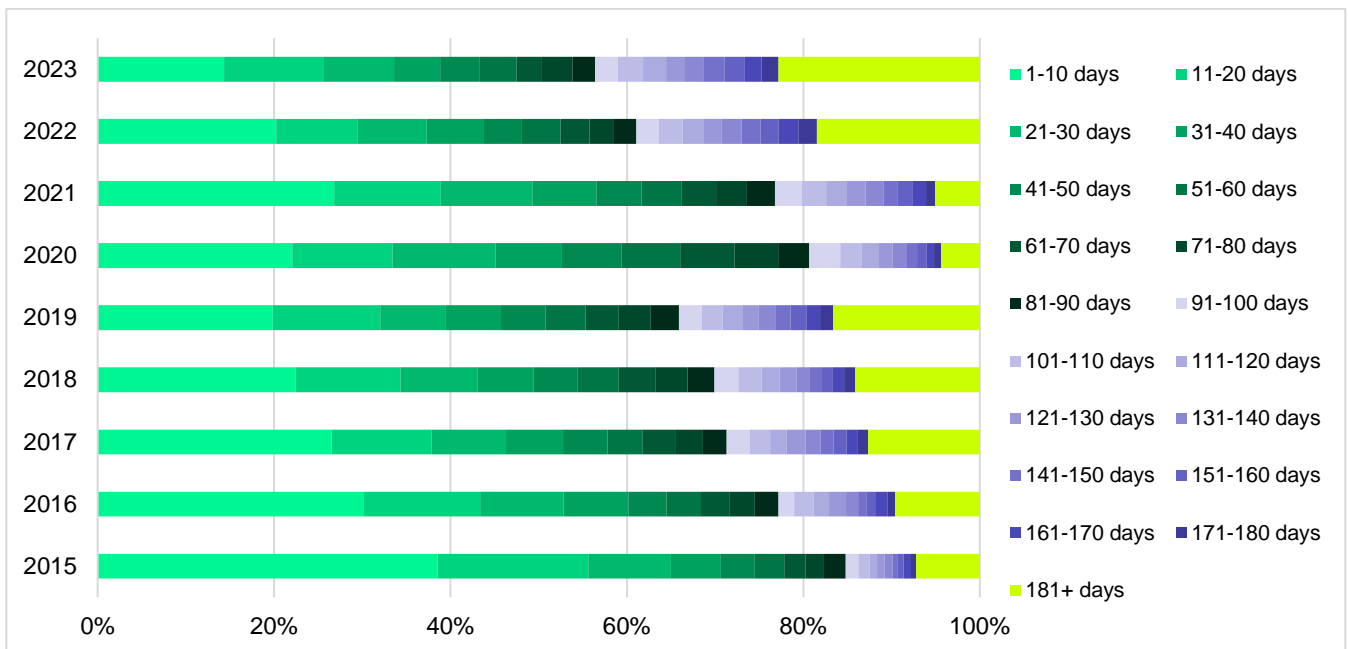


Figure 30: Non-hosted STRA supply by reserved days per year – share (2015-2023), Sydney LGA

Source: AirDNA



In 2023, the most prominent SA2 for long-term, non-hosted STRA supply is Sydney - Haymarket - The Rocks, which makes up 28% (435 dwellings) of all long-term, non-hosted dwellings. Potts Point – Woolloomooloo and Surry Hills are the other locations, which combined account for over 26% of the long-term, non-hosted STRA supply.

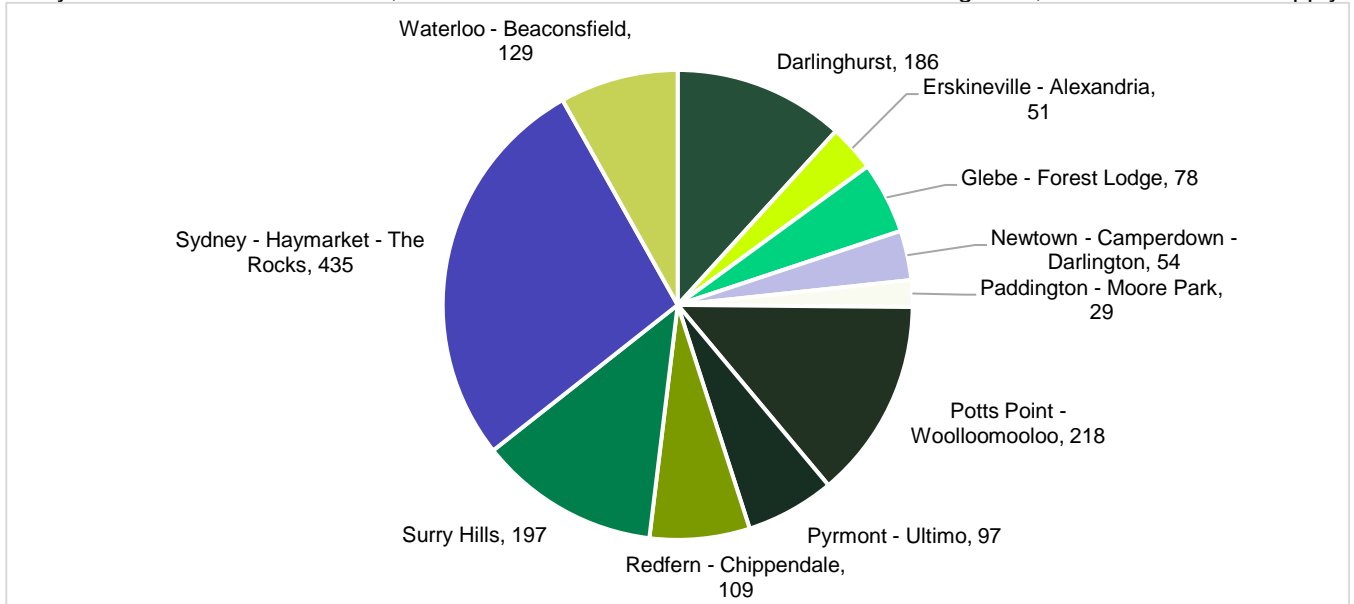


Figure 31: Long Term STRA Supply by SA2 (2023), Sydney LGA

Source: AirDNA

5.5.5 STRA Businesses

Within the City of Sydney LGA, there are several businesses that operate management services for STRA properties. Many of the business advertise greater investment returns on the short-term rental market, compared to the long-term rental market. Hosts with multiple listings are more likely to be running a business and are unlikely to be living in the property. Over 68% of listings in the City of Sydney LGA are listed by hosts with multiple listings.



Figure 32: Listings Per Host - Sydney LGA (Nov 2023)

Source: AirDNA

This study recognises the economic contributions of STRA management businesses to the local economy, notably through their engagement with local suppliers, which supports property maintenance and contributes to economic and employment growth. These businesses often manage properties for owner-occupiers during their absence, ensuring guests are adequately serviced. Despite these benefits, the prevalence of these businesses

does suggest a worrying trend of commercialisation in the STRA sector with the potential to impact rental housing supply if left unchecked.

The current methods of collecting STRA data present challenges in identifying the tenure status of listings. Based on anecdotal feedback from local government staff and findings from a community survey detailed in Appendix B, it is apparent that STRA encompasses a wide array of properties, including primary residences, investment properties, sub-let rental properties, and units exclusively offered as STRA.

The fact that STRA management companies can offer higher returns in the short-term market than what is typically achievable in the long-term rental market points to a potential shortfall in current STRA regulatory policies. To address the issue of commercialisation and enhance our understanding of the sector, improving the tracking of property tenure and ownership within the STRA register is essential. This enhancement would facilitate the identification of properties exclusively used for STRA, which may otherwise remain vacant. Integrating a primary residence requirement into the STRA policy framework could further mitigate the sector's commercialisation, ensuring a balanced approach that preserves rental housing supply while still benefiting from the economic advantages STRA brings to the community.

5.6 STRA and Overall Market Supply

The role of STRA in Australia's housing crisis has been widely commented upon and debated. In major tourist locations such as the Sydney LGA, many hold the view that STRA has been a major contributor to the shortage of rental stock and thus a driver of escalating rents.

5.6.1 Total Housing Stock

Based on the foregoing analysis carried out in this Chapter, the proportion of STRA of the Sydney LGA's housing market can be broadly estimated.

Based on the 2016 Census and AirDNA data, STRA properties accounted for 10% of the Sydney LGA's housing market (~8,600 properties). Around 6,400 of these were 'non hosted' properties, or 5.8% of the total market.

Using the 2021 Census dwelling count, coupled with recent net dwelling completions, the estimated number of private dwellings in the Sydney LGA as at May 2023 is ~125,200 dwellings.

With an existing count of ~5,400 STRA dwellings, this represents around 4.4% of Sydney's total dwelling stock. When just considering 'non-hosted' properties (~4,400), the proportion is lower at 3.5% of total housing stock. We acknowledge that AirDNA data captures some serviced apartments, which are not considered STRA.

Accordingly, the proportion of STRA of Sydney LGA'S housing market is considered relatively small.

5.6.2 Total Rental Stock

After excluding government and non-government rental properties, the 2021 Census counted approximately 48,400 privately rented dwellings across the Sydney LGA.

Long-term, non-hosted STRA properties are often noted as housing stock which could otherwise be provided as traditional longer-term residential tenancies.

In 2021, total long-term, non-hosted STRA properties recorded across the Sydney LGA was ~1,570. As a proportion of the Sydney LGA's traditional private rental market (i.e. 48,400 dwellings), this represents just 3.3%.

This also suggests that at the LGA level, STRA is not a major component of total rental supply.

5.6.3 'Hotspots' of STRA Activity

The supply analysis carried out in this Chapter shows there is a clear clustering of STRA stock in certain locations across the Sydney CBD. When carrying out similar analysis of long-term, non-hosted STRA properties against the number of privately rented dwellings, the proportion of STRA of local rental stock does vary.

In certain 'hotspot' areas such as the Sydney CBD and Darlinghurst, the proportion of STRA of local rental stock is as high as 6.9%. This reflects the more localised impacts of STRA across the Sydney LGA.

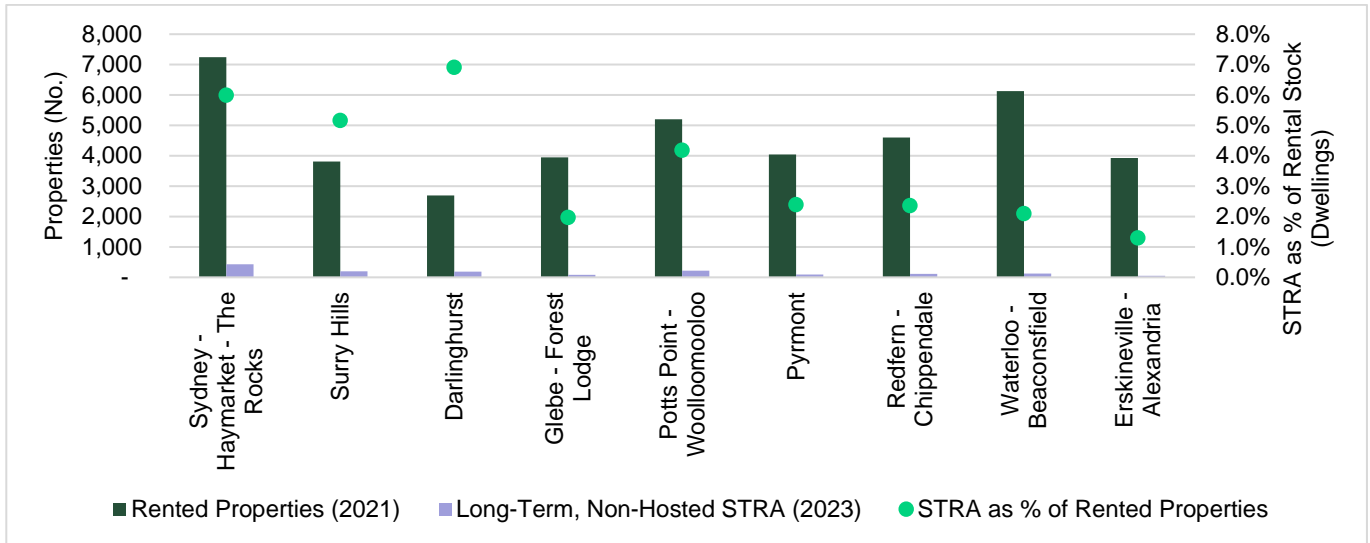


Figure 33: Long Term, Non-Hosted STRA Supply as Proportion of Local Rental Stock (2023), Sydney LGA

Source: AirDNA

5.6.4 Summary of STRA and Housing Stock

The analysis of STRA stock carried out in this Chapter shows that, at the Sydney LGA level, STRA does not represent a large proportion of total housing supply. Even when analysed a more local level, STRA is not a significant proportion of total housing or private rental stock.

Table 2: STRA as a Proportion of Sydney LGA Housing Market

Source: Completions data sourced from NSW DPHI's Housing Completions

Dwellings	No.
Sydney LGA Housing Market	
Private Dwelling Supply (2021 Census)	123,508
Recent Completions (2021-2023 ¹)	1,672
Total Dwelling Supply (2023)	125,180
Total Private Dwellings (2023 Sydney Housing Monitor)	122,723
STRA as % of Sydney LGA Housing Market	
Total STRA Supply (2023 AirDNA)	5,452
% of Sydney LGA Housing Market	4.4%
STRA as % of Sydney LGA Rental Market	
Private Rental Dwellings (2021 Census)	48,407
Long-Term, Non-Hosted STRA (2023 AirDNA)	1,584
% of Private Rental Market	3.3%

That said, the Sydney LGA (and Greater Sydney) housing market is under significant pressure. Vacancy levels across most parts of the Sydney LGA are at historically low levels, with rents rising at their fastest pace on record.

As such, additional supply constraints to the private rental market do play a role (albeit small) in exacerbating existing market dynamics.

There is also a key risk that if STRA supply returned to pre-COVID levels (i.e. over 16,000 dwellings), this could reduce the supply of traditional rental stock. This could create more pressure on vacancy levels and rents.

It is important to also consider the role of STRA in supporting the City's tourism and accommodation market. The tourism market and its outlook moving forward is considered in the next Chapter.

6 Tourism Market Analysis

6.1 National Visitation

Tourism Research Australia ('TRA') produces domestic and international visitation results from the National Visitor Survey. Domestic and International visitor activity is reported on a quarterly basis, which includes visitor spend and visitor nights in Australia. Tourism trends and forecasts are developed on both domestic and international visitor spend and visitor night. Domestic tourism results are published by method of visitor profile, monthly snapshot, results and trends, caravan and camping data and mobility data. International tourism results are published in the method of monthly snapshot, and results and trends.

The 'COVID-19 period' (Q1 2020 to Q1 2022) saw some of the sharpest downturns in both domestic and international tourism on record. Australia exhibited decreases of over 30% in domestic visitor nights and 85% in international visitor arrivals over the 2020-2022 period, year on year. The decline in visitation arose from a lack of inbound and domestic travel options, restrictions on domestic and international mobility and border restrictions between Australian states and territories. By April 2020, domestic tourism was less than 20% of pre-COVID-19 period levels.

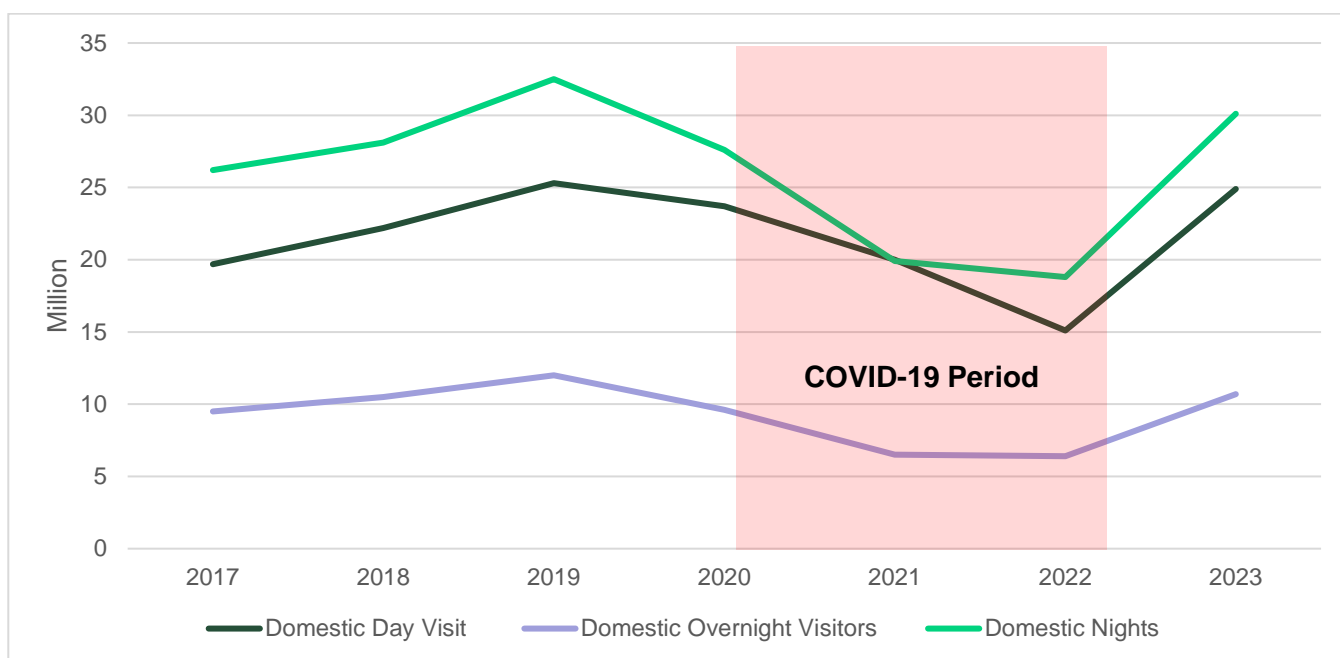


Figure 34: Sydney LGA Domestic Tourism Metrics, (Jun-17 to Jun-23)

Source: Destination NSW

Since the lifting of travel restrictions, domestic and international travel has rebounded. A sharp return in visitation over 2022-2023 has been observed, with domestic visitor nights increasing by almost 80 million and inbound visitor arrivals by ~3.7 million over 2021-2022. Rates of growth in domestic and international visitation is projected to slow following this trend, however, both domestic and international visitation is projected to exceed pre-COVID-19 levels by 2025, reaching approximately 26,500 domestic visitor nights and 10.3 million equating to 3% growth rates over the proceeding decade.

Domestic Visitor Nights across Australia increased by some 15.57 million per annum over the decade leading to the recorded peak in 2019, approximately 418 million domestic visitor nights. This growth equates to an increase of 5% per annum leading up to the sharp decrease seen over the 2020-2021 period, coinciding with the COVID-19 period. Decline in domestic visitor nights equates to over 34% from 2019 to 2020, over 140 million fewer domestic visitor nights recorded year on year, followed by a notable increase of some 46 million over the 2020-2021 period, equating to a 17% increase. TRA domestic visitor night projections anticipate an increase of 9.3 million (2.3%) per annum over the 2018-2028 period, from 371.5 million to 465.5 million over the decade.

Inbound visitor arrivals to Australia were recorded at 3.7 million in 2022, still 27% below the pre-COVID 19 level peak of 9.5 million. However, inbound arrivals are projected to exceed pre-COVID-19 levels by 2025, reaching some 10.2 million equating to an estimated increase of 2.8 million per annum of the previous 10 years from 2015.



Projected 2015-2025 annual growth of 3% is below that of the 2009-2019 recorded growth of 5% per annum, however, is still a prominent indicator of the need for short term accommodation services in Australia.

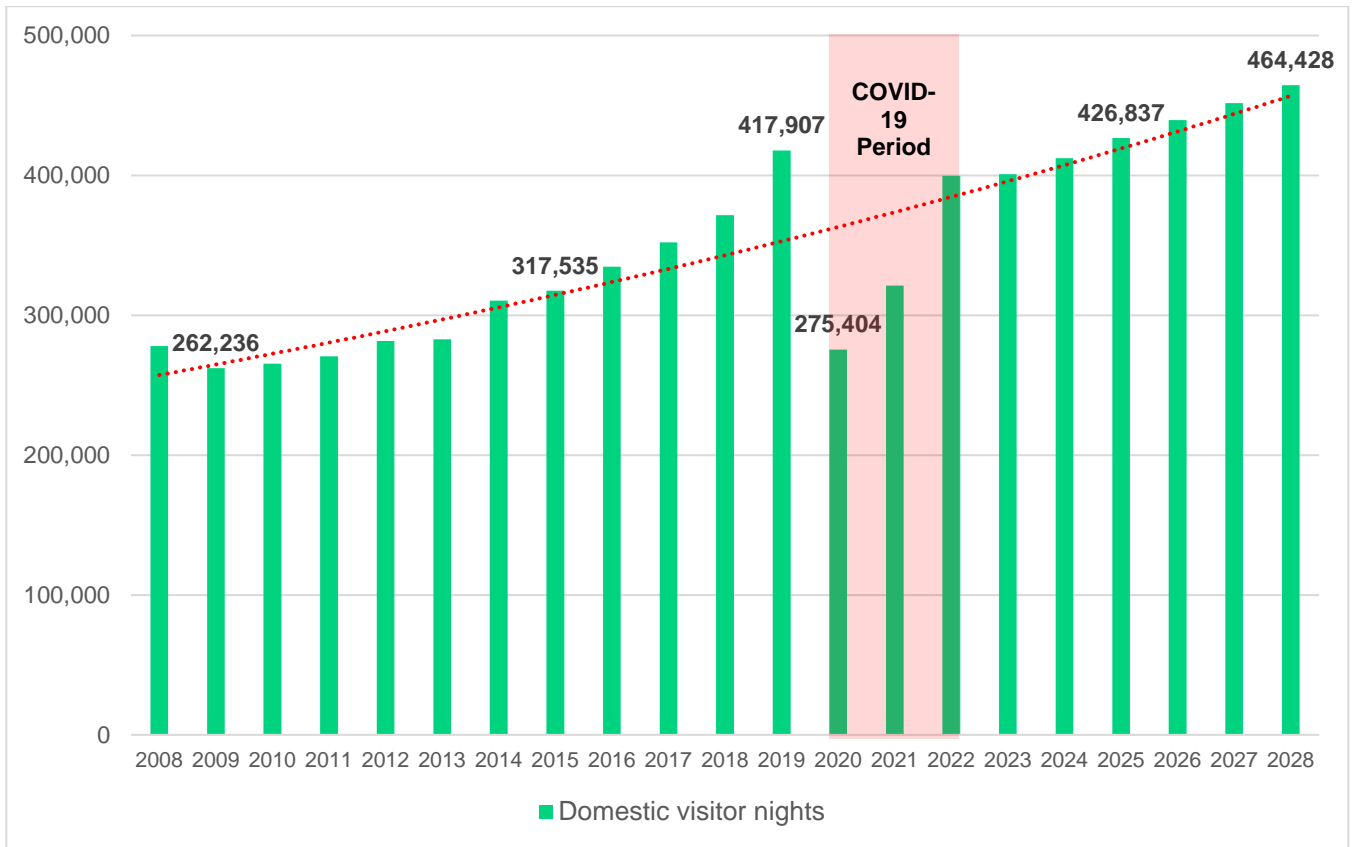


Figure 35: Sydney LGA Domestic Visitor Nights (2008-2022), projection (2023-2028)

Source: TRA

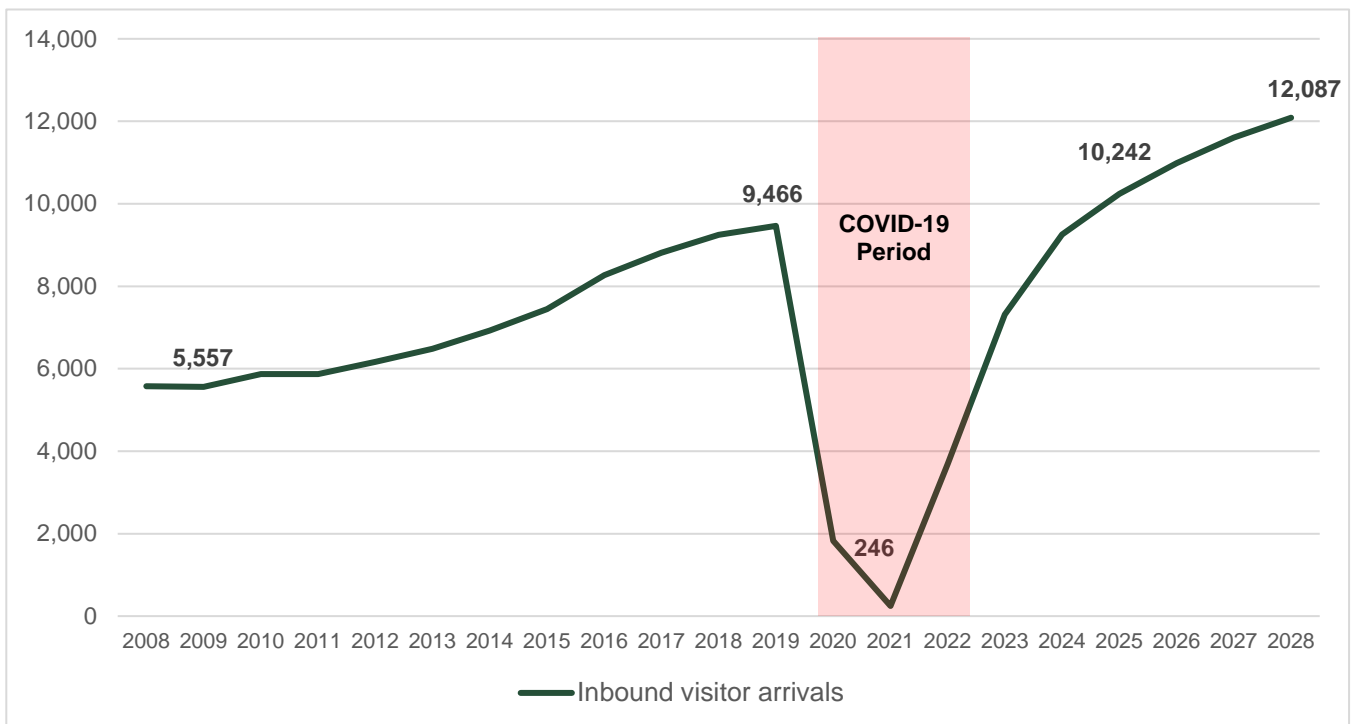


Figure 36: Inbound visitor arrivals to Australia count (2008-2022), projection (2023-2028)

Source: TRA

6.2 Visitation to Sydney LGA

The Sydney LGA has experienced fast-paced growth in visitation numbers, both from domestic and international visitors, since the COVID-19 period. Approximately 464,000 international visitor arrivals were recorded over July-August 2023, equating to over two times what was recorded in July-August 2022.

