



Technological disruption in private housing markets: the case of Airbnb

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Acronyms and abbreviations used in this report

AHURI	Australian Housing and Urban Research Institute Limited
B&B	Bed and Breakfast
CFRC	City Futures Research Centre
GFC	Global Financial Crisis
LTR	Long-term Rental
PRS	Private Rental Sector
SA2	Statistical Area 2
STL	Short-term Letting

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

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.
-

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.

1 Introduction

- Given the diverse policy options and the complexity of Australia's urban housing markets, it is critical that local policy responses to STL are informed by contextual, place-specific research and analysis
 - While STL regulations have now been proposed for both NSW and Victoria, significant uncertainty about the likely effect of the proposed responses remains, in part because we still have a limited understanding of the extent and nature of the impact of STL on our housing markets
 - To address this uncertainty, this project examines the spatial impact of Airbnb on private rental markets in Melbourne and Sydney, provides insights into the decision-making processes of Airbnb hosts, and analyses possible regulatory responses
 - The research focus on Airbnb in Sydney and Melbourne reflects the availability of detailed data; however, many of the findings will apply to all STL platforms, and also have relevance for Australian housing markets outside capital cities.
-

This chapter provides an overview of why research on the housing market impacts of STL platforms like Airbnb is needed; how policymakers in Sydney and Melbourne have grappled with the issue to date; and how this research project has sought to address some current knowledge gaps about the impact of STL on housing markets in these cities.

1.1 Why research on short-term letting is needed

Over the decade since Airbnb's launch, digital STL platforms have mushroomed into a global phenomenon, prompting concerns about housing market and housing system impacts. While the Airbnb model was originally designed to disrupt the market for short-term visitor accommodation, there has been growing concern that the platform—and others like it—is also reshaping residential housing markets (e.g. Gold 2015; Robertson 2016; Stuart 2017). It has also raised governance issues in relation to multi-unit buildings (e.g. Thomson 2016). Critics claim platforms like Airbnb erode the supply of long-term housing by encouraging conversion to STL, and that it exacerbates the consolidation of housing assets among established owners (e.g. Hill 2015; Buchanan 2015). Such critiques are of particular significance in 'global cities' like Sydney and Melbourne, where the past 20 years have seen growing affordability constraints diminishing housing opportunity for post-baby boomer generations, contributing to rising inequality and socio-spatial polarisation (Randolph and Tice 2014). Meanwhile, supporters argue that STL platforms help middle-class homeowners to stay in their own homes, while also facilitating positive cultural and social exchanges (e.g. Hunt 2016; Megginson 2015).

But while public debate has raged, there has until recently been limited empirical evidence available to help policy makers assess and respond to Airbnb's housing market effects (Quattrone et al. 2016; Gurran 2018). Meanwhile, early policy responses around the world have varied significantly (e.g. Jefferson-Jones 2015; Saulwick 2016), presenting policy makers with a multitude of models to consider. Given the diverse policy options and the complexity of Australia's urban housing markets (Pawson and Herath 2015), it is critical that local policy responses are informed by contextual, place-specific analysis of Airbnb's impact. This project addresses this knowledge gap by providing a mixed-method study of Airbnb's impact on housing opportunity in private housing markets in Sydney and Melbourne. By adopting the

concept of 'housing opportunity', the aim is to reflect broadly on the potential impacts of Airbnb on different residents' housing experiences. The findings also have direct relevance to the development of policy responses to disruptive technologies more generally, an increasingly well-recognised priority issue across all three levels of government in Australia (NSW Government 2015; Productivity Commission 2016; Jones et al. 2017). They also have broader policy implications for planning, economic development and housing affordability.

1.2 How policy makers have responded to short-term letting

In both NSW and Victoria, the development of a government policy position on STL has been a protracted process. The NSW Government's first clear foray into the issue came with the release of a 2015 report on the Collaborative Economy, produced by Deloitte Access Economics at the request of the Department of Finance, Services and Innovation. The report defined the collaborative economy as:

an economy built on distributed networks of connected individuals and communities versus centralised institutions, transforming how we can produce, consume, finance, and learn.

Airbnb was identified as a key player, contributing approximately \$284m to the national economy and \$115m to the NSW economy in 2015 (Deloitte Access Economics 2015).

While the NSW Government initially appeared keen to foster this collaborative economy, including STL, public concern about the impact of Airbnb was growing (McKenny 2015a). At the same time, there was confusion about whether local councils should allow STL of this kind under existing planning laws (McKenny 2015b). In response, a parliamentary inquiry was established, which tasked the Committee for Environment and Planning with examining the adequacy of STL legislation in NSW. The Committee received over 200 submissions, and undertook hearings in Sydney and Tweed Heads. The final report offered 12 recommendations, including amendments to planning laws, strata laws and the introduction of a code of conduct (these recommendations are discussed further in Chapter 5). On the issue of the impact of STL on housing affordability, however, the Committee was equivocal:

We also received evidence suggesting that the rapid growth of [short-term rental accommodation] is affecting housing affordability and availability, and community viability, by removing properties which might otherwise be rented to long-term tenants ... [but] without robust measurement and data collection to address this issue, the evidence, however compelling, is only anecdotal.

The only relevant data cited was taken from a Grattan Institute report, which identified the number of Airbnb listings in Sydney as equal to approximately 2 per cent of the city's total rental stock, and therefore concluded that 'any impact on rents is small and localised' (NSW Parliament 2016: 12). Given the paucity of available data, the Committee's only recommendation relating to housing affordability impacts was to call for 'a program to collect data ... to assess the economic contribution of STL and its impact on housing affordability and community viability' (2016: viii).

In its response, the NSW Government offered complete or qualified support for all of the Committee's recommendations, and pledged to release an options paper 'with approaches to implement a whole of government framework' (NSW Government 2016: 2) for the management of STL. The options paper was released by the Department of Planning and Environment and NSW Fair Trading in July 2017. On the issue of affordability, the Options Paper (2017: 12) noted:

The continued growth of [short-term holiday letting] is occurring at the same time as the housing market is generally becoming less affordable, particularly in metropolitan Sydney and highly patronised holiday destinations such as Byron Bay. In these areas, some consider that STHL [Short-Term Holiday Letting] has the potential to compete against traditional forms of residential tenancy. However, the limited evidence currently available suggests the impact of STHL on rental availability is negligible. Sector-wide, transparent data collection and reporting from industry may help to ensure the issues can be monitored to facilitate an informed response from Government.

Based on these statements, it seems that the issue of STL's impact on affordability has largely been a secondary consideration in policy debates in NSW to date. This has now shifted to a degree, with the May 2018 announcement of a suite of new regulations to govern the use of STL platforms in NSW, which includes a limit of 180 days per year for listings where the host is not present (see Chapter 5 for more details). The legislative changes required to introduce these proposals passed the NSW Parliament in August 2018, although many of the regulatory details remain to be worked out.

Much the same may be said of the situation in Victoria. In response to growing public concerns about STL, the Victorian Government set up an Independent Panel on Short-Stay Accommodation in CBD Apartment Buildings, which released its final report in 2015 (Independent Panel on Short-Stay Accommodation in CBD Apartment Buildings [Victoria] 2015). The report focussed almost exclusively on amenity issues—indeed, affordability impacts were not identified as one of the problems raised by STL. While the report did contemplate restrictions on STL as a possible solution, it concluded that this was not desirable, as it 'would not directly address the problem of unruly short-stay parties in CBD apartment buildings'. The government subsequently proposed STL legislation focussed solely on addressing amenity concerns, and after a subsequent Committee inquiry proposed further changes to the bill (Victorian Government 2017), the legislation was also passed in August 2018 (Henriques-Gomes 2018). It remains unclear, however, whether more comprehensive regulation of the kind being adopted in NSW is likely to gain government support in Victoria.

In the background to these regulatory changes, there have been significant lobbying efforts undertaken by both supporters and opponents of STL. New lobbying groups opposing STL have been formed, including the NSW-based *Neighbours Not Strangers* and *Our Strata Community, Our Choice*, and the Victorian-based *We Live Here*. Other lobbying efforts have come from the commercial accommodation sector (e.g. *Tourism Accommodation Australia*) and housing activists like *Inside Airbnb*. Meanwhile Airbnb has been active in lobbying all levels of government, and has worked to mobilise hosts to advocate on its behalf (Bogle 2016). The company has also launched 'home sharers' clubs, similar to local unions, to support its efforts (Dougherty and Isaac 2015). Clubs have since been set up in both Melbourne and Sydney.

To date, however, Airbnb has not implemented in Australia any of the self-regulatory responses that it has adopted in cities overseas in response to growing public and political opposition. For example, in a number of North American and European cities, Airbnb has implemented a *One Host, One Home* policy, whereby it removes listings from commercial operators (i.e. hosts with multiple property listings) (Ting 2016). Similarly, in some cities Airbnb has attempted to manage amenity concerns through its 'Friendly Buildings Program' (Airbnb n.d.c). Owners in participating buildings enter an agreement with Airbnb to allow tenants to sublet on the platform. In return Airbnb shares listing information and returns a portion of the hosts' income to owners.

Meanwhile, Airbnb welcomed the NSW Government's proposed regulatory changes as 'a fair, forward-looking and progressive approach' to addressing public concerns about STL (Burke and Razaghi 2018). Anti-STL groups were generally less enthused, however, raising doubts about how well the new regulations would help to minimise the amenity and affordability impacts of STL. Significant uncertainty remains, in part because we still have a limited understanding of

the extent and nature of the impact of STL sites like Airbnb on the Sydney housing market. The next section outlines how this research project has sought to address this knowledge gap.

1.3 Research methods

To assess the impact of Airbnb on housing opportunity in Sydney and Melbourne, the project employed a mixed-methods approach to address the following four research questions:

- **RQ1:** In what ways may Airbnb reshape private housing opportunity in Australia?
- **RQ2:** Where and how is Airbnb being used in Sydney and Melbourne, and what is the spatial relationship between Airbnb use and other indicators of housing opportunity?
- **RQ3:** Why do hosts use Airbnb, and what choices shape their use of the platform?
- **RQ4:** What are the policy models being adopted to respond to STL, and do they respond equitably and efficiently to Airbnb's impact on private housing markets?

By adopting the concept of 'housing opportunity' to frame the research, the aim is to reflect broadly on the potential impacts of Airbnb on residents' housing experiences, including access. Aligned with these four research questions are four complementary methods: a literature review; quantitative data analysis; Airbnb host survey and interviews; and a comparative international policy review. Together these approaches provide an assessment of the spatial impact of Airbnb in relation to the private rental market in Melbourne and Sydney, as well as insights into the decision-making processes of Airbnb hosts regarding the use of their property, and an analysis of the possible regulatory responses. Table 1 provides further details of each method.

Table 1: Overview of research methods

Research question	Method	Details
RQ1 In what ways may Airbnb reshape housing opportunity in Australia?	Review and analysis of scholarly and grey literature	Literature review of relevant articles from press, academic and government sources Synthesis and critical analysis of 'sharing economy' literature; quantitative examinations of housing impact; qualitative examinations of housing impact
RQ2 Where and how is Airbnb being used in Sydney and Melbourne, and what is the spatial relationship between Airbnb use and other indicators of housing opportunity?	Quantifying and mapping of Airbnb listings at small geographies (SA2) Spatial comparison with census dwelling and demographic data and housing affordability and rental availability indicators Identification of multi-property Airbnb hosts	AirDNA datasets mapped for Sydney and Melbourne (data current to end of March 2018) Mapping of rental bond data for Sydney and Melbourne (NSW data current to mid-2017; Victorian data current to end of 2017) Mapping of 2016 census data Multi-property hosts identified from AirDNA data
RQ3 Why do hosts use Airbnb, and what choices shape their use of the platform?	Online survey of current and potential Airbnb hosts in Sydney and Melbourne Semi-structured interviews with current and potential Airbnb hosts in both cities	Online survey open 7 December 2017 to 31 May 2018: 491 responses received 50 semi-structured interviews completed: 30 with Sydney hosts and 20 with Melbourne hosts Analysis of survey data re listing types, demographics, etc. Qualitative analysis of hosts' motivations and choices about how best to extract financial benefit from their property
RQ4 What are the policy models being adopted to respond to STL, and do they respond equitably and efficiently to Airbnb's impact on private housing markets?	Review and categorisation of scholarly, policy and grey literature on local and international policy responses Comparative analysis of policy landscape in chosen overseas jurisdictions relative to responses in Sydney and Melbourne Critical analysis of different policy responses in the light of case study findings	Detailed analysis of regulatory policy steps in Sydney and Melbourne, plus nine key overseas jurisdictions: <ul style="list-style-type: none">• Amsterdam (Netherlands)• Barcelona (Catalonia, Spain)• Berlin (Germany)• Hong Kong (Hong Kong SAR, China)• London (United Kingdom)• New York City (New York, USA)• Paris (France)• Phoenix (Arizona, USA)• San Francisco (California, USA)

Source: authors.

1.3.1 Participant recruitment

Host interviews

A range of strategies were used to recruit interview participants, including:

- A media release by the UNSW media office (subsequently picked up by a number of media outlets, including the Fifth Estate).
- Website, newsletter and social media postings by UNSW, the Faculty of Built Environment and the City Futures Research Centre (CFRC).
- Articles in the newsletters of strata peak bodies Strata Community Australia (<https://www.strata.community/>) and Owners Corporation Network (www.ocn.org.au).
- An advertisement circulated via the Analysis and Policy Observatory website (<http://apo.org.au/>).
- Emails to STL property management companies, requesting their assistance in circulating the information to their clients.
- Postings on multiple online forums used by Airbnb hosts, including Gumtree, Facebook, Reddit, Meetup, Airbnb Citizen, AirHostsForum and PropertyChat.

Participants provided either written or verbal consent, and were recompensed for their time with a \$50 Coles Myer gift card.

Online survey

Survey recruitment was primarily facilitated by Qualtrics, a market research company, which was engaged to provide 400 respondents through its existing network of research participants. In addition, the survey was advertised through a number of the recruitment strategies outlined earlier, which yielded an additional 91 responses. After an initial assessment by Qualtrics of likely response rates, a decision was made to include both past and present Airbnb hosts, as well as respondents who have actively considered hosting on Airbnb. This allowed for an improved response rate, and also provided insights from participants at varying phases of the hosting experience.

The survey asked current and potential Airbnb hosts with listings in Sydney and Melbourne about their choices, motivations and experiences with the STL platform. In the period of just under six months that it was available online, the survey received 491 responses. Based on the total adult population of Sydney and Melbourne at 2016 census, this gives a confidence interval of $\pm 4.42\%$ at 50 per cent with a confidence level of 95 per cent. A list of the survey questions is included at Appendix 2.

1.3.2 Why focus on Airbnb?

While Airbnb is one of the biggest players in the Australian STL market, it is not the only site contributing to the issues discussed in this report. But while many of the findings will apply to the digital STL industry more broadly, the empirical research conducted here draws only on data about Airbnb. Gaining access to reliable data about the extent and nature of the STL industry has proven a challenge for researchers around the world; for this project, limiting our focus to Airbnb allowed us to work with the most comprehensive datasets available.

1.3.3 Why focus on Sydney and Melbourne?

It is also important to note that the research focus on Sydney and Melbourne does not indicate that the impacts of STL platforms like Airbnb are not being felt elsewhere. To the contrary, STL is now widespread both in smaller cities like Hobart (Tan 2018) and in regional areas like the NSW North Coast (Dapin 2018), and many of the same questions and concerns discussed here are also being raised in these communities. Instead, the focus on Sydney and Melbourne

primarily reflects the fact that much of Airbnb's early growth in Australia was centred in these capital cities, thus providing more extensive datasets to study for these locations.

2 How might short-term letting affect housing opportunity?

The rapid growth of the three largest STL companies, plus a growing cohort of smaller competitors, indicates that STL is likely to remain big business into the future.

STL is not a new form of economic activity—hosts sharing their primary place of residence have long been a feature of urban housing markets (e.g. taking in lodgers, B&Bs).

Instead, STL platforms have fundamentally changed the scale of this activity by making it more efficient and less risky, and by significantly reducing the search costs involved.

Existing research on the STL platforms and the ‘sharing economy’ more broadly suggests that the growth in STL affects different housing market participants in very different ways.

Existing home owners will likely benefit over time from the rise of STL platforms, as these sites offer a flexible means of monetising housing wealth for the purposes of consumption. For prospective home owners, however, STL earnings may be capitalised into higher purchase prices.

There are few benefits for tenants, however, with the rise in STL likely to cause greater uncertainty for prospective tenants seeking LTR, and risks and restrictions limiting the ability for current tenants to use the platforms to sublet.

This chapter responds to RQ1 by providing an overview of the different ways in which STL platforms like Airbnb have the potential to affect private housing opportunity in Sydney and Melbourne. It outlines the nature of STL platforms like Airbnb and the types of housing and sharing activity they facilitate, and examines how the growing popularity of these platforms might benefit or disadvantage different housing market participants in these two cities. To do so, it draws on the results of a detailed review of the burgeoning body of academic and policy literature about STL and the so-called ‘sharing economy’ more broadly.

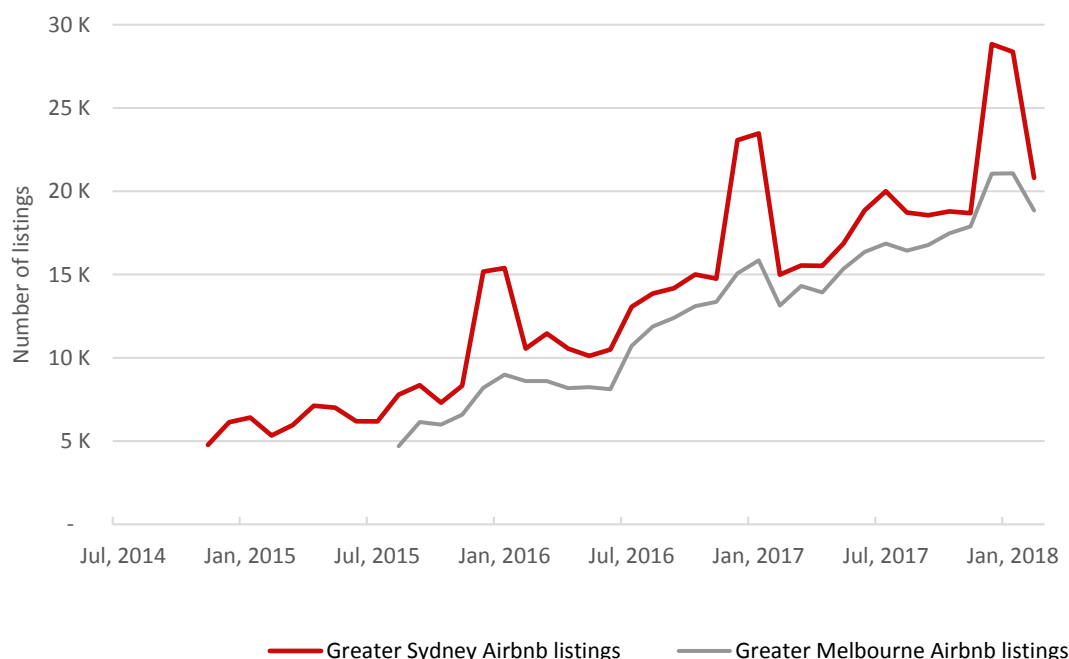
2.1 What are digital short-term letting platforms?

Digital STL platforms are websites that enable hosts offering accommodation to connect with guests seeking short-term stays, in return for a commission. Airbnb is not the only STL platform operating in Australia, although it arguably has the highest profile. The most significant competition comes from Booking.com (which claims more STL listings worldwide than Airbnb) and Stayz (recently rebranded as HomeAway after being bought by global online travel giant Expedia). The rapid growth of all three companies, plus a growing cohort of smaller competitors, indicates that STL is likely to remain big business into the future.

By mid 2018, Airbnb claimed to have facilitated over 300 million guest arrivals in more than 5 million listings across 191 countries (Airbnb 2018a). In the year to January 2018, Australian Airbnb hosts turned over \$978 million in revenue, from over 6 million guest arrivals (Tabakoff

2018). Airbnb's reach in Sydney and Melbourne is certainly significant, and continues to grow (Figure 1).

Figure 1: Airbnb listings for Sydney and Melbourne (Aug 2015–Feb 2018)



Source: authors, based on analysis of AirDNA.co data

Globally, Airbnb was valued at over \$US 30 billion in May 2017 (Bort 2018). STL platforms like Airbnb also now support a sub-economy of service businesses, with companies offering everything from Airbnb house-cleaning, to property management, to analytics software (Gopal and Perlberg 2015; Coldwell 2016).

Airbnb's stated goal is to '[leverage] technology to economically empower millions of people around the world to unlock and monetize their spaces, passions and talents to become hospitality entrepreneurs' (Airbnb, n.d.a). The company is regularly held up as a leading player in the 'sharing economy', a somewhat nebulous term used to describe digital platforms that allow participants to easily share—or, more often, trade for money—excess capacity in assets and services (Benkler 2004). It is also commonly referred to as a 'disruptive' technology, i.e. a digital tool that fundamentally changes the basis of competition in an industry (Danneels 2004).

In the recovery from the global financial crisis (GFC), both the sharing economy and disruptive technologies were embraced by many governments, entrepreneurs and commentators as delivering new forms of economic opportunity to local and national economies (e.g. NSW Government 2015). But while STL platforms like Airbnb have benefited from the positive associations wrapped up in the 'sharing economy', in practice Airbnb's business model is only partly about sharing (Crommelin et al. 2018), and the disruption it causes is complex. The next section explores these relationships in more detail.

2.2 Is short-term letting really about sharing?

The sharing economy's meteoric growth has partly been driven by claims about its potential to address current social, economic and environmental concerns, making businesses of all kinds keen to associate with it (Schor 2014). The very idea of sharing also conjures up positive cultural associations, which then flow over into perceptions of sharing economy participants. As

Zale (2016: 525) points out, 'labels are powerful agenda setters', and the phrase 'sharing economy' evokes a trend towards more socially conscious business models.

Much of Airbnb's promotional material emphasises the site's role in facilitating home sharing, as Slee (2015: 12) notes:

Airbnb is the poster-child for sharing: in its public statements and in its marketing it actively promotes a bucolic 'shared city' where 'local mom and pops flourish again ... that fosters community, where space isn't wasted, but shared by others'.

By focussing on this sharing aspect of STL, Airbnb also claims to support better housing outcomes for its hosts, by enabling middle-class residents to retain a foothold in expensive housing markets (Hunt 2016).

It is important to note, however, that hosts using STL to share their primary place of residence ('house sharing') are engaging in forms of economic activity that have a long history in urban housing markets (Schreter and Turner 1986; Jefferson-Jones 2015), from private boarding and lodging (O'Hanlon 2005) to share housing (Clark and Tuffin 2015). It is worth asking, therefore, why the STL facilitated by platforms like Airbnb is often portrayed as a novel or innovative activity. Why, for example, is Airbnb part of the 'sharing economy', while traditional bed and breakfasts (B&Bs) are not? Even sharing economy participants are not certain, as Schor (2014: 2) discovered: '[w]hen I posed these questions to a few sharing innovators, they were pragmatic, rather than analytical: self-definition by the platforms and the press defines who is in and who is out.' This response is telling, as it suggests that the 'sharing economy' label is as much a branding tool as a descriptor for new forms of economic activity.

But while precedents like B&Bs involved relatively small-scale economic activity—in part restricted by high search costs—STL platforms have harnessed new peer-to-peer digital platforms to dramatically 'upscale' house sharing and access a new global market. Sites like Airbnb have made house sharing far easier and more efficient for hosts. These practices have also become less risky for the operators, as Airbnb handles the payment processes and provides a form of quality assurance through its online review system.

While the capacity of these platforms to simplify and de-risk transactions helps to explain the dramatic growth of STL, the shift in public attitudes towards house sharing that has flowed from these digital developments is nonetheless striking. In a relatively short period of time, platforms like Airbnb have contributed to a significant shift in how we conceive housing and homes, as Roelofson (2018: 27) explains:

these platforms explicitly mark out people's private spaces—homes—as sites for and of production and consumption; a potential income-generating sphere ... In the "sharing" economies of tourism, home ... in its entire materiality and imaginary is conceived of as a commodity—whether paid for or not.

On one hand, this shift in perceptions might help to facilitate more efficient use of housing, some of which is arguably underutilised; for example, current estimates suggest there are up to 8 million spare bedrooms across Australia (Duke 2017). On the other hand, the idea that the expansion of commercial tourism operations into what were previously private homes constitutes a cultural embrace of 'sharing' practices warrants scrutiny. In this regard, comparisons between STL platforms like Airbnb and predecessors like Couchsurfing are illuminating (e.g. Jung et al. 2016; see also Martin 2016).

In any case, while sites like Airbnb have made house sharing more popular and economically efficient, this is not the only service STL platforms provide. Even more significant, at least from a housing market perspective, is that platforms like Airbnb also facilitate the rental of entire units as a commercial enterprise. Because STL provides housing investors with an alternative source of income to LTR, it is clear that many properties advertised on Airbnb and related platforms are now permanently available for STL. This means they are 'shared' only with other visitors, not

residents. The obvious implication is that these properties (which we call ‘commercial lets’) have been removed from the LTR market, and now provide permanent tourist accommodation instead.

In other words, while platforms like Airbnb were designed to disrupt the short-term tourism accommodation market, they do so by providing access to assets designed to service an entirely different market: the long-term housing market. In doing so these platforms may create greater competition for access to investor-owned housing, particularly in tourist-friendly areas. This has little to do with sharing, but has a potentially significant impact on housing markets in areas in which these platforms operate. With housing affordability a significant concern in cities worldwide, this is an increasingly pressing question.

Interestingly, recent academic research is now also raising broader questions about the nature of the sharing facilitated by sharing economy platforms, arguing that they disproportionately benefit more privileged members of society. This applies in particular to home-sharing platforms like Airbnb, which require having access to a valuable housing asset before you can monetise it. Ladegaard (2018: 397) argues that the sharing economy reinforces the advantages already held by those with housing assets and technological savvy, for whom sites like Airbnb have ‘both literally and metaphorically opened doors to a market through which they can amass economic, cultural, and social forms of capital.’ Schor (2017: 269) is more explicit, claiming that:

On the basis of our research, we believe that platforms are increasing the incomes of the upper portion of the bottom 80% of the income distribution in two ways. The first is that well-off and highly educated providers are using the platforms to increase their earnings. The second is that this group is doing work that is traditionally done by people of low educational status.

Recent research by Alizadeh et al. (2018) also supports this conclusion in the context of Sydney and Melbourne. So rather than STL platforms ‘democratizing capitalism’ (Levin 2016), as Airbnb has claimed, these scholars argue that these sites do little to share the benefits of the sharing economy with those at the lower end of the economic spectrum. In other words, this research suggests that the impact of the growth in STL will affect different market participants in very different ways. The next section examines this claim in more detail.

2.3 How might short-term letting platforms affect housing market participants?

Given their extraordinary reach, sites like Airbnb have enabled a radical upscaling of previously marginal forms of housing activity, creating a fundamental shift in how our housing markets operate. In this regard, STL platforms stand alone among the pantheon of major sharing economy participants. While Uber’s business model is similar (facilitating the use of private vehicles as publicly accessible transport), demand for more cars can quite easily be met with new supply. New housing supply is harder to produce, however, as housing markets are highly inelastic, particularly in densely developed big cities with high land prices (MacLennan et al. 2015; MacLennan et al. 2017). This makes it more difficult for housing markets to absorb the impact of STL without affecting prices.

