



EXECUTIVE SUMMARY

Technological disruption in private housing markets: the case of Airbnb

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Potential of new technologies to disrupt housing policy

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The Inquiry Panel are to provide guidance on ways to maximize the policy relevance of the research and draw together the research findings to address the key policy implications of the research. Panel members for this Inquiry:

Michael Comninos	Astrolabe Group Pty Ltd
Brendan Fitzgerald	Infoxchange
Sam Headberry	Infoxchange
Paul McBride	Department of Social Services (Commonwealth)
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Emma Ogilvie	Department of Housing and Public Works (QLD)
Lynden Pennicott	Department of Health and Human Services (TAS)
Sandi Phalen	Department of Housing and Public Works (QLD)

Executive summary

Key points

The research points to two ways in which short-term letting (STL) platforms like Airbnb are reshaping housing opportunity in private markets in Sydney and Melbourne: through direct availability impacts in localised areas, and by influencing views and behaviour towards housing more broadly. Key findings supporting these conclusions are:

- Despite some limited growth in more suburban areas, the spatial impact of Airbnb in both Sydney and Melbourne remains concentrated in high-demand inner city areas. In these areas, two factors—decreasing bond lodgement rates, and increasing levels of property vacancy—point to the likelihood that STL is removing properties from the long-term rental market, thereby contributing to increasing unaffordability.
- While the city-wide affordability impacts may be limited, those seeking long-term housing will face markets that are more complex and uncertain.
- Hosts are primarily focussed on financial gain in choosing to engage in STL, and do so more for discretionary spending than to cover pressing housing expenses.
- Many of the hosts interviewed also indicated that they would factor the possibility of Airbnb hosting into their future property decisions.

Despite these impacts, current regulatory proposals in NSW and Victoria take a very permissive approach to regulating STL, compared to cities overseas. The research findings suggest four ways to strengthen regulatory responses to STL:

- the inclusion of a registration system for STL listings, to facilitate enforcement
 - additional localised strategies to limit STL and ensure adequate affordable rental supply in areas of intense STL use
 - the integration of measures to limit commercial-style STL within a broad-ranging, integrated housing policy, which reflects the changing nature of housing markets and the complex drivers behind these shifts
 - the development of an ongoing research agenda into STL across our cities and regional areas and its impact on housing and urban planning outcomes, supported by access to detailed, up-to-date data.
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The study

Since the launch of Airbnb in San Francisco in 2008, digital platforms facilitating short-term letting (STL) have become big business, connecting millions of hosts and guests in cities around the world. While the use of residential properties for temporary lodging and holiday rentals has long been a feature of urban housing markets, sites like Airbnb, HomeAway and Booking.com have facilitated a step-change in the scale of STL, triggering a range of

unanticipated consequences. In response, governments around the world have been under increasing pressure to determine the best way to equitably and efficiently regulate the STL industry.

Two key concerns have emerged about the impact of these platforms: concerns about the amenity impacts on residents living alongside STL properties, and concerns about the affordability impacts as residential properties are repurposed for STL. This study addresses the second of these issues, providing insights into the affordability impacts of STL in Australia's two largest cities, Sydney and Melbourne. It does so through an examination of both quantitative and qualitative empirical data about the ways in which Airbnb is being used in these cities, to address the following research question:

What is Airbnb's impact on private housing opportunity in Sydney and Melbourne?

While Airbnb is not the only STL platform operating in these cities, it is one of the largest and, arguably, the most well known. To assess its impact, the research involved analysis and mapping of Airbnb listing data from the two cities, a survey of and interviews with Airbnb hosts, and a review of international regulatory responses to STL platforms. Together, these approaches provide insights into the extent to which Airbnb is contributing to housing affordability issues in Sydney and Melbourne, and highlight the most effective responses available to regulators.

Key findings

The findings suggest two ways in which STL platforms like Airbnb are reshaping housing opportunity in private markets in Sydney and Melbourne: through direct affordability impacts in localised areas, and by influencing housing beliefs and behaviour more broadly.

Direct affordability impacts

The findings suggest that STL platforms like Airbnb are probably not significantly worsening rental affordability across our major cities as a whole, but are having an impact on the availability of rental properties in high-demand inner city areas with significant tourism appeal. More specifically:

- In Sydney, the eastern beaches suburbs, Darlinghurst and Manly have been the focus of Airbnb activity, which accounts for between 11.2% and 14.8% of rental housing stock.
- In Melbourne, central Melbourne, Docklands, Southbank, Fitzroy and St Kilda have been the focus of Airbnb listings, which account for between 8.6% and 15.3% of rental housing stock.

In these areas, two main factors—decreasing bond lodgement rates, and increasing levels of property vacancy—point to the likelihood that STL is removing properties from the long-term rental (LTR) market, thereby contributing to increasing unaffordability in the private rental sector (PRS). The impacts of Airbnb on rental supply in these areas have somewhat been offset by substantial dwelling growth in Melbourne, and large numbers of dwellings that are otherwise outside of long-term housing supply, such as unoccupied dwellings. Nonetheless, the findings suggest that STL is contributing to the challenges already confronted by long-term renters in these local markets. While the city-wide affordability impact may be limited, those seeking long-term housing will face a market that is at best more complex and uncertain, and may also be moderately less affordable in some local areas.