The largest source of international visitors during this period was China – some 27,000 visitors. Whilst this remains equivalent to just 50% of pre-COVID levels, it represents an 8% increase from the previous year. Visitors from New Zealand, the United Kingdom and the United States of America contributed some 68,000 visitors in August 2023, equating to 95% of pre-pandemic levels.

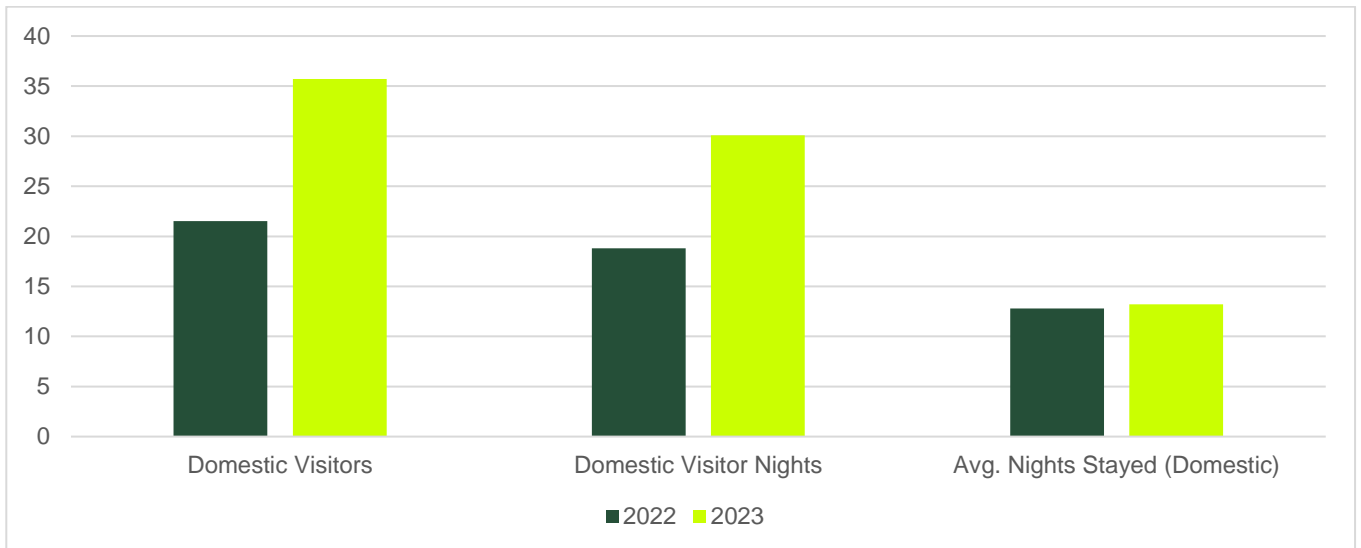


Figure 37: Sydney LGA Domestic Visitor Metrics, (2022-2023)

Source: City of Sydney

Average nights stayed by international visitors has exceeded pre-COVID levels, driving an increase in visitor expenditure. Average nights stayed in June quarter of 2023 equated to 13.2 nights, up 2.9 nights from pre-COVID levels and up from 12.8 in the previous year. The total number of nights stayed by international visitors was recorded at 5,400,000, representing a 24% increase year on year and being 97% of pre-COVID-19 levels.

Reasons for international visits have varied since the COVID-19 period, with ‘visiting friends and relatives’ (‘VFR’) reaching 121% of 2019 levels, whilst ‘holiday’ and ‘business’ have been recorded at 62% and 84% of their 2019 levels, however still a 10% and 32% respective increase from 2022.

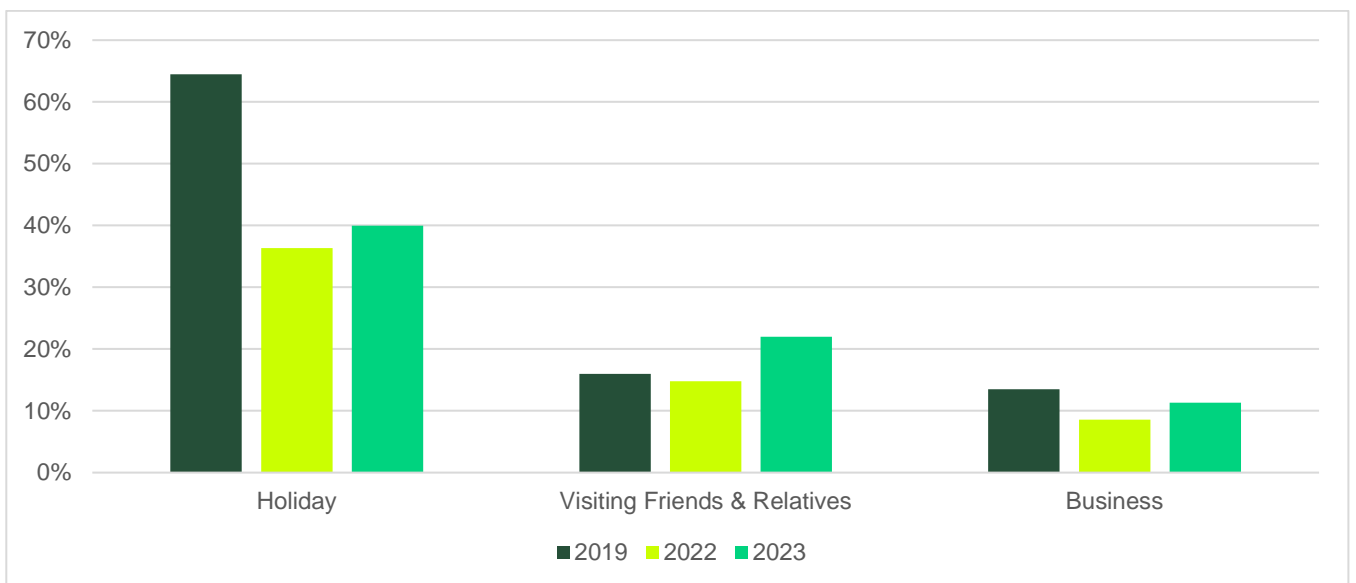


Figure 38: Share of primary reasons for international visits to Sydney LGA, (2019-2023)

Source: City of Sydney



6.3 Sydney Hotel Market

Sydney LGAs hotel market has performed strongly over the past 12-18 months on the back of strengthening visitation levels and limited new supply coming to market.

As at December 2023, revenue per available room ('RevPAR') increased by 35% year on year to \$247, 14% above the peak of pre-COVID period – influenced by strong average daily rates ('ADR') and steady uptick in levels of occupancy, approximately 30% increase from the previous year.

Sydney is the only Australian hotel market with an occupancy exceeding 75%, RevPAR above \$200 and an ADR above \$300.

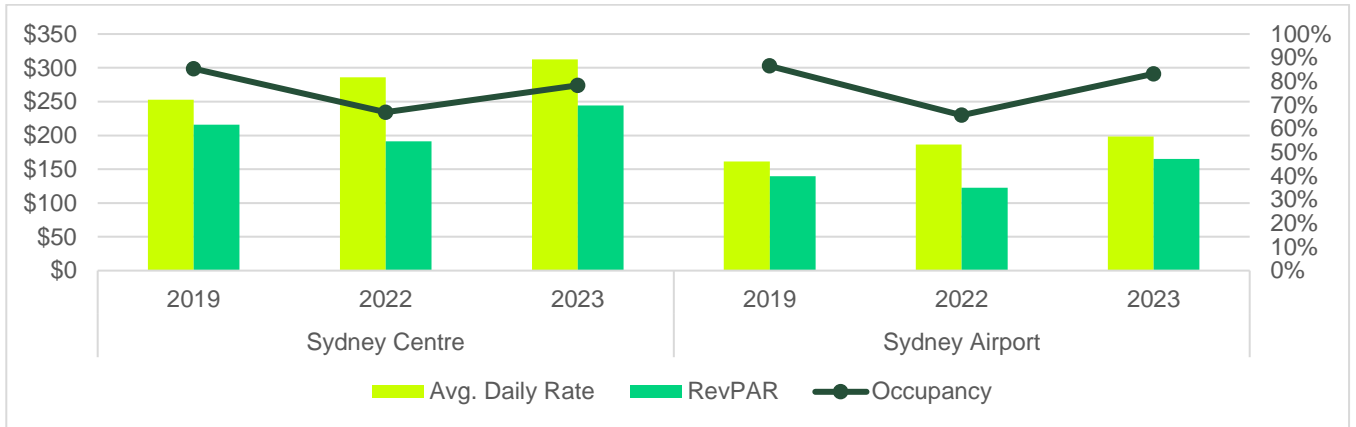


Figure 39: City of Sydney Hotel Market Indicators, (2019-2023)

Source: JLL

Recent economic challenges, increased borrowing costs and construction costs have not dampened investor appetite for Sydney’s hotel market. High levels of investment into Sydney’s hotel industry reflect increasing confidence in future performance. Over 2023, more than \$640 million was invested into the Sydney CBD and fringe suburb hotels (sourced from five transactions). A significant proportion of capital is targeted at aspirational assets with strong value-add capacity. Sydney City, Sydney Airport and Sydney luxury hotel markets are all trading within 85% of pre-COVID-19 levels, with ADR up approximately 25% and RevPAR up approximately 15%.

Over 2023, some 820 hotel rooms were injected into the market, accounting for 3.7% of total stock. Namely, the W Hotel Sydney comprises 586 hotel rooms, establishing itself as the largest W hotel in the world. Five further hotel developments are underway in Sydney CBD and fringe suburbs, injecting a further 855 rooms into the supply chain.

The national hotel accommodation pipeline peaked in 2023 and is expected to progressively decline in the coming years to 2026. High construction costs, labour shortages and cost of capital are collectively challenging hotel feasibility. Colliers (2022) assessment of the pipeline suggests that given these market conditions, just ~35% of projects currently proposed (not under construction) will proceed to delivery. This is well below the typical 'conversion' rate of 60%.



Figure 40: Australia's Major Accommodation Markets- Annual Supply Additions, (2022-2025),

Source: Colliers

6.4 Implications for the STRA

The Sydney LGA's hotel markets are re-establishing themselves as the foremost destination in Australia for tourism, following on from a major decline experienced in the wake of the COVID-19 pandemic.

Large-scale capital investment into short term accommodation facilities and services since 2022 suggests confidence in the accommodation market, notwithstanding economic headwinds, increased cost of capital and cost of development. Strong visitation growth (both international and domestic) longer stays (i.e. average nights stayed) and visitor expenditure reflect a resurgence in the local tourism market.

Key tourism metrics are expected to reach and exceed pre-COVID-19 levels by 2025. This has clear implications for hotel room demand and other short term accommodation services, including STRA. STRA plays an important ancillary role to the traditional hotel accommodation market, particularly in popular tourist locations (e.g. Surry Hills, Darlinghurst) which have fewer hotel options compared to the Sydney CBD.

Any potential policy changes to STRA will accordingly need to be cognisant of the bullish outlook for Sydney's tourism sector, particularly given the hotel pipeline is likely to thin in the short-term at a period where visitation levels will surpass pre-COVID levels.

The next Chapter considers the investment fundamentals of STRA compared to traditional, longer term residential tenancies and the likely influence of STRA on market behaviour moving forward.

7 Investment Analysis

7.1 Methodology and Approach

STRA is an alternative investment proposition to traditional property investment (i.e. residential tenancies).

To understand the difference in financial performance between STRA and long term residential tenancies, and the any implications of STRA for the City’s private rental market, a financial investment analysis is undertaken.

The purpose of this analysis is to:

- Compare difference in investment yields between STRA and long term residential tenancies.
- Test performance of STRA under various letting terms (i.e. uncapped, 180-days, 90-days)
- ‘Solve’ for the number of occupied STRA days needed for investment returns (i.e. yields) from STRA to be at parity with long term residential tenancies.

Based on the results of the investment analysis, market behaviour can be inferred to assess the potential economic impact of STRA on the City’s private rental market.

7.1.1 Methodology and Assumptions

The investment analysis has adopted a mix of revenue and operating cost assumptions to calculate the investment yield (gross and net) of both STRA and long term residential tenancies. This is done by:

- Estimating the existing value of the investment property (i.e. the market value).
- Adopting revenue assumptions for the investment property in a STRA and long-term rental scenario.
- Applying a mix of assumptions (e.g. weekly rents or average daily rates²⁶, occupancy levels, operating expenses, management fees) to derive the gross and net income of both investment scenarios.
- Calculating the gross and net yields of the STRA and long-term rental scenarios based on the adopted market value of the investment property.
- ‘Solving’ for the number of STRA days needed for investment returns be at parity with long term residential.

A total of 8 different sample locations across the Sydney LGA are selected for testing. A variety of testing locations have been adopted to reflect the diversity of Sydney’s housing markets. In each of the 8 sample locations, a one-bedroom and two-bedroom typology has been tested, resulting in 16 different testing scenarios.

The various cost and revenue assumptions developed for each testing scenario result in a ‘revenue and cost stack’ for each testing scenario. An example of a revenue and cost stack is illustrated below, with each individual ‘stack’ for the tested properties attached at Appendix C.

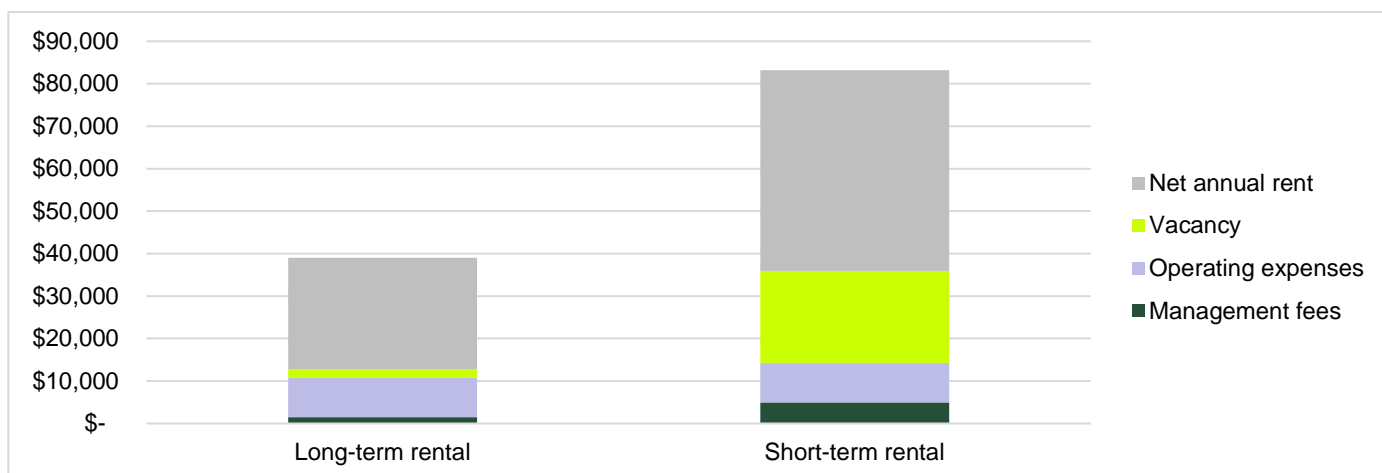


Figure 41: Cost and Revenue Stack of 1-bedroom unit, Sydney CBD

Source: AirDNA

²⁶ Average daily rate (ADR) refers to the average rental income of an occupied lodging per day.

7.2 Tested Scenarios

Tested scenarios in each of the 8 sample locations have been based on 'real life' examples of existing STRA properties, with property and financial data sourced from AirDNA and the City's STRA Register.

The table below provides a description of each of the different tested properties. For privacy purposes, specific property identifiers (i.e. address, folio identifiers) have been omitted.

Table 3: Tested Scenarios by Sample Location

Location	1-bedroom Unit	2-bedroom Unit
Sydney	Modern 1-bedroom, 1-bathroom apartment (60sqm internal) located on 12 th level of high rise apartment building in The Rocks. Partial views of Sydney Harbour and Harbour Bridge. Most recent STRA data suggests it achieves an ADR of \$300 with occupancy rate of 83%.	Older style, 2-bedroom, 1-bathroom apartment (75sqm internal) on 9 th level of rise apartment building in Western Corridor of Sydney CBD. Partial views of Darling Harbour. Achieves an ADR of \$470 with 88% occupancy rate.
Surry Hills	Modern 1-bedroom, 1-bathroom apartment (55sqm internal) located on 3 rd level of low rise apartment building in Surry Hills. Close proximity to Crown Street precinct. Achieves an ADR of \$228 with occupancy rate of 74%.	Modern 2-bedroom, 2-bathroom apartment (85sqm internal) located on 8 th level of low rise apartment building in Surry Hills. Close proximity to Oxford Street precinct. Achieves an ADR of \$448 with occupancy rate of 79%.
Darlinghurst	Recently refurbished 1-bedroom, 1-bathroom unit (52sqm internal) located on 14 ^h level of high rise apartment building in Darlinghurst. Full views over Hyde Park. Achieves an ADR of \$280 with occupancy rate of 99%.	2-bedroom, 1-bathroom apartment (75sqm internal) on 11 th floor of apartment building on Riley Street in Darlinghurst. Close proximity to Crown Street precinct. Achieves an ADR of \$360 with occupancy rate of 92%.
Potts Point	Older-style 1-bedroom, 1-bathroom unit (58sqm internal) located on 2 nd level of a mid-rise apartment building in Potts Point. Close proximity to Macleay Street. Achieves an ADR of \$230 with occupancy rate of 89%.	Older style 2-bedroom, 1-bathroom unit (87sqm internal) on 5 th level of apartment building in Potts Point. 20m from Kings Cross Station. Rent data suggests it achieves an ADR of \$394 with occupancy rate of 81%.
Waterloo	Modern 1-bedroom, 1-bathroom unit (60sqm internal) located in Waterloo just south of Lachlan Street. Achieves an ADR of \$273 with occupancy rate of 76%.	Modern 2-bedroom, 2-bathroom unit (80sqm internal) located along McEvoy Street in Waterloo. Proximate Waterloo Oval. Achieves an ADR of \$355 with occupancy rate of 91%.
Pymont	Small 1-bedroom, 1-bathroom unit (50sqm internal) located along Pymont Road. Walking distance to Darling Harbour precinct. Achieves an ADR of \$192 with occupancy rate of 82%.	Modern 2-bedroom, 2-bathroom unit (75sqm internal) located proximate Pymont Peninsula. Walking distance to Jones Street. Achieves an ADR of \$410 with occupancy rate of 96%.
Ultimo	Older-style 1-bedroom, 1-bathroom unit (55sqm internal) located proximate UTS Ultimo campus and close to Central. Achieves an ADR of \$179 with occupancy rate of ~100%.	2-bedroom, 2-bathroom terrace located just off Harris Street in close proximity to Darling Harbour. Achieves an ADR of \$420 with occupancy rate of 98%.
Camperdown/ Darlington	Large, older style 1-bedroom, 2-bathroom apartment (65sqm) located in close proximity to Royal Prince Alfred Hospital. Achieves an ADR of \$237 with 71% occupancy rate.	Unique 2-bedroom, 2-bathroom with a warehouse converted apartment block. Walking distance to Redfern Station. Achieves an ADR of \$405 with 77% occupancy rate.

7.3 Financial Modelling Results

The following graphs summarise the financial modelling results for each of the tested properties.

Each graph illustrates the net yields achieved for each tested property as either a long-term residential tenancy or as STRA. The graph also shows the impact of capping STRA to a maximum of 180 days on investment returns.

As shown, the net investment yields for long-term residential tenancies broadly range from 2.1% to 4.4% across the tested properties. In contrast, uncapped STRA would result in substantially higher net returns, ranging from 5.9% (for a 1-bedroom unit in Surry Hills) to 10.6% (for a 2-bedroom unit in the Sydney CBD). Introducing the 180 day cap on STRA substantially reduces net yields, though this result in yields still higher than that achieved in a long-term residential tenancy scenario. A more detailed breakdown of the financial modelling (by tested property) is provided in Appendix C.

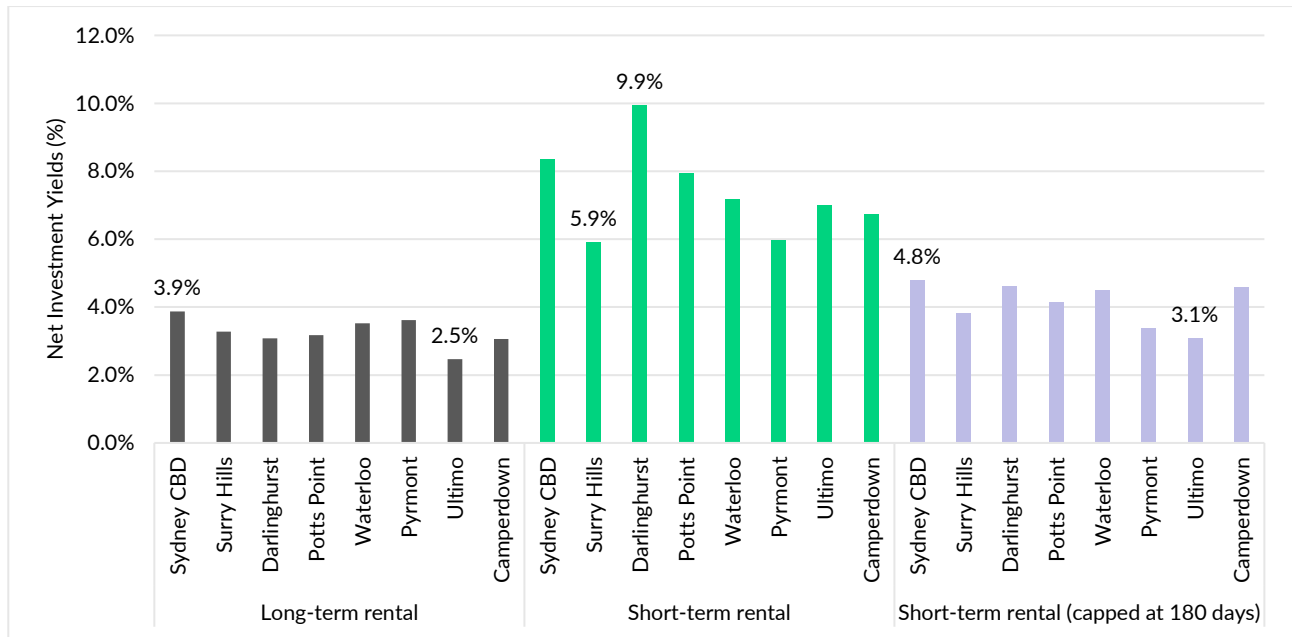


Figure 42: Summary of Financial Modelling Results, 1-Bedroom Tested Properties

Source: Atlas Economics

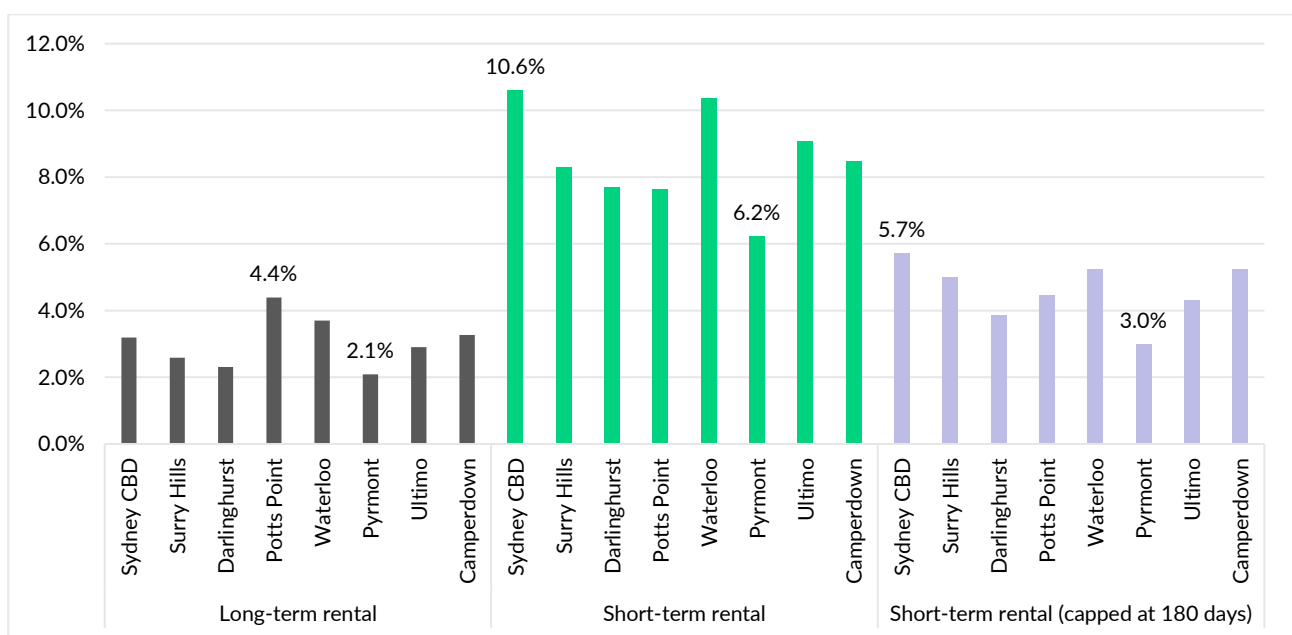


Figure 43: Summary of Financial Modelling Results, 2-Bedroom Tested Properties

Source: Atlas Economics

7.3.1 Parity with Long-Term Residential Tenancy Returns

Analysis has been undertaken to 'back solve' for the minimum number of occupied STRA days needed for STRA to achieve parity (i.e. the equivalent net investment yield) with long-term residential tenancies.

Findings of this analysis demonstrates that the minimum number of occupied days needed ranges from 110 days (circa 3.6 months) to 197 days (circa 6.5 months).

The least number of days required varies by location, with tested properties in 'higher value' locations such as the Sydney CBD and Surry Hills requiring fewer occupied STRA days to achieve investment parity compared to 'lower value' areas.

On average, 2-bedroom properties require fewer occupied STRA days to achieve investment parity with long-term residential tenancies compared to 1-bedroom properties. This is attributed to the higher revenue and occupancy rates attributed to 2-bedroom STRA as compared to 1-bedroom STRA.

Overall, the number of required occupied STRA days needed across the tested properties is generally *below* the current 180-day cap.