Assessing STL’s impact on housing markets requires assessing the extent to which these platforms are being used to share spare housing capacity, or to monetise housing in a way that prevents its use as LTR accommodation. As the previous section identified, there are different forms of economic activity taking place via STL platforms. To determine the impact of sites like Airbnb on private housing markets more broadly, it is necessary to unpack these different uses in more detail. One way to do this is to examine the potential impact on the different participants in these markets. For consumers in these housing markets, the disruption caused by Airbnb

may reshape access to housing in both positive and negative ways. In large part, this depends on their existing housing circumstances.

2.3.1 Potential impacts on home owners

Owner occupiers

One of Airbnb's key promotional messages has been to emphasise the financial benefits of STL for home owners, arguing that it supports the middle class by helping hosts to cover their own housing costs (Hunt 2016). To support this claim, it cites internal research findings (Airbnb, n.d.b) that show:

- 52 per cent of hosts are low to moderate income
- 53 per cent claim 'hosting helped them stay in their home'
- 48 per cent of host income is used 'to pay for regular household expenses like rent and groceries'.

Airbnb also claims that these findings are widely accepted, citing additional commissioned research to show that 'more than two in three [respondents] nationwide ... believe that Airbnb helps middle class families afford their homes' (Airbnb 2016). But critics have questioned these findings (see Levin 2016), and Airbnb itself provides limited information about how their research is conducted. For the statistics cited above, for example, the company notes only that 'we conducted economic impact studies in San Francisco, New York, Paris, Amsterdam, Athens, Barcelona, Berlin, Boston, Edinburgh, London, Los Angeles, Montreal, Portland, and Sydney. The data above is an average of our findings from those studies'. To date, there has been little independent research available to corroborate these claims.

Nonetheless, STL platforms do have the potential to improve the housing prospects of home owners, by offering a flexible means of monetising housing wealth for the purposes of consumption and protection against adverse financial circumstances. By allowing home owners to earn money from their home, home sharing provides a way to mitigate their housing costs, and helps to insulate them in the event of unexpected repairs or housing market downturns (Jefferson-Jones 2015). Similarly, Ellen (2015) claims that the success of Airbnb illustrates that there *is* excess capacity within existing housing stock, and that many people are willing to forego some privacy in return for compensation. Home sharing might therefore be seen as a new strategy for supporting low-income home owners, providing a financial buffer by temporarily converting housing wealth into discretionary income. This would be consistent with the findings of previous research in Australia suggesting that the use of other housing wealth-extraction strategies by homeowners most commonly reflect a need to 'buffer' the household against pressing financial needs (Ong et al. 2013).

But looking at Airbnb specifically, Gurran and Phibbs (2017: 89) argue that available data 'suggest that only a small sector of the population benefits from Airbnb income', and that the income earned by Sydney's home-sharing hosts is relatively small, except in a few key inner-city locations:

Those who do list rooms and beds on Airbnb, however, are obtaining rental income equivalent to 10% to 19% of median rents and mortgages. In Waverley, where the practice is most prevalent, renters or homeowners receive around AUD\$294 per month, or 10% of municipal median rent or mortgage expenses. Airbnb rental income makes an even greater contribution to housing expenses in Leichardt and Sydney, rising to nearly 20%.

Even this more targeted view, however, does not identify the type of households using Airbnb in those areas, i.e. whether they are lower-income households using Airbnb to meet housing costs in expensive markets, or whether it is additional income for those with no or low housing costs, or housing costs otherwise covered by higher incomes.

Looking more broadly at lower-income households in the Australian owner-occupied sector, the potential housing benefit of STL may be considered in terms of how many are insecure in their housing because it is not affordable for them. While measuring mortgage stress accurately can be challenging (AHURI 2018), research by Yates (2016) shows that 21 per cent of all owner-purchasers in Australia in 2013–2014 were paying more than 30 per cent of their income on housing costs (a common rule of thumb for identifying housing stress). This included 47 per cent of owner-purchasers in the bottom two income quintiles, and 21 per cent of middle-income earners (Q3). Similarly, ABS (2016) figures show that for owners with a mortgage in the bottom two quintiles, 25.1% pay between 30 and 50 per cent of their income on housing costs, while 16 per cent pay more than 50 per cent. On the other hand, a recent assessment by the RBA concluded that, taking into account a range of different measures, ‘while debt levels are relatively high, and there are owner-occupier households that are experiencing some financial stress, this group is not currently growing rapidly’ (Bullock 2018).

Yet while monetising excess housing capacity via STL may improve affordability and security for some homeowners experiencing mortgage stress, in the aggregate it also risks making entry into home ownership even more challenging, by pushing up prices. As Gurran and Phibbs (2017: 90) argue:

The risk for aspiring home purchasers in these locations over time, however, is that this mortgage ‘relief’ might become capitalized into housing prices, undermining any affordability benefits.

A striking example of the ways in which the prospect of income from Airbnb may be affecting decisions about housing purchase and finance is the emergence of Loftium, a finance company that lends deposits to would-be home purchasers, in return for their agreement that the premises will be shared on Airbnb and the income directed to Loftium. The Loftium website includes a widget that calculates how much more its clients could spend on housing, compared to others in similar financial circumstances. Meanwhile, for existing owners, Airbnb has negotiated with certain US lenders for home sharing incomes to be recognised in mortgage refinancing (Airbnb 2018b), thus integrating STL income into existing housing finance processes.

Together, these developments point to the conclusion that Airbnb’s potential to enhance incomes is better viewed in terms of the increased financialisation of housing (Aalbers 2016; Allon 2010), than increased affordability. Financialisation, as Aalbers puts it, is ‘the process by which something or someone is managed as a fund’ (2016: 2). STL platforms facilitate this by encouraging the perception of spare rooms as capacity to be invested in and monetised.

Investor owners

Looking beyond the impact of property owners sharing their own homes, STL opens up possibilities for persons owning properties other than as their primary residence. Whereas most investor-owners currently fund their investment by letting the premises as a long-term residence, STL platforms provide a viable alternative to LTR as a source of returns that also allows for different uses of the property (e.g. the owner’s own occasional stays). If investors switch, the result is less housing stock available to the private residential market, which already offers limited opportunity for many consumers.

There is anecdotal evidence that the rise of STL is reshaping the market for and use of investment properties in Australia. For example, a recent press report cited real estate agents claiming investors will pay a 2–3 per cent premium for properties ‘with a rental record that shows a higher-yielding Airbnb income stream’ (Bleby 2018). Other reports claim it is possible to achieve significantly higher yields for STL properties over LTR (Megginson 2015; Smith 2017). Of particular note here is Gurran and Phibbs’ (2017: 88) claim that ‘frequently listed Airbnb rentals provide lucrative income, exceeding permanent rental income for greater Sydney by more than AUD\$600 per month.’ Interestingly, however, such claims were challenged in a study

by the Tenants Union of NSW, which showed that ‘across Sydney, the number of nights listed on Airbnb required to cover the median rent for the same size property in the same postcode is 194 nights each year’—a difficult booking rate to achieve in many areas (TUNSW 2017: 9). The report concluded that most Airbnb hosts aren’t actually trying to earn the same income with STL as they could with LTR. This in turn suggests that if conversions from LTR to STL are occurring, they are driven by factors beyond purely financial considerations.

This conclusion highlights a key point that has yet to receive significant consideration in debates over STL; namely, were investors now listing properties on STL platforms previously offering them for LTR? In both Sydney and Melbourne, there is evidence of significant numbers of so-called ‘ghost houses’—properties (mainly apartments) simply left vacant by wealthy investors (Troy and Randolph 2016; Cashmore 2014). If these properties are now being used for STL, then no tenants would have been displaced. Equally, however, these circumstances highlight what might be regarded as a pre-existing distortion that allocates potential housing stock to vacant holding. With the right setting of policy levers, that stock might instead be brought into residential rental use, to alleviate tight markets in Melbourne and Sydney. This underlying market context needs to be kept in mind when considering the potential impact of STL on renters, as the next section demonstrates.

2.3.2 Potential impacts on renters

For current and potential tenants in markets where STL is growing rapidly, the disruption may reshape their opportunities to access housing in both positive and negative ways. While much of the focus has been on the impact of STL on tenants seeking entire-home rental properties, the likely impacts of STL on rental markets are broader.

For current tenants, the growing popularity of STL could mean an increased risk of having their lease terminated, if the owner decides it is more profitable or convenient to list the property on Airbnb instead. Anecdotal evidence of this practice has been reported for some years, including in Sydney (Williams 2016; Parkinson et al. 2018) and in rent-controlled apartments in the US (Hill 2015; Poston and Khouri 2015). However, it is also clear that some tenants have benefited from STL, using sites like Airbnb to sublet part or all of their rental property. The legality of such subletting has been unclear, and is discussed in more detail in Chapter 5. Suffice to say that the legal limitations and uncertainty regarding the subletting of part or all of a rented property mean that tenants are not free to benefit from STL to the same extent as property owners. This means the rise of STL provides yet another context in which the Australian housing systems treat tenants inequitably in comparison to owners.

For prospective tenants, the impact of STL’s rise is likely to be primarily negative. For those seeking LTR of an entire property, the growing popularity of STL offers few, if any, potential benefits. Indeed, the unaffordability of rental markets in Sydney and Melbourne, particularly for lower income renters, is already well documented (SGSEP 2017). In this context, even a small reduction in available rental property is concerning.

For prospective tenants seeking short-term or shared accommodation, the story is a little more mixed. On one hand, if STL platforms are indeed helping to shift cultural attitudes about home sharing, this may improve the prospects for those seeking shorter-term accommodation by opening up a bigger pool of assets (both private rooms and entire homes shared temporarily). In this way, broader mainstream acceptance of STL could ease some pressure on the existing rental market. Recent research has found STL being used informally in Melbourne and Sydney as a transition rental option for students (particularly international) upon arrival, although not as an overly affordable solution (Parkinson et al. 2018). Similarly, anecdotal evidence suggests that areas such as Bondi in Sydney house a disproportionately large share of itinerant residents like working holidaymakers and international students (van den Nouwelant et al. 2016). Certainly, such temporary residents are a significant feature of the Sydney housing market more broadly, and one which is not well documented, as Hugo (2005: 36) notes:

A fundamental research question in Australian housing which has simply not been addressed is: What is the effect of the massive shift in Australia's international migration paradigm on the housing market. This is especially the case in Sydney which takes a disproportionate share of temporary residents coming to Australia. Last year more than a quarter of a million people obtained temporary residence in Australia. Probably more than half settled in the Sydney region. Yet this factor does not seem to be factored into discussion about Sydney's housing problem.

By 2011, the number of working holidaymakers alone in Australia had almost doubled to 100,000, while the number of students on visas had more than tripled to almost 400,000 (Connolly, Davis et al. 2011). If STL is now providing more flexible share-housing options for these temporary residents, it may free up other property that is better suited to LTR. At the same time, however, the rise of STL has also opened up competition from tourists for the use of residential properties in these neighbourhoods. Therefore, the likely net impact of these kinds of potential market shifts is not clear cut.

For prospective tenants seeking longer-term sharing arrangements, the likely impact is also mixed. On one hand, some private room accommodation now advertised on STL platforms may previously have been made available to long-term tenants, meaning a decrease in available options. On the other, broader mainstream acceptance of STL could ease some pressure on the market for shared rental spaces over time, by prompting new owners to make space available in their homes. Following this argument, once hosts have taken the leap into sharing by hosting on sites like Airbnb, some may subsequently convert to longer-term share arrangements, particularly if STL profits drop. However, the prospect of such a shift is entirely speculative. If it does occur, it is unlikely to be on a sufficient scale to counteract the loss of shared rental spaces being converted to STL.

2.4 What possible regulatory responses have been proposed?

Given this complex mix of downsides and benefits, the question of how policy makers should respond to the rise of STL clearly requires careful consideration. Academics have debated a range of possible approaches (see Leshinsky and Schatz 2018 for an overview). Early on, Guttentag (2015) proposed fully legalising STL platforms to enable regulatory oversight and taxation. This would integrate STL into the formal economy, so that governments could prevent 'free riding'. Miller (2016) also argued that the sharing economy should be 'daylighted', and that it requires a response beyond traditional 'command-and-control' regulation. A model of transferable sharing rights was proposed to achieve this, using algorithms and rental data from STL platforms. By contrast, planning and housing scholars have argued that with some revisions, existing zoning and residential development controls can help to minimise the negative impacts of STL (Gurran 2018; Gurran and Phibbs 2017), and should potentially be used to impose limited or complete bans on STL in some circumstances (Lee 2016).

A number of regulatory responses have also been debated in the Australian policy context (Haylen 2015). In a 2016 report, for example, the Grattan Institute proposed that laws concerning short-stay accommodation should focus on limiting noise and loss of amenity (Minifie 2016). Similarly, in a study commissioned by the NSW Business Chamber, Lyons and Wearing (2015) conclude that a 'light touch' is preferable when creating regulatory frameworks for the sharing economy.

Beyond the conceptual debates, however, regulating STL effectively means solving the challenge of enforcement. As cities around the world have discovered, new regulations have limited benefits if enforcement is left to city authorities with tight budgets and limited data access. As Leshinsky and Schatz (2018: 8) explain, '[planning] enforcement in general is expensive and time-consuming, and STRs only add another degree of complexity, given how difficult they are to detect.' The unavailability of accurate data is also a significant impediment to

effective regulation of STL. While Airbnb now seems somewhat more willing to share its data with governments (and will be required to do so as part of the new regulatory regime in NSW), early regulatory efforts confronted challenges in this regard. For example, activist website Inside Airbnb argues that Airbnb has misrepresented its listings in New York City. By comparing data collected directly from the site and the data released officially in Airbnb's report, Cox and Slee (2016) found that Airbnb purged over 1,000 entire home listings for New York City. Officials responded with disapprobation, with State Senator Liz Krueger claiming the data showed that Airbnb was not inclined to assist regulatory efforts by removing 'bad actors' from the site.

Given this history, there is clearly a need for independent, detailed empirical work to assess the impact of STL on different groups of urban residents, in order to inform regulatory responses. To this end, the next chapter provides a quantitative examination of the impact of STL on current and prospective rental market participants using Airbnb listing data, thereby addressing RQ 2. Chapter 4 then addresses RQ 3 by demonstrating how STL is reshaping the housing prospects and decisions of existing and potential Airbnb hosts (both owners and tenants). In these ways, this report offers the broadest assessment to date of the likely impact of STL on the nature of housing opportunity in Australia's two largest cities.

3 Where and how is Airbnb being used in Sydney and Melbourne, and does this impact housing markets?

The impact of Airbnb listings on rental housing markets has been very localised in both Sydney and Melbourne:

- In Sydney, Darlinghurst, Manly and the eastern beach suburbs of Bondi, Tamarama and Bronte have been the focus of Airbnb activity, accounting 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, accounting for between 8.6% and 15.3% of rental housing stock.

The impacts of Airbnb on rental supply have been offset by:

- Substantial dwelling growth in Melbourne
 - Large numbers of dwellings that are otherwise outside of long-term housing supply, including large numbers of unoccupied dwellings.
-

The broad aim of this chapter is to answer RQ2 by examining how and where Airbnb is being used across Sydney and Melbourne, and to determine what the impact might be on housing opportunity. Specifically, we are interested in investigating how STL might be impacting the availability and affordability of private LTR.

There is a range of both local and international research that has tried to understand the implications of STL for long term housing. This research has focussed on different facets of STL, though notably housing outcomes have been a central concern, with much of it seeking to understand impacts on long-term housing options. One of the most comprehensive reviews to date looks at three Canadian cities (Wachsmuth et al. 2017). The authors reach a number of conclusions that suggest Airbnb is having a significant impact on housing supply, estimating that some 13,700 homes have been removed from the rental market in Montreal alone. In Toronto and Vancouver, the number of Airbnb listings represents approximately 2 per cent of the rental stock, which is equivalent to the rental vacancy rate in each city.

Looking at Sydney, Gurran and Phibbs (2017) reach some similar conclusions, noting that 3.26% of Sydney's rental stock was being made available for STL on Airbnb, and a third of these represent properties where hosts have multiple listings. Subsequent work by Alizadeh et al. (2018) similarly shows Airbnb listings as equating to 3.38% of Sydney's total rental stock, and 2 per cent of Melbourne's rental stock.

Interestingly, Gurran and Phibbs (2017) also suggest that income generated from an Airbnb listing exceeds permanent rental income by more than \$600 per month, offering a powerful incentive for people to list their property as STL. However, this is countered by a report by the Tenants Union of NSW, which found that Airbnb has had little impact on rental prices in Sydney, and that it is not easy to make the same profit from Airbnb rental as LTR (TUNSW 2017). It is worth noting, however, that Airbnb may provide other benefits for investors beyond income, including the flexibility to occupy the property from time to time, the decreased risk of unpaid rent, and less wear and tear on the property (Megginson 2015).

By contrast, however, research commissioned by Airbnb in the US shows that it does push up rents in major cities, but only slightly (Kusisto 2015). This conclusion is shared by Horn and

Merante (2017), who predict an increase in asking rents in Boston of just over 3 per cent in areas with high rates of Airbnb. In other US research, Samaan (2015) finds that in Los Angeles, nearly 90 per cent of Airbnb's revenues are generated by hosts or leasing companies renting out either whole units, or two or more units. With high concentrations of Airbnb listings in areas with higher rents and lower rental vacancies, the report argues that renters are ultimately disadvantaged. It calculates that the 7,316 units taken off the rental market by Airbnb would equal seven years' of affordable housing construction in Los Angeles (Samaan 2015). Lee (2016: 253) reaches similar conclusions regarding STL's 'corrosive effects on fair and affordable housing' in Los Angeles, arguing that the rise of STL is also contributing to broader gentrification processes.

Existing research also shows that, at least in some cities, hosts with multiple listings account for a disproportionate number of listings. In San Francisco in 2015, 4.8 per cent of hosts had three or more listings, but together run up to 18 per cent of the city's listings (Said 2015). Similarly, in Boston, Horn and Merante (2017) found 18 per cent of hosts were responsible for 46 per cent of listings. In New York City, another report found that up to 30 per cent of Airbnb listings came from commercial hosts and were thus highly profitable businesses (BJH Advisors 2016). It concluded that STL is displacing long-term housing, and revenues from STL come largely from gentrified or rapidly gentrifying neighbourhoods.

The unevenly dispersed nature of STL's impact on rental markets is also highlighted in research on Sydney and Melbourne (Alizadeh et al. 2018) and London (Quattrone et al. 2016). Both studies indicate that Airbnb listings tend to be clustered in areas where residents are likely to be more tech-savvy and well to do. Further analysis by Quattrone et al. (2016) also shows that room listings tend to be offered in areas with highly-educated non-UK born renters, while entire home listings tend to be offered in areas with more expensive homes.

The emergence of Airbnb has certainly been dramatic in many cities, and this emerging literature attempting to make sense of its impact has broadly been hampered by limited data, in part driven by the reluctance of Airbnb to make their databases available.¹ Cumulatively, this research demonstrates a diversity of uses of Airbnb by hosts, and consequently a differential understanding of potential impacts. A feature of much of this research is a lack of consistency in the assessment of different types of uses and how they may intersect with wider housing markets. This chapter, therefore, is structured around a conceptualisation of Airbnb as either 'sharing' or 'commercial', each having different implications for longer-term housing opportunities. This approach is discussed further below.

3.1 Conceptualising house share and commercial lets

As noted in Chapter 2, there has been a sustained and large growth in Airbnb listings across Sydney and Melbourne, but the overall numbers belie a complexity that makes it difficult to understand the broader impacts on housing markets. Chapter 2 sought to question some of the underlying motivations for STL listings and whether they represent a new shared form of house letting, or whether it is in fact making existing patterns of usage more visible. The central premise of the sharing narrative rests on the idea that there is excess capacity or a surplus of housing that is now being rented through STL platforms. Hosts, either because they have spare bedrooms or have spare time (when they are travelling), are able to put that dwelling to full use for a greater period of time or by fully occupying all rooms.

¹ Airbnb has also sought to impede research efforts in other ways, such as by removing advertisements by researchers from the Airbnb website, and by requiring that researchers who are given access to their data sign non-disclosure agreements (Schor 2017).

Notwithstanding some issues with the sharing narrative, it is reasonably clear that there is no standard listing type, and hosts rationalise their use in a range of ways (see Chapter 4). Rather than seeing the Airbnb platform and listings as homogenous in intention and outcome, our approach is to try and understand the different forms of letting and their different potential impacts on wider housing and rental markets.

From a housing point of view, we are interested in how many dwellings might have been taken out of circulation in the long-term private rental market, thereby reducing the supply of rental options. Dwellings being let for small parts of the year, while longer-term occupants are away, would not likely have otherwise contributed to added LTR supply. Similarly, it is questionable whether those who share a room on Airbnb are likely to otherwise make it available as a LTR option. In any event, the dwelling itself is otherwise being occupied by the Airbnb host.

To understand which Airbnb listings may have been taken out of circulation, we developed a way to separate listings that may represent full time, commercial lets, from other listings that represent some form of 'sharing' (sharing of space or time). A wider discussion of the conceptual rationale for this distinction can be found in Crommelin, Troy et al. (2018). The central premise, however, is to suggest that only properties that are both wholly available (entire properties) and highly available (more than 90 days per year) are likely to otherwise have a net impact on availability of rental stock in a given area. It is properties that fulfil both of these requirements that are identified as 'commercial lets' in the analysis that follows, with others labelled 'house shares'. It is noted that while the new NSW regulatory regime adopts a limit of 180 days, we have chosen 90 days as the threshold. This is consistent with approaches taken in other parts of the world (see Chapter 5) and represents a period of time that is considered to be the maximum period that long-term occupants could vacate their property without having to seek alternative long-term accommodation themselves.

3.1.1 Mapping Airbnb listings

Much of the existing research on Airbnb (e.g. Gurran and Phibbs 2017) has utilised data collected by a website called InsideAirbnb, which 'scrapes' listings from Airbnb's website. While Airbnb has tried to suggest that this data is unreliable, it is widely accepted as being a fair representation of Airbnb listings. However, InsideAirbnb is limited by the level of detail of data it can collect, as much of the information about booking history is not publicly facing data on the Airbnb website. The following analysis is based on data obtained from AirDNA, a company that (like InsideAirbnb) scrapes Airbnb listings each month, and reports on both availability and occupancy of each listing. These attributes have been derived based on an algorithm AirDNA has developed. While InsideAirbnb data is obtained using a similar web scraping method, it does not offer these additional time dimension or availability estimates.

Each scraped listing comes with a set of geographic coordinates that are listed on the public facing part of the Airbnb website, which have been randomised up to 450 feet (approximately 130 metres). Data points have been matched to ABS Statistical Area Level 2 (SA2) boundaries, which vary in geographic size. However SA2 areas have dimensions much larger than this randomisation factor and as a consequence counts based on SA2 boundaries will have small margins of error.

The AirDNA monthly data file was used to generate a timeline of all listings, with only those attributed as active in the relevant month included in the count. The AirDNA property level data file was used to generate counts of listings categorised according to activity. Only those listings that were scraped over a one-month period of March 2018 were included in the analysis, which therefore represents only those listings active at the time. As noted in Chapter 2, there is a strong seasonality to listings, particularly in Sydney, and March represents a date that sits outside this peak.

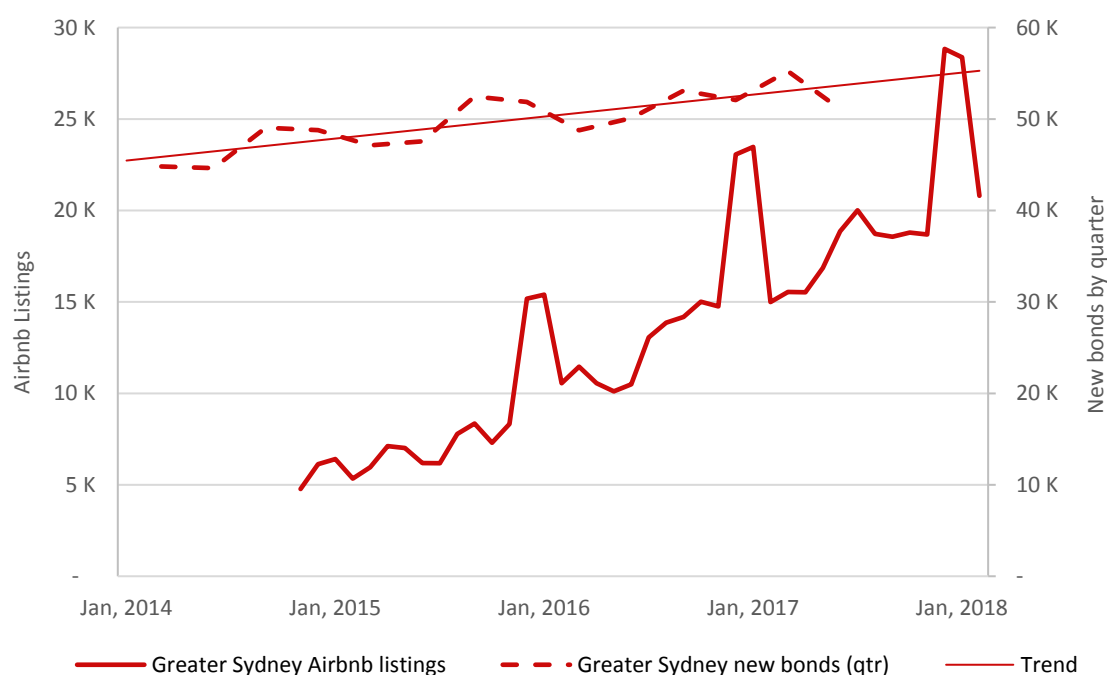
Listings have been compared with rental property estimates derived from ABS 2016 Census and rental bond data for both Melbourne and Sydney. Rental bond data has been compared based on aggregated point level data to SA2 levels.

3.2 Understanding Airbnb Impacts in Sydney

Sydney is currently in the top 10 cities for Airbnb listings globally, and as demonstrated by Figure 2, has seen strong growth in numbers of listing over the past four years, rising from approximately 5,000 in November 2014 to a peak of almost 28,000 in December 2017. Figure 2 shows all listing types, including house shares, and demonstrates that there is a very strong seasonal character to listings, rising from 18,000 in November 2017 to 28,000 in December 2017, before declining back to a little over 20,000 in February 2018.

As argued above, the central focus here is on whole dwellings that are available for extended periods. Table 2 shows the number of listings that have been classified as commercial lets and house sharing within the Greater Sydney region. Of a total of 23,121 listings in March 2018, 29 per cent (6,697) were categorised as being commercial, that is whole dwellings that are available for more than 90 days in the subsequent 12 months. Compared with a figure of over 500,000 dwellings being rented across the Greater Sydney Region (ABS 2016), it would appear that the total number of commercial Airbnb listings is insignificant by comparison.