Influence on housing behaviours and beliefs

Beyond the direct market impacts already outlined, the findings also suggest the rise of STL is likely to reshape Australian housing markets by influencing how we think about and deal with

property. The research suggests two main elements to this shift: more fluid housing markets, and financialised attitudes towards housing.

A facilitator of more fluid and uncertain housing markets

First, the findings suggest that the rise of STL platforms is contributing to private housing markets becoming more fluid and uncertain, with increasingly diverse uses of housing, and property holders moving regularly between STL and LTR. STL platforms provide a new form of financial opportunity for those who already have housing wealth, which adds greater flexibility to the way their housing assets can be exploited. While hosts' financial and housing circumstances are diverse, the findings indicate that many hosts have converted properties from LTR to STL. However, some indicated these will likely return to LTR over time, due to the greater workload, declining profitability and seasonal variability of STL. This reinforces the conclusion that STL is contributing to greater fluidity of property use, where the competing benefits of different monetisation strategies are regularly weighed up. This fluidity is likely to come at the expense of certainty for prospective tenants and owners, for whom long-term housing may be more difficult to secure, particularly in areas where peak period STL prices are high. This adds another factor to the mix of issues already reducing the likelihood that the market will provide a steady and sufficient supply of affordable long-term housing, for both rental and ownership.

A contributor to shifting cultural perspectives on housing

Second, the research findings suggest that STL platforms have contributed to a cultural shift: the expansion of financially focussed attitudes towards housing beyond those already involved in housing investment. Two main findings of the research involving Airbnb hosts support this conclusion:

- The large majority of hosts were motivated to use STL by the financial benefits and, in most cases, to provide discretionary income rather than to cover essential housing needs.
- Many hosts were now factoring in hosting as part of their thinking about future property choices.

By providing more flexible options for monetising housing assets, STL platforms have attracted new participants to the practice of providing commercial accommodation. While many hosts may not be earning significant incomes, hosting is nonetheless reshaping their perceptions of the value of their housing. STL therefore seems likely to have a cultural impact as well as an economic one—and one which may ultimately drive further accumulation of housing wealth by already housing-rich market participants, potentially contributing to greater inequality over time.

On the other hand, there is also the potential for the rise in STL to shed new light on aspects of our housing markets that have not been broadly recognised and debated. In particular, the high rates of Airbnb listings in high-value neighbourhoods in both Sydney and Melbourne can be seen as an amplification of an existing distortion in these housing sub-markets, namely a significant stock of vacant properties. In these areas, STL listings appear to overlap with a significant amount of housing stock that is not ordinarily part of the long-term housing market, as it is neither owner-occupied nor made available for LTR. In doing so, STL listing patterns offer a new perspective on this longstanding issue in Australia's urban housing markets—the underutilisation of housing held primarily for speculative gain. In other words, STL platforms like Airbnb seem to have tapped into a capacity in our existing housing stock that might be turned towards improving access and affordability, but which on present policy settings is not.

Policy development options

While both NSW and Victoria have now taken steps towards regulating the use of STL platforms, the findings indicate that these regulatory responses may mitigate some issues with STL, but will not address all the impacts raised earlier. Indeed, the findings suggest that any

regulatory response targeting STL in isolation is likely to have a limited impact, as the issues affecting private housing markets are complex and interconnected, and deeply embedded in the housing system as a whole.

The research findings suggest four main steps for improved regulatory responses to STL:

- The inclusion of a requirement for registration of STL listings, to facilitate enforcement.
- Additional localised strategies to limit STL and ensure adequate affordable rental supply in areas of intense STL use, to address the concentrated impact in these neighbourhoods.
- The integration of measures to limit commercial-style STL within a broad, integrated housing policy, which acknowledges the fundamentally changing nature of private housing markets and the complex drivers behind these shifts.
- The development of an ongoing research agenda into STL across our cities and regional areas, and its impact on housing and urban planning outcomes, supported by access to detailed, up-to-date data.

Importantly, the findings suggest a need to recognise that the growth of STL platforms has not happened in a vacuum; rather, certain features of the Sydney and Melbourne housing markets have facilitated their uptake. In particular, the rise of STL can be seen as both a symptom and a driver of Australia's deeply embedded culture of intense financialisation of housing, in which houses are often viewed as an asset as much as a home designed to meet long-term housing needs. Unregulated, these market changes are likely to contribute to growing inequality across our cities over time.

By providing additional means to monetise housing by those who already have access to it, and compounding the challenges facing those who do not, STL helps to reinforce this increasingly inequitable housing landscape in Australia's largest cities. However, the current public interest in STL provides an opportunity to foster a broader public discussion about the negative effects of this culture, how it is reshaping our private housing markets, and how the equity issues it creates can best be addressed.

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