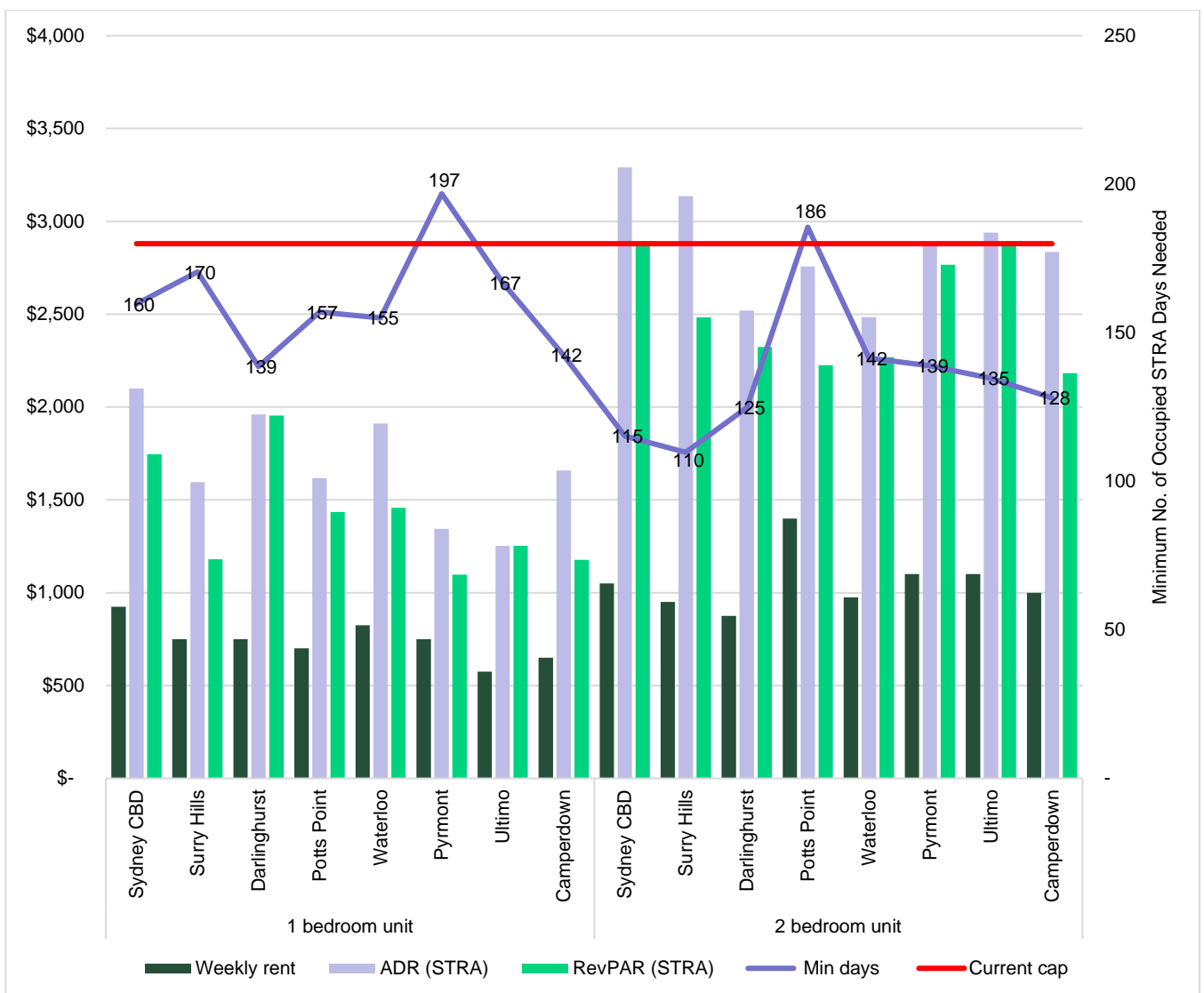


Figure 44: Number of STRA Days Needed to Achieve Parity with Long-Term Residential Tenancies

Source: Atlas Economics

7.3.2 Impact of a Hypothetical STRA Levy

The imposition of financial levies on STRA has been well-documented overseas with several Queensland Councils (Brisbane City Council, Sunshine Coast Council) now taxing landowners who let properties out for a certain number of days a year. The Victorian Government is implementing a 7.5% revenue levy on STRA providers from 2025.

To test the financial impact of a hypothetical levy on STRA in the Sydney LGA, sensitivity analysis has been carried out using based on the same set of sample locations and properties. A hypothetical 10% revenue levy has been adopted for the purposes of testing.

When including a hypothetical 10% STRA levy, the sensitivity expectedly finds that the minimum number of occupied days needed for STRA to reach parity with long-term rentals increases. The number of occupied days increases to between 120 days (circa 3.7 months) to 220 days (7.3 months).

Similar to previous findings, the least number of days needed is observed in 'higher value' locations, with 2-bedroom properties outperforming 1-bedroom properties.

Notably, even when including the hypothetical 10% STRA levy, the number of required occupied STRA days needed across the tested properties remains *below* the current 180-day cap.

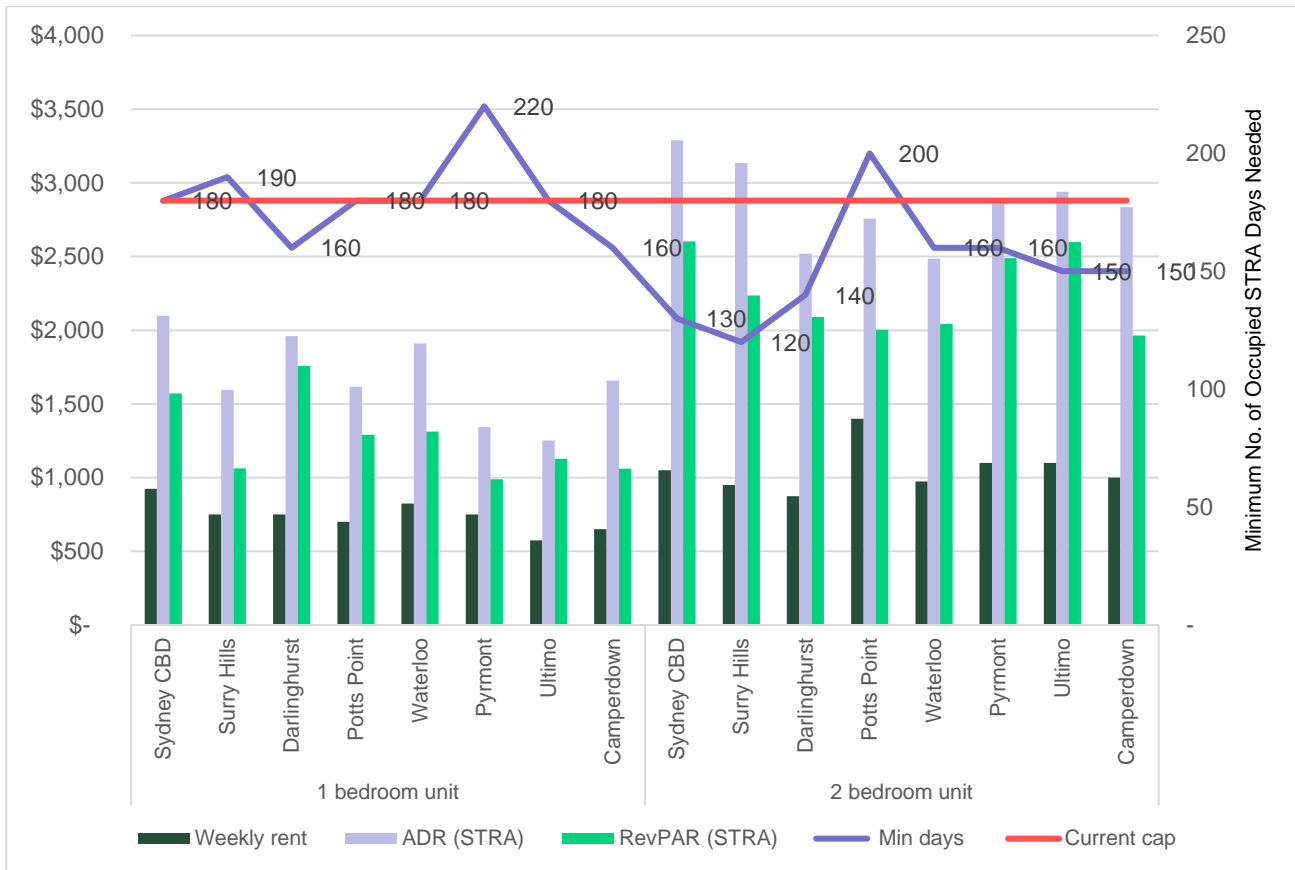


Figure 45: Number of STRA Days Needed to Achieve Parity with Long-Term Residential Tenancies with 10% STRA Levy

Source: Atlas Economics

7.4 Implications for the City

A number of clear observations can be drawn from the investment modelling which have implications for the City:

- If leased out on an unlimited basis (i.e. no cap on number of days able to be leased out), STRA achieves significantly higher investment returns than achieved with traditional, long-term residential tenancies. This is despite STRA having higher operating costs, management fees and vacancy levels.
- Where STRA is 'capped' at a maximum of 180-days, STRA still achieves higher investment returns than long-term residential tenancies.
- In most cases, the number of occupied STRA days required for STRA to achieve the same investment return possible with long-term residential tenancies falls below the current 180-day cap. The number of days needed is particularly short in high value areas of the Sydney LGA.
- Even when including a hypothetical 10% STRA levy, many of the tested properties need fewer than 180 occupied days to achieved similar returns to those achievable in the long-term rental market.

Overall, this analysis suggests that there is a strong financial incentive for investors to let properties for STRA (as opposed to traditional long-term residential tenancies) is strong. The 'alpha'²⁷ returns for some properties can be as high as 2.8 times compared to the traditional residential rental market, though occupancy rates are more volatile in the STRA market.

Given the potential for much higher financial returns, there is also a clear economic incentive for STRA hosts to underreport the number of days a property is listed as available for STRA. Coupled with the difficulty of monitoring and enforcing the 180-day cap (as discussed in Chapter 2), the reliability of self-monitoring by STRA hosts is likely to be limited.

Analysis of the STRA market (Chapter 5) identified a total of ~5,450 STRA properties across the City as at 2023. Of these, around ~4,400 were non-hosted and an even smaller number (~1,580) were let out for more than 180 days a year. As such, the opportunity to capitalise on the 'above market' returns achievable through STRA does not appear to be as widely adopted across the City as often commented upon. This of course may shift as visitation numbers continue to recover and existing and prospective STRA owners look to meet demand for STRA.

The next Chapter provides potential policy options for the City to consider.

²⁷ 'Alpha' is an investment term which describes the excess return of an investment in relation to a benchmark.

8 Policy Options

The STRA sector has the potential to significantly impact the housing market and tourism industry. Addressing the challenges of housing affordability, regulatory compliance, and the balance between residential and tourist accommodation is crucial for effective policy formulation. This chapter outlines a series of policy options aimed at refining the regulatory framework governing STRA. It focuses on improving compliance mechanisms, mitigating the commercialisation of residential properties for STRA, and re-evaluating operational caps to better align with the City's housing and tourism needs.

The policy options are derived from an analysis of current regulatory shortcomings, the economic incentives driving the commercialisation of STRA, and the adequacy of existing STRA caps in maintaining a balance between STRA and long-term residential availability. The proposed measures include adjustments to the STRA registration process, imposition of penalties for non-compliance, and modifications to STRA operational caps. Additionally, the potential introduction of a state-wide levy on STRA is considered as a means to generate funds for social and affordable housing and assist in compliance activities.

The intent is to provide a factual basis for policy adjustments that will support Sydney's growth as a global city while ensuring the housing market remains accessible and affordable for its residents. The policy options are designed to be implemented by relevant NSW government departments and the City of Sydney, with a focus on achieving measurable outcomes in STRA regulation and enforcement.

While many of the policy options presented exceed the direct regulatory purview of the City of Sydney Council, it is imperative for Council to actively advocate for these changes at the state level. Council's role as a mediator between the local community's needs and state policy directives positions it uniquely to influence broader legislative reforms.

The selection of policy responses will ultimately depend on the directions taken by the state government, as outlined in the DPHI's STRA Discussion Paper. Not all proposed policy options may be required, contingent upon the actions and reforms implemented at the state level.

8.1 Enhance STRA Regulation Compliance and Enforcement

Issue: The effectiveness of the current STRA Register is compromised by incomplete capture of STRA activities and the prevalence of unregistered property listings on booking platforms. Additionally, the STRA Register suffers from data quality issues.

- **Improve compliance requirements for booking platforms to verify STRA registration**

Actor: NSW DPHI / NSW Fair Trading

At present, online booking platforms comply with the STRA code of conduct reporting requirements. However, it is possible for a platform user/host to circumvent these requirements on booking platforms with no requirement for the booking platform to validate the exemption. Booking platforms should be required to validate that a property has an exemption to STRA registration, such as a consent to operate as Tourist and Visitor Accommodation, prior to approving a property listing. This change would require an update to the code of conduct to specify that booking platforms must validate when host's exemption status.

- **Require Service NSW accounts to register STRA**

Actor: NSW DPHI / NSW DCS

Require all STRA registrations to be linked with a Service NSW account. This measure is not currently compulsory but would significantly enhance the tracking of identity, property ownership, and the verification of a property's status as the primary residence of the host, thereby closing gaps in the STRA regulatory framework. This data should also be made available to councils for compliance and enforcement duties.

- **Improve data sharing between DPHI/Treasury and Councils**

Actor: NSW DPHI / NSW Treasury

Strengthen data sharing protocols between DPHI, Treasury and local councils. Given the local councils' responsibility in pursuing STRA non-compliance, the state government should facilitate access to essential evidence, such as financial records, that is required to support enforcement actions. The introduction of a state-wide levy provides a good opportunity for these data sharing arrangements to be established.



8.2 Reduce the Commercialisation of the STRA Sector

Issue: The rise of commercial or long-term STRA operations contradicts the foundational principle of STRA. In the context of a housing crisis, housing should be best utilised, not sitting vacant.

- **Introduce restrictions for owners with multiple STRA properties**
Actor: NSW DPHI / NSW Treasury
Enact regulations or impose financial levies on owners listing three or more properties as STRA. This measure aims to discourage the bulk ownership of STRA properties and encourage their return to the long-term rental market.
- **Investigate primary residence requirements for non-hosted STRA in the City of Sydney**
Actor: NSW DPHI / City of Sydney
Investigate the feasibility of mandating that non-hosted STRA can only be conducted in the host's principal place of residence. While challenging to enforce, this policy could significantly reduce the number of properties used exclusively for STRA.

8.3 Re-evaluate and Adjust the STRA Cap

Issue: The current 180-day cap for STRA is ineffective in deterring the conversion of properties to exclusive STRA use, with financial viability for STRA operations spanning 110-197 days across the City of Sydney LGA.

Financial modelling undertaken in the report suggests that the current 180-day cap has proven insufficient in discouraging property owners from dedicating their properties solely to STRA. In response to this issue, two alternative caps are proposed to better align the cap with the objectives of maintaining a balanced housing market and curtailing the commercialisation of STRA.

- **Option 1: Reduce the cap to 120-days for non-hosted STRA**
Financial modelling suggests reducing the cap to 120 days provides a moderate policy response that will protect against further commercialisation of the STRA market. This cap will reduce the viability of STRA in most areas of the City of Sydney LGA, though it still can remain an attractive alternative to long-term residential tenancies.
- **Option 2: Reduce the cap to 90-days for non-hosted STRA**
Financial modelling suggests that reducing the cap to 90 days will make STRA unviable compared to long-term residential tenancies. Whilst the number of hosts which make properties available >90 days is small, this cap provides a more stringent approach to managing STRA activity.

The financial analysis presented in this report indicates a shift in viability should a state levy on STRA be implemented. Our scenario modelling suggests that introducing a 10% levy would increase the minimum viable number of days for STRA from 110 to 120 days. This shift suggests that the reduced 120-day cap provides a moderate policy response, even with the inclusion of the levy. Should a levy be introduced, and the cap be reduced to 90 days, this will likely have more pronounced impact on STRA operations, reducing their viability across all suburbs in the City of Sydney. Any reduction to the cap would require ongoing review and monitoring. We suggest a maximum 2-year review period for the City of Sydney to consider the implications of the revised cap.

Consequently, any adjustments to the nightly cap would also need to be supported by enhanced compliance monitoring and enforcement, all of which should be based on a strengthened and more accurate STRA Register.

8.4 Supporting policy options for a state-wide STRA levy

The introduction of a state-wide levy on STRA represents a strategic opportunity to create a new and significant revenue stream. This revenue is envisioned to support the development and provision of social and affordable housing and support compliance activities, addressing critical housing needs across the state. The concept of imposing such a levy aligns with practices in other jurisdictions, like the model adopted by the Victorian Government, and aims to tap into the STRA market to fund housing initiatives.

- **Levy to be implemented on STRA Booking Platform revenue.**
The proposed levy should be applied directly to the revenue generated by STRA booking platforms. This approach mirrors the Victorian model, where the levy is collected from the platforms and then passed on to STRA hosts. The administrative mechanism for this levy would require STRA booking platforms to report their earnings accurately, ensuring that the levy is collected efficiently and in a manner that is transparent and accountable.
- **The levy rate to be tested to understand likely impact on State-wide supply.**
To determine the most effective levy rate, an analytical assessment is necessary to gauge the potential impact on the state-wide supply of STRA. Preliminary financial modelling, based on the total New South Wales STRA revenue of \$2.6 billion in 2023, suggests that a levy of 7.5% could theoretically generate approximately \$191 million. Specifically, within the City of Sydney Local Government Area (LGA), where the 2023 STRA revenue was \$104 million, a levy at this rate could yield around \$7.8 million, as per data from AirDNA.
- **Without significant improvements to the STRA Register, enforcement will not be possible.**
Critical to the enforcement of any proposed levy is the improvement of the STRA Register. The register must be accurate, comprehensive, and robust, enabling effective monitoring and compliance. As highlighted in the following sections, the current STRA Register faces challenges in data quality and coverage, which could undermine the levy's enforcement. Addressing these challenges is essential for the successful implementation of the STRA levy, ensuring that the levy is enforceable, and that the revenue generated can be reliably allocated to housing projects.

9 Conclusion

The review conducted by Mecone and Atlas Economics provides an analytical foundation for understanding the impacts of STRA within the City of Sydney's Local Government Area. This investigation is crucial for evaluating STRA's effects on rental availability, affordability, and its role within the tourist accommodation market, especially following the marked shifts in Sydney's housing affordability post-COVID-19. The analysis identifies key challenges and opportunities within the STRA sector, informed by the city's strategic housing objectives outlined in the 'Housing for All' strategy.

Key findings from this review underline the need for targeted policy interventions. These include addressing the limitations of the existing 180-day STRA cap, enhancing the STRA Register's accuracy and comprehensiveness, and exploring policy options if a state-wide STRA levy is introduced. Based on these insights, a series of policy options have been formulated to improve STRA regulation and enforcement, mitigate the sector's commercialisation, and adjust operational caps to better balance residential and tourism accommodation requirements.

Given the City of Sydney Council's constrained regulatory authority over STRA, the report highlights the importance of advocating for legislative changes at the state level. Council's engagement with state entities, guided by this report's findings, will be essential in influencing the development of effective STRA policies that align with the city's broader housing goals.

Additionally, the potential for a state-wide STRA levy introduces a variable that necessitates flexible policy responses capable of adapting to market changes and state legislative directions. The implementation of policy measures by the City of Sydney, in coordination with state agencies, will play a pivotal role in addressing the complexities of STRA regulation, aiming to balance the interests of residents, property owners, and visitors within the regulatory framework of the city.

Strategic Review

1 Appendix A: Strategic Review

1.1 Planning Policy Review – City of Sydney

1.1.1 City Plan 2036 Local Strategic Planning Statement

Finalised by the City of Sydney Council in 2020, the City Plan 2036 Local Strategic Planning Statement aligns the NSW Government's strategic plans with the city's Sustainable Sydney 2030 community plan and development guidelines. It outlines a 20-year vision for land use planning, the planning context, priorities, actions, and the governance structure for achieving this vision. The plan attempts to create 200,000 jobs and 56,000 dwellings in the City of Sydney between 2016 to 2036. The city has ten key goals which are to:

1. Strengthen Central Sydney's economic role;
2. Build internationally competitive and knowledge-intensive business clusters in the Innovation Corridor;
3. Support creative and cultural industries in the Eastern Creative Precinct;
4. Protect and evolve business in the Southern Enterprise Area;
5. Make great places;
6. New and diverse housing;
7. Movement for walkable neighbourhoods and a connected city;
8. Greening the city and pathways to net zero;
9. Aligning development with infrastructure; and
10. Collaborate and plan for a shared vision.

In relation to housing, the City of Sydney actions reflect a desire to create diverse housing types whilst increasing their social and affordable housing stock.

- supporting innovative approaches to housing delivery to promote housing diversity and affordability
- to deliver a minimum 25% of floor space as affordable rental housing in perpetuity on all NSW Government sites, including on social housing sites
- to deliver 100% social and affordable housing to the Liveable Housing Guideline's gold level on all NSW Government sites, in accordance with the target set by the National Dialogue on universal housing design
- As at October 2018, the following affordable rental housing and diverse housing dwellings are built or projected to be built 3,735 affordable rental housing dwellings and 42 diverse housing dwellings are built or are being planned.

In relation to tourism, Action P1.2 focuses on providing an appropriate mix of land uses that support Central Sydney's role as the metropolitan centre and its diverse retail offering including tourism, culture, shopping, personal services and food and drink options.

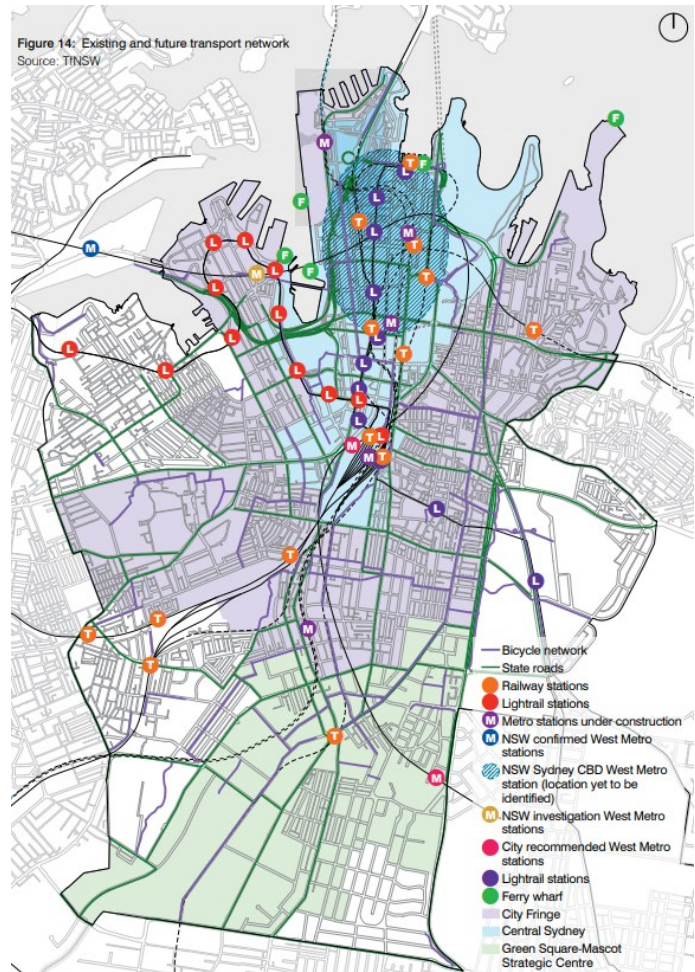


Figure 46: Existing and Future Transport Network

Source: City of Sydney

1.1.2 Housing for All – City of Sydney Local Housing Strategy

The City of Sydney Local Housing Strategy (LHS), developed by the City of Sydney Council in 2020, serves as a critical framework for aligning local planning with state government objectives and understanding future land requirements for growth. It aims to inform the review of the Sydney Local Environmental Plan 2012, outlining measures to protect and diversify housing options, improve transport connectivity, create walkable neighbourhoods, and address environmental challenges within the Sydney Local Government Area (LGA).

Sydney is well-known for its high quality of life, cultural diversity, and economic competitiveness. However, in the last decade, the city's liveability has been threatened by the increasing unaffordability of housing, especially in the inner city. Despite these challenges, housing growth in Sydney continues, with plans to construct 56,000 new dwellings by 2036 under current planning controls. It is essential to balance this growth with the city's economic centres, including business, innovation, and urban services precincts, while anticipating and addressing the challenges that growth will bring.

To manage these issues and plan for the future, a housing strategy has been established. This strategy outlines a vision for housing and guides housing delivery for the next two decades. It addresses housing challenges, community needs, land use planning priorities, and sets objectives and actions to effectively manage growth and change in the city.

A capacity study conducted in 2019 measured over 10 million square metres of floor space available under the City's current planning controls. The study demonstrates sufficient development opportunity under the City's current planning controls to provide an additional 50,000 private dwellings, and 6,000 non-private dwellings in addition to parks, urban services and economic and employment growth.

Affordable rental housing and social housing is necessary to support a diverse and well-functioning city and would require an increase of almost 11,000 affordable rental housing dwellings and almost 2,000 social housing dwellings to 2036.

The City of Sydney has placed emphasis on ensuring there is a strong supply of rental accommodation is maintained to cater for private rental demand. Global cities have faced the challenge of losing supply to short-term accommodation, such as Airbnb. A balanced approach is needed that distinguishes occasional short-term letting from commercial tourist accommodation and allows short term letting under circumstances that do not impact detrimentally on the supply of rental accommodation.