Figure 2: Airbnb listings and new rental bonds lodged for Greater Sydney, 2014–2018



Source: authors, based on analysis of AirDNA.co data and NSW Rental Bond Board data

Table 2: Airbnb listings by type for Sydney, March 2018

	Total	Proportion
Commercial Let	6,697	29%
House Sharing	16,424	71%
Total Lets	23,121	100%

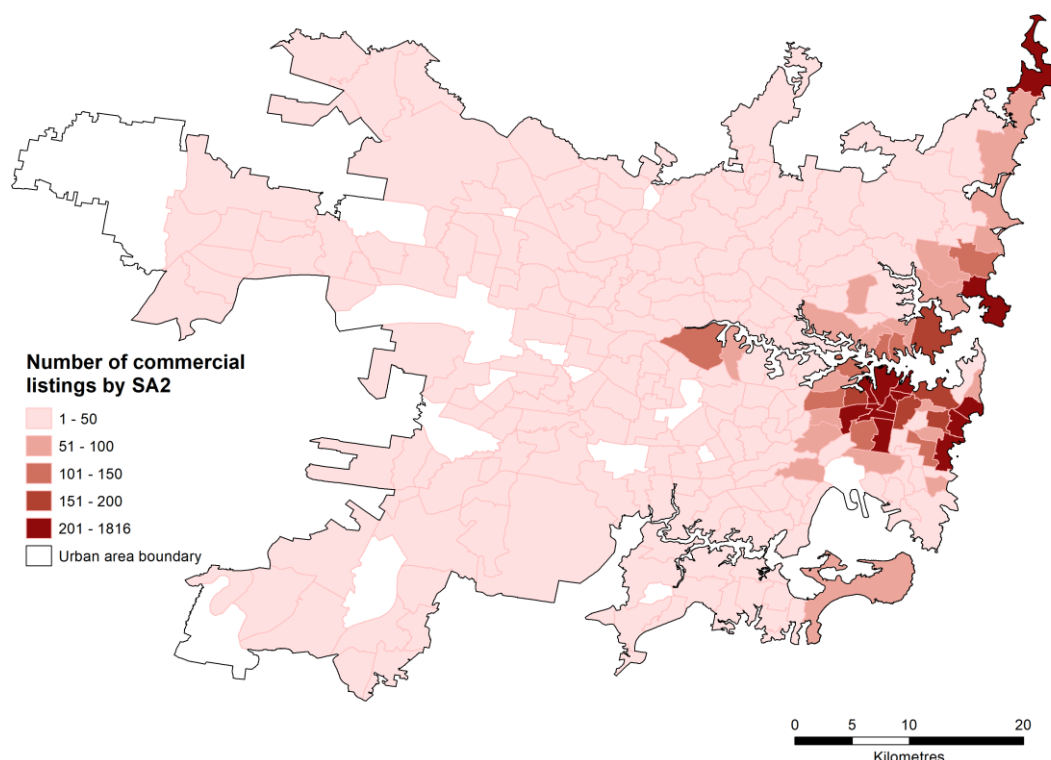
Source: authors based on analysis of AirDNA.co data

However, as has been previously noted (Gurran and Phibbs 2017; Alizadeh et al. 2018), there is an uneven geography of Airbnb listings. It is important to consider the distribution and concentrations at localised levels, as housing markets and mobility patterns of residents do not operate across the metropolitan region as a whole (Pinnegar et al. 2013). Figure 3 shows the number of commercial Airbnb listings by SA2 for Greater Sydney, and the concentration into different parts of Sydney becomes immediately apparent. The eastern suburbs generally, and Bondi, Bronte and Coogee more specifically, stand out as areas of high concentrations. Areas including and immediately surrounding the Sydney CBD form a second cluster, while there is a further concentration in Manly on the northern side of harbour. The only other significant area is Palm Beach at the northern tip of the Northern Beaches; however, as discussed later, this forms part of a qualitatively different housing sub-market.

Figure 4 compares the number of commercial Airbnb listings to the number of rental dwellings as counted by the 2016 census, to give an estimate of the stock of rental housing that may be accounted for by Airbnb listings. As shown in Figure 4, there are a number of areas of high concentration, with Bondi–North Bondi SA2 showing the largest share, representing 14.7% of rental dwellings. Other areas of note include Bronte and Tamarama, Darlinghurst and Manly, with commercial Airbnb listings accounting for over 10 per cent of rental dwellings in these areas.

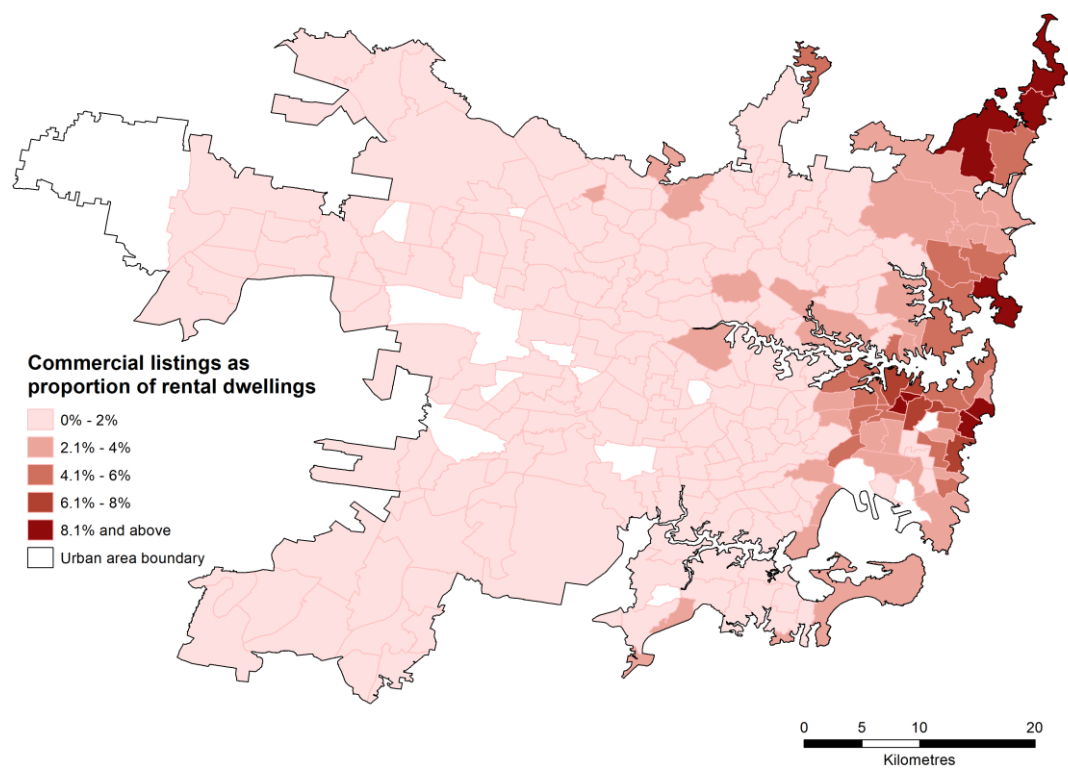
Figure 5 shows the number of house share listings by SA2 for Greater Sydney. The distribution is broadly similar to that of commercial listings, but appears slightly more dispersed, which mainly reflects the overall higher numbers of share listings as compared with commercial listings.

Figure 3: Number of commercial Airbnb listings in Sydney by SA2



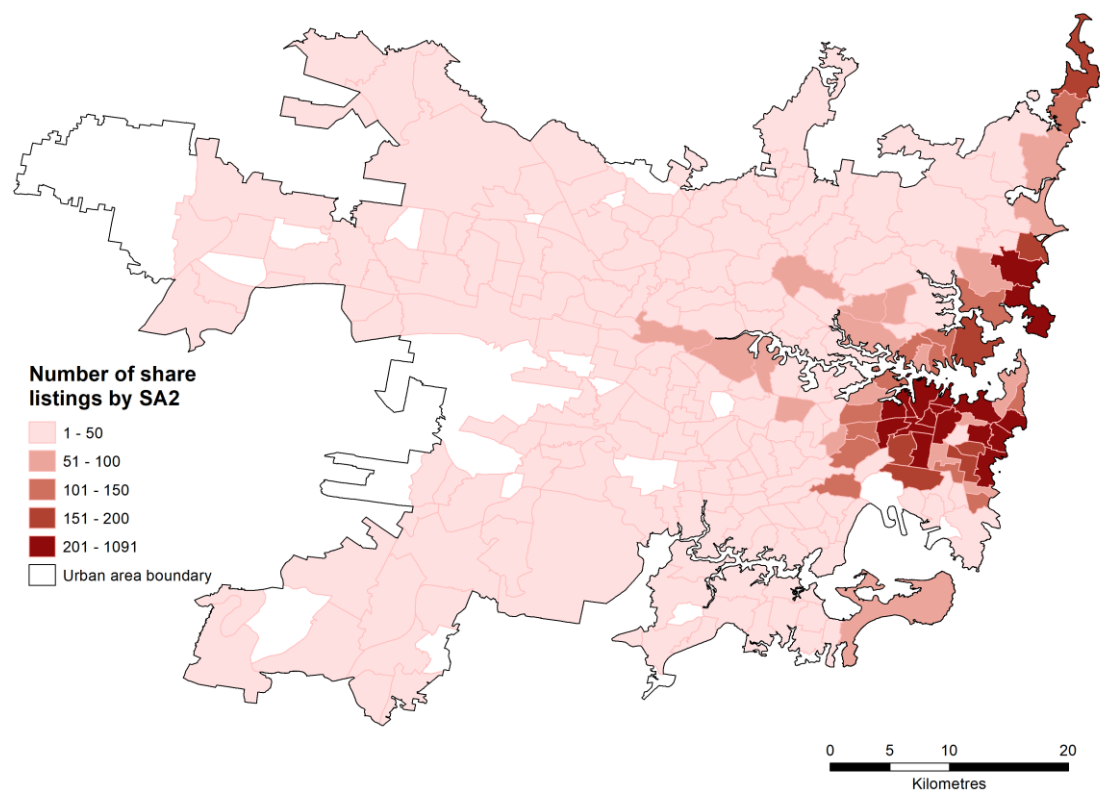
Source: authors.

Figure 4: Commercial listings as proportion of rental dwellings (ABS 2016) in Sydney



Source: authors.

Figure 5: Number of share Airbnb listings in Sydney by SA2

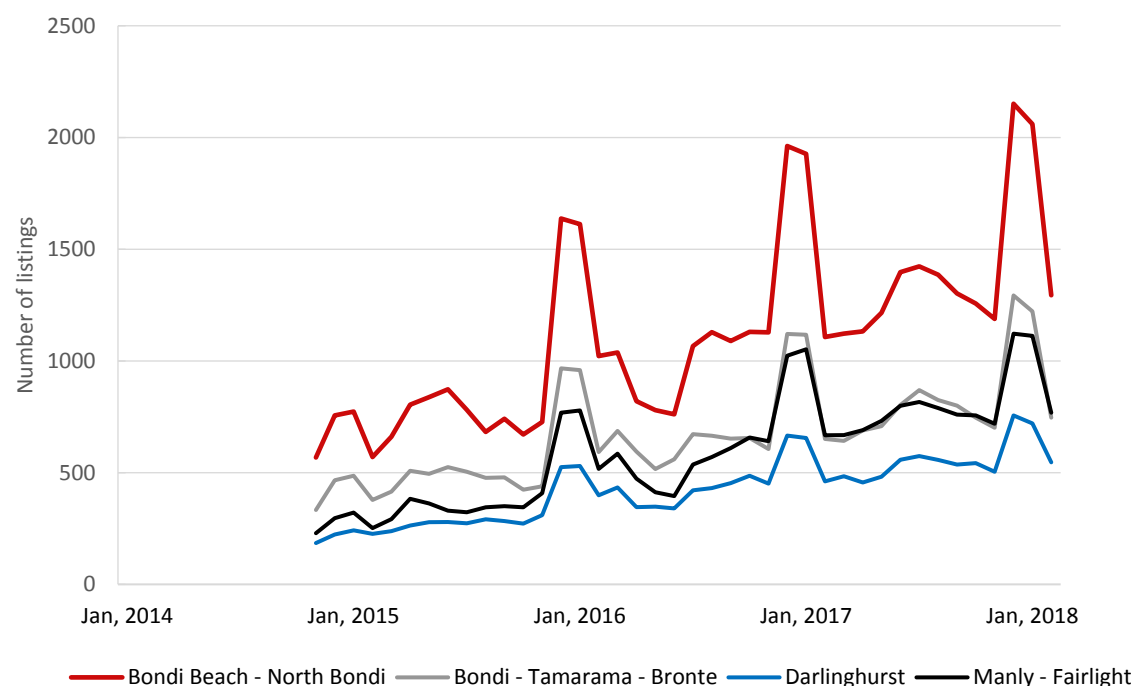


Source: authors.

At a localised level, Airbnb appears to at least offer the potential to substantially impact the supply of rental housing available. What is less certain, though, is the extent to which all commercial Airbnb listings would otherwise be rented in the LTR housing market. Figure 6 shows the top four SA2 with the highest ratios of commercial Airbnb listings to rental dwellings according to the 2016 census. In terms of overall numbers, Bondi–North Bondi is the clear standout in overall numbers and all four SA2s display the same seasonal characteristics to Sydney broadly. Figure 7 shows the number of new bonds lodged for each of the same SA2s by quarter. For each of the SA2 areas there has been an overall decline in the rate of new bonds being lodged coinciding with the rise in Airbnb listings.

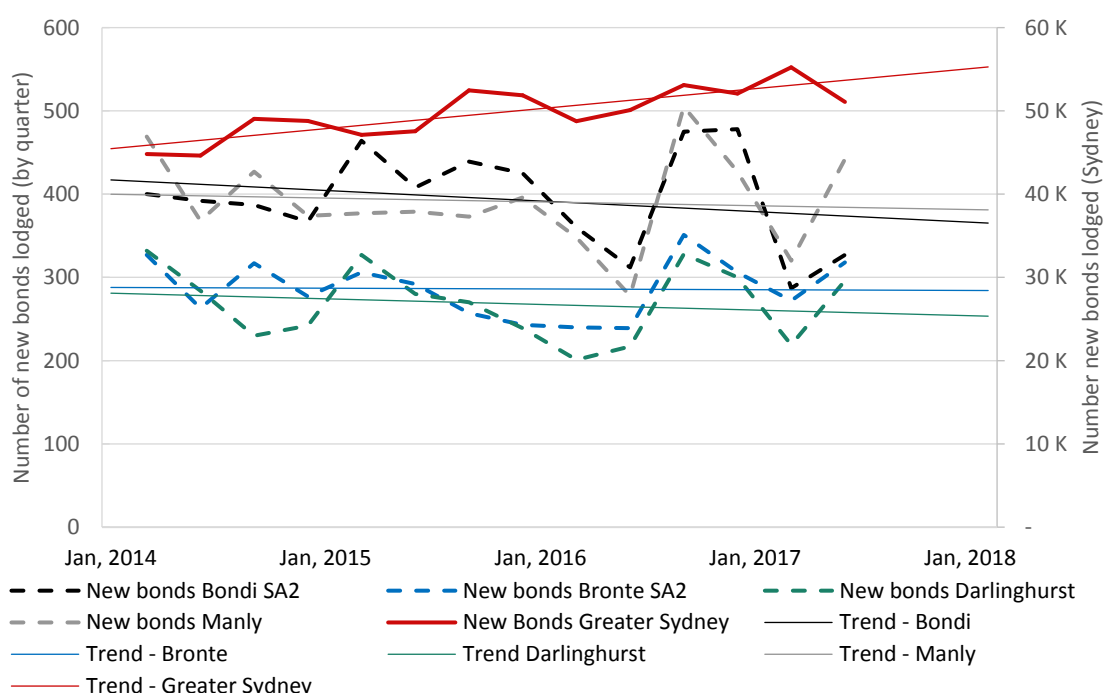
It needs to be noted that there is a high degree of volatility in the churn of rental bonds, and there may be other housing market factors that have driven the trend towards a decline in rental bond lodgements. That being the case, it could be expected that the overall pattern for Sydney as a whole would follow a similar trajectory, which has grown in aggregate terms. The dwelling stock in the areas explored in Figure 6 and Figure 7 has grown across the last two census periods, so all things being equal, the total pool of rental dwellings also ought to have grown. The general decline in bond lodgements does suggest that Airbnb is having some impact on the number of bonds being lodged in these areas.

Figure 6: Airbnb listings for selected Sydney SA2s, 2014–2018



Source: authors, based on analysis of AirDNA.co data

Figure 7: New rental bonds lodged for selected Sydney SA2s, 2014–2018

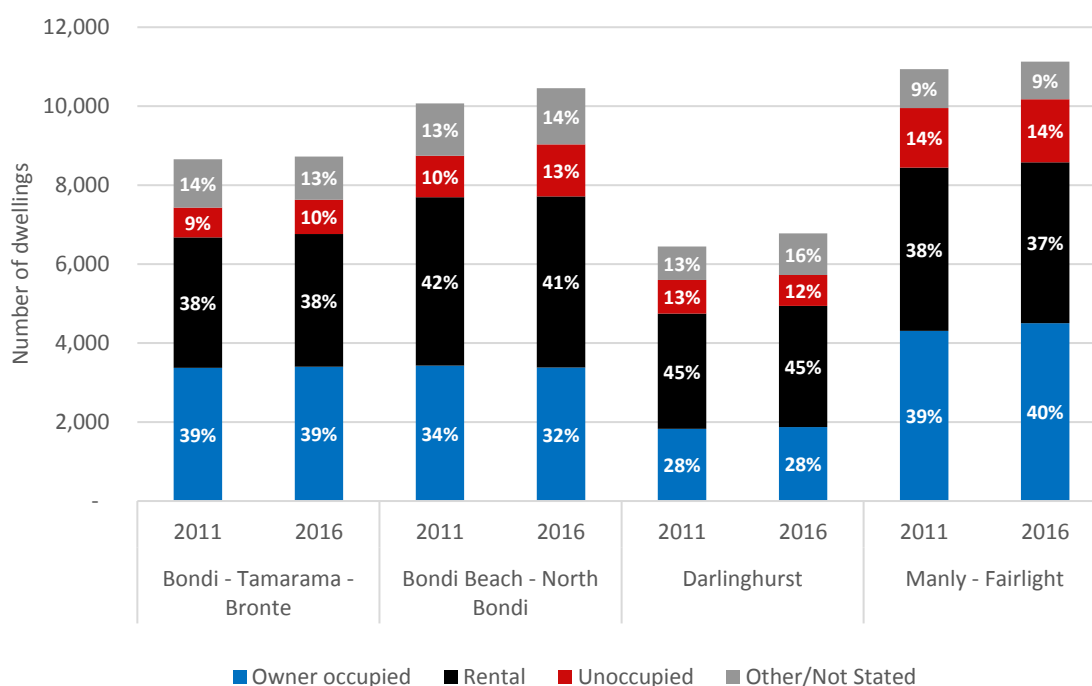


Source: authors, based on analysis of NSW Rental Bond Board data

The rate of decline in bonds does not match the rate of growth in Airbnb listings in these areas, suggesting that some dwellings entering the Airbnb pool may not have otherwise been rented as LTR. These four SA2s are also areas where much higher than average rates of unoccupied dwellings were registered at both the 2011 and 2016 census, ranging from 9.9% in Bronte/Tamarama to 14.3% in Manly in 2016, compared with 7.3% for Greater Sydney (see Figure 8). Notwithstanding issues with unoccupied dwelling counts, the fact that these areas record higher proportions suggests that there is an excess of dwellings that are deliberately not being used, even in the absence of Airbnb. This point is reinforced in Chapter 4, with some interviewees suggesting that, given a choice, they would leave their dwellings empty rather than rent them out long term. In other words, the impact of Airbnb on private rental in these areas has in part been offset by a large number of dwellings that do not generally form part of the available supply of housing.

Figure 8 also reveals that overall levels of rental dwellings has not declined between the census periods though, in the case of Bondi Beach and Manly, they have declined in overall share. In the case of Bondi Beach, owner-occupied housing has also declined in share and marginally dropped in real terms as well. This is in the context of 3.9% growth in dwelling numbers for Bondi. In other words, it ought to be expected that the total pool of both LTR and owner-occupied dwellings would have increased over this period, but it has remained relatively static in number terms. Any gains made in the overall stock of housing is not making its way into long-term housing options, suggesting the option of STL is adding to a package of incentives that are driving investment in housing that is unrelated to securing additional long-term housing options for residents in this part of Sydney.

Figure 8: Dwelling numbers by tenure at 2011 and 2016 census for selected Sydney SA2s



Source: authors, ABS (2016) Census of population and housing

One further indicator of commercial activity via the Airbnb platform is where multiple properties are being listed by the same host. In the case of Sydney, approximately 40 per cent of listings relate to hosts who have more than one listing (see Table 3). Multiple listings generally occur if a host has more than one property, or where property owners are using a third-party agency to manage the listing for them. Some 'hosts' identified across both Sydney and Melbourne had over 120 properties, suggesting they represent a property management business.

Properties that form part of a multiple listing portfolio are not necessarily permanently being let through Airbnb, or may in some cases involve multiple rooms in a shared property, or multiple listings for one property. As such, a multi-listing does not always directly translate to a withdrawal of a dwelling from the rental market. It is for this reason that we prefer the approach adopted earlier to understand local housing market impacts. However, the number of multiple listings is nonetheless worth noting, as these listings may be seen as indicators of more professionalised approaches to Airbnb hosting (such as running what is effectively a B&B, using third-party businesses to operate the listing, or adopting a strategic advertising approach to target different market segments).

Table 3: Listings where hosts have multiple listings for Sydney, March 2018

Multiple Listings	Total Listings	Proportion
No	13,815	60%
Yes	9,306	40%
Total	23,121	100%

Source: authors, based on analysis of AirDNA.co data

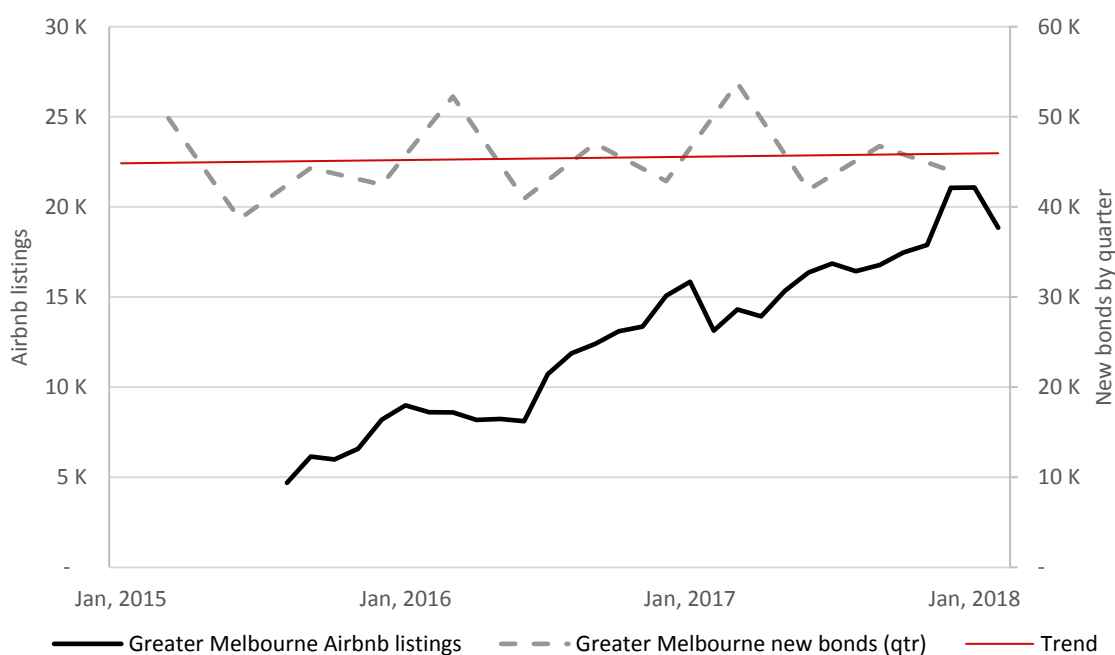
3.3 Understanding Airbnb Impacts in Melbourne

Airbnb listings in Greater Melbourne have followed a similar trajectory to Sydney, with a surge in listings since August 2015, rising from a little under 5,000 to approximately 18,000 in February 2018 (see Figure 9). Unlike Sydney, Melbourne does not display the same seasonal characteristics, with much smaller spikes during the summer holiday months of December and January. The seasonal spikes in Sydney would likely relate to large numbers of hosts listing their properties for short periods of time, which corresponds more closely to the sharing concept discussed at the beginning of this chapter.

When examining the volume of listings in Melbourne (see Table 4), a larger share (44%) compared with Sydney (29%) was being let as commercial short stay accommodation. In number terms, there is very little difference in volume compared with Sydney, but there appear to be fewer lets that could be categorised as 'sharing'. In other words, Airbnb has facilitated a similar level of commercial activity in Melbourne as in Sydney, but the wider use of Airbnb in Melbourne has been slightly more muted, although notable still as a larger share than commercial lets.

Similarly to Sydney, the overall numbers of commercial Airbnb listings is small in comparison to the more than 470,000 rental properties across Greater Melbourne at the 2016 census (ABS 2016). It is the geographic concentration of listings that is of more concern, and the potential for Airbnb to impact housing opportunities in some areas of Melbourne. As shown in Figure 10, there is an overwhelming concentration of listings in the central area of Melbourne, focussed in and around the CBD, and to the south along the Port Philip Bay side of the Mornington Peninsula, an established holiday accommodation location. Comparing the commercial listings to rental dwellings, the concentration takes on a tighter focus surrounding the Melbourne central area, with Melbourne, Docklands, Southbank, Fitzroy and St Kilda showing the highest concentrations (see Figure 11). Meanwhile, share listings (see Figure 12) are much more concentrated in central areas and the immediately surrounding SA2s.

Figure 9: Airbnb listings and new rental bonds lodged for Greater Melbourne, 2015–2018



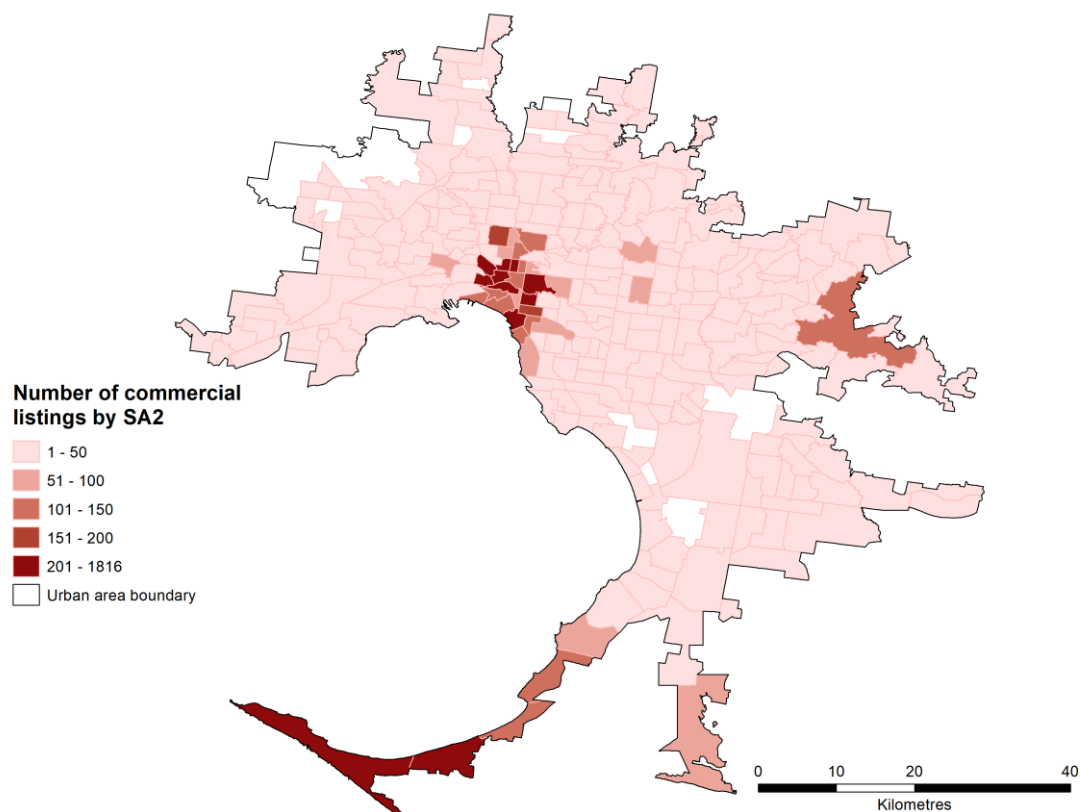
Source: authors, based on analysis of AirDNA.co data and Victoria Residential Tenancies Bond Authority data

Table 4: Airbnb listings by type for Melbourne, March 2018

	Total	Proportion
Commercial Let	8,310	44%
House Sharing	10,528	56%
Total Lets	18,838	100%

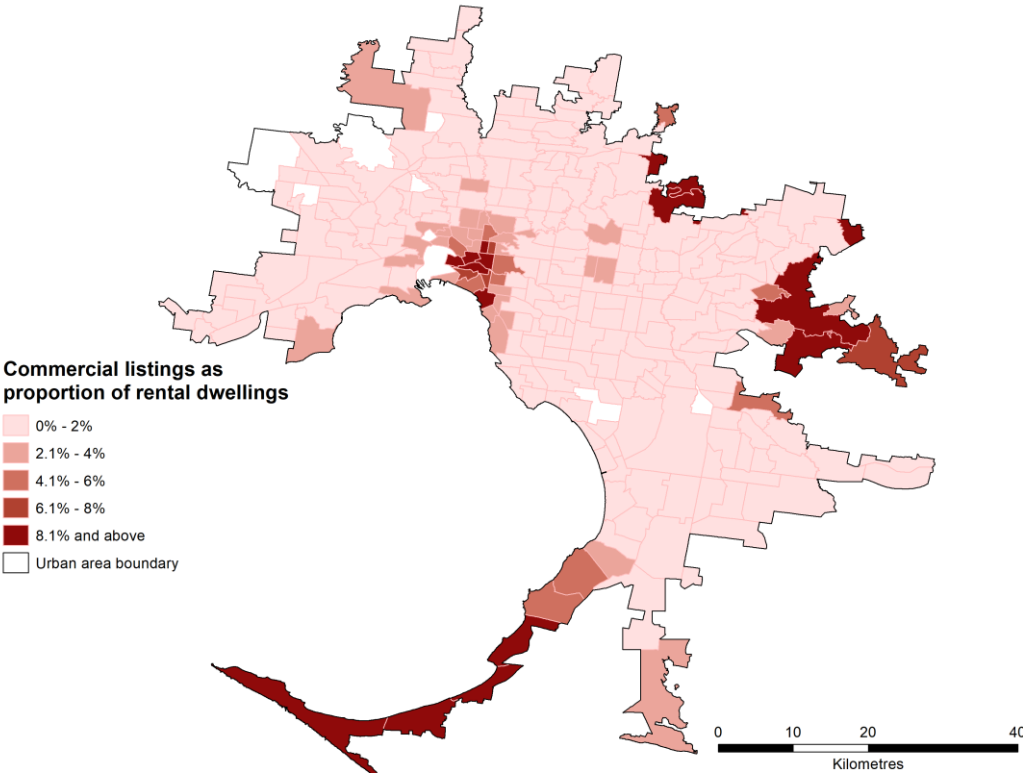
Source: authors, based on analysis of AirDNA.co data

Figure 10: Number of commercial Airbnb listings in Melbourne by SA2



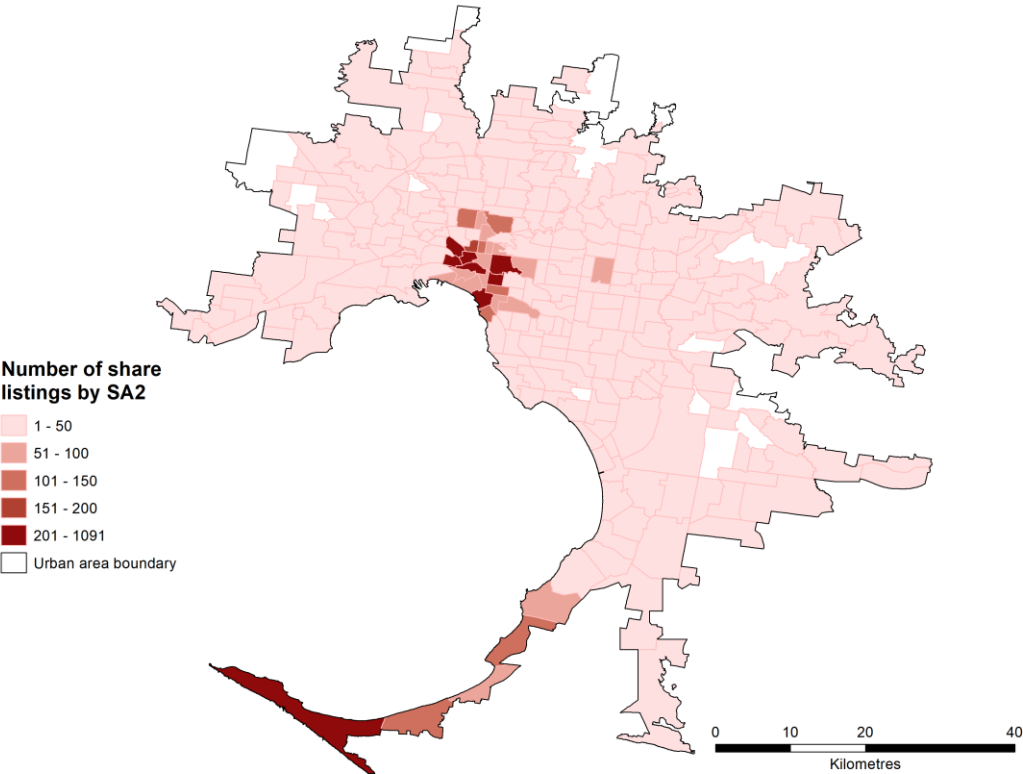
Source: authors

Figure 11: Commercial listings as proportion of rental dwellings (ABS 2016) in Melbourne



Source: authors

Figure 12: Number of share Airbnb listings in Melbourne by SA2



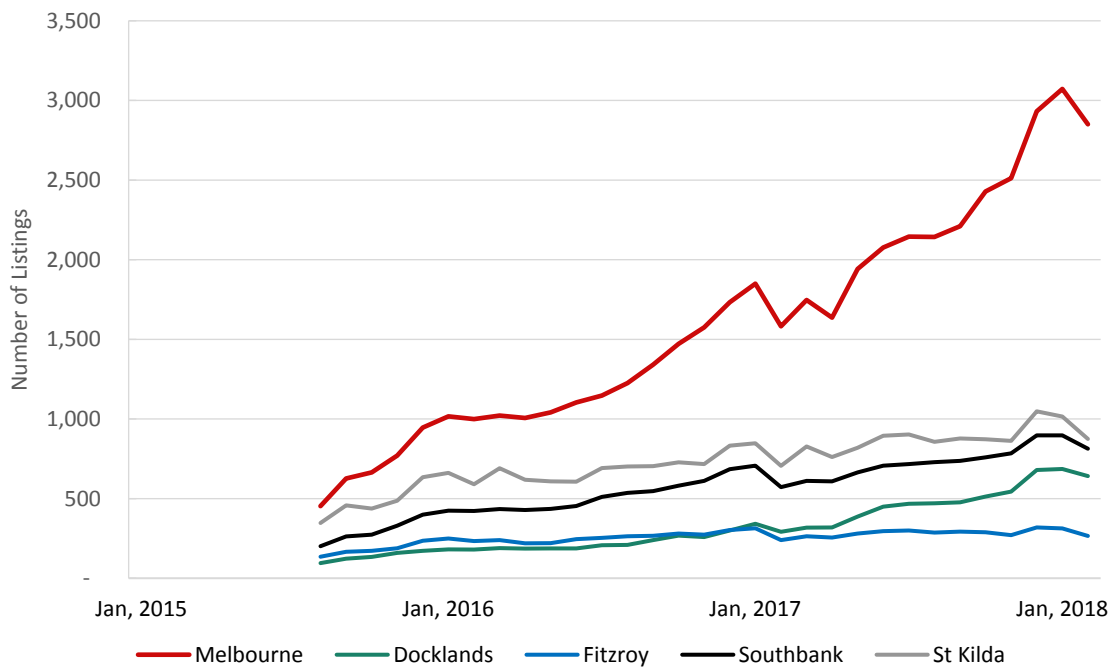
Source: authors

When examining the top five SA2s with the greatest concentrations of commercial listings relative to rental dwellings, Melbourne SA2 is a clear standout. It has grown from 450 active listings in August 2015, peaking at just over 3,000 in January 2018 (see Figure 13). While this does include all share listings, it nonetheless demonstrates the significant rate of growth. Other areas also experienced some growth in listings across this period, but this has been far more muted.

Figure 14 shows the number of new bonds lodged by quarter for the same SA2s, and with the exception of Melbourne, shows a general trend of increasing bond lodgements. In other words, this suggests that there has not been an observable reduction in rental availability as a result of Airbnb. Melbourne shows a general downward trend in bonds lodged, and the very strong fluctuation in numbers across the year suggests there are a range of factors driving this change, not simply a rise in Airbnb listings. However, Melbourne SA2 has experienced large growth in housing stock underpinned by a boom in residential flat construction during this period. It could reasonably be expected that this would flow through to an increase in rental availability, given the sector is by and large driven by an investor market (see Figure 15). It is possible that Airbnb listings have offset any growth in rental dwelling availability across these areas, but this cannot be discerned from the data available here.

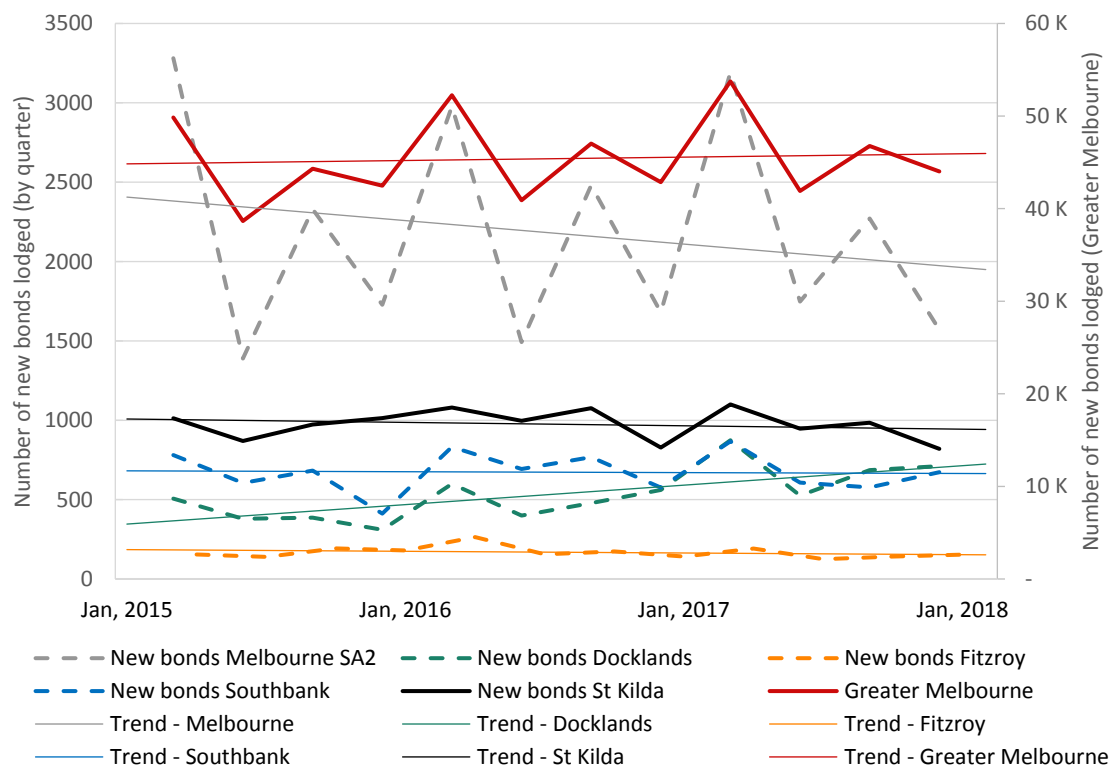
Likewise, Docklands and Southbank have seen significant growth in residential flat building during this period. Census data suggests that has flowed through to the long-term rental sector, but the bond data shows at best only a modest increase in rental bonds being lodged. Moreover, Docklands has been the focus of research noting the number vacant dwellings, with some estimates of up to 27 per cent (Cashmore 2014). Combined with the general increase in dwelling stock, this capacity is likely offsetting the impacts of Airbnb. This is not to say that Airbnb is not having an impact, as it clearly is accounting for a significant share of rental dwellings (Figure 11). Instead, there are likely a range of other mitigating pressures that are also affecting the supply of rental accommodation in these areas. The strong period of dwelling growth in these locations has to some extent offset any impacts that may have been a result of increases in Airbnb listings.

Figure 13: Airbnb listings for selected Melbourne SA2s, 2015–2018



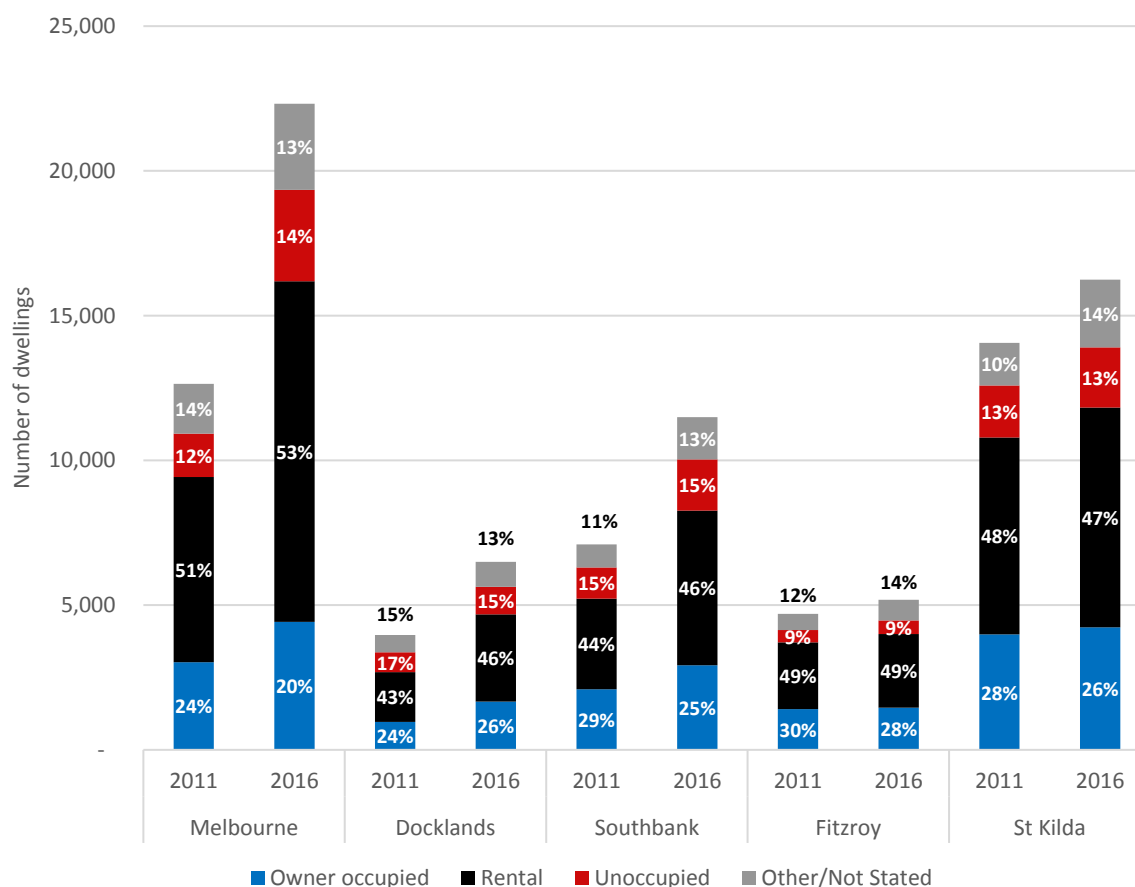
Source: authors, based on analysis of AirDNA.co data

Figure 14: New rental bonds lodged for selected Melbourne SA2s, 2015–2018



Source: authors, based on analysis Victoria Residential Tenancies Bond Authority data

Figure 15: Dwelling numbers by tenure at 2011 and 2016 census for selected Melbourne SA2s



Source: authors, ABS (2016) Census of population and housing

Finally, Table 5 shows the numbers of dwellings where hosts have multiple listings, with 48 per cent falling into this category. In total number terms, this is very similar to Sydney; however, Sydney has more house sharing listings, which dilutes overall proportions. In other words, while Sydney has a higher number of listings than Melbourne, the commercial aspects of the listing profile appear to be similar.

Table 5: Listings where hosts have multiple listings for Melbourne, March 2018

Multiple Listings	Total Listings	Proportion
No	9,745	52%
Yes	9,093	48%
Total	18,838	100%

Source: authors, based on analysis of AirDNA.co data

3.4 Conclusion

Overall, the extent to which Airbnb has impacted broad metropolitan level housing markets appears to be limited. The concentration of listings into particular areas certainly suggests that there is potential for STL to have facilitated a drop in the supply of rental housing at a localised level. However, it is unlikely that Airbnb alone has precipitated this drop; instead, it is part of a

combination of broader housing market factors having this effect. This observation, however, is primarily relevant to a few areas of Sydney and central Melbourne, as in aggregate rental bond lodgements have increased across each metropolitan region. Outside the Melbourne SA2, in areas of high Airbnb listings, rental bond lodgements have remained stable or marginally increased over the same period as Airbnb has emerged. At the same time, census analysis suggests increases in rental supply off the back of significant construction activity, making it difficult to establish a direct impact on the supply of rental housing. In Sydney localities where dwelling growth has been much more marginal, gains in stock appear to have been lost to non-housing outcomes, including Airbnb.

In both cities, areas with high rates of Airbnb listings also feature higher rates of enumerated dwelling stock not being identified as in use for either owner-occupied or LTR housing, much of which was identified as unoccupied. In other words, there is a sizeable share of the housing stock that may also be intersecting with STL, but in other circumstances had not generally formed part of the available housing stock. There are significant equity questions about leaving dwellings vacant, and the housing market processes that facilitate this as an outcome. It is also worth noting that a number of these neighbourhoods (Fitzroy, Darlinghurst, Bondi) are areas where gentrification has already created equity challenges for local communities. So as well as seeing the utilisation of empty dwellings for STL as simply a more efficient use of excess stock, we also see the fact that STL enables owners to keep dwellings out of LTR supply as indicative of wider equity issues in our housing markets.

4 Why and how do hosts use Airbnb?

This chapter offers a new Australian perspective on Airbnb host motivations and decision-making, drawing on some of the most extensive empirical work to date.

The main motivation for hosting on Airbnb is to earn additional money from housing assets, in a way that is perceived to minimise risk. While in some cases this additional income is tied to an immediate need for a buffer against housing insecurity, this is not the case for most hosts.

Financial motivations were bolstered by the fact that hosting brings additional intrinsic benefits, including the opportunity to connect with diverse people, and a sense of value associated with being a good host.

For many hosts, the flexibility to use the property occasionally, while also using it to earn money, was a significant advantage of STL over LTR.

Some hosts have converted LTR properties into permanent Airbnb listings. However, some of these will likely return over time due to a perception of declining profitability, a greater workload associated with STL, and the professionalisation of Airbnb. On the other hand, some hosts are now motivated to expand their Airbnb portfolios with new acquisitions.

Analysis presented in Chapter 3 shows that in aggregate across the metropolitan regions of Sydney and Melbourne, Airbnb listings are relatively small compared to the stock of rental housing. In some localised areas, however, the impacts are far more significant. What was also revealed is that Airbnb listings are likely intersecting with housing capacity that is not ordinarily available as a long-term housing option, and about which we know relatively little. A core claim from Airbnb is that many of the listings on their site actually represent previously under-utilised housing capacity (e.g. spare rooms, holiday houses, vacant investment properties)—so conversion to STL does not significantly affect rental market availability. What the listing data does not reveal, however, is how these properties were being used prior to being listed on Airbnb, and how they might be used in future if STL were to be restricted.

Without quantitative data about the prior use of Airbnb listings, it is difficult to assess the accuracy of Airbnb's claim. One alternative is to try to better understand the motivations of hosts in listing their property on Airbnb, and to examine how the rise of STL platforms like Airbnb has shaped their choices and attitudes towards property. This approach can provide some evidence of how Airbnb properties were previously used, while also providing insights into whether these properties might eventually be returned to the market for LTR in the future.

This chapter examines these motivations and decisions using the results of an online survey of 491 current and potential Airbnb hosts, as well as 50 in-depth interviews conducted in Sydney and Melbourne. In doing so, it responds to RQ3: Why do hosts use Airbnb, and what choices shape their use of the platform?

4.1 How does existing research portray host motivations and property decisions?

As discussed in Chapter 2, a key argument made by Airbnb to justify its claims for limited regulation is that it 'democratizes capital'—i.e. that its disruption of the hotel industry allows

tourism wealth to be redistributed from a monopolistic few to the many in need of additional income. Its model has also appealed to those valuing a collective and sustainable ethos, while also being able to benefit from some additional earnings on the side. In addition, Airbnb's emergence coinciding with the onset of the GFC in the US has led some to argue that the rise of STL is primarily a middle-class response to the long-term decline in household incomes. Raising additional income by using untapped or excess rooms was viewed as a way to maintain middle-class living standards in the context of stagnating wages, where threats to discretionary spending could be managed by drawing on existing under-utilised assets (Sperling 2015).

However, the question of whether hosts are in fact motivated to use STL as a form of 'asset based welfare'—i.e. a financial buffer to meet essential or pressing spending needs, in line with practices such as mortgage equity borrowing (Parkinson et al. 2009; Wood et al. 2013)—is not fully understood. The diversity of the profiles and properties listed by hosts suggests a mix of motivations and financial circumstances. Better understanding the motivations of hosts is critical for understanding the potential longer-term impacts of STL on the PRS over time.

There is now an emerging body of research that examines the motivations that hosts report, and the implications for how STL dwellings and rooms are managed and supplied over time. It is clear from this research that espoused financial or direct welfare needs are not the primary motivation for the majority of participants (Lampinen and Cheshire 2016; Schor 2017; Ravenelle 2017; Roelofsen 2018). For example, Lampinen and Cheshire (2016) identify multiple motivations for becoming a host, categorising them as extrinsic (e.g. financial) or intrinsic (e.g. a sense of giving back to the community). Interviews with 12 current, past or future Airbnb hosts in the San Francisco Bay Area reveal that while earning money was regularly mentioned as a motivation, 'it was very rarely the sole rationale for participation' (2016: 1675). Furthermore, not all of those motivated by money were 'making ends meet or harnessing a financial buffer'; a number were also using the platform to amass additional disposable income. Schor's interviews with 43 sharing economy participants similarly found that most were not reliant on their sharing economy income, but saw 'the platforms, especially Airbnb ... as an easy new way to earn, using assets that people already possess' (Schor 2017: 271).

The requirement of possessing an asset to participate seemingly distinguishes STL platforms from other sharing economy platforms. As Ravenelle (2017) notes, at least in global cities like New York City, Airbnb hosting is limited to participants with sufficient capital to have overcome the high barriers to housing market entry (either as an owner or renter). Furthermore, compared to users of work-for-hire sites like Airtasker, Airbnb hosts are able 'to charge a premium for space, as opposed to for labour' (Ravenelle 2017: 294), which in itself is a striking reflection of the relative value of certain goods and services in global cities.

As well as possessing assets, Airbnb hosts interviewed in existing research tend to be middle class and well-educated (Schor 2017; Ravenelle 2017; Ladegaard 2018; Roelofson 2018). This in part likely reflects the urban focus of much Airbnb research, as well as self-selection bias in participants (Ladegaard 2018). At the same time, however, the nature of this cohort does offer further support for the academic portrayal of 'the sharing economies of tourism as exclusive marketplaces for cosmopolitan citizens' (Roelofson 2018: 30; see also Ladegaard 2018).

From the existing evidence it is clear that for some, renting out spare rooms will be a way of lifting themselves out of immediate hardship. For the majority, however, it appears that STL is a way to earn additional income, whilst supporting a business model that is seen to offer social or cultural benefits as well. It also appears that renting out rooms provides the means to make life more comfortable without having to seek out unavailable or unappealing waged labour. What is not clear from the current literature, however, is why the existing PRS does not seem to provide some of the same intrinsic benefits for the hosts, especially when providing someone with a place to live.

This suggests that motivations are more complex than meeting welfare or financial needs, but must also be understood in the context of movements away from mainstream ways of

monetising housing through the traditional models of renting, boarding and lodging. Recent AHURI research reveals that technological disruptions are enabling PRS investors and landlords to readily switch between different platforms, managers and points of access to reach larger market segments and provide niche packages of rental property services (Hulse et al. 2018; Parkinson et al. 2018). This suggests that the expansion of hosts into STL is also part of the broader process of market fragmentation, which provides hosts with access to a growing range of rental platform opportunities.

To unpack these questions further, the next sections examine the motivations of Airbnb hosts in Sydney and Melbourne, drawing on both the interviews with and survey of existing and potential Airbnb hosts.

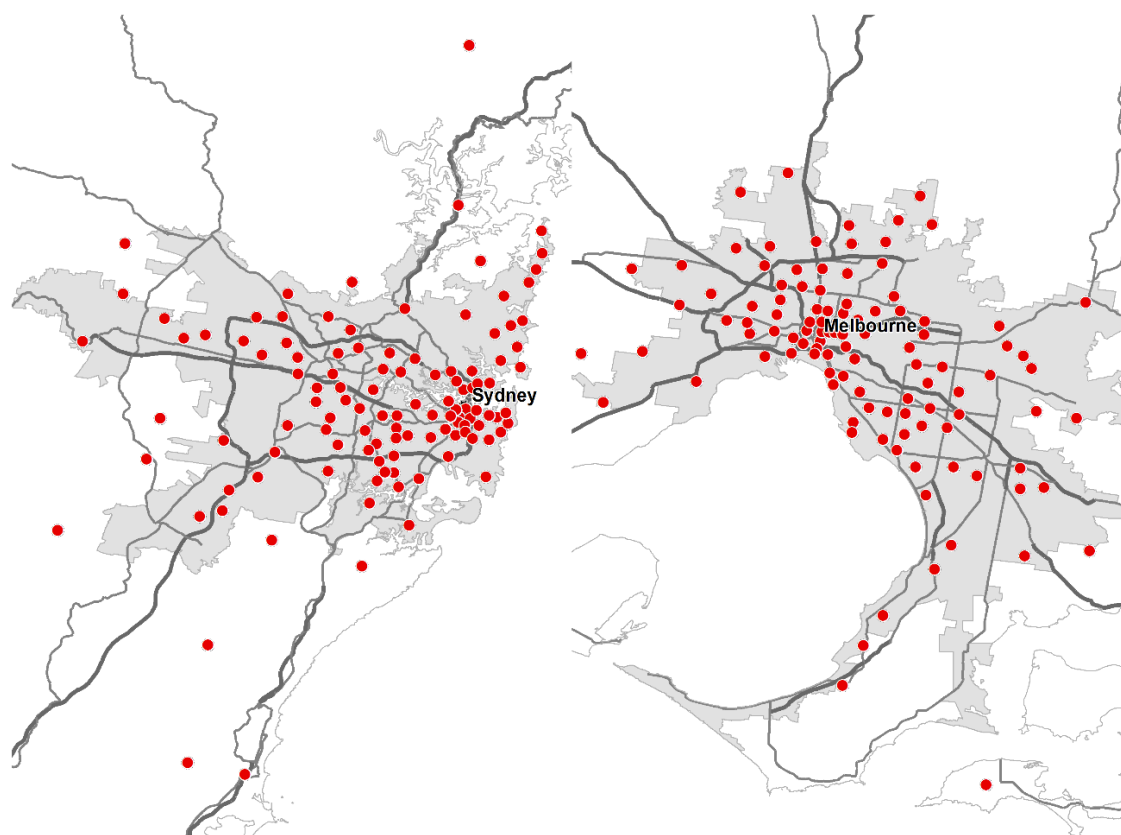
4.2 Who are Airbnb hosts in Sydney and Melbourne?