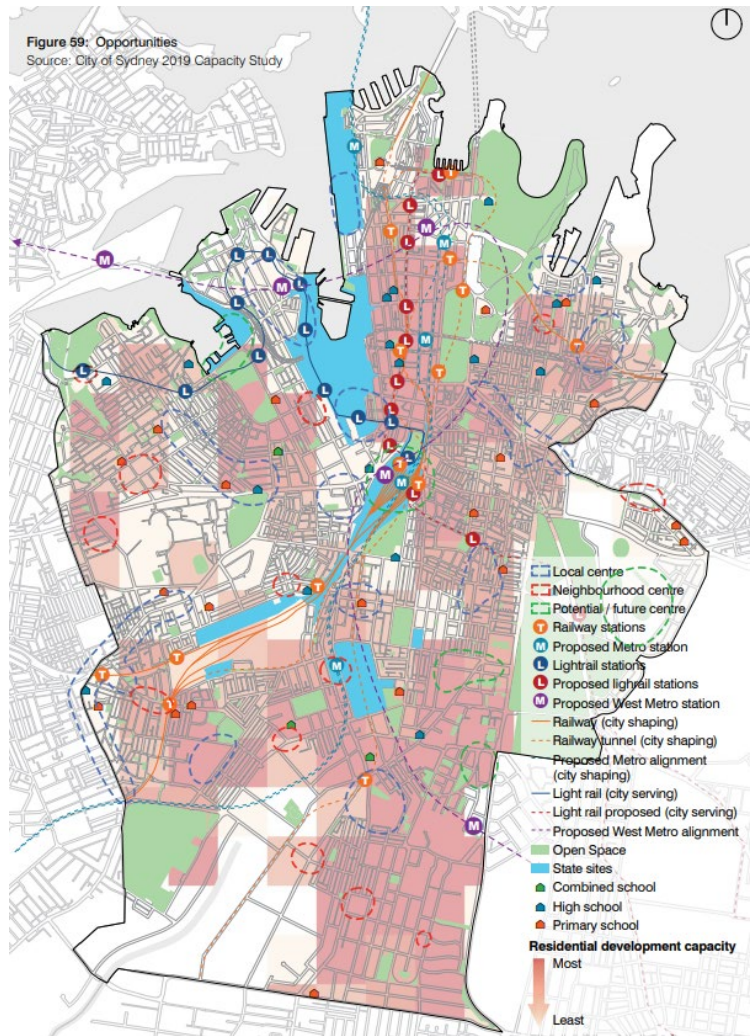


Figure 47: Opportunities

Source: City of Sydney

1.1.3 STRA Planning Framework – City of Sydney Submission to NSW Department of Planning and Environment, November 2018

The City of Sydney’s November 2018 submission to the NSW Department of Planning and Environment responds to the Department’s Explanation of Intended Effect: STRA Planning Framework. The submission outlines concerns with the proposed planning framework and broader regulatory approach to protect against affordable housing impacts, manage safety and amenity and ensure effective compliance. The submission provides the following recommendations in response to the STRA EIE:

Table 4: Recommendations from City of Sydney Submission

Source: City of Sydney Submission to NSW Department of Planning and Environment, November 2018

Recommendation	
Recommendation 1	Proposed STRA definition be amended to: ensure that the land use is compatible with remaining as a dwelling, particularly if the use is to be characterised as “residential”; include <i>being used as long-term primary residence</i> or that the ‘host’ lives in the dwelling being let.
Recommendation 2	Term “Host” be defined or replaced with another or clearer term.
Recommendation 3	Clarify proposed planning mechanisms to restrict the permissibility of STRA, so that development consent cannot be granted beyond the exempt & complying development criteria. City supports proposal to have no development application pathways beyond exempt & complying criteria.
Recommendation 4	Exempt development criteria for STRA be reduced to a maximum of 90 days.
Recommendation 5	If STRA is allowed as exempt development for greater than 90 days per year, then development standards for STRA be restricted to a maximum of 90 consecutive days.
Recommendation 6	Development standards for STRA also includes that use must be registered & comply with STRA code of conduct.
Recommendation 7	Development standards for STRA relating to required compliance be appropriately worded to avoid unintended outcomes & provide clarity for compliance purposes.
Recommendation 8	Development standards for STRA relating to alterations & additions be appropriately worded to reflect approvals required, including where works are required to install fire safety measures.
Recommendation 9	Development standards for STRA relating to compliance with existing conditions of consent be appropriately worded to relate to all relevant operative consents applying to the building.
Recommendation 10	STRA development standards relating to compliance with strata schemes be appropriately worded to make clear what aspects of the strata scheme these apply to.
Recommendation 11	Development standards for STRA relating to required safety measures be appropriately worded to fit with existing or introduced regulations in relation to upgrading of a building’s fire safety measures, in a way that’s practical for level of risk, will not compromise fire safety & will limit the regulatory complexity.
Recommendation 12	Further investigation & establishment of regulatory mechanisms be undertaken for fire safety upgrade measures for proposed planning framework for STRA.
Recommendation 13	Regulation of STRA minimises the compliance burden on councils.
Recommendation 14	Registration (and education) system for STRA be established that: <ul style="list-style-type: none"> a) is administered by NSW Fair Trading; b) requires demonstration of compliance at establishment; c) uses automated data management from links to booking platforms to allow transparent monitoring and reporting of the number of days for which an individual premises has been used to provide STRA; d) aligns compliance under Fair Trading, Planning and Strata legislation; e) maximises self-regulation of the industry; f) provides practical ways to ensure compliance and remedial action; and g) includes a commitment by NSW Fair Trading to providing data from the registration system to councils to ensure adequate information.

1.2 Planning Policy Review – Byron Bay Shire Council

1.2.1 2023 Byron Shire STRA Advice Report

The Byron Shire STRA Advice Report was produced by the Independent Planning Commission in 2023 to respond to the Minister’s request for advice on STRA and related housing and rental affordability and availability issues in the Byron Shire local government area. A key question was whether a Planning Proposal (PP-2021-3351) prepared by Byron Shire Council (Council), which proposed new caps on the number of nights that a residential premises can operate as a non-hosted STRA, should proceed in its current form. The Commission provided the following recommendations:

Table 5: Recommendations from Byron Bay STRA Advice Report

Source: 2023 Byron Shire STRA Advice Report

Recommendation	
Recommendation 1	<p>PP shouldn’t proceed in current form (no cap on non-hosted STRA in identified precincts, otherwise, a 90-day cap on non-hosted STRA) as it wouldn’t adequately achieve its stated objectives & may have unintended adverse economic consequences. STRA should be defined as a type of ‘tourist and visitor accommodation’ & thereby as a permissible use;</p> <ul style="list-style-type: none"> • hosted STRA should continue to be exempt development; • non-hosted STRA should be subject to a 60-day exempt development cap; • non-hosted STRA beyond the 60-day cap should be permissible with consent; • transitional arrangements should be provided to support current non-hosted STRA operators; • these proposed changes should be subject to continuous review and improvement.
Recommendation 2	<p>Utilise available regulatory regime to support Byron Shire Council to plan for and manage local impacts from conversion of existing & future housing stock to non-hosted STRA by:</p> <ul style="list-style-type: none"> • Defining STRA as a permissible use by specifically listing STRA as a type of ‘tourist and visitor accommodation’ with the objective of facilitating STRA in well located and serviced areas already zoned for tourism. • Tightening exempt development non-hosted STRA day cap to a level that puts the financial returns from non-hosted STRA on more level playing field with long-term rental housing. • Permitting development consent be obtained for the use of a property as non-hosted STRA in excess of 60-day cap. • Preventing subsequent conversion of new housing supply to non-hosted STRA by requiring relevant conditions on development consent for new housing developments. • Giving consideration to any transitional arrangements • Supporting Council in undertaking a strategic-level impact assessment of development applications for non-hosted STRA land uses to provide ongoing evaluation of Byron Shire’s needs
Recommendation 3	<p>Continue to work with all levels of government to use available levers to address misalignment between the functioning of the housing market and broader social objectives. This could put the economic returns from affordable long-term rental housing on a more level playing field with non-hosted STRA and other development types.</p>
Recommendation 4	<p>Continue to work with Council to identify & utilise every available mechanism to support:</p> <ul style="list-style-type: none"> • urgent release of more land for housing development within Byron Shire (including potential for infill development in Byron Bay); • timely delivery of new housing supply; • delivery of increased affordable, diverse, social and crisis accommodation; and protection of lessees.
Recommendation 5	<p>Give consideration to legal & policy options and implications of encouraging a return of dual occupancy & secondary dwelling properties to long-term rental, either by direct</p>

	requirement or via an incentive program, & support Council in considering these matters.
Recommendation 6	Support Council in collaborating with relevant stakeholders, particularly in tourism & relevant community service industries, to address: <ul style="list-style-type: none"> • worker accommodation requirements; • supply of alternative (non-STRA) visitor accommodation consistent with the Byron Shire Sustainable Visitation Strategy 2020-2030 & needs of the consumer, including consideration of increased density for visitor accommodation in town centre.
Recommendation 7	Support Council in continuing to work with Northern Rivers Reconstruction Corporation to address ongoing housing-related impacts of 2022 floods & formalise arrangements for emergency use of STRA for crisis accommodation.
Recommendation 8	Introduce a levy on all STRA properties in Byron Shire as a mechanism to provide an income stream to Council that'll be used to address amenity, infrastructure, & service impacts from STRA on local community & deliver community benefits. Levy mechanisms proposed for consideration in Byron Shire include: <ul style="list-style-type: none"> • Additional STRA property registration fees • Per-booking levy on STRA stays • Additional Council rate category for registered STRA properties • Implementation of proposal be balanced against costs of regulation & complexities of collecting a levy through 3rd parties.
Recommendation 9	Strengthen STRA industry compliance & enforcement arrangements & make them more visible to community & other stakeholders, consistent with principles of open government. Includes measures to continue to improve effectiveness & monitoring of compliance with STRA Code of Conduct.
Recommendation 10	Address data access constraints to support effective planning, regulation & community confidence.
Recommendation 11	Lead research efforts to provide all 3 tiers of government and other stakeholders with knowledge base to inform well targeted policy delivery by establishing & maintain appropriate ongoing STRA research & monitoring program (in partnership with the Commonwealth). This should extend to a longitudinal study quantifying the trends & economic & social effects of STRA.
Recommendation 12	Ensure continuous improvement to relevant EPIs, e.g. any future changes to relevant EPIs, by establishing an evaluation program of the effectiveness of these recommendations as implemented, linked to the proposed review by the Department of the current 180-day cap in the State Environmental Planning Policy (Housing) 2021.
Recommendation 13	PP shouldn't proceed in current form (no cap on non-hosted STRA in identified precincts, otherwise, a 90-day cap on non-hosted STRA) as it wouldn't adequately achieve its stated objectives & may have unintended adverse economic consequences. STRA should be defined as a type of 'tourist and visitor accommodation' & thereby as a permissible use; <ul style="list-style-type: none"> • hosted STRA should continue to be exempt development; • non-hosted STRA should be subject to a 60-day exempt development cap; • non-hosted STRA beyond the 60-day cap should be permissible with consent; • transitional arrangements should be provided to support current non-hosted STRA operators; • these proposed changes should be subject to continuous review and improvement.
Recommendation 14	Utilise available regulatory regime to support Byron Shire Council to plan for and manage local impacts from conversion of existing & future housing stock to non-hosted STRA by: <ul style="list-style-type: none"> • Defining STRA as a permissible use by specifically listing STRA as a type of 'tourist and visitor accommodation' with the objective of facilitating STRA in well located and serviced areas already zoned for tourism. • Tightening exempt development non-hosted STRA day cap to a level that puts the financial returns from non-hosted STRA on more level playing field with long-term rental housing.

- Permitting development consent be obtained for the use of a property as non-hosted STRA in excess of 60-day cap.
- Preventing subsequent conversion of new housing supply to non-hosted STRA by requiring relevant conditions on development consent for new housing developments.
- Giving consideration to any transitional arrangements
- Supporting Council in undertaking a strategic-level impact assessment of development applications for non-hosted STRA land uses to provide ongoing evaluation of Byron Shire's needs.

1.2.2 Short Term Rental Accommodation: New Directions, New Debates - AHURI

The report "Short Term Rental Accommodation: New Directions, New Debates," was commissioned by the NSW Independent Planning Commission and authored by AHURI in April 2023. It offers a comprehensive examination of the policy and planning landscape surrounding STRA in New South Wales, with particular emphasis on Byron Shire as a case study. The report analyses STRA market segments, trends, and issues, while also reviewing regulations nationally and internationally. The report identifies tools available to local governments, particularly in Byron Shire, to address STRA challenges amidst its significant growth and community advocacy.

1. Introduction

Requirements of this report were to:

- Conceptualise different STRA market segments.
- Statistically identify trends in extent & nature of STRA provision in Byron Shire & issues & problems flowing from STRA provision, if any
- Review STRA regulation in other states and internationally.
- Identify tools available to local governments to address STRA problems.

2. Methodology

Analytical Approach

- Australian Coastal Councils Association report of 2018 (Gurran et al. 2018), & NSW DPIE's short term accommodation economic impact assessment (Urbis 2021).
- Survey of 800 resident owners (some of whom are potential STRA providers) and actual STRA owners.

Review of International and National Evidence

- Literature & document search to identify policy & planning initiatives nationally & internationally have emerged in last half decade & what lessons there might be for NSW.
- Academic publishing is not ignored but is supplemented by grey literature of newspaper reporting, private sector research institutes & government reports.
- Sources found through internet searches of various permutations of 'STRA regulation/ impacts' or 'Airbnb regulation/ impacts' plus names of various cities, countries, states and territories.
- Scale of the material available highlight the concern with the industry's growth.

Byron Shire Statistical Analysis

- Statistical analysis using a variety of sources focused on the municipality of Byron Shire in NSW, with more fine-grained analysis of the town of Byron Bay itself, with this identified statistically by the ABS census statistical areas (SA2) covering Byron Bay post code 2481.
- Byron Shire Residential Strategy (2020) includes substantial section on STRA, important for context. Data used in report was:
 - ABS Census of Population and Housing notable small area data for Byron Bay, which is covered by SA2.
 - NSW Government Rental Bond Board data.
 - NSW STRA Register.

- *Airbnb data for 2022* – Airbnb data will understate the actual STRA numbers as it obviously is only for Airbnb and does not include other providers such as STAYZ. This is because there is no data source for other providers.

3. Recent STRA Growth: Issues and Challenges

Institutional context

- Australia has disproportionally high household growth compared to equivalent countries, a belief in free markets, a tradition of an open economy, federal system of governance, and a strong belief in property rights.
- STRA can provide better returns than other housing products, such as long-term rental (LTR), the institutional arrangements exist for money to flow into it and accelerate its growth.
- 2 other key institutional features:
 - Prevalence of a contract rather than a speculative system of housing construction. Zoning more land & relaxing the regulatory environment will not help much if households are not able express their demand for a new dwelling.
 - Separation of land development industry & residential building industry means there's sector (development industry) that has specific interest in higher land prices, as that's where they must generate their income stream.
 - Concept of institutional difference can be observed when comparing Byron Bay or Barcelona with Berlin
 - Berlin, with a very different housing system, 85 percent of all housing stock is private rental
 - Barcelona (Spanish Statitica 2023) & Byron Bay private rental accounts for around 30% of housing
- Cities & regions with less rental stock are going to be more impacted by STRA displacing LTR than one with a large & more regulated rental stock.
- City locations such a Hobart, Randwick NSW, Bondi NSW, and St Kilda in Melbourne, may be more impacted than most coastal regions as they have virtually no holiday housing.

Crisis in Private Rental: a rental problem has become a rental crisis

- Post COVID – Rents been increasing at rates which bear no relationship to rates of income increases, & rental vacancy rates, particularly in several regional areas, are at record low levels.
- Factors contributing to this crisis, including: (AHURI 2022, Sweeney 2023)
 - Substantial population movement to regional areas in the wake of Covid
 - Floods and fires removing thousands of dwellings from the total stock
 - Weakening in rental investment as yields contract due to rising capital (dwelling) costs
 - Fewer households able to exit rental by becoming homeowners.
 - Buckle, et al. (2020) investigated relationship between marginal and low rent housing and factors such as STRA dwelling use in relation to pandemic responses. Evidence of a link between falling demand for STRA properties in 2020 with increase in housing supply during same period, in focused investigation markets of Hobart and Sydney (Buckle et al. 2020: 11).

Evidencing the STRA Impact – growing empirical, as distinct from anecdotal literature, on the impact of STRA on housing rents.

- Franco & Santos (2021) and Horn and Merante (2017) found that a 1% increase in Airbnb listings is associated with 2.26% and 0.4% increase in rents in Portugal and in Boston USA, respectively, with the highest rates of increase in areas with high concentrations of Airbnb.
- Barron et al. (2018), using the entire Airbnb data base listings for the USA, found that a 1% increase in Airbnb listings leads to a 0.018% increase in rents and a 0.026% increase in house prices, but this was much higher in larger cities and particularly those with a tourist focus, such as Miami (Barron et al 2018).
- Another US study claimed STRA accounted for about 20% of the increase in rents in US cities (Beckerman 2020-21).
- Others include Barcelona (UAB Divulga 2021), Thessalanki (Katsinas 2021), Athens (Balampanidis et al. 2021), Berlin (Duso et al. 2021, DIW Berlin 2021), and London (Shabrina et al. 2021)

- Lisbon experienced substantial community resistance to Airbnb, perhaps not surprising given substantial rent increases in last half decade (Franco & Santos (2021) and worse in Airbnb areas (Vicente and Demony 2023).

Dwelling price inflation and declining affordability

- Post-Covid, there has been a dwelling price boom, which higher interest rates have mitigated but not returned prices to pre-Covid levels (ANZ Core Logic 2022).
- In Australia, price inflation been reinforced by institutional settings that have long been pro-ownership, even if some of these settings, e.g., first homeowner's grants, may weaken ownership by being a demand side incentive without an accompanying supply side balance.

Rapid tourism growth post COVID-19

- Tourism growth in Byron Bay is forecast to be of the order of 4% per annum to 2030 (Tourism Research Australia) a rate greatly lower than the growth of STRA, the latter of course from a relatively low base.
- Issue to be confronted in any such tourist industry adaptation is the emergence of 'aparthotels', self-catering short terms hotels now becoming popular in some European cities such as Berlin.

STRA: community resentment and policy push

- Many western cities, there has been growing community concern with STRA and growing political pressure on governments to act on the perceived problems associated with it (Von Briel & Dolnicar 2021, Garay et al., 2020).
- Intervention responses have been diverse.
 - Requirement to register as a STRA provider and specifically for those who are non-resident hosts.
 - Maximum cap on days let, whether this be 60, 90, 120, or 180 days. There is no consensus on the appropriate number of days, and choices made appear driven by the form and scale of the STRA issue the level of community activism, and the political response (for comparative studies see Hübscher & Kallert 2023, von Briel & Dolnicar 2021, Nieuwland & van Melik 2020).
- Community resentment & policy action over STRA also appear to have a wider driver than specific local problems seen to be directly related to it, manifestation of the widening income and wealth inequalities of societies (see Cocola-Gant et al. 2019, Biven 2019).

Climate Change and Environmental Disasters

- Bushfires of 2019-2020 and floods of 2022 have raised new concerns about STRA.
- Bega Shire on south coast of NSW is one the local government areas affected by both Summer Fires in 2019-2020 and subsequent floods, Bega Council reportedly wrote to around 3,000 individual holiday home owners within shire to request that they consider letting their properties to community members in need of secure housing.

Industry diversification and the policy change

- Crommelin (2018) in AHURI report on Airbnb identified emergent lobby groups in Australia such as the NSW-based 'Neighbours Not Strangers' and 'Our Strata Community, Our Choice', & the Victorian-based 'We Live Here'.

Policy Evaluation

- Hübscher and Kallert (2023) broad conclusion is that regulation does have positive outcomes.
 - Over study period 2015-2020, STRA in London, with its permissive policy, continued to grow, while in two intervention cities it contracted and LTR increased, although with locality differences.
 - Amsterdam's contraction was greatest in areas of highest intervention while Berlin did not show the same locality differences. This was related to the fact that regulations in Berlin were generic across the city while Amsterdam has locality specific regulations. The findings, however, caution that regulation will solve the rental problems of such cities. Regulation will put properties back into LTR but not in a substantial way.
 - Berlin (Research Germany 2023) stated that the regulations put something of the order of 2,500 dwellings back into the long-term rental market in the first year of regulation (2016), which, based on

estimates of a 2015 stock of 12000 to 20000 dwellings on Airbnb (Beck 2018), represents around 12 to 20% of STRA stock.

- USA, Beckerman et al. (2021), study of 15 US cities comparing more regulated with less regulated cities found that those with greater regulation had property value reduced by \$2.8 billion
- Gonçalves et al. (2022) estimates causal impact of a 2018 zoning reform that banned new short-term rental registries in some parts of Lisbon decreased real estate prices by 8%, mostly in two-bedroom dwellings, for which the price drops 20%.
- STRA regulation in the German cities of Berlin, Hamburg, and Munich (Gaul 2002) found that strong regulation decreased the stock of STRA but failed to abolish it (an issue of compliance)
- Listing days related to STRA (Airbnb) dropped by 20-32% higher than that recorded by Beck (see above) and many commercial hosts remained in the market even if this violated regulations.

Policy Initiatives

- **Total Bans** – All, hosted, non-hosted, some with specific licenses (e.g. Paris)
- **Caps on days** – 60, 90, 120, 180 or unlimited.
- **Caps in minimum stays** – requiring a minimum 4 or 5 days (e.g. Amsterdam)
- **Caps on number or percentage of non-registered properties** – (e.g. San Francisco caps the number of non-hosted short-term rental properties at 25% of local housing stock).
- **Registration requirements** (e.g. Most European and US cities)
- Linked to taxes and charges, to safety certificate, locally administer or through a STRA platform.
- **Taxes & charges** – Range of different taxes and charges either for revenue raising (funding of infrastructure), administrative costs, or competitive neutrality (e.g. most US cities; Christchurch NZ)
- **Zoning specific policy** – Range of instruments targeted at specifically zoned locations where noise, rental displacement, community impacts are seen to be greatest (many US cities)
- **Spatial Distance between STRA building** – Might prevent additional entrants into the Airbnb market and may overcome sense of loss of local community.
- **Limits on number of STRA in buildings** – Designed for multi-unit apartments this can range from no STRA at all, some (numbers nominated) with agreement with body corporate, what floors STRA can operate.
- **Caps on number of STRA users** – Normally related to number of bedrooms or can be simple maximum (e.g., 4 in Amsterdam)
- **Requirements on car parking** – Number of off-street car parks and number of visitor cars on street (many US cities)
- **Restrictions on subleasing by tenants** – Tenants can or cannot be allowed to sublease depending on circumstances, e.g., agreement from landlord.
- **Caps on multiple owner hosts** – Limits on number of properties owned and hosted by one host (e.g., only two properties allowed in Santa Monica and Seattle USA)
- **Notification of neighbours** – New short-term-rental license registrants must notify neighbours (many US cities)
- **Stock Replacement** – Where threat of loss of LTR, STRA provider must fund replacement dwelling (e.g., Paris)

Consultation with platforms

- European STRA Commission process (European Commission 2022) is a set of proposals summarized below.
 - Harmonise registration requirements for hosts & their short-term rental properties when introduced by national authorities: registration schemes will have to be fully on-line and user-friendly.
 - Clarify rules to ensure registration numbers are displayed and checked: online platforms will have to facilitate hosts to display registration numbers on their platforms. They will also have to randomly check whether hosts register & display correct numbers.
 - Public authorities will be able to suspend registration numbers & ask platforms to delist non-compliant hosts.
 - Streamline data-sharing between online platforms and public authorities: online platforms will have to share data about number of rented nights & of guests with public authorities, once a month, in an automated way.

- Allow re-use of data, in aggregate form: data generated under this proposal will, in aggregate form, contribute to tourism statistics produced by Eurostat & feed into upcoming European data space for tourism.

National Australian Context

- 1,000 STRAs in Canberra region that could potentially be used for long-term rather than short-let accommodation. Citing high rental costs & low vacancy rates, Greens have suggested that a cap on both the number of short let properties & cap on total number of days per property that can be used for tourism must be considered.
- NSW – range of planning-based provisions and interventions have been introduced that are geared toward increased regulatory oversight of STRA sector.
- Move to restrict ‘non-hosted’ properties to enter Hobart STRA sector is consistent with Shelter Tasmania commissioned independent research (Phibbs 2022), June 2022 analysis of STRA figures in housing market context, that showed a majority of STRA dwellings had previously been used for long-term rental (Phibbs 2022).
- Brisbane City Council enacted a rate rise of 50% for owners of properties that used their non-hosted dwellings for short letting for more than 60 days of each year.
- Toowoomba Region Council provided up to date policy information for operators of STRA, with emphasis on responsible use.
- Noosa Council policy information also provides guidance for STRA owners as well as indication of restricted areas within Noosa local areas that are limited from STRA use.
- Warnambool City Council introduced an annual registration fee of \$400 per STRA dwelling, cost that is relatively high compared with other states.
- Yarra Ranges Council introduced provision around anti-social behaviour, indicating that owners of STRA are liable for some of noise or other unwanted behaviours that result in multiple complaints to Council within an annual period.
- City of Frankston introduced annual registration fee of \$150 per STRA dwelling, along with information that promotes the STRA to be operated in a way that does not impact usual enjoyment of residences in local neighbourhoods – consistent with existing and usual by-laws.
- Mornington Peninsula Shire, similar to above councils, introduced annual registration fee of \$311 per STRA dwelling and also made explicit owner responsibilities regarding compliance with existing local laws.
- WA Government undertook state-wide inquiry into STRA and its impacts, resulting in 2019 Report ‘Levelling the Playing Field: Managing impact of the rapid increase of Short-Term Rentals in Western Australia’. Government has committed to implement a response that includes registration, compliance, and wide-ranging consultation.
- Margaret River area (involving approvals & permit usage) & City of Busselton local area, following similar approaches.

Table 6: Key findings from Short Term Rental Accommodation: New Directions, New Debates

Source: AHURI, 2023

Key Findings
Problems that communities see as related to STRA – i.e., lack of long-term rental (LTR), declining rental and purchase affordability, increased dwelling prices, loss of local amenity and community – have seriously worsened in the last 5 years, most notably in terms of affordability & vacancy.
Housing problem is national to a large degree – causes relate to institutional attributes of Australian housing system & associated policy settings. STRA is thus a problem overlaid on a much larger set of problematic processes & we cannot expect STRA regulation to solve local housing problems, although they may mitigate them.
STRA impacts have greater weight in certain local contexts , e.g. coastal communities like Byron Bay & inner-city tourist locations like Bondi.
Internationally, community resentment and activism associated with STRA growth has become stronger in the last half decade, prompting governments at different levels (most notably at the local level), to initiate a



large and diverse range of policy interventions. There are cautionary lessons here for Australia; some may have relevance, but some less so given our different housing system.

Australian regulation is minimal with variations across the different jurisdictions. However, there are growing concerns & signs of new interventions.

International evidence that compliance is a problem largely related to no effective mechanism for identifying unregistered hosts and whether they are meeting the conditions of registration.

Limited evidence to date from international policy interventions do show benefits such as increased LTR stock, but the degree of increase is much less than anticipated although this depends on how the evidence is understood; a small increase compared to the total amount of advertised lettings may make and significant difference.