Before turning to examine their motivations, it is helpful to provide an overview of the demographics and property position of the survey and interview participants. Overall, the participant demographics largely align with the findings of host research in other countries.

4.2.1 Most surveyed hosts are young, with higher incomes in Sydney than Melbourne

Of the 491 survey respondents, 268 (55%) were current or past hosts, while the remaining 223 would consider becoming a host in future. More of the respondents identified as female (58%) than male (42%). The majority of respondents lived in Sydney (52%), with 47 per cent in Melbourne and 1 per cent reporting another Australian city of residence. The location of their existing and/or potential Airbnb listings were spread across both cities (see Figure 16).

Figure 16: Location of survey respondent listings in Sydney and Melbourne

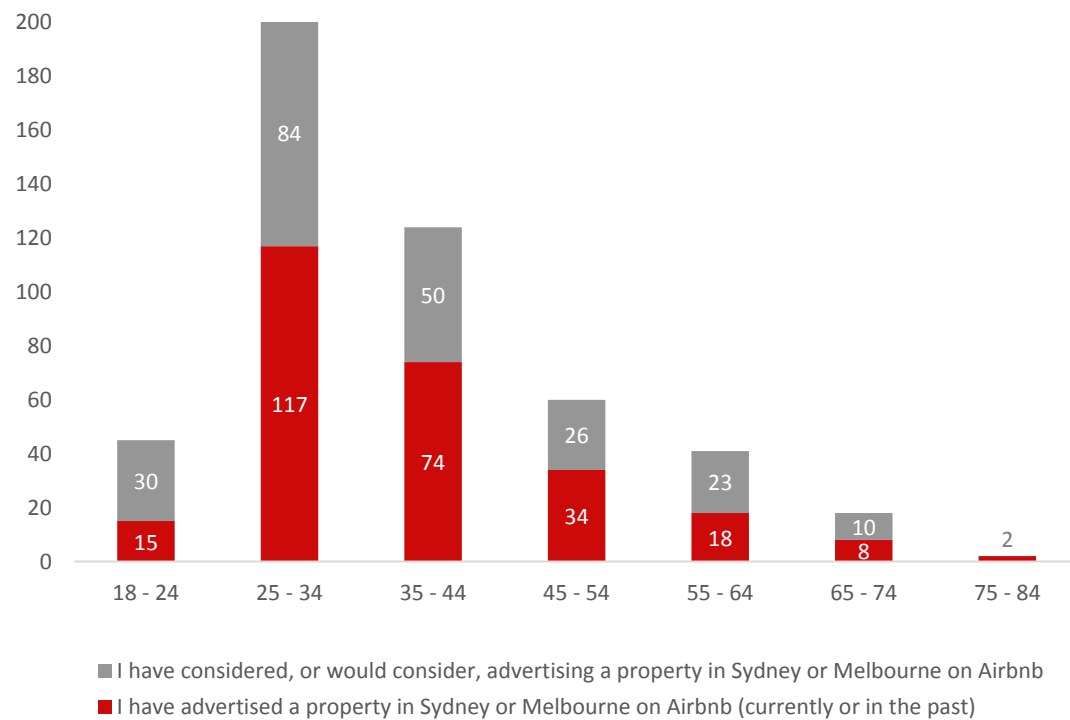


Note: A dot may represent more than one listing in some suburbs.

Source: authors.

Participants were also spread across all age ranges, with the largest group in the 25–34 age range (see Figure 17). This reflects the findings of previous research, which suggests that sharing economy participation is greater among younger cohorts (Andreotti et al. 2017). Similarly, the household income of survey participants (see Figure 18) reflects existing findings that sharing economy participants tend not to be in the lowest income brackets, particularly Airbnb hosts (Andreotti et al. 2017). The majority of Sydney-based survey respondents reported an income above the Greater Sydney median household income (\$91,000), while the majority of Melbourne-based respondents sat within the same household income bracket as the Greater Melbourne median household income (\$80,184) (ABS 2016).

Figure 17: Age ranges of survey respondents



Source: authors

Figure 18: Household income of survey respondents

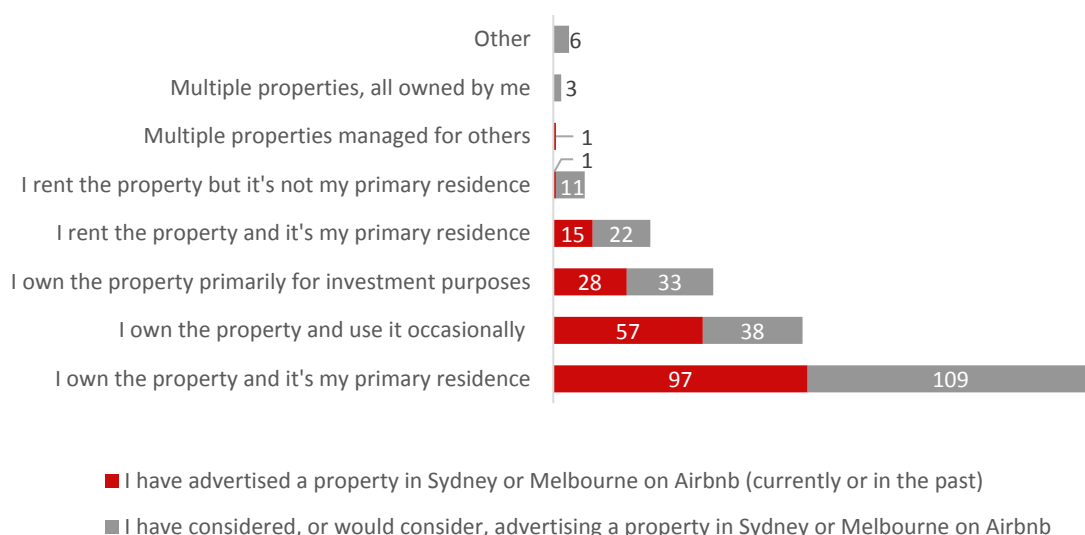


Source: authors.

4.2.2 Most surveyed hosts list their own home

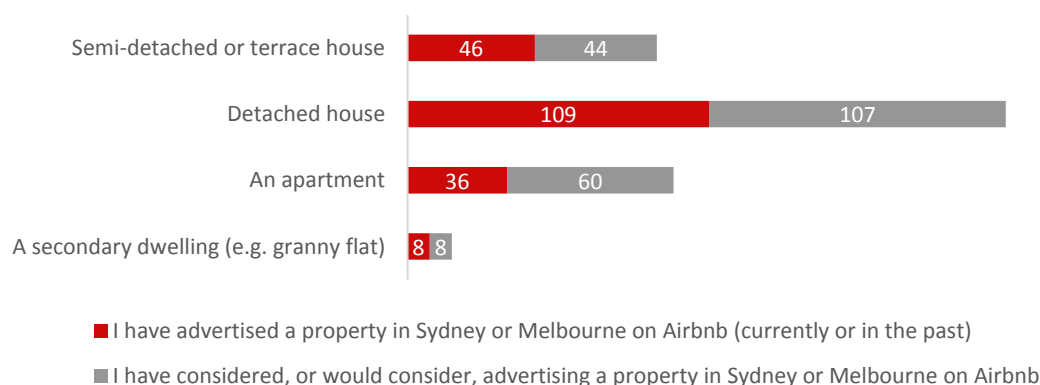
Respondents reported a range of tenure arrangements for the properties they had already listed or were considering listing. Of the 421 respondents who answered the questions regarding tenure, 365 (87%) own the property, while 12 per cent are renters, and 2 per cent are managers/other (see Figure 19).² Interestingly, a significant majority of the properties were detached or semi-detached houses (73%), while the most common listing type was entire property listings (45%) (see Figure 20 and Figure 21 respectively).

Figure 19: Tenure of Airbnb properties



Source: authors.

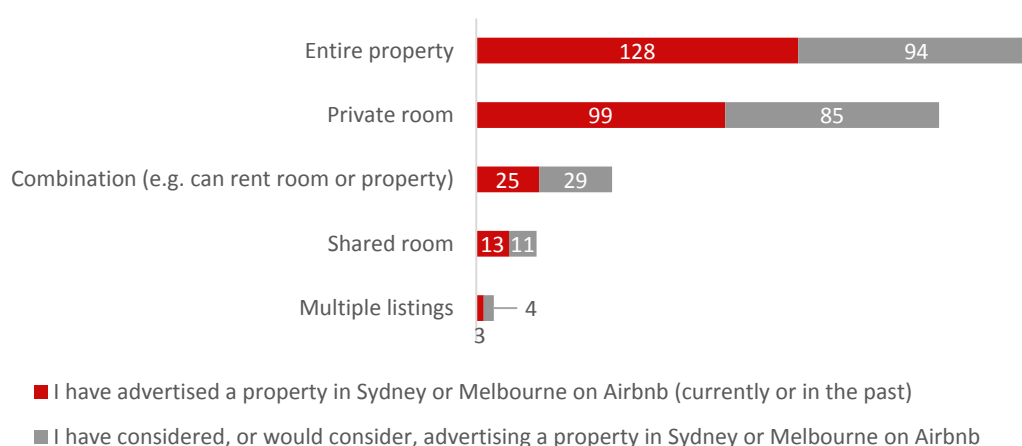
Figure 20: Type of Airbnb properties



Source: authors

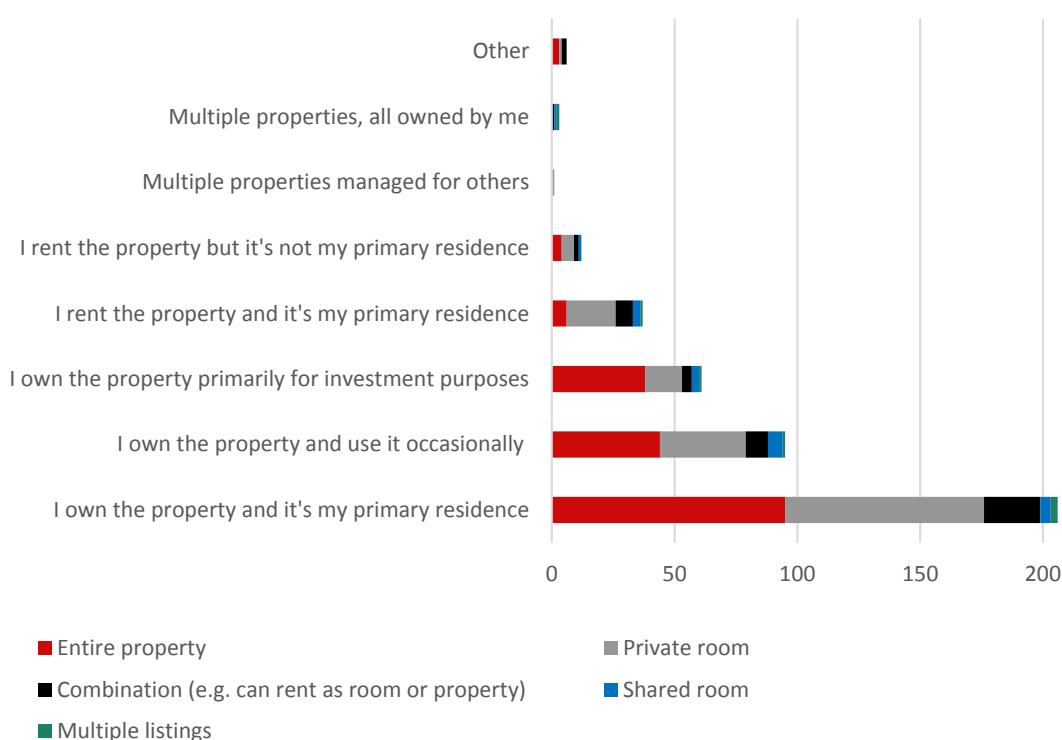
² The discrepancy in response rates reflects the fact that these questions were not asked of survey respondents who identified themselves as past hosts, not currently listing a property. In some cases, the total response rate for a question is reduced as a result of a small number of non-responses.

Figure 21: Airbnb listing types



Source: authors

Figure 22: Airbnb listing types by tenure (all survey respondents)



Source: authors

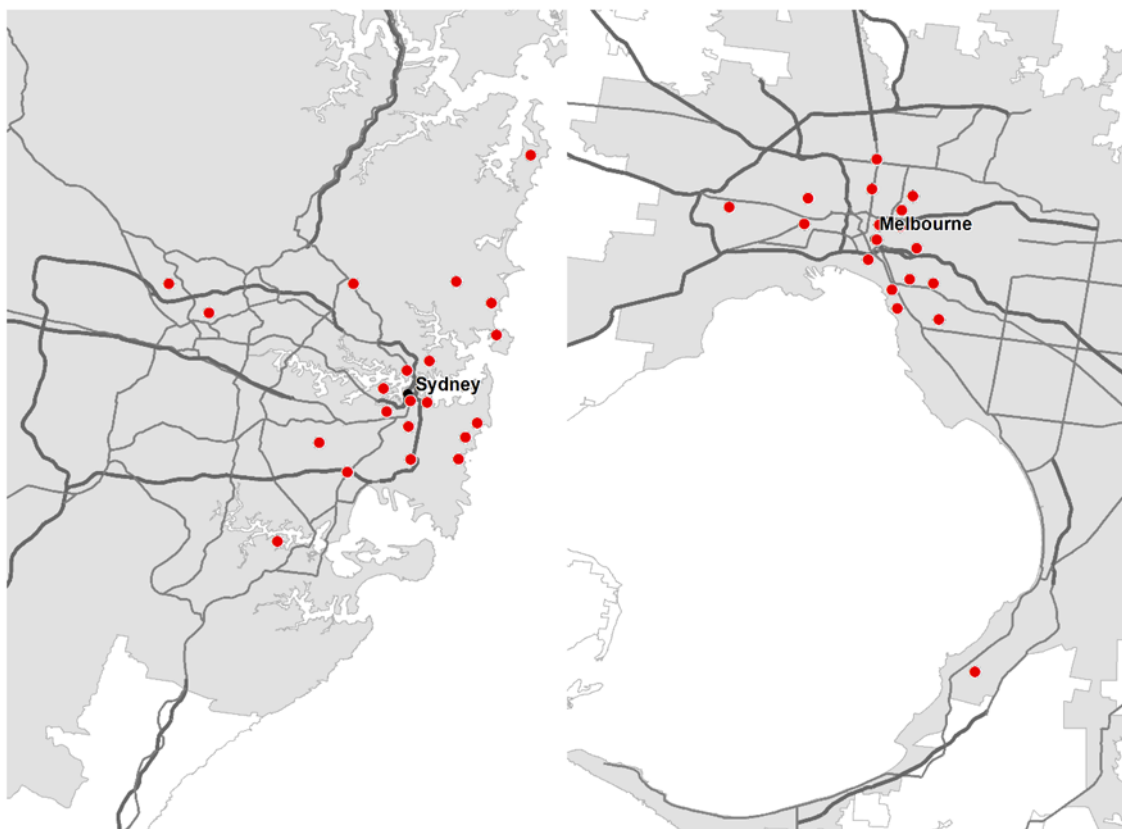
Perhaps the most noteworthy aspect of these results is that for 58 per cent of respondents, the property they have listed (or considered listing) on Airbnb is the property in which they live (see Figure 19 and Figure 22). This is a significant proportion, but also noticeably lower than the 81 per cent of hosts worldwide that Airbnb claims share their primary residence (Airbnb n.d.b). While this discrepancy might reflect some self-selection bias by survey respondents, it is also likely that this finding points to a greater rate of non-home-sharing Airbnb use in big, wealthy cities like Sydney and Melbourne, compared to other parts of Australia and the world. This reinforces the finding in Chapter 3 that the impact of Airbnb is not uniform, but varies significantly depending on the location, tourism market and housing market. This in turn reinforces the conclusion that high-level statistics like Airbnb's 81 per cent sharing figure, or the

NSW Parliamentary Inquiry's finding that Airbnb constituted 2 per cent of Sydney's total rental stock, do not tell the full story of Airbnb's impact.

4.2.3 Interviewed hosts list a broad range of properties

Among the interviewees, we found a broad range of different property types, in a diverse range of locations across the two cities (see Figure 23).

Figure 23: Location of interviewee listings in Sydney and Melbourne



Note: A dot may represent more than one listing in some suburbs.

Source: authors

The table in Appendix 3 provides a detailed overview of some key qualities of the interviewees and their properties.³ To summarise a few points of particular interest:

- Forty of the 50 interviewees had only one property advertised on Airbnb. Three of the interviewees had listed multiple properties on Airbnb, four were property managers caring for multiple properties on behalf of clients, and three had considered or were considering listing their property but had not yet done so.
- Thirty-three of the interviewees were female, and 17 male
- Six interviewees had sublet a rental property via Airbnb, while the rest owned the property.
- Fourteen hosts had provided what are best considered commercial lets, while 33 had provided what is best categorised as home-share accommodation.

³ Note that the information included in the table in Appendix does not cover all of the points below, so as to avoid the risk of inadvertently revealing the identity of participants.

The interviewees had listed (or considered listing) a broad range of different property types on Airbnb, which included:

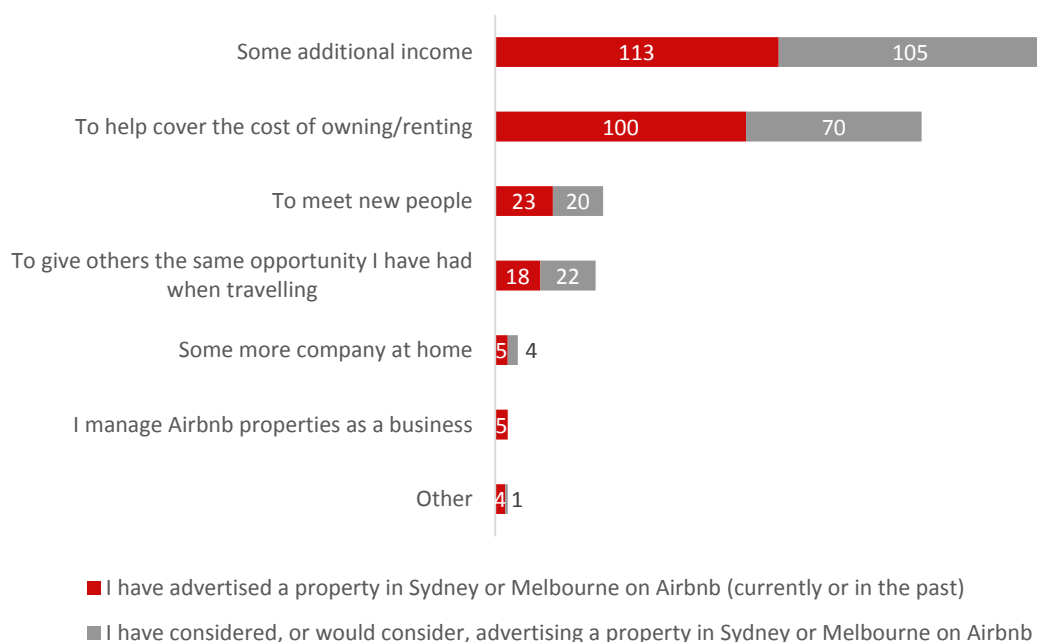
- Whole investment properties.
- Spare rooms in the host's residence.
- Pied-à-terres (city properties used by owners who usually reside elsewhere) and holiday homes.
- Whole properties when the host was absent (either travelling, working interstate or staying with friends/family to facilitate Airbnb).
- Entire properties listed for short periods in between long-term tenancies, or while waiting for the property to be sold.

While not a representative sample, altogether the 50 interviewees represent a diverse range of Airbnb hosting stages and experiences, thus offering a broad perspective on how the platform is being used in Australia's two largest cities. By combining this data with the findings from the survey, it is possible to gain some rich insights into current and potential Airbnb hosts' motivations, choices and experiences, as the remainder of this chapter demonstrates.

4.3 What motivates hosts to list their property on Airbnb?

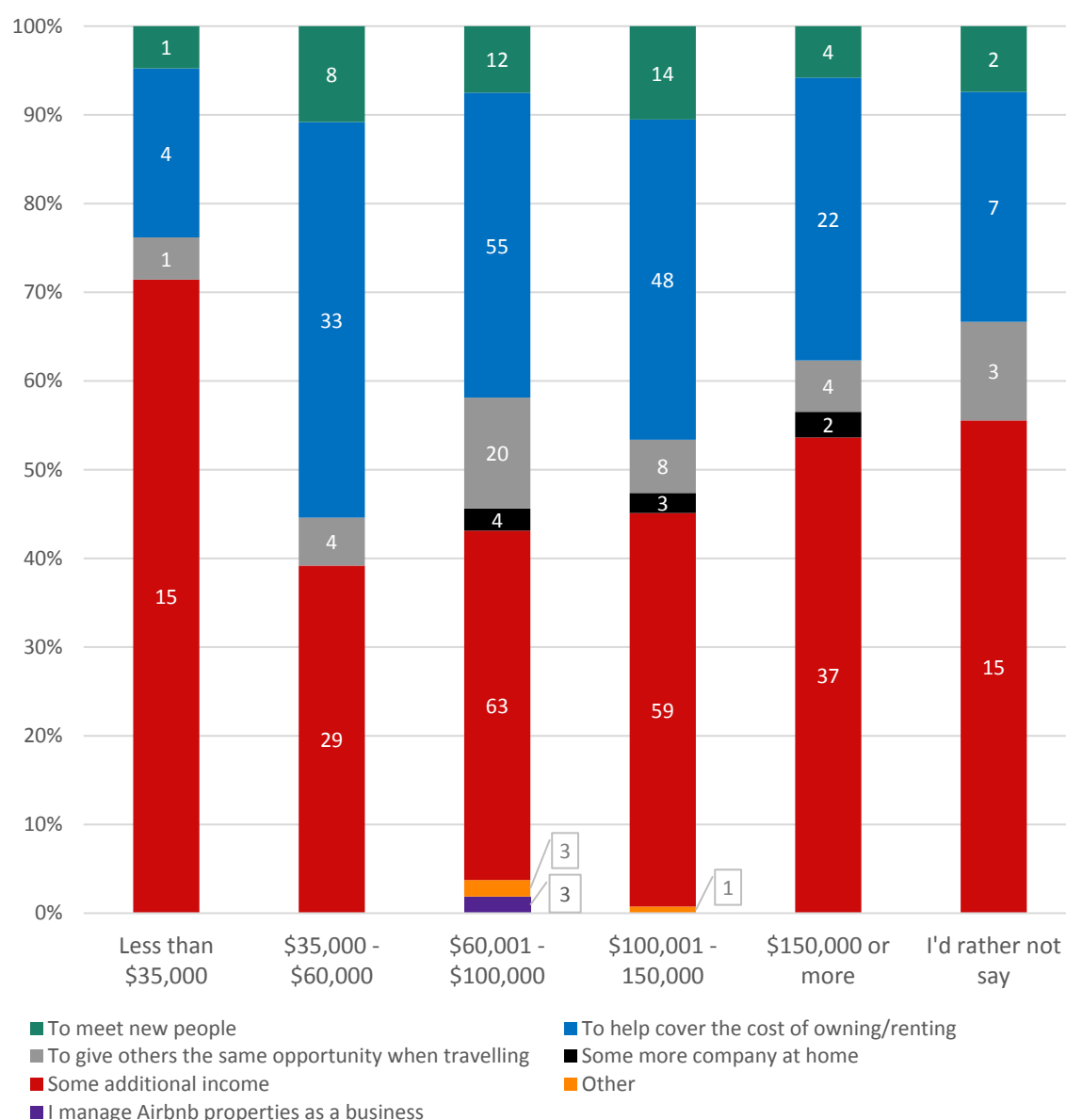
Returning to the central question of motivation, it is helpful to start by reviewing the survey results. Respondents were asked whether covering their housing costs was (or would be) the primary motivation for listing the property on Airbnb (see Figure 24 and Figure 25). The answers help to illuminate whether Airbnb is also reshaping the housing market by allowing owners and tenants to stay in their existing properties.

Figure 24: What is your primary motivation for using Airbnb?



Source: authors

Figure 25: Motivations by income bracket (all survey respondents)



Overall, 80 per cent of respondents surveyed identified extrinsic (financial) motivations as their primary reason for listing (or considering listing) on Airbnb. Among those motivated by financial benefits, the responses offer support for previous findings that for the majority of hosts, Airbnb earnings provide a source of additional income, rather than a necessity for covering existing housing costs. At the same time, however, a significant number of respondents did indicate that Airbnb income would be used to help maintain their existing housing position (it is worth noting that 71 per cent of the survey respondents who owned their property did so with a mortgage). This supports Airbnb's claim that STL income is an important contributor to housing security for many of its hosts (Airbnb n.d.b). While 18 per cent of respondents pointed to intrinsic motivations as the primary driver for becoming an Airbnb host, these are clearly secondary considerations for the majority of respondents. Responses from the interviews, however, help to shed more light on the way hosts are driven by both extrinsic and intrinsic motivations simultaneously.

As in the survey, interviewee motivations align with the previous research (see 4.1 above), with financial benefits identified as an important motivation, but not the only one. Also consistent with

prior research was the fact that for most of the interviewees who identified money as a motivation, the income was a bonus, rather than a necessity. Many described Airbnb hosting as a way to fund holidays or other discretionary spending, to pay off a mortgage more quickly than originally planned, or to be able to afford a more luxurious rental property than would otherwise be the case. As one semi-retired host quipped, she listed her property 'to affray some of the costs so I can keep travelling before I seize up ... [and because] I don't work full-time and I have champagne tastes on a beer budget'.

For a few interviewees, however, Airbnb was in fact an essential form of income; in these cases, the hosts were sharing their own home. As a Melbourne host explained, she had turned to Airbnb 'out of desperation' after a change in financial circumstances, and would otherwise not use the service, as 'I do rather like my own space'. For a Sydney host, Airbnb had helped her pay her mortgage after a renovation 'tipped me over the edge a little bit financially':

[The money] that I'm getting from Airbnb, it's basically just helping me live ... this is kind of a necessity for me at the moment ... Airbnb is helping me to stay in [my] property. So it's kind of helping with my housing affordability.

For these hosts, Airbnb was helping them to stay in their homes, as the company claims is the case for 53 per cent of its hosts worldwide (Airbnb n.d.b). The same was also true for another Sydney host couple, albeit in a context where the hosts were better placed financially. As 'empty-nesters', they had considered downsizing but failed to find any suitable properties, and opted to use Airbnb as an alternative:

[We thought] well, we've got all that space upstairs. If we're going to stay here we need to be able to have this property earning an income, otherwise we'll dip into our superannuation too early.

Another empty-nester was also using Airbnb hosting to stay in the family home, although in her case downsizing was not considered a valid alternative. She explained that even if Airbnb weren't an option, 'I'd stay in the property for sure, I mean it's my home ... I'd find other sources of income'.

A number of other hosts were now reliant on Airbnb as a result of having built a business around the platform. One interviewee with more than 10 Airbnb listings had recently ceased other full-time work, and explained that now:

It is a major part of what we do. In the recent few months we have bought a café, adjoining one of [our Airbnb] properties. We now work from pretty much 6 am till 6 pm in our café, and then both my husband and I [are] looking after the Airbnb rooms.

These responses highlight how for some hosts, while Airbnb isn't a financial necessity, it is more appealing than the other options available for filling the gaps left by non-salaried or part-time work. Interestingly, 24 per cent of survey respondents also appear to see Airbnb as a way to supplement a household income drawn primarily from sources other than wages (including superannuation, government benefits, business income and property income).

For most other hosts interviewed, however, the financial benefits were accompanied by more diverse motivations, which ranged from having the gardens cared for while travelling, to getting involved with new technology, to having a general appreciation for the sharing economy concept:

I do like that bit of sharing, like sharing resources ... I like to do the right thing, even though I'm not such an angel!

The most common non-financial motivation was the pleasure gained from meeting people from different countries and backgrounds. For these hosts, hosting offered some of the same benefits as travelling, because 'this Airbnb thing really does teach you about cultures and

customs and you don't have to go anywhere, it comes to your home'. A number of hosts with kids also felt it was good for them to 'be exposed to people from other parts of the world and learn about the world, geography and languages and all that sort of interesting stuff'. As one former Melbourne host explained:

I quite liked sharing my house with this fresh flow of people, where I can just come home, and have some dinner, and have a yarn to these people that had come from wherever, and swap stories.

These motivations offer support for the observation by Roelofson (2018) that tourism-focussed sharing economy platforms are particularly appealing to participants who like to consider themselves 'cosmopolitan citizens'.

Another intangible motivation mentioned by a few hosts was the sense of personal satisfaction that came with hosting. One Melbourne host was at pains to explain the significance of this:

It's also about the deeper meaning of hosting ... it's not just a term meaning you've given your house away, it's a lot deeper for me and I really enjoyed the fact that I could make other people's experience good.

A similar observation was made by another Melbourne host. While personally driven purely by financial opportunism ('[I thought] let's try to capitalise on this while it's popular and make some money'), he observed that other hosts he had met had more complex motivations:

I feel like a lot of them are people who ... have always kind of worked for other people or other businesses ... they've had a friend of whatever talk about Airbnb and they've got a granny flat or they've got a unit somewhere or they've got a spare room and then they started doing it ... the first payment comes through, they get a bunch of bookings and people are happy and then ... it's almost like the social media dopamine hit when people see 'likes' or whatever on a photo. All of a sudden, people are saying, 'Oh, we love your house and the hosts were really nice and the wife made us cookies' ... maybe it makes them feel more independent and entrepreneurial.

Similarly, a Sydney host saw Airbnb as offering a stepping stone into developing a professional tourism business over time:

the finance is one good motivation. Also another motivation is because ... my dream is to have my own hotel and my own restaurant, to offer very personalised facility and service. I have this kind of little dream ... Airbnb is a mini model of that.

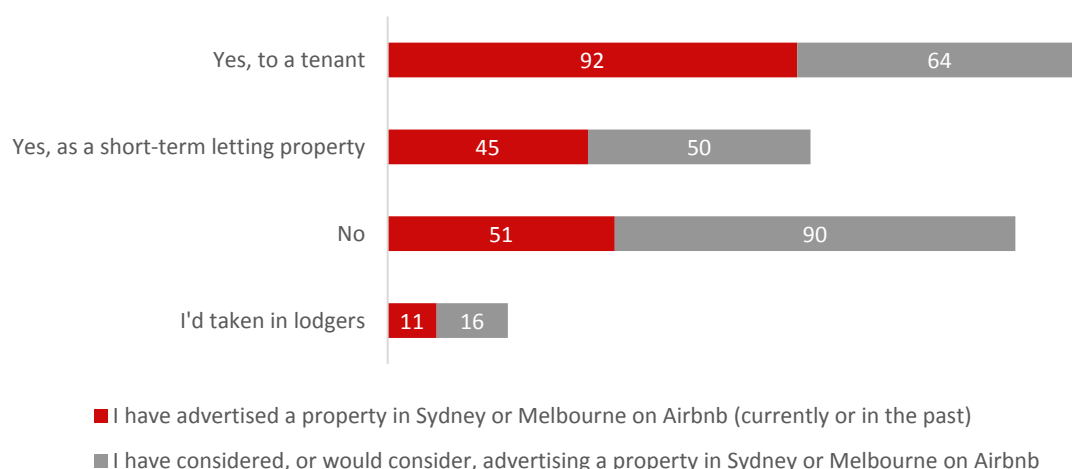
Overall, the range of motivations expressed reflect the diversity of hosting scenarios the interviewees described, which ranged from professional property investment businesses to retirees occasionally sharing their home. They also largely mirror the survey results and the findings of previous research on the motivations of Airbnb hosts. Together, these findings raise questions about Airbnb's claims that the majority of hosts are using Airbnb to cover their own housing costs, instead painting a more nuanced picture of hosts' financial circumstances and their motivations. While some hosts do rely on Airbnb to ensure their housing security, for many others Airbnb enables them to monetise their housing assets to provide greater discretionary income, while also bringing additional cultural and social benefits.

4.4 Why do hosts choose Airbnb over long-term rental?

From both the survey data and the interview responses, it is clear that many of our participants were listing (or considering listing) their property on Airbnb as an alternative to making it available for a long-term tenant. This is particularly true for survey respondents, 54 per cent of whom had previously made the property available to either tenants or lodgers (see Figure 26). It is also worth noting that 12 per cent of the survey respondents appear to be full-time property

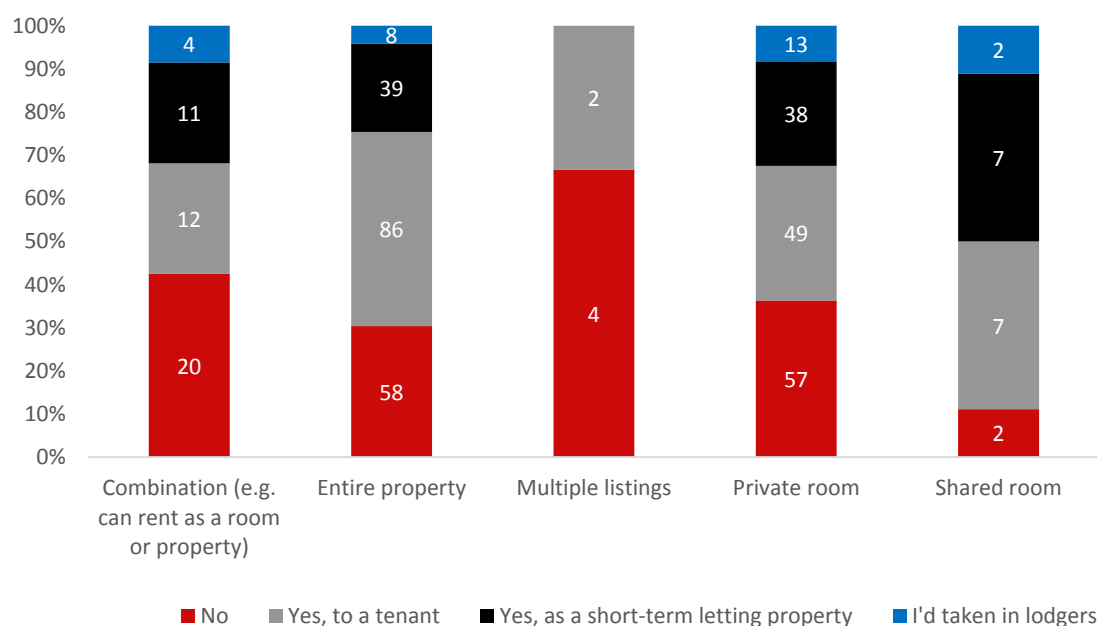
investors (i.e. respondents who claim their primary income is from property), and may therefore be particularly savvy about choosing to move property between the STL and LTR markets.

Figure 26: Have you previously rented the property via a method other than Airbnb?



Source: authors

Figure 27: Previous use, by listing type (all survey respondents)



Source: authors

Together with the data showing ongoing growth in listing numbers, these survey findings point to the conclusion that Airbnb is having an impact on the availability of private rental properties. Also notable, however, is the fact that for 141 respondents, the property in question does appear to have previously been underutilised excess housing space (see Figure 26). Together with the 95 respondents who were already engaged in STL prior to contemplating a switch to Airbnb, the responses do highlight the existence of a significant amount (56%) of available housing already not being used to provide LTR.

To understand the likely long-term impact of these findings, it is important to understand in more detail why many hosts seem to be choosing Airbnb over some of the alternatives. The interview

data provides some insight into this question. For the hosts we spoke to who were listing investment properties, three main reasons drove their decision to choose STL over LTR:

- the returns were better than with LTR
- Airbnb provided more flexibility in how they used the property
- they felt STL caused less wear and tear on the property.

A number claimed that Airbnb was noticeably more lucrative than LTR, even though it entailed some additional expenses:

Standard [rental income] would have been about \$2,000 a month, and I'm getting just under \$3,000 with Airbnb ... So obviously I've got the additional cost of cleaning fees and power, water, internet, which I obviously offer. So considering all that ... sort of \$500 [a month] in addition—that's still better than nothing.

For some of these financially motivated hosts, long-term tenancy remained an option 'if the returns drop away because so many people are doing it'. For other hosts with investment properties, however, the financial benefits were one of a number of benefits, not the sole driver. For example, Airbnb gave some the opportunity to use their property as a pied-à-terre, while also capitalising financially on their investment. Others valued having flexibility in the future, despite having no immediate plans to change how they used the property:

I believe once you have somebody long term, let's say after three months, then they have tenants' rights. If I wanted to sell up and change or do something else then I'd be stuck with some person that I wouldn't be able to get rid of.

Interestingly, one property manager suggested that the option to use the property as a combined Airbnb/pied-à-terre also appealed to investor hosts who would not otherwise have considered a long-term tenancy in any case. This was a scenario that applied particularly for overseas investors, in his view:

What's interesting for them is a lot of these [foreign investors] would have otherwise left the apartment empty because they want to use it for a few weeks in a year. So our value proposition to those is we'll furnish a property, we'll rent it out so you actually make some money off it and for six weeks of the year you just tell us what dates you want to come in and you can make use of it.

The appeal of Airbnb's flexibility was echoed by Airbnb hosts who used the platform to monetise a spare room, and might otherwise have brought in a long-term tenant to share the property:

[If] you don't get along with the permanent tenant, it's hard. Whereas with these people, if something doesn't really agree with you, you know they're going to leave.

Others in this situation enjoyed the fact that using Airbnb allowed them a break from sharing their home from time to time, or to have friends and family to stay on occasion.

In addition to the financial benefits and the flexibility offered by Airbnb, a number of hosts offered a third reason for choosing short-term over long-term tenancy. These hosts felt that hosting on Airbnb caused less wear and tear to their property than a long-term tenant would—a perception that contradicts that of many opponents to STL in strata buildings (Schwarz 2018). One explanation offered for this view was the belief that Airbnb guests—particularly tourists—spent less time in the property compared to tenants. Other hosts felt that the regular turnover allowed for better maintenance of the property:

[With Airbnb] you have more control. Long-term [tenants] they'll be in there...they might get one inspection a year and by the time that inspection is done you don't know what's been happening in the house. This way you're having someone look in there every two weeks, just taking care of maintenance ongoing and they seem to keep the place probably looking a bit better.

One host suggested that some real estate agents might be playing a part in shaping investors' views in this regard. This host explained that when they approached agents about putting a long-term tenant in the property:

both of [the real estate agents we consulted] effectively said, 'Don't expect it to look like this after you've had tenants in it for six months. They get knocked around.'

As another host suggested, however, real estate agents may have their own reasons for preferring short-term rental over long-term:

I actually own some property in Sydney and I had an experience ... with what I'll now call a very dodgy real estate agent. They were really pushing me to put the entire property on Airbnb, to the point where it just sat there, vacant. I was saying, 'No, I want a proper tenant in there.' I don't want to have a football team there every weekend. They just basically ignored my request ... [on] the assumption that everyone would have just made more money with the Airbnb model as this sort of short-term churn.

The downside to using Airbnb rather than having a tenant, however, is that some hosts found it to be more work than they had expected. As one Melbourne investor host explained:

I definitely didn't expect it was going to be so much work, so that's been a real eye-opener. I just thought that you create this platform, it's all up in the cloud and off it goes, it's going to work for itself. No ... You need to go into your listing often and move around things, so it shows Airbnb that's it's active ... you have to be very aware about it and that's what surprised me. In saying all that but, I do love it, I do enjoy it and it can bring in rent more than what a permanent rental is for the entire year with tenants. So yes, the potential is there to earn more money, but it doesn't come easy either. It doesn't come without lack of sleep.

For these investor hosts, there was a perception that LTR would most likely be less stressful. Certainly, a number of hosts were surprised by the significant work involved—as one survey respondent who was no longer hosting explained, 'I worked out that I'm a slave to this and a competitive price is not worth the effort and disruption'. A number of interview respondents also suggested that the work involved may ultimately prompt them to return their property to the LTR market:

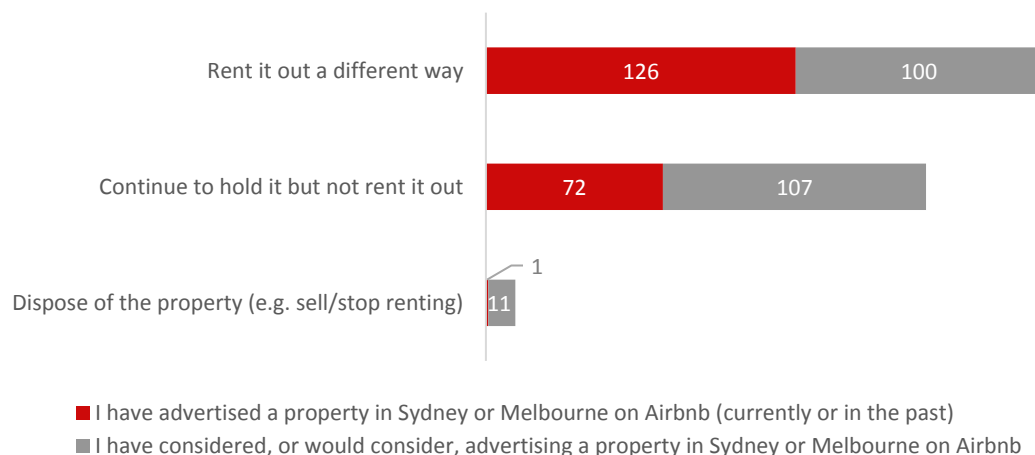
I was keen from the start to have it on Airbnb but it's the work—if I lose interest or the work becomes too much then that's an option. I've noticed people—there is a sort of burn out—people lose interest in this sort of stuff and they do opt for a LTR. Yeah, it is a possibility.

The challenges—and costs—of managing the Airbnb business were particularly acute for those hosts who didn't live near their property. One experienced property investor seemed surprised at the extent of the challenge:

[The] first year that I did Airbnb I managed it myself, I actually made a loss ... So, I made more than a traditional tenancy, however the costs were exorbitant. Cleaners, tradies having to go up [to the property], all sorts of stuff ... it's not as easy to manage a property remotely on Airbnb [as with a tenant]. While people think it's easy, it's actually not.

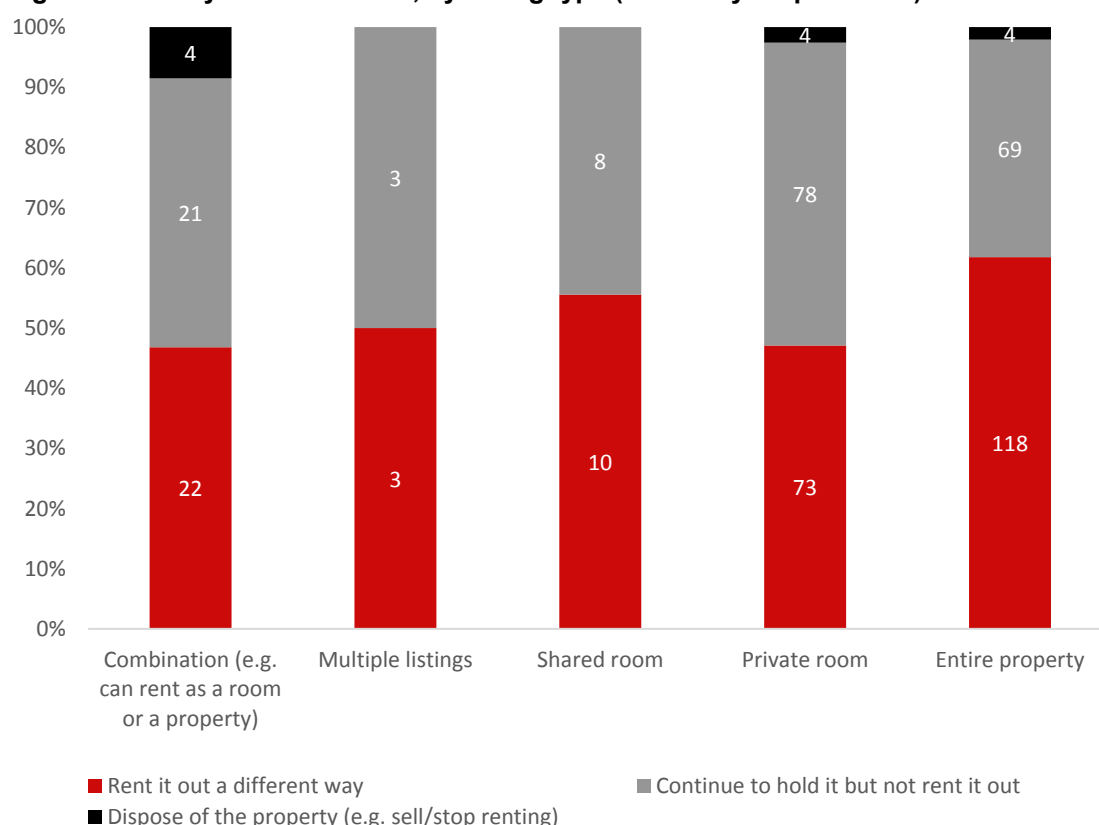
Overall, the responses of property investors using Airbnb indicate that a proportion of these hosts are likely to revert to renting to long-term tenants over time, particularly if the short-term rental market becomes less lucrative. This is confirmed by the survey results, which show that a majority of respondents would likely find another way to rent out their property, if Airbnb ceased to be an option (see Figure 28 and Figure 29).

Figure 28: What is the likely future use of the property, if not listed on Airbnb?



Source: authors

Figure 29: Likely alternative use, by listing type (all survey respondents)



Source: authors

This finding suggests that regulation of the STL market to limit the number of nights a host can list their property is likely to be of benefit to prospective tenants seeking LTR, by driving some financially motivated hosts to return their property to the LTR market. Meanwhile, the STL hosts

most likely to continue operating full-time will be those who value flexibility in how they use their spare housing capacity as much as they value the income.

4.5 How do hosts perceive the Airbnb market in Sydney and Melbourne?

This observation prompts a subsequent question: how well is the Airbnb market in Sydney and Melbourne likely to fare in coming years, and what impact might this have on the housing market? While a comprehensive analysis of Airbnb's business prospects is beyond the scope of this research, interviewees did provide a number of interesting observations about their experience of the STL market in Sydney and Melbourne.

Unsurprisingly, given the listing data captured in Figure 1, interviewees in both cities confirmed the seasonal nature of the business (although one property manager suggested this was partly due to market segmentation, with Airbnb gaining more summer bookings, and Booking.com gaining more winter bookings). More unexpected, perhaps, was that a number of hosts indicated that they felt the profitability of Airbnb hosting was beginning to decline, as both prices and booking numbers had dropped in recent months. As one property manager explained:

[T]here's such an influx of listings at the moment and an onslaught of listings that it's driving the dollar down on what you're getting. So in places like Sydney it's not viable anymore or it's not as viable ... Right now a lot more people are moving over to Airbnb [and] trying it out. But you'll see a lot more move back ... we've found that the ones that have already been doing this for the last three or four years are already moving back.

Another interviewee who began hosting purely to make money was also getting out of the game, as he felt the profits no longer justified the work involved. In part, he saw the rise of Airbnb property management companies as being responsible for driving prices down:

[T]here's just that many more people doing it, there's more competition obviously and if you're dealing with people who have hundreds of properties ... it doesn't matter to them whether it covers the bills or whatever because they're managing on behalf of some other owner.

This rapid growth was also confirmed by another of the property managers interviewed, who noted that the company's portfolio had grown from about 20 properties to over 300 properties in the past 18 months.

Other hosts also noted that they were feeling pressure to lower their prices to maintain the rate of bookings. A number explained that Airbnb itself regularly recommends that hosts lower their prices to increase turnover. This growth-based business model was a source of frustration for some hosts; one complained that 'they're getting a little bit too big and forgetting the main picture, which is the people that actually make them the money and that is the host'. Another also claimed that the experience of dealing with Airbnb had shifted over the years:

[W]hen we first joined it, it promoted itself, its whole advertising presentation of itself was really this quite airy fairy, warm, lovey fuzzy-wuzzy stuff, and there were lots of things about the sharing community, the sharing economy. You've got a little nook in your home that you're not using, and you can do it to suit your needs, and it just fits into your life, that kind of stuff. It's actually become lots more business oriented and it drives you to be more business-like.

Despite these concerns, however, most interviewees indicated that they planned to continue hosting on Airbnb in the near future. Furthermore, of the 68 survey respondents who identified themselves as past hosts, 66 per cent claimed they intended to list a property again in future

(30% were unsure, while 4% did not plan to relist). While this may not reflect the views of all former hosts, these responses nonetheless indicate that for many hosts, the benefits of hosting currently outweigh any challenges, including declining profitability.

Meanwhile, not all hosts felt that Airbnb hosting had ceased to be a lucrative venture. One 'empty-nester' host was overwhelmed with bookings:

I'm being offered more people than I can cope with. If I had an extra house out the back ... I could have that full of people as well if I wished.

Similarly, another host with a particularly high-end property was surprised about her significant earning prospects via Airbnb:

I've got a house on Sydney Harbour, it's about a \$6 million house and I thought, I might just stick it up on Airbnb and see how I go ... I didn't actually expect to be renting out my own house on Airbnb but it's actually turned out to be quite a little lucrative money-spinner by default. So, I've generated I think it's \$50,000 just last month and this month, just in Airbnb revenue, [quite] by accident.

And while some hosts were finding their listings had become less profitable over recent months, the profitability of Airbnb hosting was still appealing for others, particularly in comparison with LTR yields. As an Airbnb property manager explained:

We're growing pretty aggressively and there's definitely interest in the market from property investors, particularly those buyers in looking for other ways to get a good rental yield, because in many cases rental yields have dropped because house prices have increased so dramatically, particularly here in Sydney ... We're not going to say that they're going to be generating outlandishly high returns, but it's bringing them back closer to what the long-term sort of average return on ... yield for what a property in Sydney would be.

Altogether, the perspectives offered by hosts suggest an increasing 'spikiness' in the Airbnb market in Sydney and Melbourne, with hosting remaining lucrative in certain contexts (e.g. high-end properties, listings in areas with little alternative commercial accommodation), but becoming less so in other contexts (e.g. mid-range inner-city apartments in Melbourne; out-of-season listings in Bondi). The seasonality of Airbnb demand is particularly striking, and is likely to drive some flattening out of the Airbnb market over time, but also prompt the emergence of more mixed short-term and long-term letting properties (e.g. properties used as STL over summer, then returned to LTR for 6–9 months over winter). There are also indications that certain categories of hosts may prove to have more longevity in the market—particularly investors with professionally managed properties, and home-sharing hosts offering distinctive properties and/or personalised hospitality. In other cases, it seems likely that the longer-term pattern may be one of instability, with properties moving back and forward between STL and LTR as the market (and particularly the season) dictates. This points to greater uncertainty around the availability of housing for LTR—a trend that is also apparent in other research on the Australian PRS more broadly (Hulse et al. 2018).

If these trends are substantiated over time, it may result in some current Airbnb properties being returned to the LTR market, as their profitability as short-term lets declines. However, this is only likely to be the case for those properties where financial gains are the predominant motivation for hosting, as opposed to the mixed motivations expressed by most of our interviewees. In many cases, hosts continued to express confidence in the value of Airbnb hosting, as the following section explores.

4.6 Has the existence of Airbnb shaped hosts' property decisions?

While frustrations with declining bookings had affected some hosts, others clearly retained their belief that Airbnb hosting would remain worthwhile into the future. This was most clearly apparent in the way some interviewees were now factoring Airbnb into their thinking about future property decisions. For example, a number of hosts were now actively looking to expand their Airbnb property portfolios. One—a professional investor with an existing portfolio of rental properties—was now actively in the market for properties to list on Airbnb:

So, the property that I'm bidding on this weekend is a little one-bedroom cottage with a courtyard that I know I can easily get in and renovate, furnish and then do very, very well on, just purely for the purposes of Airbnb.

The same investor knew of multiple other professional investors purchasing properties specifically to list on Airbnb. However, it was not only property investors making decisions to factor in Airbnb. As a host involved in home-sharing explained:

I'm in the process of selling my home and looking for another property and in doing this I am thinking how can we make the property work as Airbnb—i.e. does it have a granny flat out the back, is there a separate space for guests? So it is shaping the way I think about the property, not only in terms of an investment but also being able to generate an income from the property. All my friends and people I know who have used Airbnb are thinking the same way about their properties now.

At least one other host claimed the prospect of STL had already informed the decision to purchase an investment property, as the flexibility to use it occasionally was appealing. Another had factored in the existence of Airbnb when deciding to build a granny flat behind her house, while another was factoring it into her mortgage repayment calculations for her first home purchase. Another still described coming to view the expected departure of her grown children from the family home as an opportunity to expand her Airbnb operations beyond her existing investment property listing:

Right, now I've got a big house, I've got a four-bedroom house with a study, my son's 25, he's just moved out a month ago ... My daughter's 17, she'll be gone in so many more years and I've got this whole massive house. My brain is already starting to work, 'Wow, how can I diversify my home or another source of income to come in', and bells [are] already ringing that I've got an opportunity to start it with my own private home ... Would never have contemplated thinking about opening up my private home for Airbnb. Especially the way I've been brought up from an Italian background, you just don't do things like that. But working with Airbnb and seeing it how it all works and the opportunities ... you can make money with your own assets, it's wonderful.

For others, the prospect of purchasing property to use on Airbnb was less pressing, but nonetheless played a part in broader property-related musings:

Every once in a while when we think we're going to throw in [for a] better lifestyle and move to the country, sure we're not actively looking for anything but sometimes when we're just browsing or whatever—whilst it wouldn't be a requirement, it is in the back of your mind, like 'Wow, this has got a little studio ...'

Another host described a similar train of thought regarding a possible future holiday house:

It has definitely made me think about the potential of maybe buying an investment property and using it for the sole purpose of Airbnb ... Like all the amazing places around every state, the small kind of beach towns, the wineries, stuff like that. I think there's a huge opportunity there, find somewhere like the Barossa Valley, for example, and maybe find a decent house there. I think you could actually do a lot better and having it on a purely Airbnb basis rather than renting it out the traditional way to a permanent or a temporary but long-time tenant. You've also got a little holiday getaway for yourself.

Overall, interviewees gave the impression that the existence of Airbnb was reshaping how they thought about their options with regards to property, as one of a number of considerations to factor into such decisions. While in many cases the possibility of hosting on Airbnb had prompted hosts to contemplate expanding their property portfolio, there were also examples where Airbnb was enabling hosts to remain in properties they might otherwise need to sell. Supporting homeowners to stay in their properties might be considered a positive outcome in some cases, while in others the role of Airbnb in allowing empty-nesters to remain in large family homes may not be the most efficient outcome from a housing market perspective.