Any STRA regulation by itself cannot solve housing problems of any town, city, or suburb given the broad cause is weaknesses in Australian housing system & policy context. STRA regulation must be supported by range of other policies options.

Byron Bay town as a case study is in housing crisis with excessively high dwelling prices and rents and associated affordability problems. It is developing a skewed income distribution (high income weighted) at the same time as low to moderate income households including families are increasingly pushed out of the township and homelessness and housing stress are increasing.

Byron Shire Community is broadly opposed to STRA but much of the housing problem (issues about noise, congestion, community impacts are different) are localized manifestations of national housing problems, with STRA accentuating the impact.

Cap on number of days rented is a popular international option but 180 days is probably not going to have any impact, given STRA, as exemplified by Byron Bay town, is profitable compared to Long Term Renting (LTR) within 90 days.

1.3 Academic Literature Review

1.3.1 2023 Australian short-term rental report

The 2023 Australian short-term rental report prepared by Made Comfy in March 2023 provides data on recent trends in the Short-Term Rental (**STR**) sector in Australia. It presents the case that the STRA sector is recovering faster than the hotel sector post-COVID, with occupancy rates at 77% for STRA compared to 65% for hotels in 2022. It argues that several factors and trends that had contributed to this shift including the relative cost effectiveness, privacy and space that STRs offer in comparison to the traditional hotel sector.

Out of the top ten performing STRA locations in Sydney, six suburbs are located within the City of Sydney council's boundaries for both the Summer and Winter seasons. The report argues that suburbs located within the City of Sydney receive higher demand and consistently outperform year-round due to its central location and the broad appeal they provide to different types of guests.

Table 7: Occupancy rates by suburb, 2022-2023

Source: Made Comfy, Transparent Data

Summer (Oct-Feb)		Winter (Apr-Sep)	
Suburb	Occupancy Rate	Suburb	Occupancy Rate
Millers Point	84.5%	Darlinghurst	80.1%
Leichhardt	79.0%	North Sydney	79.4%
Darlinghurst	76.2%	Bondi	79.0%
Surry Hills	76.2%	Elizabeth Bay	78.4%
Balmain	76.0%	Surry Hills	77.0%
Elizabeth Bay	76.0%	Redfern	75.9%
North Bondi	75.2%	Pymont	74.4%
Newtown	75.0%	Randwick	73.9%
Balgowlah	74.0%	Potts Point	73.4%
Waterloo	74.0%	Newtown	72.9%

This industry report also argues that New South Wales (**NSW**) has the most comprehensive regulatory regime for STRs in Australia, which ensures certainty and protection for property owners.

1.3.2 Challenges and effects of short-term rentals regulation: A counterfactual assessment of European Cities

This article seeks to understand the efficacy of various policies and regulations adopted by a range of European cities to limit adverse impacts of STRAs. The authors argue that limited quantitative research has been undertaken to on the efficacy of the wide range of policies introduced to manage STARs, and that this paper seeks to fill this gap.

The authors undertook a longitudinal analysis of short-term rental dynamics in cities with various STRA regulations and measured these impacts against cities with minimal to no regulations to provide a counterfactual comparison. They argue this methodology enables them to identify the overall effects of introducing ad-hoc regulations, and to provide preliminary evidence about the differential impact of different regulatory approaches, in order to reflect on what works and under which conditions.

Four different outcomes were reviewed to assess the impact on STRA dynamics:

- 1) Pressure: the total number of listings of entire units
- 2) Composition: the ratio of entire units to shared rooms.

- 3) Professionalisation: the number of hosts managing more than one unit
- 4) Spatial-concentration: the level of spatial concentration of STRs in the city

The regulatory approaches identified across sixteen European cities vary based on the goals of the city. These goals included preserving residential neighbourhoods, curbing professional activity, reducing the negative effects on housing availability and affordability, rebalancing the territorial distribution of short-term rentals, and reducing overtourism.

The authors categorised these approaches and assessed the overall level of stringency of the combined impact of these regulations over the period from 2011-2022. The regulatory categories were:

- 1) Registration requirements
- 2) Authorisation requirements
- 3) Time-caps
- 4) Residence obligations
- 5) Zonal restrictions
- 6) Authorisations from third parties
- 7) Platform co-operation obligations
- 8) Other regulations (multiple listing prohibitions, minimal rental periods, bans on listings in social housing)

The graph below shows the evolution of the stringency of these regulations over the review period.

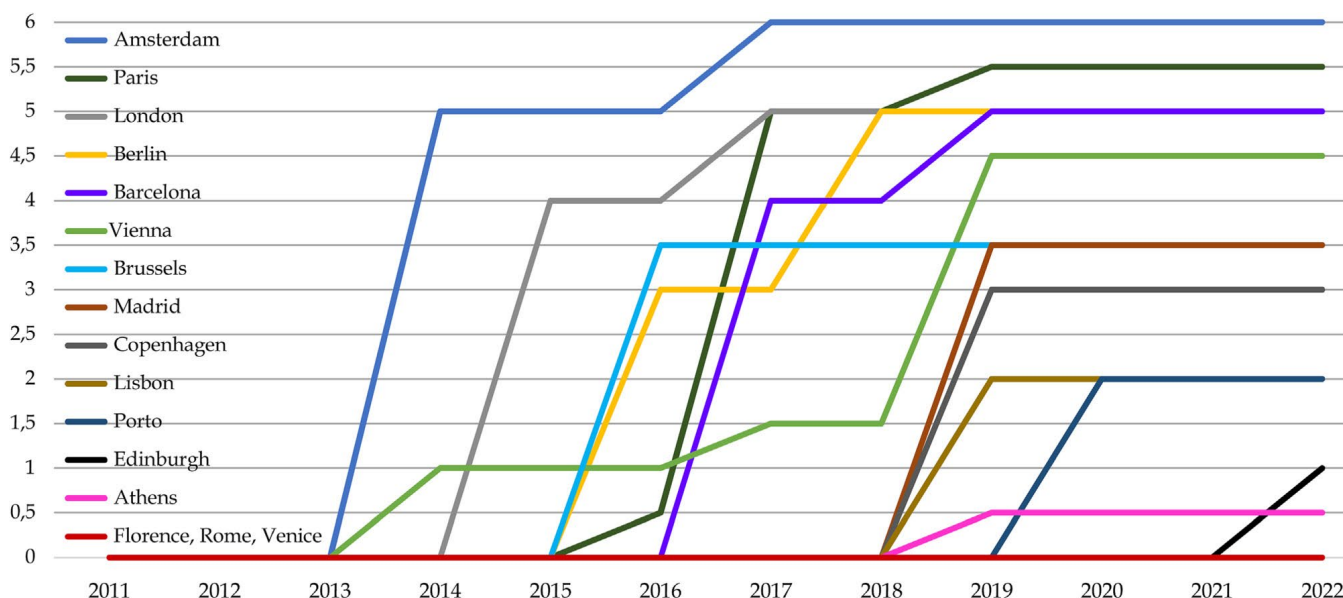


Figure 48: Evolution of stringency of STRA regulation from 2011 to 2022

The table below presents the sixteen European cities, their identified goals, the presence of regulation by category and the overall level of regulation stringency as of 2019. Full regulation adoption was valued at 1, partial at 0.5, and non-adoption at 0.

City	Main aims and concerns	Authorization	Time-Cap	Residence obligation
Amsterdam	Preserve residential neighbourhoods, curb professional activity, activities definition, fiscality	Yes	Yes	Yes
Barcelona	Contrast over tourism, preserve affordable housing, rebalance territorial distribution, activities definition, fiscality	Yes	No	No
Berlin	Preserve affordable housing, activities definition, fiscality	Yes	Yes	Yes
London	Preserve affordable housing, preserve home sharing, activities definition, fiscality	Yes	Yes	No



Paris	Curb professional activity, preserve residential neighbourhoods, preserve home sharing, activities definition, fiscality	Yes	Yes	Yes
Wien	Preserve affordable housing, preserve home sharing, activities definition, fiscality	Partial	No	Yes
Brussels	Preserve affordable housing, curb professional activity, activities definition, fiscality	Yes	Yes	No
Madrid	Preserve affordable housing, activities definition, fiscality	Yes	No	No
Copenhagen	Preserve home sharing, activities definition, fiscality	No	Yes	Yes
Athens	Activities definition, fiscality	No	No	No
Rome	Activities definition, fiscality	No	No	No
Florence	Activities definition, fiscality	No	No	No
Lisbon	Activities definition, fiscality (from Nov 2019: preserve residential neighbourhoods and affordable housing)	No	No	No
Porto	Activities definition, fiscality (from Jan 2020: rebalance territorial distribution)	No	No	No
Edinburgh	Preserve home sharing (from 2022: preserve residential neighbourhoods and affordable housing)	No	No	No
Venice	Activities definition, fiscality	No	No	No

City	Zonal restrictions	Authorization from other parties	Cooperation with/obligations for platforms	Other measures	Total
Amsterdam	No	Yes	Yes	Yes	6
Barcelona	Yes	Yes	Yes	Yes	5
Berlin	Yes	Yes	No	No	5
London	Yes	Partial	Yes	Partial	5
Paris	No	Yes	Partial	Partial	5
Wien	Yes	Yes	Partial	Partial	4.5
Brussels	No	Yes	Partial	No	3.5
Madrid	Yes	Yes	Partial	No	3.5
Copenhagen	No	No	Yes	No	3
Athens	No	No	Partial	No	0.5
Rome	No	No	No	No	0
Florence	No	No	No	No	0
Lisbon	No	No	No	No	0
Porto	No	No	No	No	0
Edinburgh	No	No	No	No	0
Venice	No	No	No	No	0

The study found that the introduction of STRA regulations had mixed affects overall across the four outcomes.

- 1) Pressure: a substantial and significant impact on the availability of private rentals, with a 28.8% reduction in listings compared to the counterfactual.



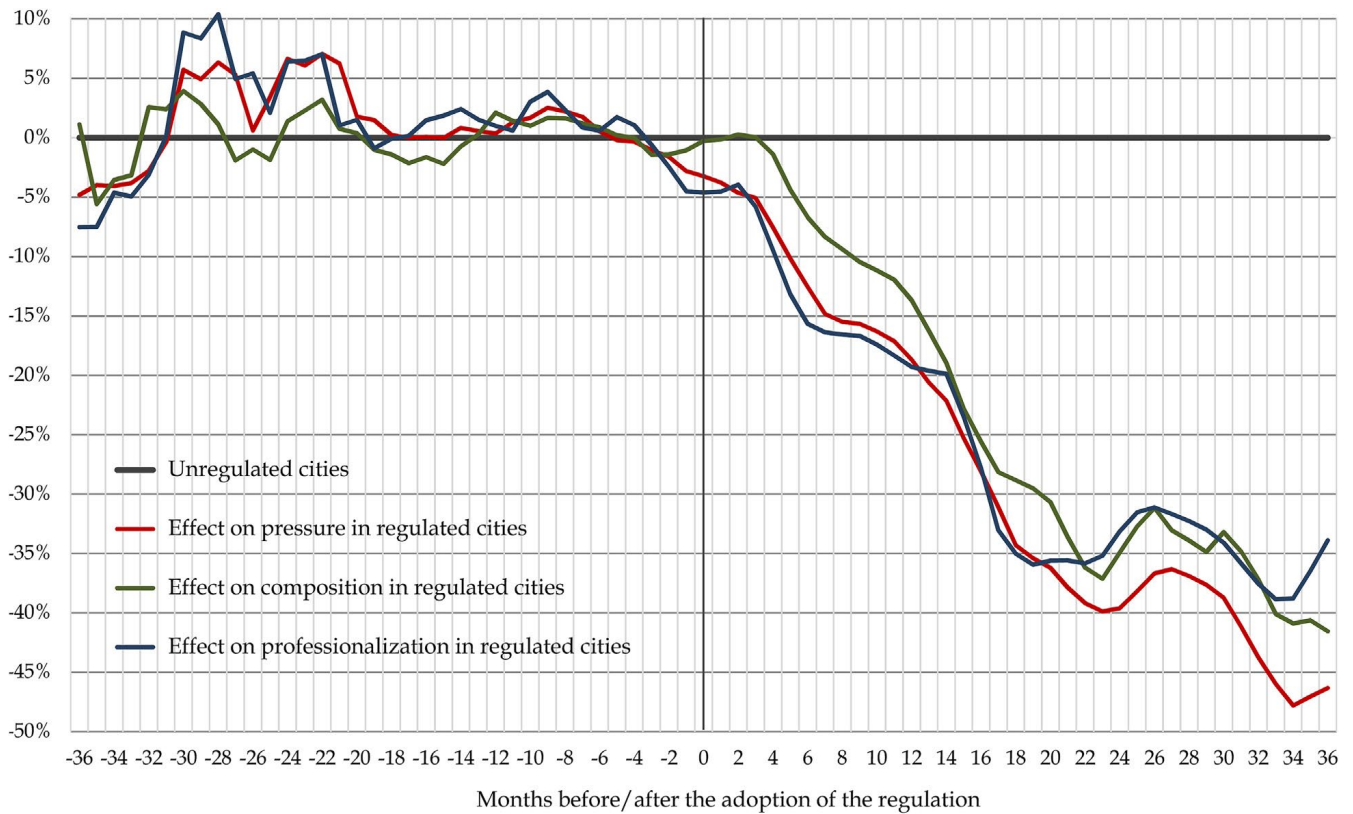


Figure 49: Effects of STRA regulation on pressure

- 2) Composition: a substantial and significant impact on the composition of STRs, reducing the ratio of entire apartments to shared rooms by 24.4% compared to the counterfactual.
- 3) Professionalisation: a substantial and significant impact, reduced the number of multiple listings of STRs by 25.2% compared to the counterfactual.
- 4) Concentration: no significant impacts were found on the spatial concentration of STRs compared to the counterfactual.

The marginal impacts of specific policies and regulations were also identified:

- 1) Time caps: 7.7% reduction in listings (pressure), 6.8% reduction in multiple listings (professionalisation).
- 2) Zonal caps: 13.9% reduction in listings (pressure), 13.9% reduction in the ratio of entire apartments to shared rooms (composition).
- 3) Platform co-operation obligations: 12% reduction in listings (pressure), 8.6% reduction in the ratio of entire apartments to shared rooms (composition), 9.5% reduction in multiple listings (professionalisation).

This report therefore shows the efficacy of regulations, with particular emphasis on time caps, zonal caps, and platform co-operation obligations. The impact of platform co-operation obligations is of particular note as regulating short-term rentals is “ridden with problems of enforcement”. The authors argue that without direct access to detailed data about transactions conducted online, or the possibility of removing or blocking irregular listings, enforcement of other regulations is either incredibly difficult or extremely costly.

1.3.3 Debate on regulation and professionalisation in the short-term rental housing market

This article seeks to put forward the case for greater regulation of 'professional' STRA providers. The study proposes aligning the level of regulation against the number of STRA listings managed by a host; with more and stronger regulations being applied at different thresholds.

The author argues that while STRA platforms originally began operating on a peer-to-peer basis, as the industry as matured there has been a greater concentration and a shift to a more traditional business-to-consumer industry model, with a small number of 'hosts' managing large property portfolios accounting for the majority of STRA listings. They argue that this concentration is likely to continue, as the current business model disadvantages non-professionals relative to professional hosts.

The author contends that the growth of professional hosts has had negative side effects, and structuring regulation to discourage this – without impacting non-professional hosts – is a desirable policy outcome.

The paper undertakes cluster analysis using 2019 Airbnb data from AirDNA to identify common groups of features of hosts. For this analysis they investigate listings for eight Southern European cities: Lisbon, Porto, Madrid, Seville, Rome, Naples, Athens and Thessaloniki.

The paper begin by grouping hosts into seven categories as a baseline based on numbers of listings (1, 2, 3-5, 6-10, 11-20, 21-50, and 50+). This is then contrasted against the cluster analysis, with hosts grouped into clusters based on their similarity across:

- Pricing (average daily rate per bed)
- Frequency (occupancy rate)
- Capacity (number of properties across all European cities in the AirDNA database)
- Concentration (ratio of number of listings a host has in a specific city vs its international portfolio).

The study finds the cluster analysis generated four clusters in each of the eight cities, with similar characteristics generated for each cluster in each city. They argue this suggests that these clusters are likely to be consistent in other locations, as they are likely based on consistent set of economic strategies.

Cluster 1 represents 40-50% of the hosts, and is characterized by slightly below average pricing, higher than average occupancy rates, an average of 2 listings total, and generally concentrated in a single city.

Cluster 2 represents 30-40% of the hosts, and is characterized by average pricing, lower than average occupancy rates, an average of 1 to 2 listings total, and generally concentrated in a single city.

Cluster 3 represents 10-20% of the hosts, and is characterized by average pricing, slightly above average occupancy rates, an average of 4-6 listings total, and generally operate in multiple cities.

Cluster 4 represents 1-3% of the hosts, and is characterized by very high average pricing, below average occupancy rates, an average of 50+ listings total and a diverse level of concentration – with some being highly concentrated, and others operating across multiple cities.

These results are shown in the figure below.

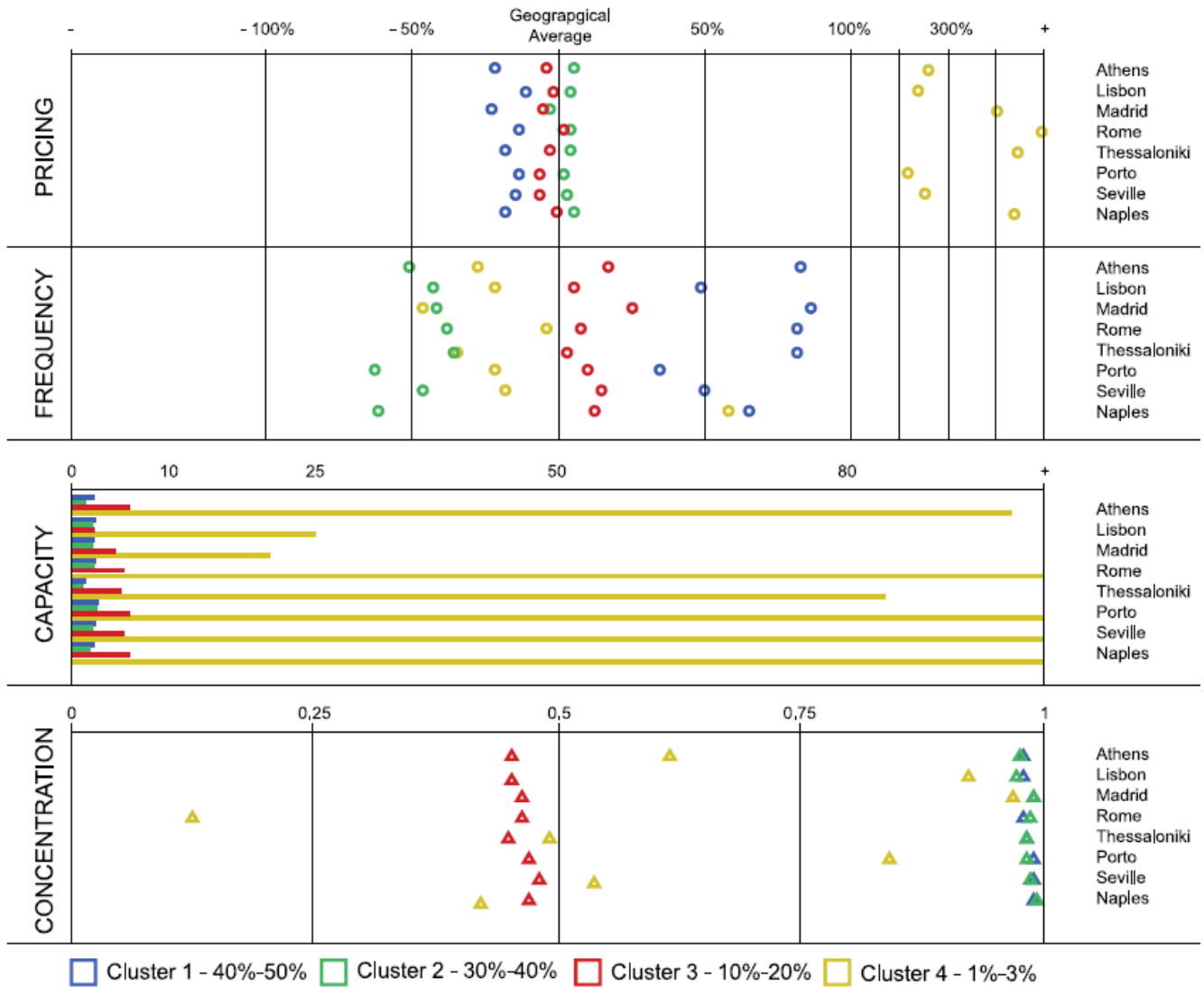


Figure 50: Graphic Representation of the Cluster Analysis

The study argues this shows there are multiple types of professional hosts.

Clusters 1 and 2, representing 70-80% of the hosts, manage few listings. Regulations on the number of listings are therefore ineffective at regulating these clusters.

Clusters 3 and 4 have larger, and in many cases international portfolios. Regulations on the number of listings able to be held by each host are therefore more likely to be effective at regulating these clusters.

The study therefore proposes tailoring policies to each cluster. These recommendations are outlined in the table below.

Table 8: Tailored policy recommendations for each type of Hosts' economic behaviour

Hosts economic behaviour	Tailored policies
Host in Cluster 1 <ul style="list-style-type: none"> Pricing: slightly below average. Frequency: much above average. Capacity: average of 2 listings. Concentration: urban-based market. 	<ul style="list-style-type: none"> Temporal restriction. Limits the maximum days of renting the listing. Location restriction. Limitations in urban areas Density monitoring.
Host in Cluster 2 <ul style="list-style-type: none"> Pricing: at average. Frequency: below average. 	<ul style="list-style-type: none"> Location restriction. Limitations in urban areas. Density monitoring.

<ul style="list-style-type: none"> • Capacity: average of 2 listings. • Concentration: urban-based market. 	
<p>Host in Cluster 3</p> <ul style="list-style-type: none"> • Pricing: at average. • Frequency: above average. • Capacity: average of 4-6 listings. • Concentration: international market. 	<ul style="list-style-type: none"> • Quantity restriction. Maximum number of listings per host. • Primary residence restriction. • Transnational restriction. • Density monitoring.
<p>Host in Cluster 4</p> <ul style="list-style-type: none"> • Pricing: much above average. • Frequency: below average. • Capacity: average of more than 50 listings. • Concentration: international and urban-based market. 	<ul style="list-style-type: none"> • Quantity restriction. Maximum number of listings per host. • Registration. Mandatory license to register commercial status. • Primary residence restriction. • Transnational restriction. • Density monitoring.

1.3.4 Bondi to Byron: divergent pathways in NSW's Metropolitan and regional markets during the COVID-19 pandemic

The article by the City Future Research Centre from the University of New South Wales investigates the impact of the reduction in STRA arising from the Covid-19 pandemic and associated border closures in Australia.

The authors present this as a real-world test case to identify the impact of shock in the reduction in STRA properties on the housing market. They note this is an inverse of traditional 'Airbnb effect' and presents an opportunity to determine if effects work symmetrically.

They find a strong association between short-term letting and changes in long term rental prices alongside the responses of metropolitan and regional rental markets in NSW during the first 12 months of the COVID-19 pandemic.

In metropolitan Sydney, the authors the areas with the strongest reductions in Airbnb listings saw outsized reductions in long-term market rents – indicating the impact of a positive shock in long-term rental supply on rental prices. However, over time these effects were mitigated, as long-term rental prices began to recover in these areas from mid-2021 as demand grew in response to lower rental prices.

In regional NSW, the inverse was observed – with an increase in STRA listings in desirable regional locations and associated long-term rental price increases. This was the result of a surge in demand for short and long-term accommodation in regional communities, with households taking advantage of remote working opportunities.

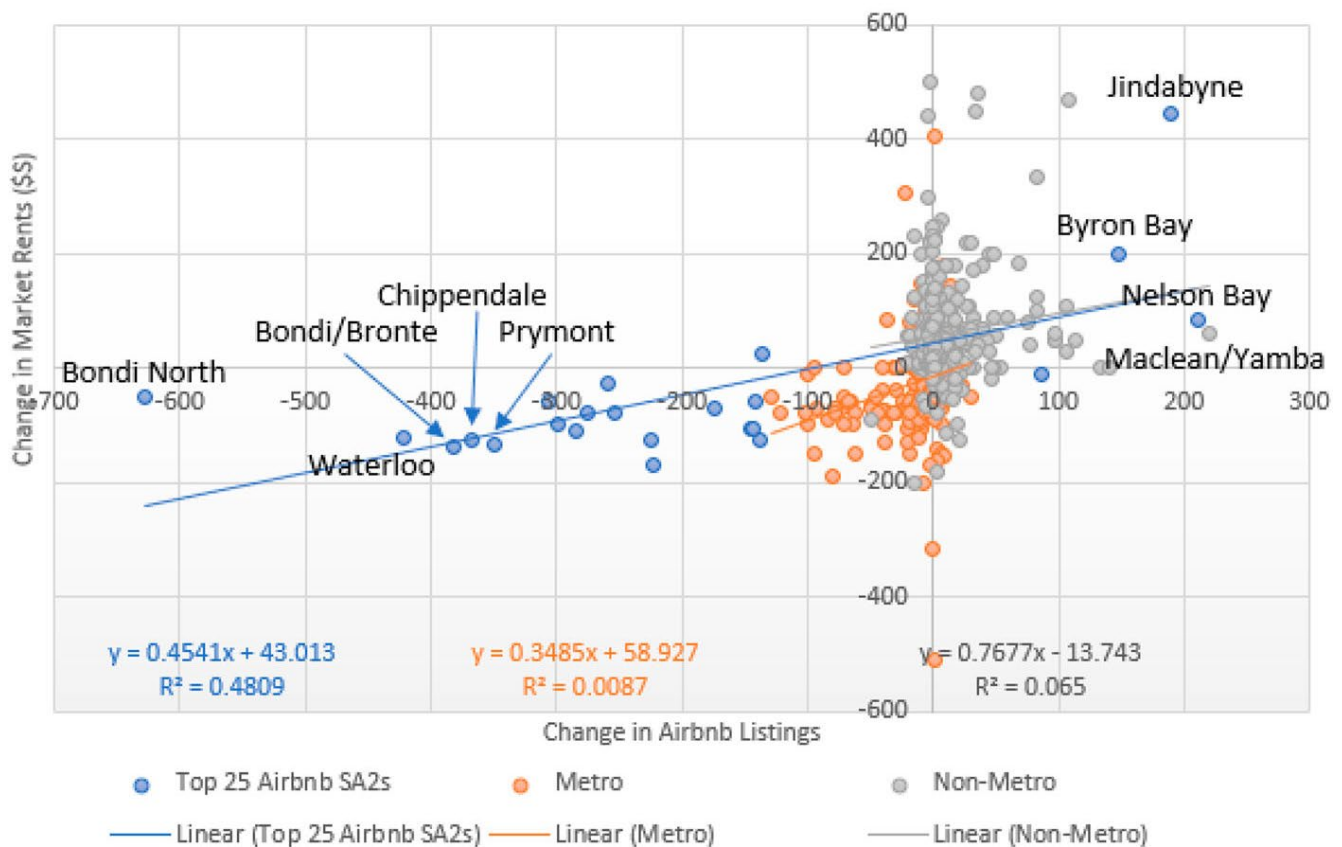


Figure 51: Relationship between Changes in Market Rents and Airbnb Listings Jan 2019 to April 2020 by SA2

1.3.5 Do short-term rental platforms affect housing markets? Evidence from Airbnb in Barcelona

This paper assesses the impact of Airbnb on long-term rental prices and property prices in Barcelona between 2012 and 2016, using a range of econometric models on unit record data to identify the impacts both at the city-wide level and in specific geographic areas and neighbourhoods.