4.7 Conclusion

Overall, the survey and interview results suggest that the main motivation for listing on Airbnb is to earn additional money from housing assets, in a way that is perceived to minimise risk. While in some cases this additional income is tied to an immediate need for a financial buffer against housing insecurity, this is not the case for most participants in our research. Instead, Airbnb provided a way to boost their discretionary spending, and in some cases, to cover a voluntary reduction in their waged labour. At the same time, these financial motivations were bolstered by the fact that hosting on Airbnb was also seen to bring additional intrinsic benefits. These included the opportunity to connect with diverse people from around the world, a sense of value associated with being a good host, and a desire to give something back to the international community.

When choosing Airbnb over other ways of monetising their property, participants identified a number of reasons for their choice. For many, the flexibility of still being able to use the property occasionally, while also using it to earn money, was a significant benefit of STL over LTR. For others, negative perceptions associated with LTR—such as the risk of property damage, or the challenges of sharing long-term with others—made STL a more appealing option.

At the same time, the findings suggest that many of those most strongly motivated by the financial return are becoming increasingly skilled at hosting, and change their behaviour over time—such as by engaging professional cleaners, handing the property over to a management company, or becoming significantly more active in how they manage the property themselves. While the work involved in STL seemed likely to drive some hosts back to LTR, others were becoming more strategic and business-like in how they used the platform to their advantage.

Interestingly, Airbnb seems to be encouraging this 'professionalisation' of hosts, and increasingly requires this for listings to remain profitable and not be pushed down the list. While some of the hosts interviewed were reshaping their behaviour to align with this shift, others were less inclined to do so. Over time, this business strategy by Airbnb may drive some hosts to return their properties to the PRS to supply longer-term rental. For others, however, it may simply drive a return to vacancy or under-utilisation.

Overall, the findings highlight how property related decision-making is shaped by a complex mix of factors—an observation that is already well established in existing housing research. The findings indicate that STL platforms like Airbnb have added an additional set of options in this

decision-making process by allowing existing property market participants greater flexibility in how they monetise their housing assets.

In giving people who are already property-rich this additional flexibility, however, the findings in this chapter do suggest that STL adds to the barriers already confronted by those seeking to enter the housing market, particularly in local areas where affordability is already an issue. Of particular note is the fact that multiple hosts indicated that their experience with STL had changed their thinking on future property decisions, making them more likely to retain or seek to purchase excess housing space, so that they could use it to earn money via STL. Given these are existing market participants who are already using their property to earn additional income, they are likely to be able to outbid prospective market entrants, thus pushing prices higher over time.

This reinforces the findings in Chapter 2 that, at least in the short term, STL platforms are disrupting parts of the private housing market in Sydney and Melbourne. The ways in which this occurs are not straightforward, however, and the results demonstrate that STL platforms like Airbnb are one of a number of significant factors shaping housing opportunity in these cities. This presents a challenging landscape for regulators to navigate, as the next chapter will examine in more detail.

5 Regulating Airbnb and short-term letting: international review

Our review of 11 cities indicates that there are three broad approaches to regulating STL:

- A **permissive** approach—where STL is mostly allowed without prior permission or notification.
- A **notificatory** approach—where STL is mostly allowed, provided the host first notifies an authority (i.e. there is no specific decision by the authority).
- A **restrictive** approach—where STL is mostly banned, or allowed only where an authority gives specific permission.

Melbourne and Sydney have each taken a permissive approach to STL but, unlike other ‘permissive’ cities, there is significant uncertainty as to where the limits of this use of premises lie.

The notificatory approach appears to be best adapted to addressing novel aspects of STL in the Airbnb era.

5.1 Introduction

This chapter reviews the regulation of Airbnb and STL activities in Melbourne and Sydney and nine international cities. The international cities are:

- Amsterdam (The Netherlands)
- Barcelona (Catalonia, Spain)
- Berlin (Germany)
- Hong Kong (Hong Kong Special Administrative Region, China)
- London (United Kingdom)
- New York City (New York, United States)
- Paris (France)
- Phoenix (Arizona, United States)
- San Francisco (California, United States)

We selected these cities because each is a major city and tourist centre where Airbnb and STL is a significant issue. The cities also represent a range of regulatory approaches to STL.

In a wide-ranging review of the regulation of ‘sharing economy’ activities, Finck and Ranchordas (2016) categorise regulatory approaches broadly as ‘permissive’ or ‘restrictive’. Miller (2016), on the other hand, identifies no less than 19 approaches to regulating the sharing economy. In our review of the eleven cities, we use Finck and Ranchordas’s broad categories, but add a third intermediate category of ‘notificatory’ approaches. We define the three broad approaches as follows:

- Permissive—where STL is mostly allowed without prior permission or notification.

- **Notificatory**—where STL is mostly allowed, provided the host first notifies an authority (i.e. there is no specific decision by the authority).
- **Restrictive**—where STL is mostly banned, or allowed only where an authority first gives specific permission.

Table 6 categorises the 11 cities according to these regulatory approaches and summarises some of the details of their regimes regarding STL whole premises (i.e. the host is absent) and part of premises (i.e. the host remains in occupation).

Table 6: Regulation of STL, 11 cities

City	Whole of premises	Part of premises
Permissive approaches		
Melbourne	Allowed, provided premises remain a dwelling	Allowed
Sydney	Allowed, provided premises remain a dwelling	Allowed
London	Not more than 90 nights pa	Allowed
Phoenix	Allowed	Allowed
Notificatory approaches		
Amsterdam	Each letting must be notified Not more than 60 days pa Must be not less than 7 days Must be not more than 4 persons	Must be registered B&B
Paris	Primary residence: allowed provided host is registered with City; not more than 120 days pa Secondary residence: host must seek authorisation	Primary residence: allowed provided host is registered with City Secondary residence: host must seek authorisation as B&B
San Francisco	Allowed provided host is registered with City Not more than 90 nights pa Premises must be host's own permanent residence, and not let in more than 5 separate lettings at once	Allowed provided host is registered with City Premises must be host's own permanent residence, and not let in more than 5 separate lettings at once
Restrictive approaches		
Barcelona	Must be licenced tourist accommodation	Must be licensed tourist accommodation
Berlin	Primary residence may be let with permission (not more than 6 months pa) Secondary residence may be let with permission, not more than 90 nights pa	Less than 50% of floor area may be let without permission More than 50% of floor area may be let with permission
Hong Kong	Must be licenced guesthouse	Must be licenced guesthouse
New York City	Not allowed	Allowed

Source: authors.

Within these categories, there is considerable variation in the regulatory instruments—reflecting many of the measures reviewed by Miller (2016)—and in overall degrees of regulation effected in each city; for example, San Francisco’s notificatory regime involves conditions that make it more restrictive than, say, Paris’s. There are also complicating factors arising from different historical approaches to regulating land uses and housing relations in each city.

It should be noted too that while these categories refer to the regulatory approach taken in the *public law* in each city, there is also regulation under private law; for example, building by-laws and lease terms. Information about these forms of private regulation is difficult to access, but we provide some further details below, alongside the more detailed discussion of the public regimes in each city.

5.2 Regulating short-term letting in Melbourne and Sydney

In Melbourne and Sydney, STL is currently regulated in much the same way. It is a permissive approach: in both cities STL is generally allowed without authorisation or notification, provided the premises can still be characterised as a private dwelling. However, the point beyond which short-term let premises are no longer a private dwelling is not clearly defined.

5.2.1 Planning and building regulation

Neither Melbourne nor Sydney has a specific public law regime for STL; instead, in each city the most relevant regime is the planning system established by state legislation—*Planning and Environment Act 1987* (VIC) and *Environmental Planning and Assessment Act 1979* (NSW) respectively—and largely operationalised by local councils. There are 32 local councils in greater Melbourne and 31 in greater Sydney, and each is charged with regulating land uses according to state law and their own local planning instruments. These provide for various uses of land to be prohibited, permitted with the council’s consent, or permitted without consent, according to a property’s zoning; they also incorporate standards for different classes of buildings from the Building Code of Australia.

Across both cities, local planning instruments provide for tourist accommodation under various categories of use (e.g. bed and breakfast, backpacker hostel), but category definitions differ and it appears that only a few councils employ use categories intended to cover STLs specifically; most do not refer to extent of use (e.g. in terms of days per year) (NSW Parliament 2016; Gurr and Phibbs 2017). The classes of building in the Building Code of Australia also make distinct provision for dwellings (Class 1A houses and ‘sole occupancy units’ in Class 2 apartment buildings) and guesthouses and hotels (Class 1B and Class 3, respectively), but do not expressly set thresholds where uses are mixed.

This means there is a question as to whether—and to what extent—STL is accommodated within the category of ‘dwelling’. This question has been litigated in both Victoria and New South Wales, in slightly different ways, to similar general effect: that STL is consistent with premises being a dwelling, but only up to a point, and that it is difficult to generalise as to where that point lies.

In Victoria, the leading case is *Genco and anor v Salter and anor* [2013] VSCA 365, which concerns an attempt by the City of Melbourne to prevent several units within a strata scheme at Docklands from being used for STL (whole of premises and available year round), on the ground that the units, being used other than as long-term residences, ought to be classified as Class 3, not Class 2, and so did not comply with the relevant standards. The Victorian Court of Appeal held against this construction, finding that the units were dwellings. In particular, the Court held that ‘long-term residence’ was not a criterion of ‘dwelling’, and that instead ‘the test is whether at the material time the premises possessed the characteristics ordinarily found in buildings used or let for human habitation as homes’:

It follows that a beach house will be a dwelling as a matter of ordinary language if it has the facilities that are necessary to make a building habitable as a dwelling. It will remain a dwelling whether or not it is occupied only sporadically. It will also remain a dwelling even if it is let out during holiday periods to short term occupants.

Likewise an apartment will remain a dwelling as a matter of ordinary language even if its owner lives overseas or interstate and uses it only occasionally and then for relatively short periods.

On the other hand, the Court also indicated that where all of the units in a building are used only for STL, and provided with the services ‘customarily expected a decent hotel’, they might properly be classified as a Class 3 hotel. Furthermore, ‘between those two extremes lies a range of possibilities’.

In the leading New South Wales case, *Dobrohotoff v Bennic* [2013] NSWLEC 61, the NSW Land and Environment Court considered the case of a house at Avoca, on the New South Wales central coast, that was used only for STLs of the whole premises, and whether it was a ‘dwelling’ or another, prohibited use for the purposes of the local planning instrument. The Court held that the house, in the circumstances, was not a dwelling, observing:

A tenancy granted to persons who are residing in a group situation for periods of a week or less for the purpose of bucks’ and hen’s nights, parties or for the use of escorts or strippers, is, in my opinion, not consistent with a use or occupation by a family or household group in the ordinary way of life, and therefore, not consistent with the use of the property as that of a ‘dwelling-house’.

However, the Court also indicated that STL could be consistent with use as a private dwelling, even where the premises are not permanently occupied:

There are a number of situations where buildings may be ‘dwelling-houses’ even though they are only occupied infrequently. A holiday house that is used exclusively for a limited amount of time during the year by a family (or even time shared between several families) or a house owned by a company that is rented out to executives and their families for short durations may all nevertheless constitute ‘dwelling-houses’.

Ultimately, said the Court, whether STL takes a dwelling beyond that category is ‘a question of fact and degree’. In the absence of clear thresholds in planning instruments, it is therefore impossible to say generally where the limits on STL lie.

In New South Wales, there have been moves to reform planning legislation to address STL more clearly. In 2016, a NSW Parliamentary committee recommended amendments to planning legislation to consistently define ‘short-term rental accommodation’ in planning instruments, and include this category in the state’s scheme of ‘exempt development’ (i.e. permitted without consent or notification) and ‘complying development’ (i.e. permitted with notification), subject to thresholds and conditions set out by the local council. In May 2018, the NSW Government announced that it would introduce a single definition of ‘short-term holiday letting’ as a use, and that where a host is ‘present on-site overnight’, it would be ‘exempt development’ and allowed without limits (i.e. up to 365 days per year). Where a host is not present on-site overnight, the use would still be allowed as exempt development, subject to the following:

- in Greater Sydney—up to 180 days per year
- outside Greater Sydney—up to 365 days per year, except where a local planning instrument sets a lower limit (which must not be lower than 180 days per year).

Table 7 sets out the Government’s proposed changes in terms of ‘whole of premises’ and ‘part of premises’ letting. In this scheme, STL beyond the local limits would be a change of use for which a host would have to apply for specific permission, or which may be prohibited by the

local council—more likely the latter, considering how high is the government’s threshold. Overall the regime would be highly ‘permissive’—more permissive than the Parliamentary Committee recommendations, which would have allowed local councils to set lower thresholds.

Table 7: NSW Government proposals, May 2018

	Whole of premises (host is not present)	Part of premises (host is ‘present on-site overnight’)
Greater Sydney	Permitted without prior notice, up to 180 days per year	Permitted without prior notice, without limit
Rest of New South Wales	Permitted with prior notice, up to 365 days per year, or the local limit (which cannot be lower than 180 days pa)	Permitted without prior notice, without limit

Source: adapted from NSW Planning and Environment (2018).

At the same time, the NSW Government has proposed a complementary regulatory regime, in the form of a ‘code of conduct for short-term rental accommodation’. The enabling legislation, the *Fair Trading Amendment (Short-term Rental Accommodation) Act 2018* (NSW), does not set out the code itself, but provides that the code would apply to all ‘short-term rental accommodation industry participants’, including hosts, guests, agents and platform operators, such as Airbnb, and may include the following features:

- rights and obligations between participants
- a register of premises used for STL
- a system for complaints and dispute resolution, administered by NSW Fair Trading
- warnings, fine, exclusion orders and an ‘exclusion register’ of persons who have breached the code.

In Victoria, planning reforms were one of a range of options countenanced by the State Government’s Independent Panel on Short-Stay Accommodation in CBD Apartment Buildings (2015), but more attention has been given to options for reform that affect private regulation, which are discussed below.

5.2.2 Private regulation

In the absence of clear limits on STL under public law, some owners corporations have sought to restrict the STL of strata units through rules and by-laws. Also, individual property owners have used standard lease terms against subletting to restrict tenants from STL rental premises.

Restrictive strata rules and by-laws have been litigated in both Melbourne and Sydney and, in each jurisdiction, been found to be unlawful and void. In Victoria, the Supreme Court considered a rule prohibiting the use of a lot or the common property ‘for any trade, profession or business (other than letting the Lot for residential accommodation to the same party for periods in excess of one month)’ and whether this lawfully prevented STL (*Owners Corporation PS 501391P v Balcombe* [2016] VSC 384; the case involved the same units as in *Genco v Salter*). The Court held that such a rule was outside the lawful purposes of an owners corporation under the Owners Corporations Act 2006 (Vic), and so was void. In New South Wales, owners corporations enjoy a broader power to make by-laws affecting persons’ activities within their units and the common property of a strata scheme, but this power is subject to a prohibition on by-laws that restrict ‘dealings’: specifically, ‘no by-law is capable of operating to prohibit or restrict the devolution of a lot or a transfer, lease, mortgage or other dealing relating to a lot’ (section 139(2) *Strata Schemes Management Act 2015* (NSW)). In *Estens v Owners Corporation*

SP 11825 [2017] NSWCATCD 52, the NSW Civil and Administrative Tribunal determined that a by-law prohibiting STL contravened the section 139(2) prohibition and so was void.⁴

Both states are considering reforming strata legislation to address STL, but not to empower owners corporations to generally prohibit or restrict it. In response to its Independent Panel's report, the Victorian Government has passed amendments that would create a new process for disputes between occupiers regarding STL, make hosts vicariously liable for guests' damage, and allow the tribunal to make orders prohibiting STL where there have been repeated breaches of rules against nuisance and damage (*Owners Corporations Amendment (Short-stay Accommodation) Act 2018* (VIC)). The NSW Parliamentary committee also referred to the Victorian response and made similar recommendations. The NSW Government has adopted a slightly different approach in its *Fair Trading Amendment (Short-term Rental Accommodation) Act 2018* (NSW), which allows owners corporations to make, by special resolution, by-laws prohibiting the use of apartments as 'short-term rental accommodation', but not where the apartment is the host's principal place of residence. This means apartment residents, whether owners and tenants, could short-term let the whole or part of the premises, provided it remains their principal place of residence. This legislation is enacted, but has yet to commence.

Lease terms, on the other hand, may lawfully restrict tenants from engaging in STL, but there is some uncertainty as to the extent of the restriction. In both Victoria and New South Wales, the prescribed standard form of tenancy agreement includes a term that prohibits a tenant from subletting the premises (in whole or part) without the consent of the landlord (*Residential Tenancies Regulation 2008* (VIC), Schedule 1 clause 10; *Residential Tenancies Regulation 2010* (NSW), Schedule 1 clause 32). In Victoria, this term is subject to the qualification that the landlord must not unreasonably withhold consent to subletting; in New South Wales, there is an equivalent qualification in relation to subletting part of premises—but not the whole of premises (i.e. consent for whole of premises sublets may be refused, regardless of reasonableness).

The uncertainty around the term arises from the contention that 'subletting', for these purposes, means the granting of a tenancy, as distinct from a mere licence. In Victoria, this contention was considered in *Swan v Uecker* [2016] VSC 313, where a landlord sought termination on the grounds that the tenant had been occasionally subletting the whole of their premises through Airbnb. The Victorian Supreme Court terminated the tenancy, accepting the contention and holding that the arrangement in the present case, although expressed in the form of a licence, was in substance a tenancy, because the guests had the whole of the premises and the host was absent. The decision has been criticised by Swannie (2016), who argues that the arrangement, in light of the host's short absence and the continued presence of all their belongings, is better characterised as mere licence. The decision also leaves aside the question of whether part-premises STL involves the grant of a tenancy, as distinct from a licence.

In New South Wales, there are no published decisions of the Tribunal or superior courts on Airbnb subletting, but the Tribunal has indicated support for the contention that 'sublet', for the purposes of the prescribed term, means a tenancy, not a licence (*Wang v Abdel-Messih*; *Wang v Abdel-Messih*; *Abdel-Messih v Wang* [2017] NSWCATCD 11; also Anforth, 2017: 196). Whether the NSW Tribunal and courts would also follow the expansive approach of *Swan v Uecker* to the question of whether a STL through Airbnb is a tenancy remains to be seen. It may be relevant that the NSW Act itself expands the definition of tenancy to include arrangements where occupation is not exclusive (*Residential Tenancies Act 2010* (NSW), section 3).

Part-premises STL may also be restricted, indirectly, by lease terms limiting the number of persons who may occupy the premises. The standard form of agreement in New South Wales

⁴ Note that a decision of the Tribunal, while binding on the parties, does not set a binding precedent. Note also that the Privy Council came to the opposite conclusion regarding the prohibition on restrictions on dealings in the strata legislation of the Turks and Caicos Islands—which replicated an earlier version of the New South Wales

provides for the landlord to set the maximum number of occupants as a term of the agreement. There is no such term in the Victorian standard form of agreement, nor an express statutory basis for a limit, but agreements often include a limit on the number of occupants as an additional term.

The upshot is that if tenants STL the whole of premises without the landlord's consent they will generally be in breach in Victoria, and may be in breach in New South Wales too; but, subject to limits on the number of occupants, there may be no restriction on STL part of premises without consent, particularly where the arrangement is a mere licence.

5.3 Regulating short-term letting in nine international cities

5.3.1 Permissive approaches

Like Melbourne and Sydney, London and Phoenix take a permissive approach to STL; generally speaking, it is allowed without notification or specific permission from an authority. However, in London there is clear threshold beyond which STL is not generally allowed, while in Phoenix there is another sort of clarity: state legislation prohibits such limits being made. Also, private regulation is a notable feature of both of these otherwise permissive cities.

London

London's permissive regulation of STL is a recent turn away from longstanding restrictions on STL, specifically to facilitate 'sharing economy'-style lettings.

In Greater London, residents (not corporations) can use their premises as 'temporary sleeping accommodation' for up to 90 nights per calendar year without obtaining planning permission (*Deregulation Act 2015*). STL for more than 90 nights is a change of land use that requires planning permission, the requirements of which vary between local councils (and at least one London council advises that it will likely refuse applications) (Crommelin, Troy et al. 2018). This regime applies across the 33 local council areas that comprise Greater London, and Airbnb has implemented within its own systems a corresponding 90-night per annum limit on London listings.

London's current regime began in 2015, loosening restrictions on STL that dated back to 1973. Under the previous regime, using residential premises as temporary sleeping accommodation, being occupation for less than 90 days, was a change of use for which planning permission was required, and any STL of the whole of premises without planning permission was an offence (*Greater London Council (General Powers) Act 1973* (UK), section 25). The wording of section 25 suggests it may also have applied to STL of part of premises while the occupier was still in occupation. Following the rise of STL and the tourist influx during the London 2012 Olympic Games, the British Government set about 'modernising this out-dated legislation, so that residents can allow their homes to be used on a short-term basis without unnecessary red tape' (DCLG 2015). The *Deregulation Act 2015* reserves the right for the government to reintroduce the previous restriction to certain properties or in certain areas (section 45), but it has not done so.

Around the same time as the Greater London amendments, the UK Government further encouraged 'sharing economy' activity by reducing taxes on income from letting rooms in one's own residence, lifting the 'Rent a Room Scheme' tax-free threshold to £7,500 per annum. This may have been a bridge too far: the government is now reviewing the scheme with a view to limiting its application to longer-term residential lettings only (UK Government 2017).

Although the public law regime is quite permissive, STL in London is often restricted by private regulation. Most London flats are 'owned' on long-term (e.g. 99-year) leases, which typically include terms that may restrict or prohibit STL. In particular, lease terms prohibiting the use of properties other than as 'private residences' (*Nemcova v Fairfield Rents Ltd* [2016] UKUT 303),

and the causing of nuisance and annoyance (*Laxcon Developments Ltd v Rogers* [2017] LON/o0AY/LBC/2015/0021), have been litigated to restrain short-letting. In the first instance, the remedy for breach is typically an injunction against further breach, but in at least one case repeated STL in breach of lease terms and injunctions has resulted in the courts ordering the forfeiture of lease (*Ashley Gardens Freeholds Limited v Linda Marinelli Landor* [2017] County Court at Central London, April 2017). In that case the leaseholder was given six months' notice of forfeiture, so that they might sell the lease beforehand.

Phoenix

Although not often thought of as a 'global city', Phoenix is the fifth largest city in the United States—it is almost twice as populous as San Francisco—and a significant centre of tourism. Under Arizona state legislation enacted January 2017, Phoenix and other cities and towns are themselves generally prohibited from prohibiting or restricting 'vacation rental or short-term rentals' (Title 9, chapter 4, article 8 Arizona Revised Statutes, section 9-500.38). No such restrictions had actually been enacted in the City of Phoenix itself, but several municipalities in the greater metropolitan area had enacted bans on STL (i.e. for periods of less than 30 days), which were overturned by the state law (Lines 2016).

There are some qualifications on the state prohibition. Municipal regulations that are 'narrowly tailored to protect the public health and safety' in relation to sanitation, fire, traffic and pollution are permitted; so too, for that matter, are municipal prohibitions on STL for the purposes of 'housing sex offenders', 'nude or topless dancing' and 'other adult-oriented businesses' (section 9-500.38, subsection B). It is not known whether the City of Phoenix or any of the surrounding municipalities have implemented such 'narrowly tailored' regulations.

Arizona's state-level prohibition also does not affect the private regulation of STL. In Phoenix, like many other US cities, residential subdivision and development often involves the establishment of a home owners association and binding rules ('covenants, conditions, and restrictions') on property owners—similar to an Australian strata scheme's owners corporation and by-laws. The scope of these rules is broad and could encompass restrictions on STL, though it is not known to what extent they currently do (Pettit, Ticzon et al. 2018).

5.3.2 Notificatory approaches

Cities taking notificatory approaches generally allow STL, but require prior notification or registration. Notificatory approaches are relatively recent; of those considered here, Amsterdam's—established in 2013—is the longest standing.

Amsterdam

Amsterdam has designated itself Europe's first 'Sharing City', with a 'Sharing Action Plan' that 'welcomes disruption' (Municipality of Amsterdam 2018). Nonetheless, it closely regulates STL under a notificatory regime that limits activities in a number of respects.

STL in the Municipality of Amsterdam is regulated under the *Housing Regulation Amsterdam 2016*, which is delegated legislation under the Netherlands' national Housing Act. A resident of Amsterdam may short-term let the whole of their dwelling for not more than 60 days in a year (from 1 January 2019 this period will reduce to 30 days in a year, under a recent decision by the Municipality). Each letting must be notified to the Municipality prior to commencement (including date and time of check in and check out); must not be for a period of less than seven days; and must not allow more than four persons to occupy premises under an STL. Some STL of whole premises also takes place under licences issued by the Municipality; no more of these licences are being issued.

A resident may short-term let part of their premises if they are registered as a bed and breakfast. Registration is free of charge, but obliges the resident to submit to inspections by the

municipality and to remain in occupation during lettings. The resident-proprietor of a registered B&B cannot STL the whole of their dwelling.

Amsterdam's regime engages quite closely with Airbnb. Under a Memorandum of Understanding first entered into in 2012—the first between a European municipal government and Airbnb and part of Amsterdam's 'Sharing City' claim—Airbnb agreed to the collection of tourist taxes. Airbnb also automatically blocks hosts when they have exceeded the 60-day limit (Municipality of Amsterdam, 2018).

Paris

Paris has recently added a notification requirement to its regulatory regime, which was previously permissive of STL in hosts' 'primary residences', but quite restrictive as regards 'secondary residences'.

Throughout France, premises that a person occupies not less than eight months in a year are regarded as their primary residence (Article L631-7 of the *Code of Construction and Housing*). There is a deep-seated principle of free dealing with one's primary residence—in contrast to secondary residences, discussed later—but under the Law 2016-1321 of 7 October 2016 [Law for a Digital Republic], municipal governments are empowered to require residents to notify before STL the whole or part of their primary residence. The City of Paris adopted such requirement in December 2017. The implicit limitation is that the premises remain their primary residence—so STL the whole of premises for more than 120 days (i.e. four months) per year would take them out of that status. Upon notification, the host receives a registration number that must be included in all advertisements. Hosts are also required to collect from guests a tourist tax, and Airbnb makes provision to collect and remit this to the government. Where income from STL one's primary residence is less than €760 (\$1,220 AUD) per year, it is tax exempt (City of Paris 2018).

Premises occupied less than eight months in a year are regarded as a 'secondary home', and STL is subject to heavier restrictions. Short-term letting of the whole of a secondary home is a change of use, for which the proprietor must apply for authorisation (Article L631-7 of the *Code of Construction and Housing*). In Paris, a municipal by-law (adopted in 2008) imposes a condition of authorisation requiring the owner to first purchase an equivalent area of commercial space to convert to housing; in some parts of the city, the compensation requirement is doubled. The penalty for unauthorised change of use is up to €50,000 per dwelling, and €10,000 per square metre per day of unauthorised use. Letting rooms in a secondary house while the proprietor is in occupation is also a change of use. The proprietor must declare the use to the municipal government and meet the requirements for 'guest rooms' under the *Tourism Code* (Article 324-1). Secondary homes are also subject to a municipal surcharge, which the City of Paris increased in 2017 in an attempt to encourage residential use of properties.

Airbnb has set its systems to alert hosts when the four-month threshold is approaching, and to collect visitor taxes.

San Francisco

San Francisco recently shifted to a notificatory approach, having previously banned STL (i.e. period of less than 30 days) in multi-unit buildings. However, the conditions that attach to notified STL still make the regime relatively restrictive.