The authors found that Airbnb listings are highly concentrated, with proximity to tourist amenities (along the beach line and close to the Sagrada Familia) being highly predictive of where Airbnb listings are located, with a sharp reduction in the number of listings in other parts of the city. This is shown in the figure below.

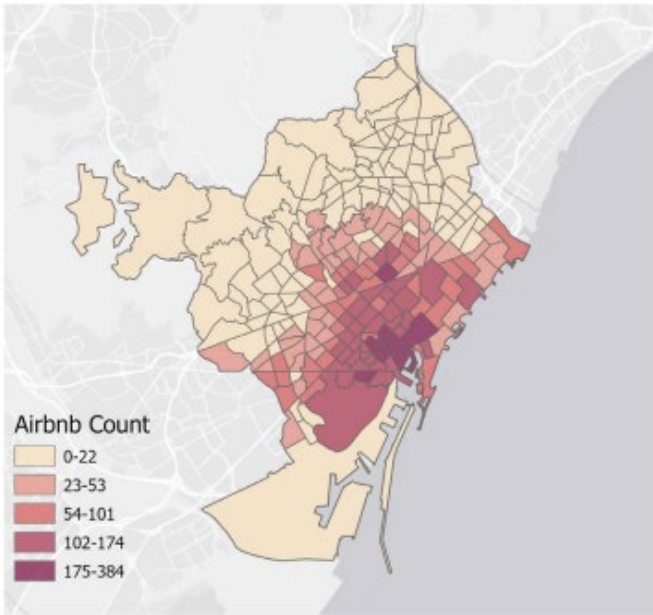


Figure 52: Airbnb counts in Barcelona

The authors find that Airbnb growth since 2012 has led to an increase in in both rents and housing prices, with larger impacts on prices than rents. Their preferred result, controlling for population and economic effects, estimates that in neighbourhoods with the top decile of Airbnb activity rental prices increased 7% and property prices increased 17% compared to the ‘no Airbnb’ counterfactual. In the ‘average’ Airbnb neighbourhood these effects are lower at 1.9% and 4.6% respectively. This is shown in the figure below.

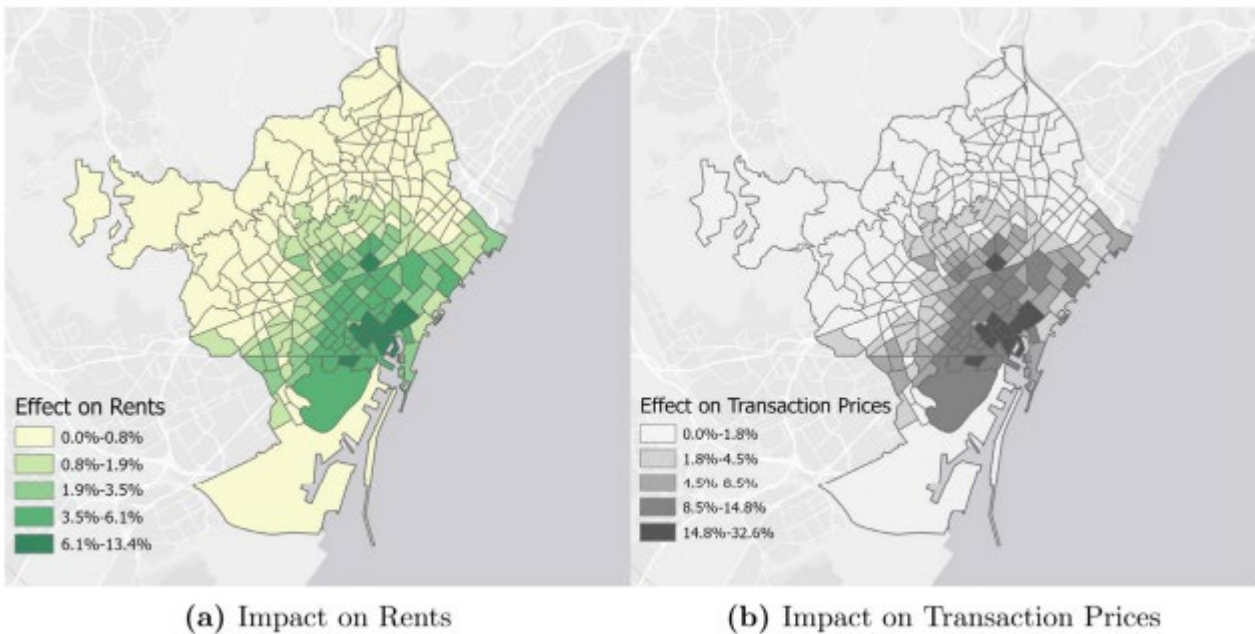


Figure 53: Impacts of Airbnb on rents and prices in Barcelona

The paper concludes that these results support the hypothesis that at least part of the increases in housing rents and prices in Barcelona between 2012 and 2016 are caused by Airbnb activity and cannot solely be explained by gentrification. The mechanism for this is the reduction in supply of long-term rentals, and expectations of higher yield.

However, the authors are cautious that while the observed effects of Airbnb are not small, they cannot explain the bulk of the high aggregate increases in rents that the city as a whole experienced between 2012 and 2016.

1.3.6 Four shades of Airbnb and its impact on locals: A spatiotemporal analysis of Airbnb, rent, housing prices, and gentrification

This paper investigates the economic impact of STRA on local communities, with consideration for how various typologies and forms of STRA listings have different economic impacts. The authors argue local resistance to Airbnb and similar STRA providers is evidence that residents in areas of high Airbnb activity often feel threatened, and a clearer understanding of the impacts on existing communities is helpful in explaining this opposition.

The authors identify three impacts of focus:

- 1) Decomposing impacts of different STRA typologies, arguing most studies do not attempt to distinguish or identify which typologies causing issues in local communities.
- 2) Seeking to verify anecdotal evidence that existing tenants are being involuntarily relocated due to growth in STRs.
- 3) Consideration of spatial and temporal effects, including whether growth in STRAs in one area has spillover effects on adjacent or nearby neighbourhoods.

This leads them to state three research questions:

- 1) What types of Airbnb units affect rent and housing value?
- 2) Do Airbnb units impact gentrification? If so, what types of Airbnb units impact gentrification?
- 3) Do the economic impacts of Airbnb units spill over to neighbouring regions?

The authors define gentrification as a reduction in the number of households in a given area living in relative poverty, arguing this reduction is due to displacement as opposed to households being lifted out of relative poverty.

To test this, the authors investigated Airbnb data for New York City between 2016 and 2019, distinguishing between single listing and multi-listing hosts, and between full property and single room listings – creating four different typology combinations. Economic data was obtained from the American Community Survey.

The results of this study showed the impacts of Airbnb varied by typology.

- Both full property and single room listings by multi-listing hosts were observed to have a large positive affect on rents and house prices, with larger impacts on house prices than rents.
- Full property and single room listings by single-listing hosts were not observed to have a statistically significant effect on their area – however single room listings by single-listing hosts were observed to have a negative effect on rents and values in neighboring regions.
- An increase in home listings by multi-listing hosts led to a decrease in the number of households in relative poverty (i.e. gentrification increased). This was observed both in the listings area and in neighboring regions.
- Conversely, room listings by single-listing hosts were observed to have the opposite effect – with an increase in listings leading to a significant increase in the number of households in relative poverty.
- These sizes of these effects were all observed to be larger over long periods of time, indicating long-run impacts beyond the short term shock of increases in listings.

The authors conclude that multi-listings appear to have the most detrimental economic impact on local society, based on the three indicators examined in this study (rent, housing value, and gentrification) and that these effects can spillover to neighbouring regions. The authors note that in contrast the effects of full property listings by single-listing hosts are marginal, and for room listings has a negative effect on rents, housing value, and gentrification. They argue this suggests the least commercialized segment of the STRA market has a benign impact on local communities.

1.3.7 Spatial Variability of the ‘Airbnb Effect’: A Spatially Explicit Analysis of Airbnb’s Impact on Housing Prices in Sydney

The article by the City Future Research Centre from the University of New South Wales examines Airbnb's impact on housing prices in Sydney.



The authors hypothesise that Airbnb leads to higher house prices, with the impact greater in areas of high Airbnb activity. They argue that the negative externalities of Airbnb will be highest in high-tourist areas, and that this may have a confounding effect of reducing demand for properties in these areas.

The authors developed a regression model, focussing on active Airbnb listings using AirDNA between 2018 and 2020 and property sales data from Australian Property Monitors. Amenity location data was obtained from the Open Street Map Point of Interest dataset. 'High-tourist' areas were defined based on the concentration of Airbnb listings at a point in time.

The results of their regression model suggest a 1% rise in short term rental density corresponds to an approximate 2% increase in property sales prices in Sydney. The results vary significantly across Sydney however. Impacts on house prices were observed to be larger in the Northern Beaches and parts of Western Sydney, and lower in traditional tourist locations such as the Sydney CBD and the Eastern Suburbs.

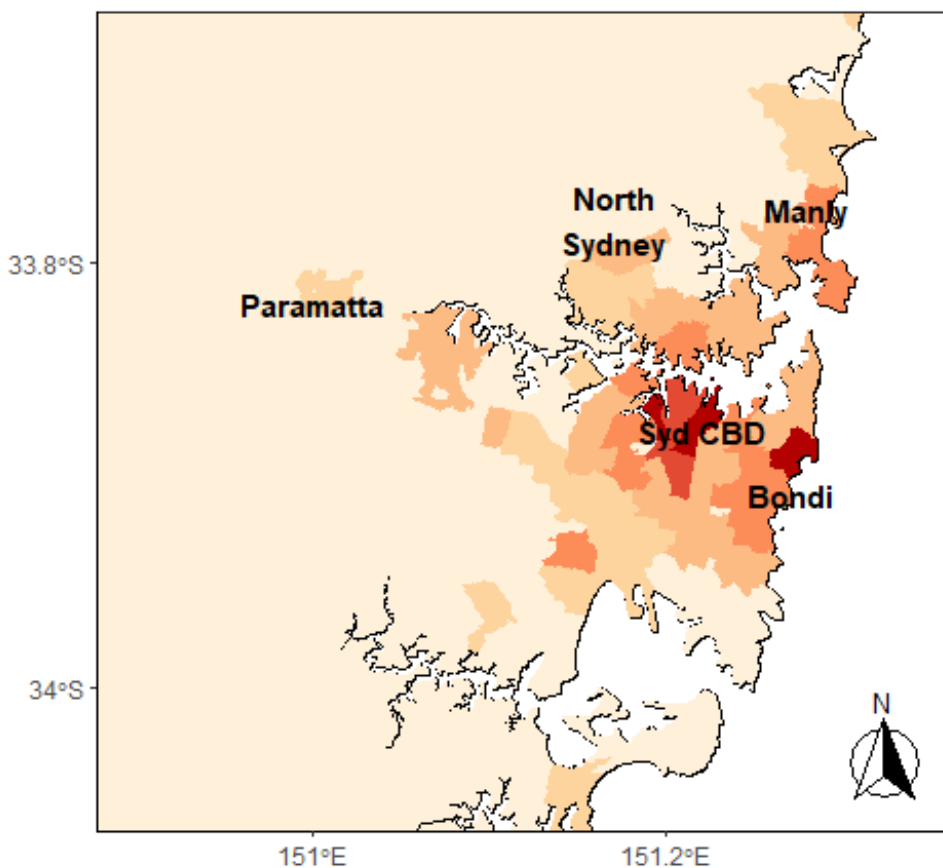


Figure 54: Distribution of Airbnb activity throughout Sydney

1.3.8 Taming Airbnb Locally: Analysing Regulations in Amsterdam, Berlin and London

This article investigates the wide variance in approaches to regulating STRAs across Europe both in terms of strength and method. The authors focus on Amsterdam, Berlin and London as exemplars of three different types of approaches, and compare the regulations and outcomes observed in these cities against nine other major European cities.

The authors note that the rapid arrival and growth of STRA has led to a variety of regulatory approaches, with 'best practice' yet to be defined. The authors therefore seek to explore how the 12 selected cities regulate STRA and evaluate the impact of these regulations.

Their methodology to do so involves spatial and temporal comparison of regulations on the supply side of the Airbnb market both for professional hosts and individual hosts.

Their investigation finds that there is a general trend of increasing regulation – with the intensity of these regulations ranging from liberal (London) to restrictive (Amsterdam). The cumulative intensity of regulations for each city investigated are identified in the figure below.

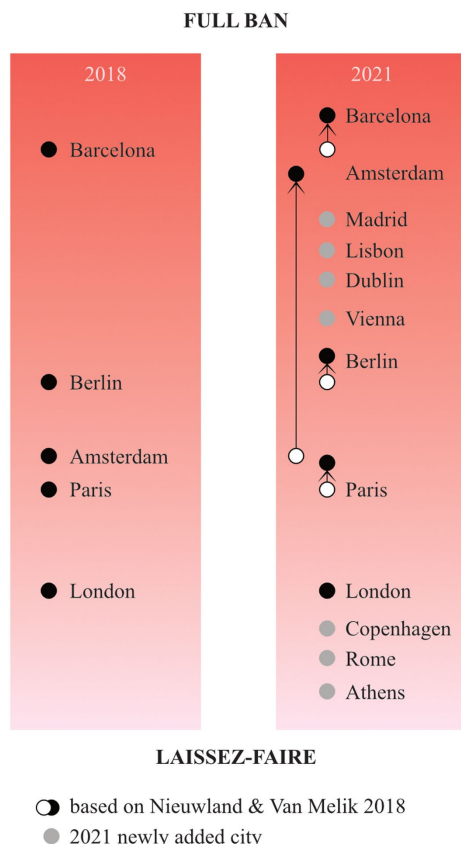


Figure 55: Evolution of restrictions in European cities in 2021 compared to 2018.

The authors conclude that the strictness of regulations plays a pivotal role in impacting the number of Airbnb listings, the level of professionalization (the prevalence of hosts managing multiple properties), and the quantity of apartments removed from the regular real estate market. The authors attribute the success of Amsterdam in part due to the gradual tightening of regulations alongside the growth of Airbnb and suggest this has resulted in preventing or limiting the general trend of greater professionalization from occurring in Amsterdam.

This can be observed in the figure below, showing the reduction in multiple-listings in Amsterdam between 2015 and 2020, compared to the slight increase in Berlin and large increase in London.

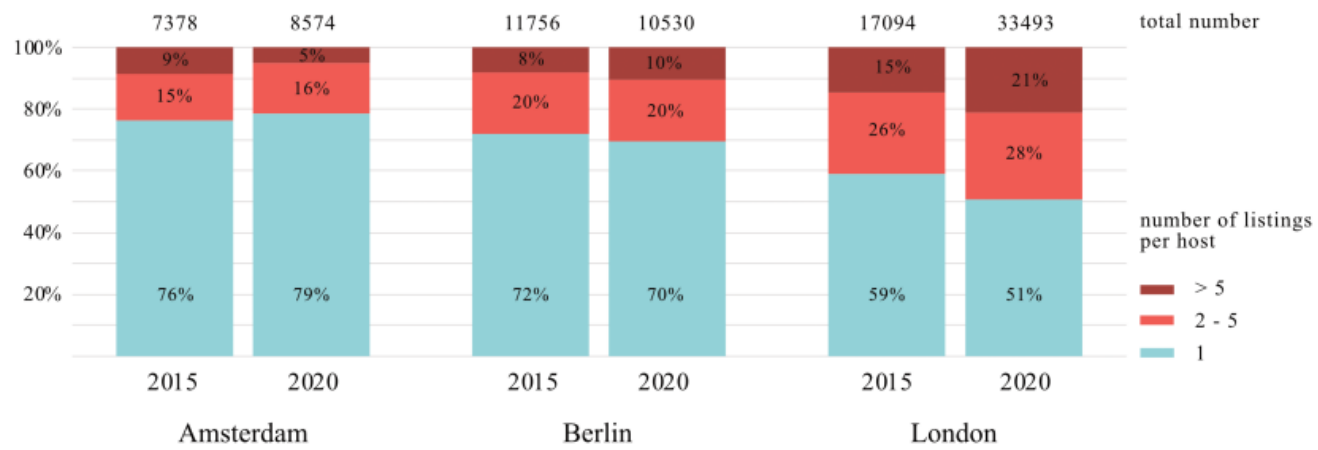


Figure 56: Listings in Amsterdam, Berlin and London

2 Appendix B: STRA Survey

This appendix presents an overview of survey data collected by the City of Sydney concerning the impacts of STRA on the local community. The survey aimed to gather residents' perceptions, experiences, and sentiments regarding STRA, with a particular focus on understanding the division between STRA hosts and non-hosts. Through both quantitative and qualitative analyses, this appendix seeks to uncover key trends, preferences, and challenges associated with STRA, providing a nuanced understanding of its effects on neighbourhoods, housing markets, and community dynamics.

2.1 Survey Responses

The survey received a total of 1,274 responses. Of these, 412 (32%) respondents make their property available as STRA, while 861 (68%) do not. Of the 412 respondents who make their property available for STRA, 179 of these are located in the City of Sydney. Of these 179 properties, 69 are offered as hosted accommodation, while 110 are offered non-hosted. Of the 179 respondents with properties in the City of Sydney, 29% of these respondents have more than 1 property available as STRA.

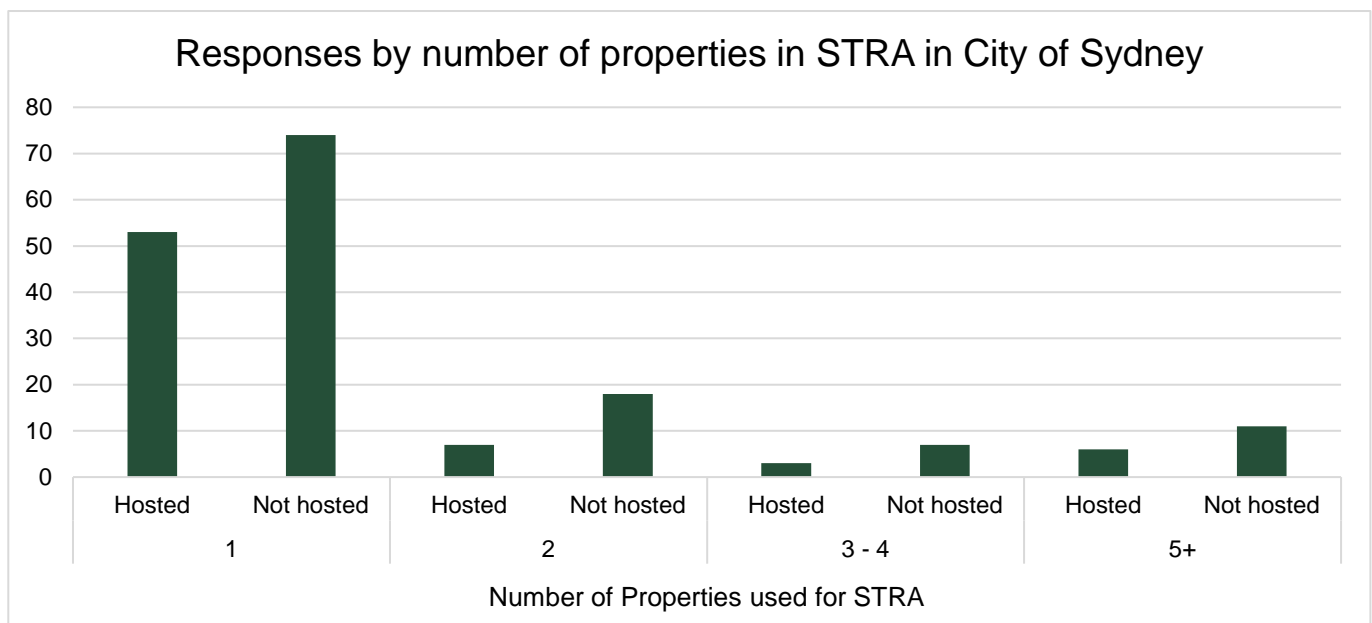


Figure 57: Responses by number of properties in STRA in City of Sydney

Source: Survey Monkey Results

2.1.1 Responses from STRA Hosts

Hosts participating in the STRA market have outlined several benefits that underscore the appeal of STRA as an economic opportunity and a flexible accommodation option:

- **Financial Benefits:** A primary advantage identified by hosts is the potential for significant income generation. STRA offers a lucrative alternative to traditional long-term rentals, with many hosts citing higher earnings as a key motivator.
- **Flexibility in Property Use:** Hosts appreciate the flexibility STRA provides, allowing them to offer their properties for short-term rentals when it suits them and use the properties for personal purposes at other times.
- **Boost to Local Tourism:** Many hosts view STRA as beneficial for local tourism. They believe that STRA contributes to a vibrant tourism economy by offering diverse accommodation options that cater to a wider range of visitors than traditional hotels or guesthouses might.
- **Community Engagement:** Some hosts see STRA as a way to meet people from different backgrounds and cultures, enriching the community's social fabric. They argue that well-managed STRA properties can enhance neighbourhood dynamics by bringing in respectful and curious visitors.

While acknowledging the benefits, STRA hosts also recognise several challenges associated with managing short-term rentals:

- **Regulatory Compliance:** Navigating the regulatory landscape emerges as a significant challenge for many hosts. Local laws and regulations can be complex and vary widely, making compliance a burdensome task for some.
- **Guest Management:** The variability in guest behaviour and expectations poses a challenge. Hosts must manage a range of issues, from property damage and cleanliness to ensuring guests' satisfaction and addressing their concerns promptly.
- **Market Saturation and Competition:** As the STRA market grows, hosts note the challenges of standing out in an increasingly crowded space. Market saturation can lead to competitive pressures, requiring hosts to invest more in marketing and property enhancements.
- **Community Resistance:** Hosts are aware of the resistance from some community members and neighbours who have concerns about STRA's impact on neighbourhood cohesion and security. Addressing these concerns and maintaining good relations with neighbours is highlighted as a challenge.

2.1.2 Responses from Non-Hosts

Non-hosts have expressed various concerns regarding the proliferation of STRA, which can be categorised into the following themes:

- **Noise and Disturbance:** A common grievance pertains to increased noise levels and general disturbances, often attributed to transient STRA guests. Respondents mention issues like "vehicles coming and going at all hours" and disruptions to the neighbourhood peace.
- **Security Concerns:** The anonymity of STRA guests raises security concerns among non-hosts. The unpredictability of guest behaviour and the absence of accountability are highlighted as significant worries.
- **Community Cohesion:** There's a sentiment that STRA erodes the fabric of community cohesion. The transient nature of STRA guests is seen as detrimental to fostering a sense of belonging and mutual trust within neighbourhoods.
- **Housing Market Impact:** Non-hosts are critically aware of STRA's impact on the local housing market, particularly the reduction in long-term rental availability and the upward pressure on rental prices. This concern reflects broader anxieties about housing affordability and access.

While the focus on challenges was more pronounced, some non-hosts acknowledged potential advantages of STRA, albeit with reservations:

- **Economic Opportunities for Property Owners:** Some responses recognise the financial benefits that STRA offers to property owners, citing the potential for "big bucks" as an incentive. However, this is often mentioned in the context of broader criticisms regarding STRA's social impact.
- **Tourism and Local Economy:** A few respondents see the value of STRA in supporting tourism and by extension, the local economy. STRA is viewed as providing flexible accommodation options for visitors, potentially leading to increased spending in local businesses.

2.1.3 Summary

The analysis of survey responses from both STRA hosts and non-hosts provides a comprehensive view of the diverse sentiments and perspectives surrounding STRA within the City of Sydney. By considering the advantages and challenges articulated by both groups, we can draw several conclusions that highlight the nuanced impact of STRA on communities, the housing market, and the local economy.

Economic Opportunities vs. Community Concerns

STRA hosts underscore the significant economic benefits that STRA offers, including substantial income generation, flexibility in property use, and contributions to local tourism. These benefits align with broader economic objectives, such as enhancing tourist accommodation diversity and stimulating spending in local businesses. However, non-hosts raise valid concerns about the social and community costs associated with

STRA, particularly noise and disturbances, security issues, erosion of community cohesion, and impacts on the housing market, including reduced availability of long-term rentals and increased rental prices.

Need for Balanced Regulation

The juxtaposition of STRA's economic benefits against its social costs underscores the need for balanced, thoughtful regulation. Policies must navigate the fine line between harnessing STRA's economic potential and mitigating its adverse effects on communities and the potential influence on the housing market. Regulations could include measures to ensure STRA properties meet community standards, enforce compliance with local laws, and address housing affordability issues.

Enhancing Community Dialogue

The differing views between hosts and non-hosts also highlight the importance of fostering open dialogue within communities about the role and management of STRA. Engaging all stakeholders—hosts, non-hosts, local businesses, policymakers, and community organisations—in discussions about STRA can lead to more inclusive, effective solutions that address concerns while recognizing the benefits.

Supportive Infrastructure and Resources

For STRA to coexist harmoniously within communities, supportive infrastructure and resources are essential. This includes clear guidelines for hosts, accessible channels for community feedback, and resources for dispute resolution. Education campaigns can inform both hosts and non-hosts about their rights, responsibilities, and the impacts of STRA, promoting a culture of respect and understanding.

Future Research and Monitoring

Continuous research and monitoring of STRA's impacts are crucial for adapting policies and practices to evolving challenges and opportunities. Regular surveys, data analysis, and community feedback mechanisms can provide ongoing insights into STRA's effects, informing dynamic, responsive regulation and support systems.

3 Appendix C: Financial Modelling Results

This section provides a summary of the individual revenue and cost stacks developed for each of the sample locations and tested properties and financial modelling results of long-term rental compared to STRA.

Long-term rental revenue was estimated from property market research, whilst STRA revenue and occupancy data (2023) for each tested property was directly sourced from AirDNA.

Based on the assumed revenue and cost stacks for each property, the net yields (%) for both long-rental and STRA is calculated.

3.1 Sydney CBD

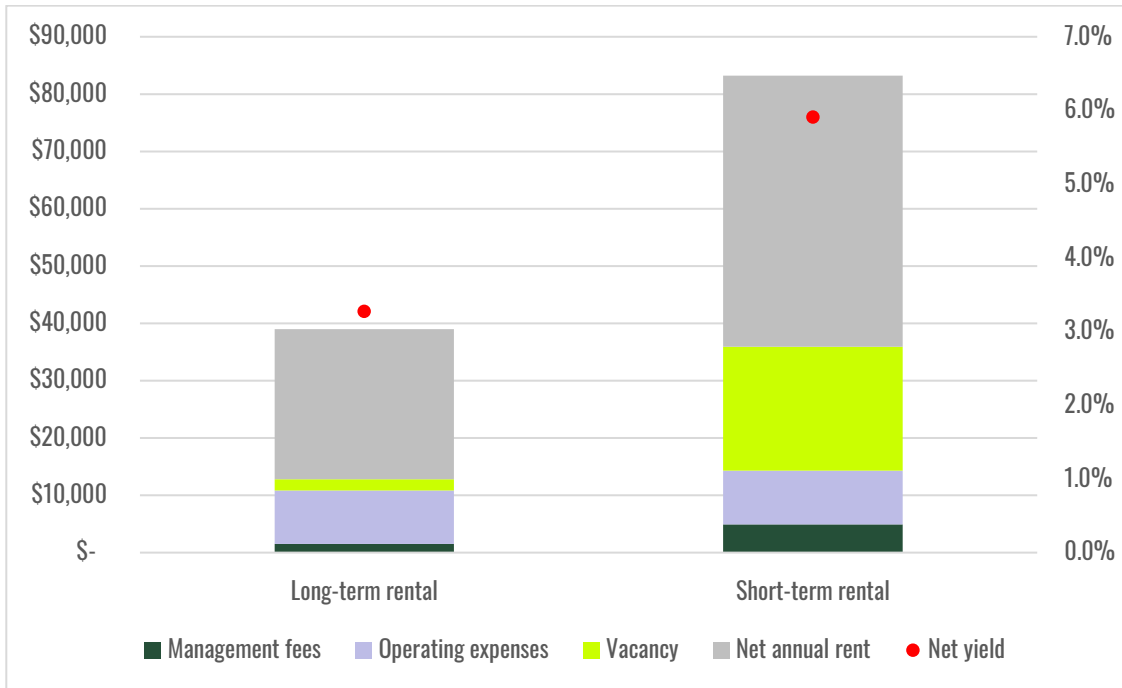


Figure 58: Revenue and Cost Stack, 1-bedroom Unit in Sydney CBD

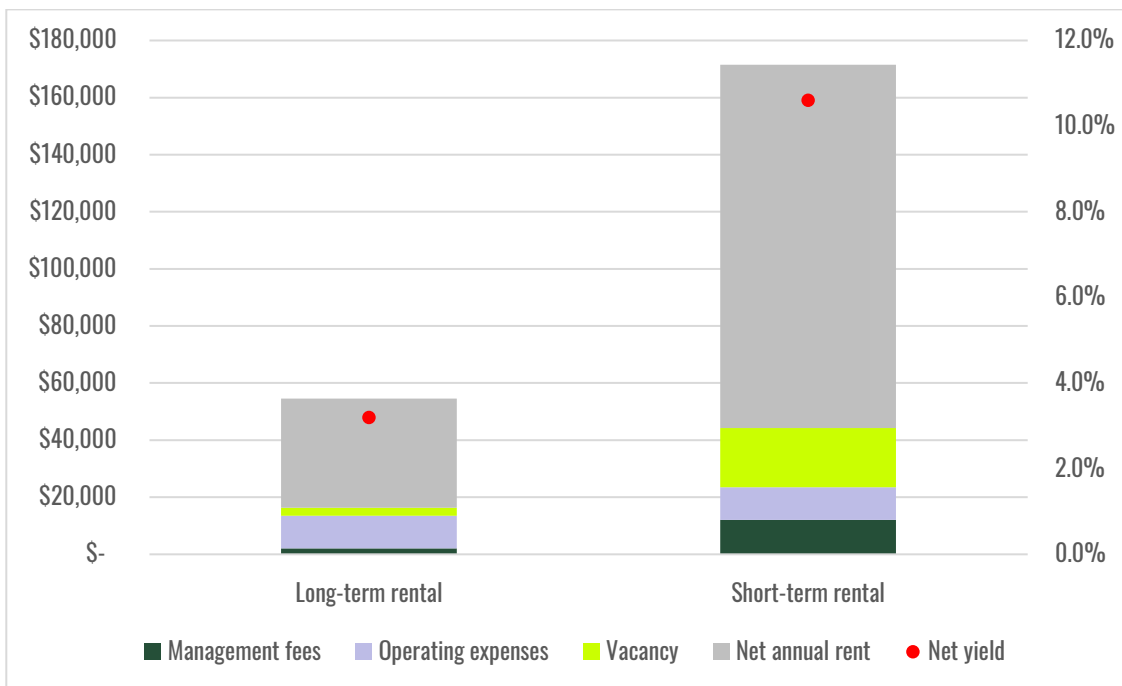


Figure 59: Revenue and Cost Stack, 2-bedroom Unit in Sydney CBD

3.2 Surry Hills

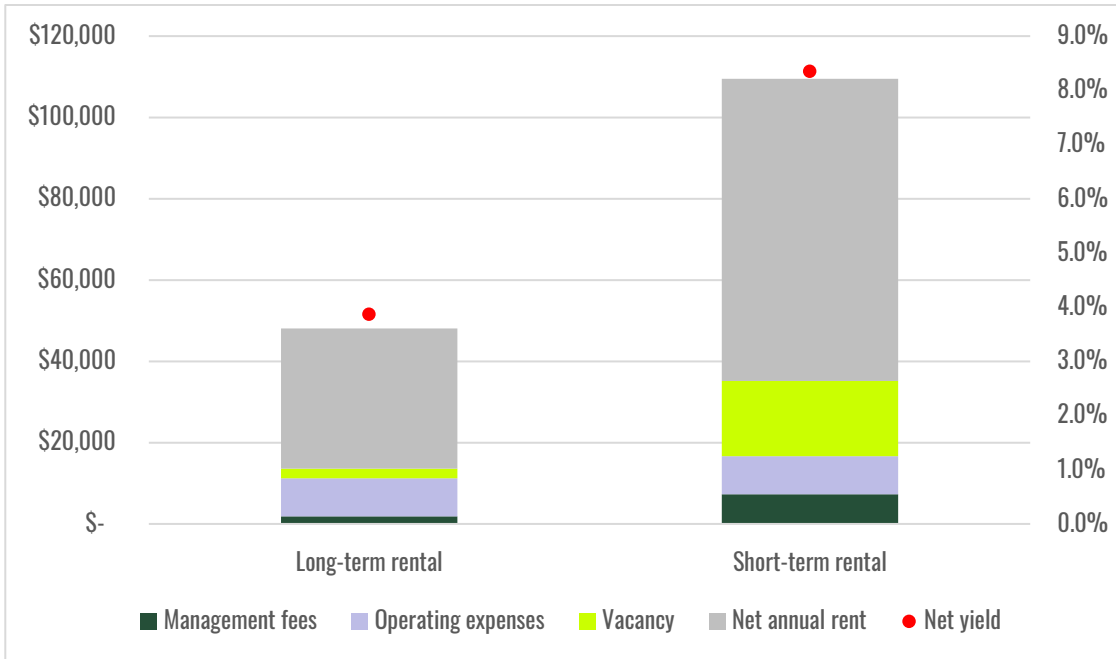


Figure 60: Revenue and Cost Stack, 1-bedroom Unit in Surry Hills

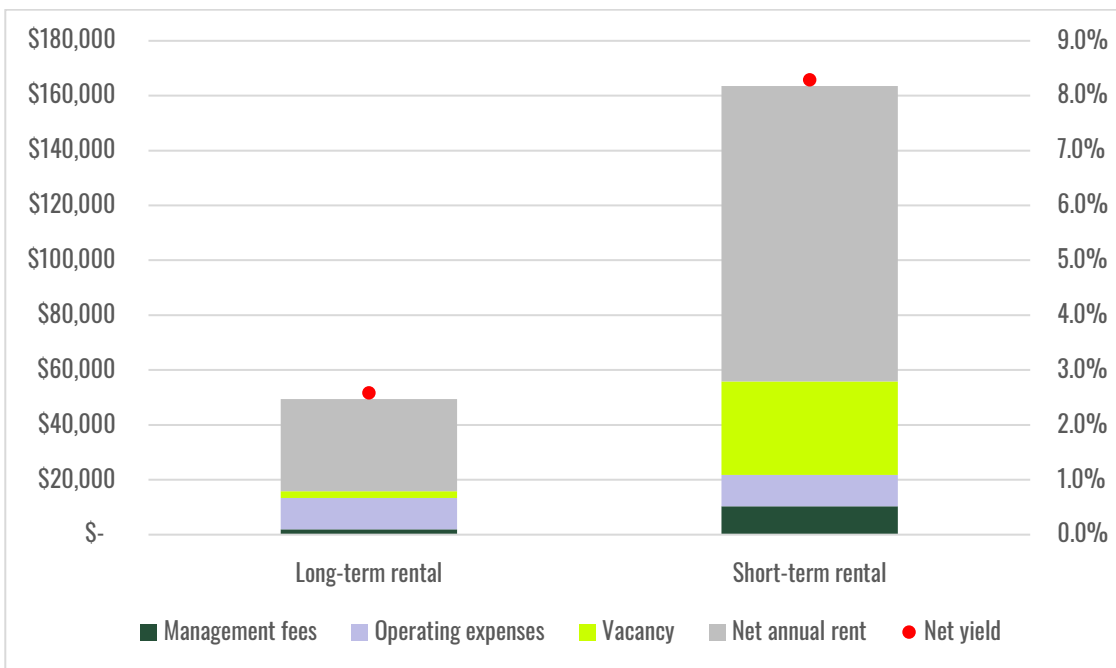


Figure 61: Revenue and Cost Stack, 2-bedroom Unit in Surry Hills

3.3 Darlinghurst

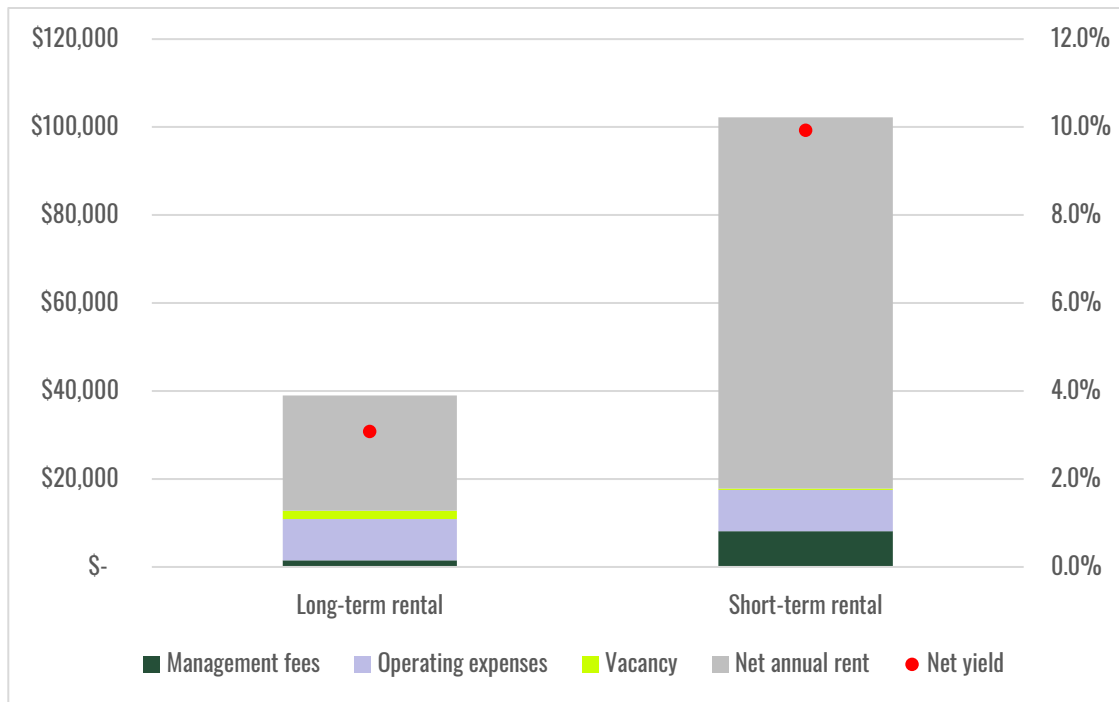


Figure 62: Revenue and Cost Stack, 1-bedroom Unit in Darlinghurst

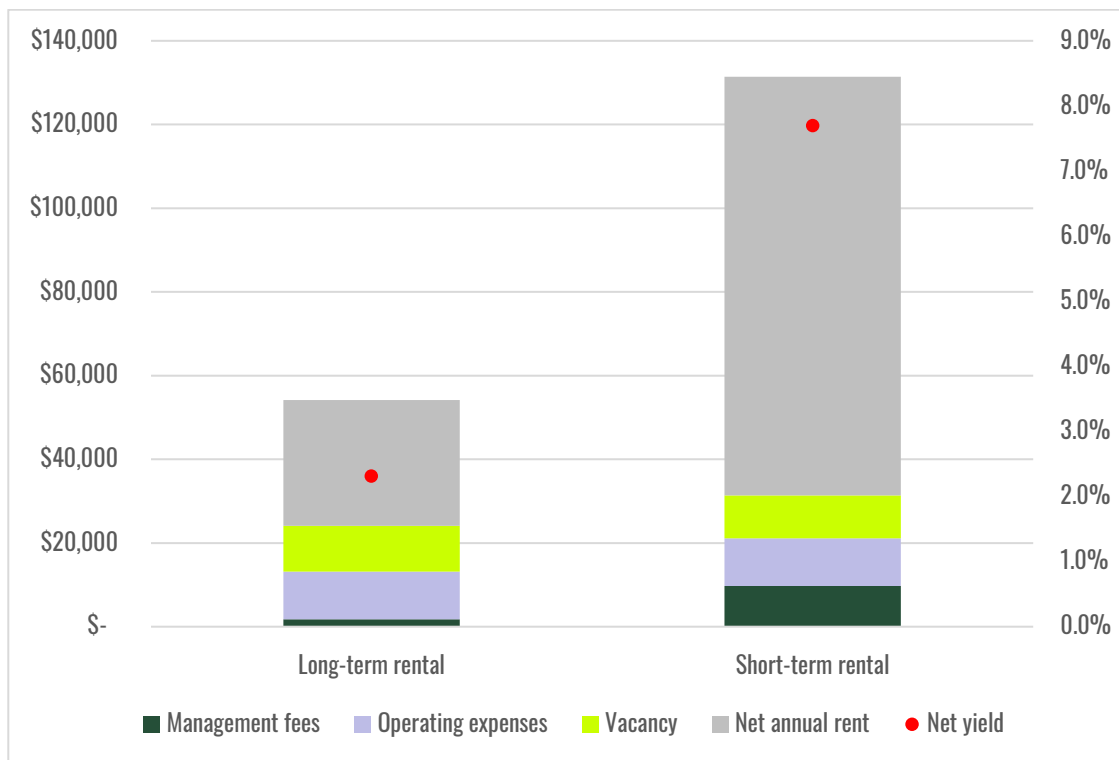


Figure 63: Revenue and Cost Stack, 2-bedroom Unit in Darlinghurst

3.4 Potts Point

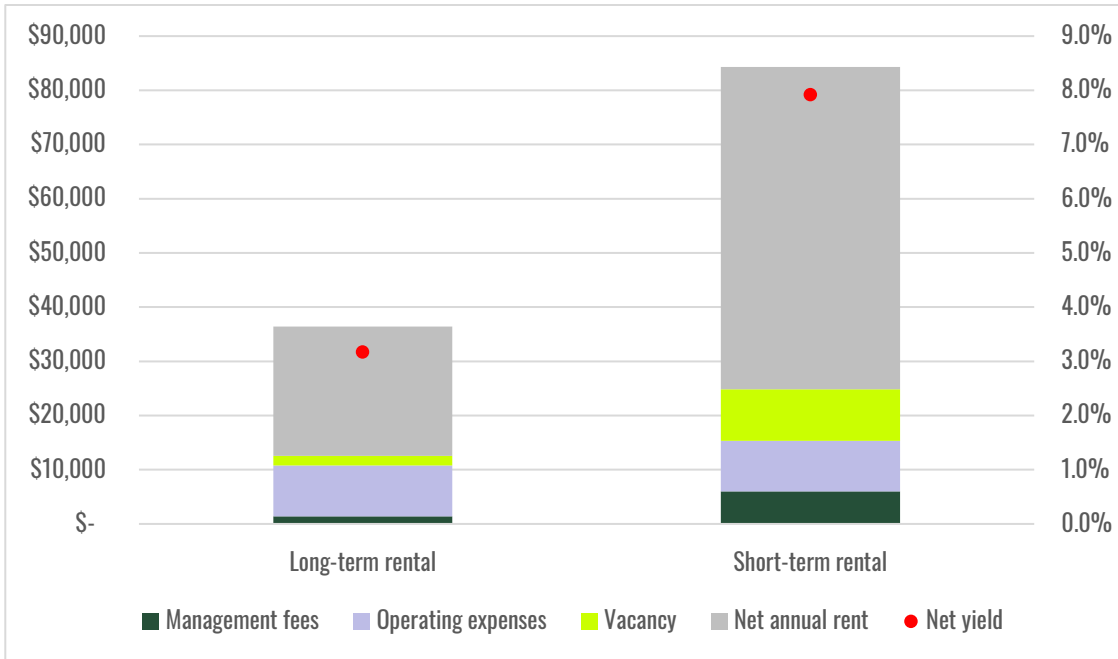


Figure 64: Revenue and Cost Stack, 1-bedroom Unit in Potts Point

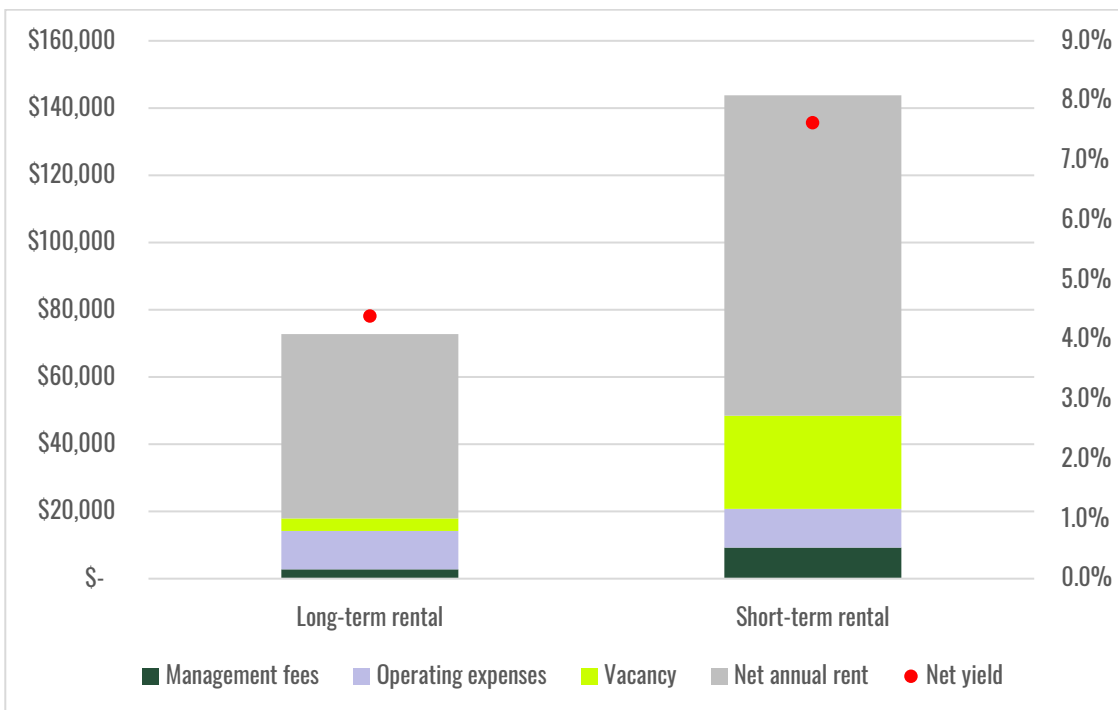


Figure 65: Revenue and Cost Stack, 2-bedroom Unit in Potts Point

3.5 Waterloo

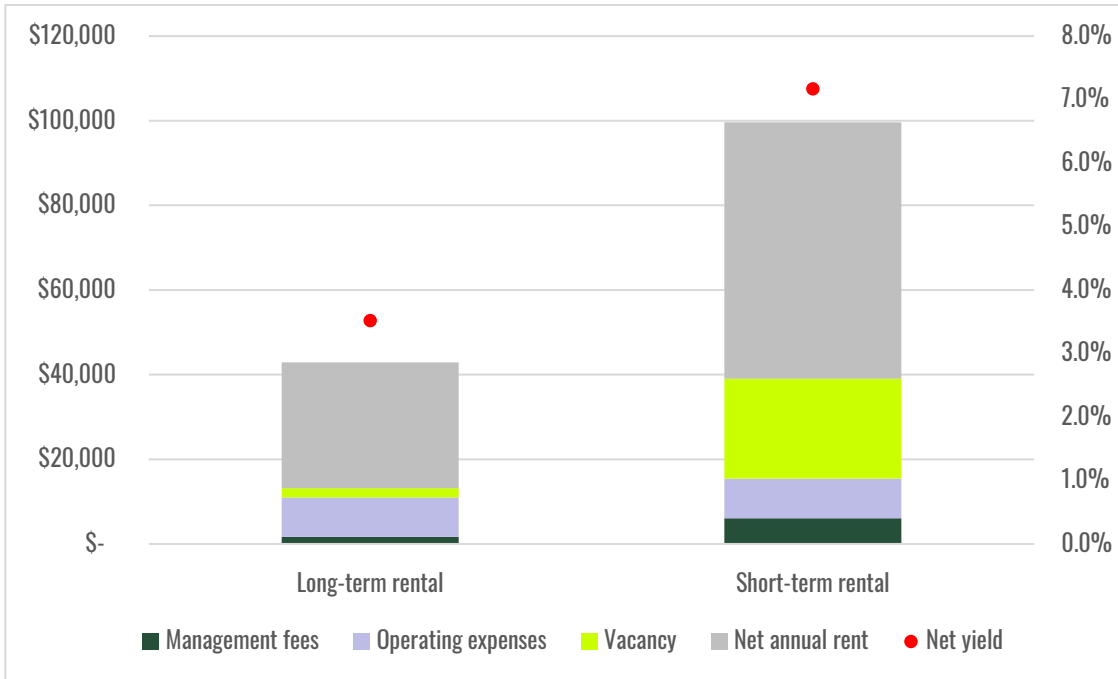


Figure 66: Revenue and Cost Stack, 1-bedroom Unit in Waterloo

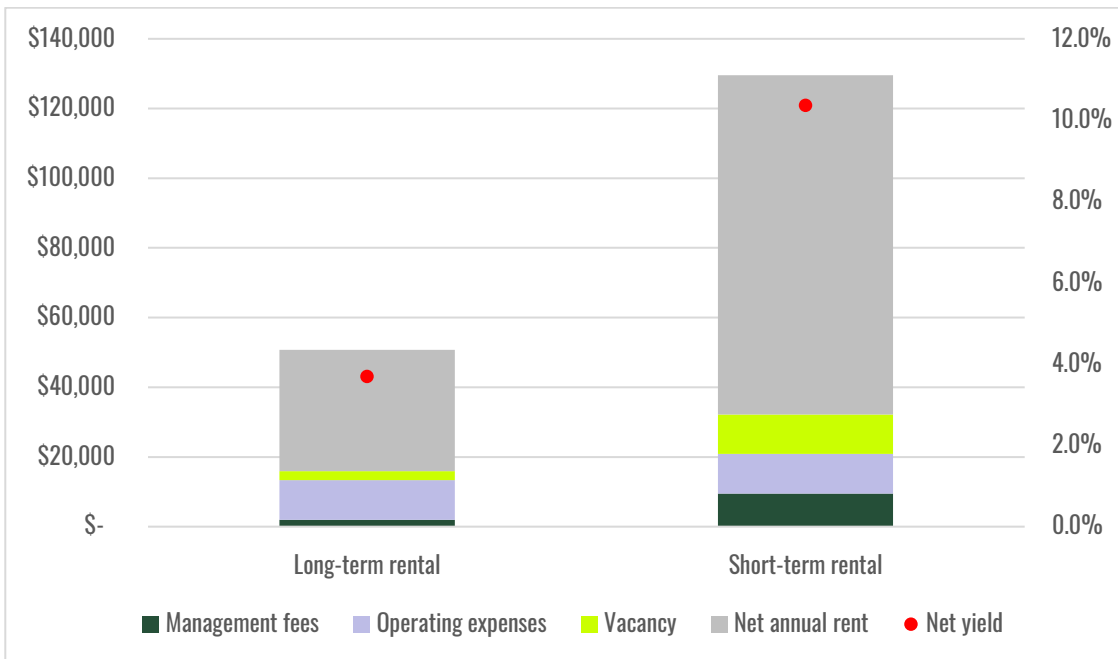


Figure 67: Revenue and Cost Stack, 2-bedroom Unit in Waterloo

3.6 Pymont

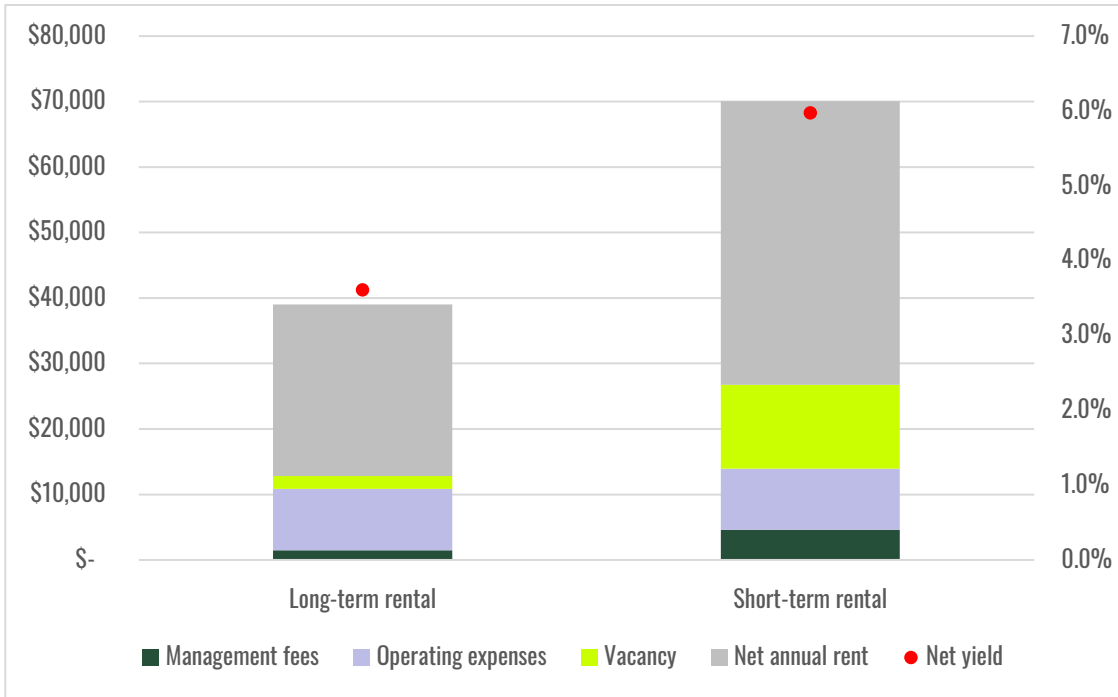


Figure 68: Revenue and Cost Stack, 1-bedroom Unit in Pymont

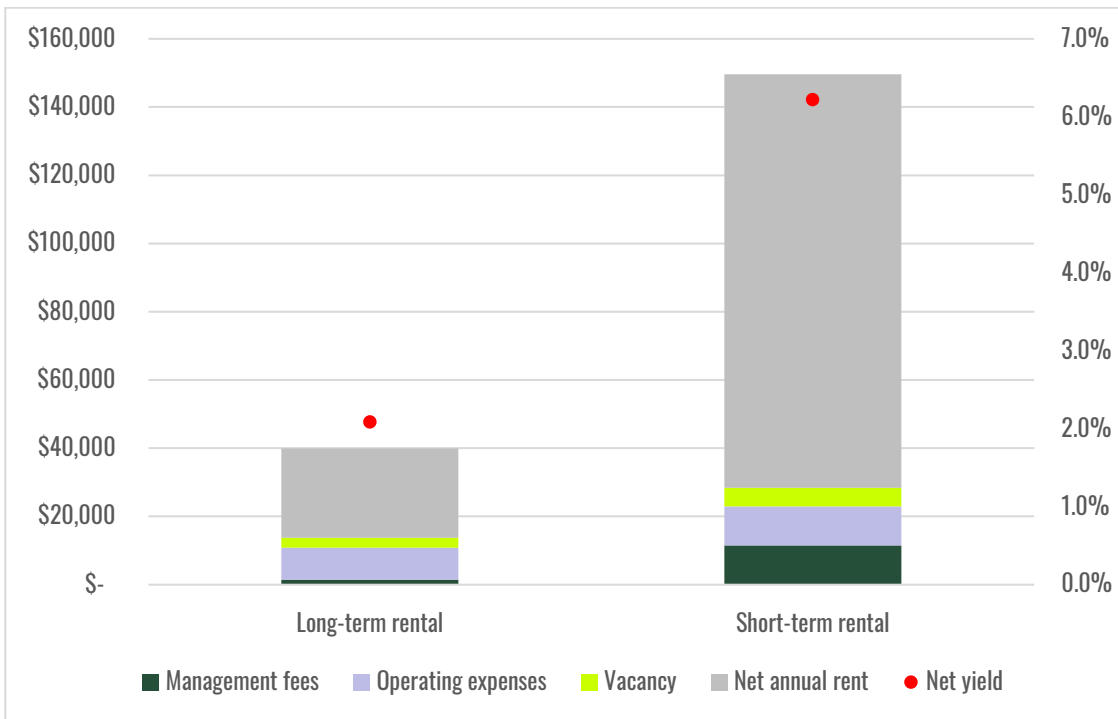


Figure 69: Revenue and Cost Stack, 2-bedroom Unit in Pymont

3.7 Ultimo

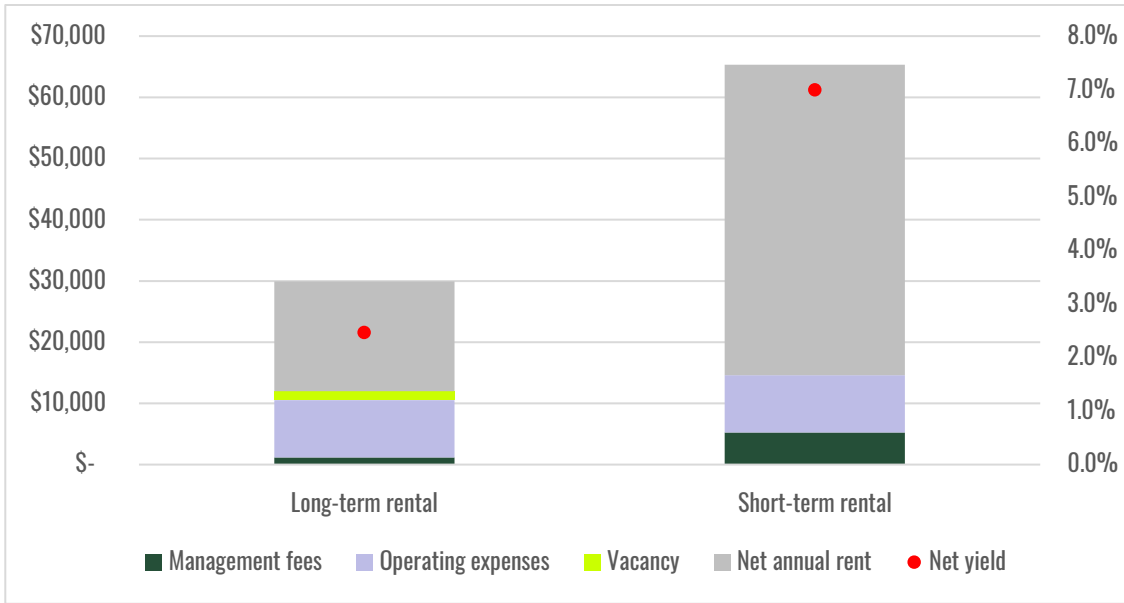


Figure 70: Revenue and Cost Stack, 1-bedroom Unit in Ultimo

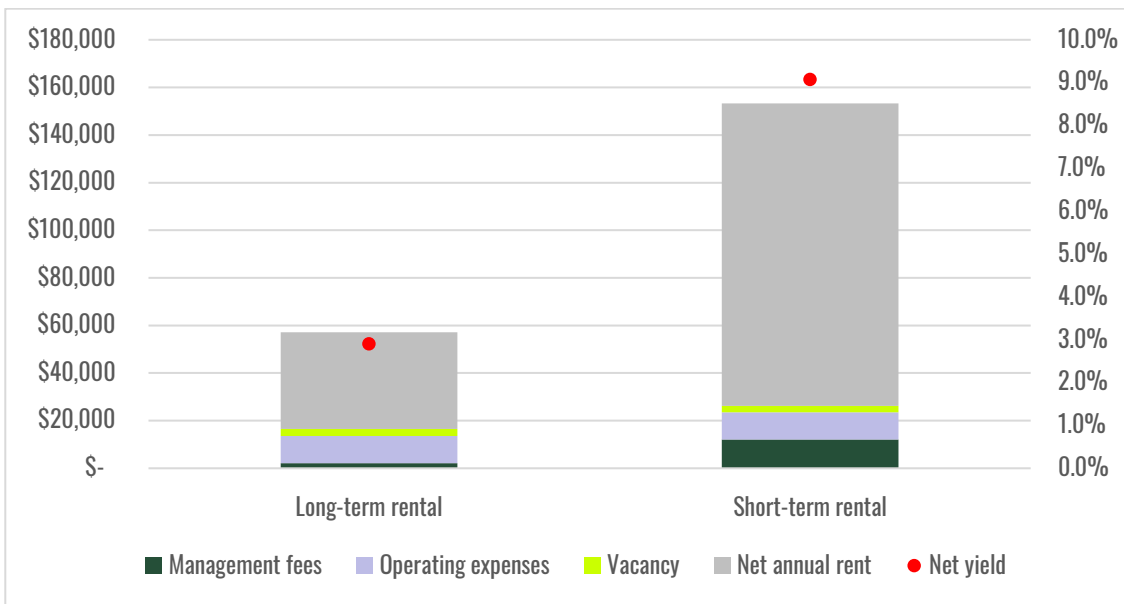


Figure 71: Revenue and Cost Stack, 2-bedroom Unit in Ultimo

3.8 Camperdown

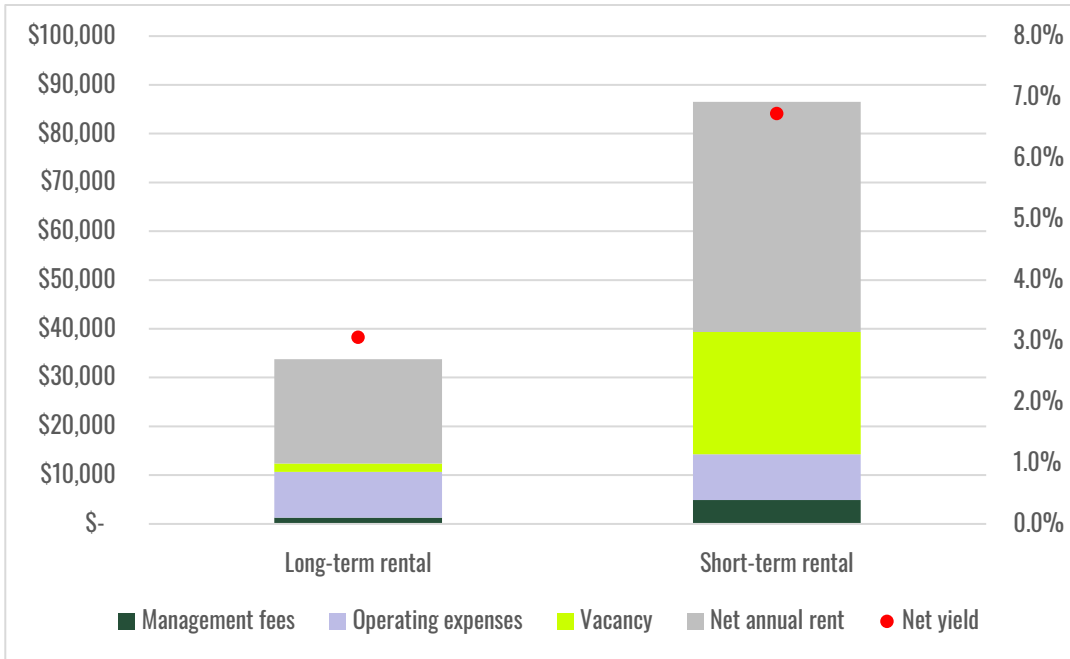


Figure 72: Revenue and Cost Stack, 1-bedroom Unit in Camperdown

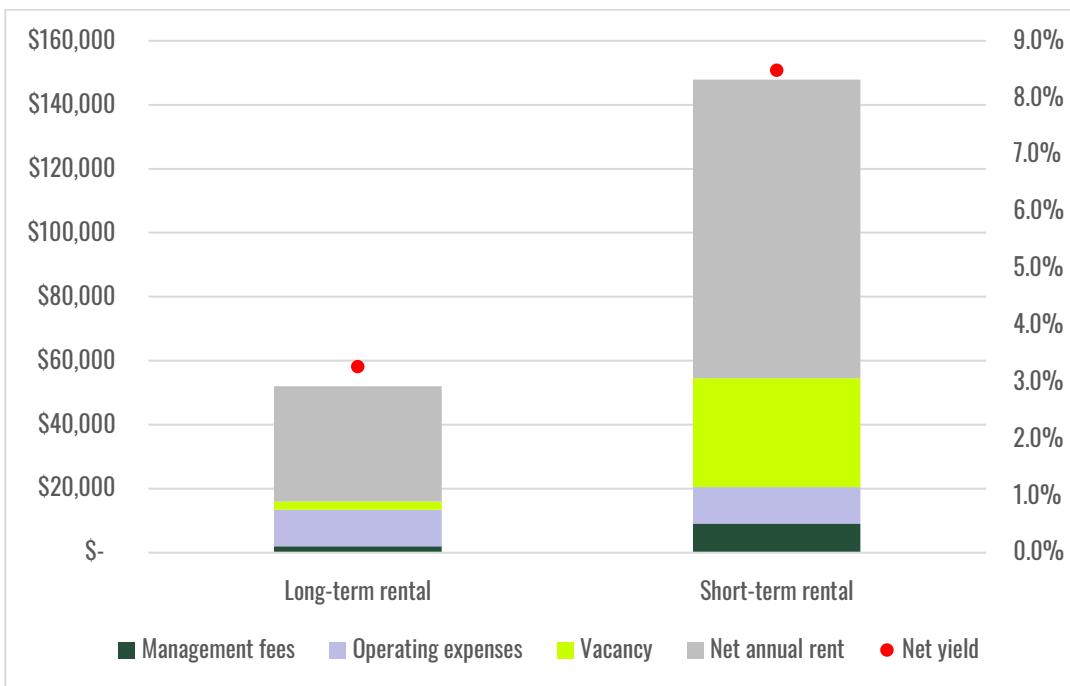


Figure 73: Revenue and Cost Stack, 2-bedroom Unit in Camperdown

4 Appendix D: Industry Stakeholder Engagement Meetings

4.1 Airbnb

Stakeholder	Airbnb
Meeting Date & Time	Thursday 7 March, 12pm

Notes:

General comments

- Airbnb has launched the 'City Portal'. This is a data platform that is accessible with login details where local council officers are able to access a snapshot of key data points for the presence of Airbnb in their local area. It was recently announced that Airbnb will be working with local councils to set up, however it is not yet set up any LGAs in Australia. Datapoints have more of an economic focus and the value is mainly for states where there isn't a register or state-wide framework – but may be benefit in supplementing existing registration schemes. i.e. guest origins. The platform Does not include financial transaction data just average rate, average spend.*

Are there any steps to rectify the listing of non-registered properties on the platform?

- Still formulating a response to the NSW discussion paper. The API information can be used to ensure properties are validly registered. Airbnb also works educate hosts regularly – to know rules and responsibilities. Airbnb continuously pushes hosts to comply with rules, for example distributing notices to hosts in CoS very recently – to remind them of their obligations to register.*

Have you been engaged by the NSW State Government as part of their review of the STRA regulatory and planning framework? If so, what has that engagement looked like? Can you share any views you may have on the review? Particularly the proposed day cap changes and the introduction of revenue measures.

- Airbnb participated in some round table discussions*

Has any Council or State regulatory body in Australia approached Airbnb to establish a levy mechanism whereby Airbnb collects the tax on the behalf of a municipality? Noting that Victoria is introducing the 7.5% levy. Can you comment on the introduction of revenue measures as mentioned in the discussion paper?

- Airbnb is broadly supportive of the concept of levies – they are seen as a way of contributing to state government revenue including new housing projects – for example the Victoria government. The Vic government rate is higher than Airbnb would expect to see. The levies seen in Queenstown/Canada/Berlin – at around 3-5% - so as not to burden guests but still provide a meaningful contribution.*

Have you conducted any engagement with the hosts that use your platform about regulatory reforms and revenue measures?

- Airbnb distribute updates to hosts on a regular basis, provide updates and meetings with groups of hosts – constant communication between Airbnb and the host community.*

The Department's discussion paper notes that integration and data-sharing arrangements have been made with major booking platforms – presumably including Airbnb. Are you able to explain how this data-sharing arrangement compares to those established in New York and Amsterdam - for example where data-sharing agreements help monitor and enforce regulatory and taxation measures? In terms of details of data or otherwise?

- To take on notice.** *Airbnb notes that they have worked very hard as a platform to work with the NSW framework – to provide what is required. The system automatically uploads data. Airbnb is supportive of having clear and transparent data exchanges.*

In terms of regulation, it is the City's experience that in order to enforce the current rules, we need Airbnb to provide the following (see below) – is this information that is shared with other authorities as part of data-sharing arrangements?

- i. The details (copy of ID) of the person who listed the property on their booking platform
 - ii. Details of each booking in the form of financial transaction of payment received from the host and payments made to the host.
- **To take on notice.** *There are some ID requirements. And there are situations in other cities that have taxation powers where transactional data can be easily tacked on – but for NSW LGAs things are a bit more difficult. For example the datapoints are stored in other parts of the world that are subject to significant privacy requirements.*

Can you comment on the successes Airbnb had with partnering with cities to address their concerns around the impacts of STRA?

- i. Particularly around data sharing agreements
- *It is difficult for NSW LGAs as we cannot enter into different partnership agreements with each and every local authority.*
 - ii. Where cities have said they are not equipped to deal with enforcement so they have asked for Airbnb themselves to cap the number of nights that can be booked per property via their platform to address concerns.
 - **To take on notice.** *CoS to confirm which locations.*
 - iii. Bringing your hotel tax collection model to municipalities – where municipalities have given Airbnb permission to collect the tax on their behalf. Has this been successfully executed anywhere? Has any Council or State regulatory body in Australia approached Airbnb to establish this mechanism? Noting that Victoria is introducing the 7.5% levy.
 - *As far as Airbnb are aware, this will be charged to guest at time of booking – no knowledge on how this will be made for non-digital platforms. Still awaiting extra details.*

Can you comment on instances where you have been fined as the booking platform for non-compliance with a jurisdiction regulatory framework?

- **To take on notice.**

We'd like to get an understanding behind the mechanics of the transfer of data about bookings to the NSW Planning register as a confirmed booking day, can you provide insight into this?

- *Each day, data is shared with NSW planning portal – this automatic sharing of data points occurs as required under the Code – Application Programming Interface (API).*
- *The requirements listed in the Code is the only information that has to be shared, and is the only information that is shared.*
- *Airbnb – the ways in which we can encourage the government on setting compliance, given there is registration data and there is a code of conduct – its entirely appropriate that there are measures undertaken – resourcing/data isn't being leveraged by the state government to make sure behavioural issues can be followed up and/or other data points can be able to be shared.*

Can you comment on the number of unregistered properties on the platform? Can you provide insight into what process of checking of registration numbers occurs prior to listing on the platform?

- *Registration numbers are produced based on parameters from NSW state government – questions regarding this are best directed their way.*
- **To take on notice** - *what real time checking of registration numbers etc. is taking place*
- **To take on notice** – *what checking processes occur when a listing does not have a registration number.*

4.2 ASTRA

Stakeholder	ASTRA
Meeting Date & Time	20 March 2024, 10am

Notes:

General comments

- *ASTRA operates in the non-hosted STRA space*
- *Approximately 1600 members*
- *Airbnb, Stayz, Booking.com are not ASTRA members, although we do work closely with them and appreciate the relationship we have with them.*

Sub-categories of un-hosted STRA

- *There are three non-hosted STRA categories that ASTRA members/providers fall under. It is ASTRA's view that any regulatory or revenue measures should consider these categories and consider a targeted approach rather than a broad based.*
 1. *Primary Resident Short-Term Accommodation*
 - i. *A property that is a principal place of residence*
 2. *Part-Time Residence Short-Term Accommodation*
 - i. *A property that is not a principal place of residence, but is used by the owner sporadically throughout the year*
 3. *Investment-Only Short-Term Accommodation*
 - i. *A property that is available to be used exclusively for STRA throughout*
- *Roughly 35% of Hotelesque's portfolio would be made up of category 1 and 2, with the remainder falling into category 3.*
- *Emphasis on understanding these categories if STRA is to be regulated effectively, this is a key consideration in order to protect everyone's interests.*

AirDNA Data

- *ASTRA has grave concerns with AirDNA data, and believe that that this inaccurate data misled the Byron Shire Councils approach, and the IPC recommendations – as the data provided a distorted view of the industry's size. Preference for 'Key Data' which is relied upon*

180-day cap

- *Considering DA's for STRA to operate beyond the 180 day cap is not something Hotelesque has really considered or done, anecdotal evidence would suggest that operators/hosts prefer the STRA classification over tourist and visitor accommodation.*
- *ASTRA not supportive of any cap, as it likely leads to the dispersion of STRA activity and less efficient utilisation of STRA stock.*

Policy/revenue recommendations

- <https://www.myastra.com.au/publications>
- *Seeking to protect existing land use rights that exist in the STRA space, people have invested a significant amount of money, time into this as a business, as well as employing people to support these businesses.*
- *ASTRA recommends limiting the number of STRAs for new registered STRA operators only as a percentage of total dwelling stock, with the land use rights of existing STRA dwellings and operators protected and 'grandfathered' into the scheme. ASTRA recommends that this limitation sit at 4% - to be trialled in a metropolitan area.*



- *ASTRA recommends that STRA operators who use their property as either a principal place of residence or a holiday home be exempt from any interventions, as these properties do not impact rental stock, and would not realistically be returned back to the long-term rental market.*
- *ASTRA not supportive of any levy, as there are other mechanisms we contribute to – via registration and licensing (for which we'd support the revenue raised being shared with local councils).*
- *Recommends the introduction of an affordable short-term rental licensing scheme for operators managing properties on behalf of others.*
- *Recognises that a levy may be inevitable – if introduce, it should be applied equally and fairly across all accommodation providers across the state i.e. hotels, motels caravan parks etc. This is like the city/traveller taxes seen across Europe. Otherwise the levy would be unfairly and unreasonably targeting residential operators. Acknowledge that AA is not a fan of that, but it's the most equitable approach. Any revenue raised should be applied equally to growing tourism as well as subsidising new social housing. We note taxing this way would provide an opportunity to raise 5-10 times more.*

Compliance

- *Offer from Mitchell CEO - for the City to reach out if they get complaints / code of conduct or planning law breaches – ASTRA could then cross check this against their database and if they are a member they could report this back. ASTRA wants their members to abide by the Code of Conduct. We support enforcement action against those would are not compliant.*
- *Explanation from Steve at Hotelesque – in terms of compliance, we sign a management agreement for our properties, which means we handle registration and reporting requirements. We regulate the 180-day cap, once it gets to 75% threshold throughout the year, we change the listing to only allow stays on 21 days or more (so not counted towards the cap) or we start to publish on domain.com or realestate.com to try and find a long term rental stay to utilise the property.*
- *We conduct heavy engagement with our members around the regulatory framework. We note that the NSW framework is a lot better than other states, who mostly don't have anything. We are constantly reminding members of their responsibilities and requirements. We work hard to do this, and often partner with other organisations. We'd be open to partnering and working with the City as well.*
- *We note that the Register only works if it can be enforced.*

ASTRA in the City of Sydney

- *Some of our key operators for the City would be MadeComfy, Hometime, Alloggio, AirKeeper, L'abode. Happy to put the City in touch with any of these providers.*

Question on notice

How many of your members would advertise privately and not on the major booking platforms? (i.e. not captured by AirDNA data). Can you provide an indication of that marketshare?

4.3 Expedia/Stayz

Stakeholder	Expedia/Stayz
Meeting Date & Time	Tuesday 12 March 11:30am

Notes:

We'd be interested to know whether you have been engaged by the NSW State Government as part of their review of the STRA regulatory and planning framework? Can you share any views you may have on the review? Particularly the proposed day cap changes and the introduction of revenue measures. And can you comment on whether you have you been working with Victoria at all regarding the practical implications of the 7.5% levy?



- *Acknowledges that the existing framework has brought integrity to the sector.*
- *However, the current review is misguided – conflates affordability and availability in association with STRA. It is our opinion that the review is not being driven by the primary stakeholder minister – it should be seeking to analyse the workings of the existing legislation, rather than housing affordability.*
- *With regard to levies, the approach we have taken is that we acknowledge the impact STRA has on local services. There is a sensible conversation to have. We are critical of the quantum proposed in Victoria. There are also politics around what this levy has been used for.*
- *We are supportive of the framework of the Tasmania levy – it mirrors what we've seen globally, where levies have been introduced at a reasonable level.*
- *With regard to localised levies – we point to a good example – employed in Queenstown NZ, where the local council sought to introduce a 5% levy on all accommodation providers. This acknowledges the impact that accommodation has specifically on matters such as housing, as well as waste and parking.*
- *We are ready to partner with any local government – 5% would not be unreasonable.*
- *Regarding how the levy is spent and for what purpose - housing vs. services – we deliberately don't seek to go into considerations that are those of elected officials but we recognise that there is an impact and that we should be making a contribution.*
- *Tasmania – levy attached to the traveller, clearer and simpler. Both levies are targeted to address different problem – Tasmania is designed to collect monies to offset stamp duty costs for first home buyers.*

The DPHI's discussion paper notes that integration and data-sharing arrangements have been made with major booking platforms – presumably including Expedia/Stayz. What is the nature of this data-sharing arrangement? How does this data-sharing arrangement compare to those established with other authorities, if any - in terms of details of data or otherwise?

- *There is an API in place, which works reasonably well most of the time. Most issues occur at the State governments end. We can only provide the data that they require from us and we are supportive of this data being transparent and being shared. The review of how that's working is timely, and we would've liked to have seen this review occur earlier.*

It is Councils experience that we need the below information in order to enforce compliance – are these records that you hold and/or transfer to DPHI?

- The details (copy of ID) of the person who listed the property on their booking platform
 - Details of each booking in the form of financial transaction of payment received from the host and payments made to the host.
- *We would have some of the other detail, possibly not all of it. There is an interesting intersection here with commonwealth level regime established as part of the inquiry into the black economy. We are now required to provide data to the commonwealth that verifies transaction details – for ATO purposes. Anything that would bring more integrity to the data and not put at risk privacy at data we would be supportive of.*

When a host signs up to host a listing on your website, are you able to provide some insight into the checks and balances that take place regarding the registration number?

- *The verification process is not dissimilar to Airbnb – within the confines of the state regime. Key distinctions between us and Airbnb – is that stayz only lists unhosted properties. Requirement from registration is easier to prosecute for an unhosted properties.*
- *From our perspective - compliance with the register is very high – but there are offshore players who won't be captured. We are seeing that where a jurisdiction is considering a new registration process, we don't think it's unreasonable to require every property listing to get a registration number.*



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