San Francisco regulates STL under Chapter 41A of the San Francisco Administrative Code, the current version of which began in February 2015 and applies to the whole of the City and County of San Francisco. A resident may short-term let a property provided they first register with the Office of Short-Term Rentals, which issues a certificate and reference number for use in advertisements, and with the City Treasurer as a business for tax purposes. This allows the resident to let only their own 'permanent residence', being a dwelling they occupy at least 275

nights per year. This means whole of premises lettings must not exceed 90 nights per year, and that no registered host may short-term let multiple properties—although up to five separate lettings in a (presumably large) permanent residence may be made at one time. Certain types of properties are excluded and may not be short-term let at all: public housing, ancillary dwellings (i.e. granny flats) and previously rent-controlled premises where the tenant has been evicted (under the Ellis Act). The regime also requires registered hosts to submit quarterly reports to the City, and hosting platforms to check hosts' registration details and submit monthly reports to the City.

San Francisco's registration regime was originally resisted by Airbnb. With rival platform HomeAway, Airbnb litigated against the law, but was instead ordered by the US District Court to co-operate with the city in implementing the registration scheme. In 2017, a proposition to further restrict STL—by reducing the limit to 75 nights per year, and applying it to part of premises lettings—was voted down by electors.

Private regulation is also heavy. San Francisco tenancy agreements typically prohibit subletting, as do the proprietary leases between co-ops and the member-residents. The Office of Short-Term Rentals facilitates owners taking action for subletting in breach by notifying the building owner when it receives an application for registration (Said 2018).

5.3.3 Restrictive approaches

Restrictive approaches either ban STL, or allow it only where an authority has specifically given a permit or licence. In two cities considered here—Barcelona and Hong Kong—the conditions of the licence are such that STL is intended to be a business and not a 'sharing economy' activity. New York City, on the other hand, mostly bans STL, subject to a very limited 'sharing economy' exception. Berlin has recently loosened its 'ban'.

Barcelona

Barcelona City Council has taken a prominent stand against STL in residential buildings. The Council's express aim, stated in its current 'special urban plan' for tourist accommodation, is 'the progressive elimination of housing activity for tourist use in buildings in which there are also homes intended for primary or secondary residence' (Barcelona City Council 2017a).

STL in Barcelona is governed by Catalonia's tourism legislation, the Law 159/2012 of November 20 ['Tourist accommodation establishments and housing for tourist use']. This defines a dwelling let for a period of less than 31 days (a 'seasonal letting') as a 'house for tourists', for which the host must seek a licence from the municipal government. In Barcelona, the current policy of the City Council is to refuse licences except where all the apartment owners in a building also hold or apply for licences, and in some parts of the city the Council refuses to issue new licences altogether. Where a licence is granted, the dwelling becomes registered on the Catalonia Tourism Register, and the licence holder is not allowed to use the premises as their own residence. The licence holder must also register to pay tax and social security contributions, the cost of which is prohibitive of only occasional STL. The effect is to remove STL of premises—whole or part—from the 'sharing economy'.

Barcelona City Council's restrictive regime has entailed a substantial enforcement effort and difficult relations with Airbnb. The Council appeals to residents and visitors to report unauthorised accommodation and, in the 18 months to May 2017, began almost 6,000 disciplinary proceedings against unlicensed hosts (Barcelona City Council 2017b). In 2017, the City Council issued fines of €30,000 against Airbnb and another platform, HomeAway, for advertising premises in breach of its regulations; Airbnb successfully appealed the penalty but made an agreement with the Council to remove unlicensed hosts from the platform (Barcelona City Council 2017b).

Berlin

For a short period Berlin implemented what amounted to a ban on STL, but it has now loosened its restrictions to such an extent that it is almost a notifiatory regime: permission for many types of STL must be applied for but will generally be given.

STL in Berlin is governed by the Law on the *Prohibition of the Destruction of Housing 2013* (Berlin), which applies throughout the city-state's 12 districts.⁵ The Law restricts housing from being put to 'non-residential use', except where the proprietor has permission from the relevant district office. 'Non-residential uses' include STLs of whole premises for tourist accommodation, and partial lettings where more than 50 per cent of the area of the dwelling is let; leaving premises vacant for more than three months is also an 'non-residential use'.

The granting of permission is subject to a test of the private interest of the proprietor, and the public interest in preserving housing. Amendments enacted in April 2018 have added two qualifications to the test. First, a resident will generally be allowed to short-term let their primary residence without a specified limit (although implicitly not so much that it ceases to be a primary residence). Secondly, a non-resident of Berlin who keeps a secondary residence in the city will generally be allowed to short-term let the premises for not more than 90 nights per year (Berlin residents with a second city residence will not be allowed to short-term let it).

Where permission is given, it may be time-limited or subject to other conditions, including compensation for the loss of housing. Unauthorised 'non-residential uses' are punishable by fines up to €500,000, and the district may appoint a trustee to restore the premises to residential use.

It is the qualifications on the public-private interest test that have loosened Berlin's restrictive approach. Previously, Berlin's districts had interpreted the public-private interest test to mean that applications should mostly be refused. However, in a number of decisions the Berlin Administrative Court overturned refusals of permission by districts, and indicated that STL a person's primary or secondary residence up to 182 days (i.e. half a year) per annum did not affect the public interest (for example, Judgments of the 6th Chamber of 9 August 2016 (VG 6 K 91.16, VG 6 K 151 and VG 6 K 153.16); also Eckart, 2017). The qualifications on the test were subsequently added and, at the same time, the restriction against vacant dwellings was tightened (from 6 months), the trustee provisions added and fines for unauthorised uses increased.

At present, it appears that the district authorities still grant permission as a decision on each specific case so, based on our definition, the approach remains a restrictive one. Arguably the new general settings make the decision-making redundant, and open up the prospect of the application process shifting to one of notification.

German tenancy agreements may prohibit subletting, but landlords may not withhold consent unreasonably. Berlin courts have terminated tenancies for unauthorised subletting on Airbnb (see, for example, LG Berlin, Az 67 S 360/14), and Berlin's application process prompts tenant-applicants to consider whether their landlord has agreed to sub-letting.

Hong Kong

Hong Kong regulates STL as 'guesthouse accommodation' under the *Hotel and Guesthouse Accommodation Ordinance 1991*, which applies throughout the Special Administrative Region. The Ordinance prohibits provision of 'sleeping accommodation for a fee for fewer than 28 days' except where licensed by the Office of the Licensing Authority (OLA). The licensing process involves consideration of the suitability of the premises as regards fire safety, health, sanitation, and the ability of the prospective licensee to supervise the premises (clause 8). In 2014, Hong

⁵ In Germany's federal system of government, Berlin has the status of a state.

Kong proposed to tighten its licensing regime, by introducing a 'fit and proper person' criterion and requiring insurance and 'a 24-hour manned reception counter' (Home Affairs Department, 2014). The proposed changes have yet to be made.

Hong Kong's regime makes no formal allowance for 'home share' style lettings, although the OLA has issued guesthouse accommodation licences for apartments in ordinary buildings. Separately, STL may be restricted by private regulation at the building level, through the deed of mutual covenant that governs relations between unit owners (*The Incorporated Owners of Hamilton Mansion v Yu Kiem Chiu and Jo Pek Djin* [1997] BM57 of 1997), and by lease between landlords and tenants (*Mutualbest v Ngai Wah Kit* [2013] HKSAR Lands Tribunal LDPD 1548 of 2013).

New York City

For decades New York City has mostly banned STL, and since the advent of Airbnb has tightened its regime. This has led to some high-profile clashes with Airbnb.

In New York City, STL is restricted under the *Multiple Dwelling Law* (MDL), a state law that applies to the City and invests the municipal government with regulatory powers. Units in buildings certified as class A multiple dwellings (including apartments and 'apartment hotels') are required to be used for 'permanent residence purposes', defined as 'occupancy of a dwelling unit by the same natural person or family for thirty consecutive days or more' (section 8(a)). The MDL only provides for shorter periods of occupation in two sets of circumstances: where the persons staying are 'living within the household of the permanent occupant such as house guests or lawful boarders, roomers or lodgers' (section 8(a)(1)(A)), and where 'the permanent occupants are temporarily absent for personal reasons such as vacation or medical treatment, provided that there is no monetary compensation paid to the permanent occupants for such occupancy' (section 8(a)(1)(B)). The effect is to prohibit lettings of whole premises for less than 30 days, except where provided for free—a very literal and limited conception of the sharing economy.

The MDL also prohibits advertising unlawful STL, with penalties for breach ranging from \$1,000 to \$7,500 (section 121). This provision, which was introduced in October 2016, was challenged in court by Airbnb under federal legislation (Communications Decency Act 1996 47 USC section 230); the case was settled in December 2016 when New York City undertook to prosecute only hosts, not Airbnb. The Mayor's Office of Special Enforcement has responsibility for enforcing the regime in New York City, and has been allocated millions of dollars for enforcement action against illegal hotels and Airbnb rentals (Fermino 2015).

All these restrictions apply to class A multiple dwellings, which house three or more families (section 4–7); buildings for occupation by one family or two families are 'private dwellings' (section 4–6) and are not covered, and class B multiple dwellings (for 'transient occupancy') are subject to specific regulations.

New York City's restrictions on STL are a tighter version of restrictions that date from at least 1961, when class A multiple dwellings were defined as 'occupied, as a rule, for permanent residence purposes'. This class of building included 'apartment hotels', which the City's Zoning Resolution (ZR) defined as buildings in which 'the dwelling units or rooming units are used primarily for permanent occupancy' (section 12–10). Permanent residence or occupancy was distinguished from 'transient' occupancy (provided for in class B multiple dwellings and transient hotels), which for decades the City interpreted to mean occupancy for periods of less than 30 days. However, in 2009 the New York State Supreme Court found there was no legislative basis for the 30-day threshold, and that the words 'as a rule' and 'primarily' in the MDL and the ZR qualified the definitions such that class A multiple dwellings need not be used exclusively for permanent occupancy. This meant that some degree of use for STL was permissible (*City of New York v 330 Continental LLC* (2009) 60A.D.3d226,873N.Y.S.2d9). Consequently, the MDL

was amended to remove the ‘as a rule/primarily’ qualifications and expressly incorporate the 30-day threshold into the definition of ‘permanent residence purposes’.

Private regulation of STL is strong in New York City. Tenancy agreements typically prohibit subletting, as do the leases between co-ops and their member-residents, and the by-laws of condominiums (Lehrer 2016). However, a small space for STL part of premises is carved out under New York City’s longstanding ‘roommate law’ (Section 8, *Real Property Law* (NY), which entitles tenants and co-op residents to sublet and share premises with another person, subject to spatial requirements, despite lease terms to the contrary (Siegler 2002).

5.4 Conclusion

Our review shows that broadly speaking, the permissive approach of Melbourne and Sydney is not unique. But both cities are unusual in a number of respects. First and foremost is the uncertain way in which they deal with the question of how much STL is too much, such that it is no longer a matter of sharing a dwelling. The two other permissive regimes in our review, London and Phoenix, are, in different ways, clearer on this question. Second, in both Melbourne and Sydney private regulation of STL—i.e. through by-laws and lease terms—is subject to some pre-existing limitations, so there is less scope to regulate privately than in London or Phoenix. Third, Melbourne and Sydney are unusual for not yet having implemented any regulatory change since the rise of Airbnb; only Hong Kong, with its pre-existing restrictive regime, has also not made any recent changes.

As our review also indicates, STL is itself not new, and some cities have been regulating it—mostly restrictively—for years before Airbnb commenced operations. Since the advent of Airbnb regulation has become a fast-developing field, with some cities tightening restrictions (Amsterdam, Barcelona, Paris, New York City), and some becoming less restrictive (Berlin, London, Phoenix). Though not universal, the most notable movement is the convergence on notificatory approaches; for example, Paris has shifted from permissive to notificatory; San Francisco from restrictive to notificatory; and Berlin’s regime, previously very restrictive, is now almost notificatory. No city that has adopted a notificatory approach has subsequently shifted to another (although it should be said, these are relatively new regimes).

It appears to us that there are sound reasons for this movement, because notificatory regimes are better adapted than others to the novel aspects of STL in the Airbnb era. The real novelty is the scale of STL enabled by Airbnb and similar platforms, and the collation of advertisements on those relatively few platforms—instead of being scattered in myriad travel agents, newspaper classifieds and window displays. While the scale of activity is daunting for traditional investigation and enforcement activities, the collation of advertisement presents opportunities for rationalising compliance, particularly where a notification regime generates an identification number to be used in advertisements. This can be used to check compliance with the notification requirement; advertisements without an identification number could be further investigated, or declined by the platform operator before even appearing on the platform. Just as importantly, the number can be used to check compliance with other conditions of the regime, such as limits on days let and restrictions on multiple properties.

6 Conclusion

While both NSW and Victoria have now taken steps towards regulating the use of STL platforms, policy debates over how best to manage STL seem unlikely to subside any time soon. In NSW, many details regarding the new regulatory regime still need to be fleshed out, including how the code of conduct will work. At the same time, STL remains a hot issue in other Australian jurisdictions, most notably Tasmania. The findings of this research are therefore likely to be of relevance to housing, planning and strata policy makers for some time to come.

Beyond the development of specific regulations on STL, however, the research findings also offer broader insights into current dynamics in private housing markets in our two largest cities. The growth of STL platforms has not happened in a vacuum, and the findings here illuminate how certain features of the Sydney and Melbourne housing markets have facilitated their growth. For this reason, the findings summarised in this chapter should also inform larger debates about housing affordability and the nature of our urban housing markets.

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

To address this overarching research question, it is helpful to first return briefly to the four research sub-questions outlined in Chapter 1.

In what ways may STL platforms reshape housing opportunity in Australia? (RQ1)

The findings suggest STL platforms are likely to reshape Australian housing markets in nuanced but significant ways. To begin with, it is clear that STL platforms provide another form of opportunity and flexibility for those who already have a foothold in the private housing market, or have the financial resources to consider investing. This additional flexibility is likely to drive more diverse use of housing, with property holders moving between STL and LTR. It is also likely to create greater uncertainty for prospective tenants and owners, for whom secure long-term housing may be more difficult to find, particularly in areas where peak period STL prices are high. In this way, increasing the options for one group of housing market participants is likely to reduce the options for other groups, in uneven but largely undesirable ways.

STL platforms like Airbnb can thus be viewed as another tool that offers property owners the flexibility of not having to commit to LTR to generate income, while still pursuing the capital gains that have encouraged significant property investment over the past decade. In other words, the rise of STL platforms like Airbnb can partly be seen as both a symptom and driver of Australia's deeply embedded culture of intense financialisation of housing, in which houses are viewed as much as an asset as a home designed to meet long-term housing needs.

Where and how is Airbnb being used in Sydney and Melbourne, and what is the spatial relationship between Airbnb use and other housing market indicators (RQ2)?

The spatial impact of Airbnb in both cities is particularly concentrated in high-demand inner-city areas with significant tourism appeal—such as Bondi, Darlinghurst and Manly in Sydney, and Melbourne CBD, Docklands and Fitzroy in Melbourne. This has been a pattern of Airbnb use in both cities for some time, although listing growth in all of these areas (except Melbourne CBD) has now slowed, and there are now a growing number of outer suburban properties being listed. In areas with concentrated Airbnb use, two main factors—decreasing bond lodgement rates, and increasing levels of property vacancy—point to the possibility that STL is removing properties from the LTR market, thereby contributing to increasing unaffordability in the PRS. STL is certainly not the only reason for the increasing rents in Sydney and Melbourne, and its impact over time seems likely to fluctuate both seasonally and in response to broader housing market trends. Nonetheless, these findings suggest that it is contributing to some local markets

in these cities becoming more inaccessible to long-term renters, including a number of local areas where gentrification processes have already given rise to equity concerns.

At the same time, however, the high rates of Airbnb listings in these areas might best be seen not as a primary driver of housing unaffordability, but as an amplification of an existing distortion in these housing markets. Most of these markets already had a significant stock of vacant properties prior to the growth of STL. It appears that Airbnb has now engaged at least some of this spare capacity. These markets have also had some growth (and in the case of Melbourne CBD, a very large amount of growth) in properties over the period of rising STL use, and most have had a slight increase in the proportion left vacant—so the capacity for STL has grown. Because STL listings appear to overlap with a significant amount of housing stock that is not ordinarily part of the long-term housing market, they offer a new window into a longstanding issue in Australia's urban housing markets—the under-utilisation of housing held primarily for speculative gain. In other words, STL platforms like Airbnb have tapped into a capacity in our existing housing stock, and in our development industry, that might be turned towards improving access and affordability, but which on present policy settings is not.

Why do hosts use Airbnb, and what choices shape their use of the platform? (RQ3)

In the simplest terms, hosts use Airbnb to make money, primarily for discretionary spending. While some do use hosting to cover more pressing housing expenses, this was not the case for the majority of the hosts who participated in our research, as Airbnb claims is the case worldwide. At the same time, for those not driven by pressing financial needs, a range of other benefits also inform their decision to host, including access to a cosmopolitan community of travellers, and the satisfaction of being publicly identified as a good host.

While the findings highlight the diversity of hosts' financial and housing circumstances, some interesting patterns still emerge. For example, the results show a significant number of hosts have chosen to convert properties from LTR to STL, but also suggest that some of these will likely return to LTR over time, due to perceptions of greater workload and declining profitability 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.

Perhaps the most striking finding, however, is the evidence that hosts are now factoring in hosting as part of their thinking about future property choices. This points to the prospect that STL platforms are contributing to the expansion of financialised attitudes towards housing, beyond those already involved in housing investment. In doing so, sites like Airbnb may 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.

What are the policy models being adopted to respond to STL, and do they respond equitably and efficiently to Airbnb's impact on private housing markets? (RQ4)

From our review of international regulatory responses, it is clear that NSW and Victoria have taken a very permissive approach to regulating STL, even taking into account the new regulations in the two jurisdictions. Compared to the time limits adopted in major Airbnb markets around the world, the proposed 180-day limit for entire property listings in Sydney is very generous, and it is notable that local governments would not be able to set their own lower limits. Meanwhile, the Victorian response would not address the extent of use, and hence the housing affordability impact of STL, at all, focussing entirely on the negative effects of 'party houses'. All in all, it is unsurprising that Airbnb has responded positively to the treatment it has received to date in Australia's two largest cities.

It should also be noted that the permissive approach of both jurisdictions also largely extends to the realm of strata by-laws and leases. State legislation restrains the private regulation of STL by owners corporations and, to a lesser extent, landlords—more than in most international comparator cities. Our findings suggest that this is probably appropriate: private regulation would be too restrictive of low-impact sharing-style STL, particularly by tenants, and is not a

democratic resolution of the problems commercial STL poses to local housing markets and neighbourhoods.

While the new legislation does do take some steps towards addressing the issues raised by STL, the findings suggest that including provision for locally-determined thresholds for whole of premises STL, and a requirement for registration in the suite of changes would produce more equitable and efficient outcomes. This would be in line with 'notificatory' approaches to regulation that becoming more common internationally. Although the scale of STL activity presents a daunting enforcement challenge, the funnelling of activity through a few platforms like Airbnb presents opportunities for efficient compliance, particularly where a notification regime generates an identification number to be used in listings. Just as importantly, a notification regime can be used to check compliance with other STL limits, such as limits on days let and restrictions on multiple properties. Accompanied by sufficient resourcing to conduct the required monitoring, this approach seems most likely to address the most problematic impacts of STL, both in terms of amenity and affordability.

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

Overall, the findings suggest two main conclusions about how STL platforms are reshaping housing opportunity in our two largest cities.

First, the findings indicate that STL platforms provide another form of financial opportunity for those who already have housing wealth, which adds greater flexibility to the way their housing assets can be exploited. This adds another factor to the mix of issues already making our housing markets more fluid, and thereby reducing the likelihood that the market will provide a steady and sufficient supply of affordable long-term housing, for both rental and ownership. Those seeking long-term housing will therefore likely face a market that is at best more complex and uncertain, and may also be moderately less affordable in some local areas.

Second, these market changes seem 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 simultaneously compounding the challenges facing those who don't, STL may reinforce the increasingly inequitable nature of housing access in Australia's largest cities, particularly in desirable inner-city areas already reshaped by gentrification. In other words, the findings offer support for Schor's (2017) conclusion that STL platforms are likely to contribute to increased inequality over time—a trend that is already worryingly apparent in our big cities (Randolph and Tice 2014). Simply put, this is because 'with Airbnb, earning requires coming to the market with significant assets' (Schor 2017: 276). Housing is already the most valuable asset most Australians will ever own. STL makes it easy to make that asset even more valuable, thus increasing the net worth of those with housing assets, relative to those without.

6.2 Policy implications

From a policy perspective, the findings indicate four main actions for improved responses to STL. Two of these areas of action we have just discussed: a requirement for registration of STL listings, according to the notificatory approach that is increasingly adopted by jurisdictions internationally; and provision for locally determined limits on STL use to address its highly concentrated impacts on amenity and rental housing availability. While the recent regulatory responses in NSW and Victoria may mitigate some of the issues with STL, they do not establish notificatory regimes (although legislative provision has been made for the NSW Code of Practice, which has yet to be drafted, to include a registration requirement), and they do not provide for local limits on use. As such, neither set of current regulations will address all the challenges posed by STL to housing opportunity in Sydney and Melbourne.

The third action concerns housing policy more broadly. 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. These include issues like investor tax incentives, limitations on tenants' rights, the shortage of dedicated affordable housing, and cultural attitudes that frame housing as an investment as much as a home. To address these issues effectively requires a broad, integrated housing policy, of the kind proposed by numerous housing scholars (e.g. Pawson et al. 2015; Hulse et al. 2018). Such a policy needs to acknowledge that the PRS is increasingly complex, and that STL adds to the many factors already making the search for both short and long-term housing unconscionably difficult for lower-income urban residents. Combining a broad housing policy of this kind with more localised strategies for limiting STL use and ensuring adequate affordable rental supply in areas of intense STL use also seems warranted, to address the concentrated impact in certain neighbourhoods.

The fourth action is an ongoing research agenda into the nature of STL use across our cities and regional areas, and its impact on housing and urban planning outcomes. The results here, like those of Gurran (2018), highlight the fluid and fast-changing nature of how STL is being used in our big cities, and suggest that STL market conditions will fluctuate for some time. The findings also indicate a particular need for further research to understand the shifting relationship between the short-stay and long-stay markets, and how both renters and landlords/hosts move between them. This movement is likely to be a growing trend, as Hulse et al. (2018) identified, and reflects fundamental changes in how contemporary housing markets operate. Policymakers will need detailed and up-to-date data and analysis to deal effectively with this changing market. We note with interest that Airbnb has now agreed to share its data with the NSW Government as part of the new regulatory regime; if this could be extended Australia wide, and access granted to urban researchers, the benefits for policy makers grappling with STL are likely to be significant.

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Appendix 1: Interview questions

- Do you own or rent your Airbnb property? What kind of listing is it? How often available?
- How did you first learn about Airbnb?
- What motivated you to start advertising your property on Airbnb?
- *[If Airbnb influenced the decision to acquire the property]* What other factors (if any) also informed your decision to acquire the property?
- What concerns (if any) did you initially have about the idea of hosting on Airbnb?
- Have you changed how you use Airbnb over time? If so, how and why?
- Have you ever rented out all or part of your property using a method other than Airbnb?
- If yes, how was this arranged?
- What prompted you to change to Airbnb?
- Has the availability of Airbnb prompted you to manage your property differently in any other way? (e.g. not downsizing, adding a granny flat, renovating)
- How do you think the possibility of using Airbnb might inform your future decisions about property (e.g. purchasing additional property, adding an extension, downsizing)?
- Has your experience of being an Airbnb host matched your expectations?
- How have you found the experience of dealing with Airbnb?
- Have all of your Airbnb guests been tourists, or have some been seeking short-term accommodation for other reasons (e.g. work travel, home renovations, family breakup)?
- What factors most influence your decision to accept or reject a booking request?
- How do you feel about the way Airbnb is currently regulated?

Appendix 2: Survey questions

Note: This is the question set used for current or past hosts; minor variations were made to questions asked of potential hosts.

This information statement provides important information about this project, and outlines how the information you provide will be used and how your confidentiality will be assured. By continuing with the survey, you agree to the following:

- I understand I am being asked to provide consent to participate in this research study.
 - I have read and understood the Participant Information Statement.
 - I provide my consent for the information collected about me to be used in the manner set out in the Participant Information Statement only.
 - I understand that if necessary I can ask questions and the research team will respond to my questions.
 - I understand that I am free to withdraw by closing the questionnaire prior to submission, in which case any data I have entered will be destroyed.
 - I freely agree to participate in this research study as described.
- ☐ I agree, start questionnaire
- ☐ I do not agree

1 How long ago did you first advertise a property on Airbnb?

- ☐ Less than a year
- ☐ 1–2 years
- ☐ 2–5 years
- ☐ More than 5 years

2 What was your primary motivation for becoming an Airbnb host?

- ☐ Needed to help cover the cost of owning/renting
- ☐ Wanted some additional income
- ☐ Wanted to meet new people
- ☐ Have used Airbnb when travelling and wanted to give others the same opportunity
- ☐ Wanted some more company at home
- ☐ I manage Airbnb properties as a business
- ☐ Other _____

3 What is the listing type of the property you advertise(d) on Airbnb?

- ☐ Entire property
 - ☐ Private room
 - ☐ Shared room
 - ☐ A combination of the above (e.g. guests can rent one room or the whole property)
 - ☐ Multiple listings (please enter details, e.g. 'all entire properties', 'mix of listing types')
-

4 How many properties do you have listed on Airbnb now?

- ☐ None currently; I have listed property in the past
- ☐ One currently listed
- ☐ More than one currently listed

5 Please describe your relationship to the property you advertise(d) on Airbnb?

- ☐ I own the property and it's my primary residence
- ☐ I own the property and use it occasionally (e.g. holiday home, pied à terre)
- ☐ I own the property primarily for investment purposes
- ☐ I rent the property and it's my primary residence
- ☐ I rent the property but it's not my primary residence
- ☐ Multiple properties, all owned by me
- ☐ Multiple properties managed for others
- ☐ Other _____

6 Do you own the property with a mortgage?

- ☐ Yes
- ☐ No

7 What type of property is it?

- ☐ Detached house
- ☐ Semi-detached or terrace house
- ☐ A secondary dwelling (e.g. granny flat)
- ☐ An apartment

8 Have you done any work to the property in order to advertise it on Airbnb?

- ☐ No
- ☐ Added furniture
- ☐ Painted/renovated
- ☐ Added a room
- ☐ Added a secondary dwelling

9 When you acquired the property, was the prospect of putting it on Airbnb an important factor in your decision?

- ☐ Extremely important
- ☐ Very important
- ☐ Moderately important
- ☐ Slightly important
- ☐ Not at all important/Not applicable

10 Prior to using Airbnb, had you previously rented out the property out in any way?

- ☐ Yes, to a tenant
- ☐ Yes, as a short-term letting property
- ☐ I'd taken in lodgers
- ☐ No

11 If you were to stop advertising your property through Airbnb, what would you do with it?

- ☐ Rent it out a different way
- ☐ Continue to hold it but not rent it out
- ☐ Dispose of the property (e.g. sell/stop renting it)

12 On average, for how many months a year would your property be made available on Airbnb?

_____ months per year

13 On average, for how many months a year would your property be booked via Airbnb?

_____ months per year

14 Do you intend to list a property on Airbnb again in the future?

- ☐ Yes
- ☐ No (please state why not) _____
- ☐ Not sure

15 What is your age?

- ☐ 18–30
- ☐ 31–50
- ☐ 51–70
- ☐ 71+

16 What is your gender?

- ☐ Male
- ☐ Female
- ☐ Other

17 What sort of household do you live in?

- ☐ By myself
- ☐ Couple without dependent children
- ☐ Couple with dependent children
- ☐ Single parent with dependent children
- ☐ Multiple family household
- ☐ Group of unrelated people (e.g. share house)
- ☐ Other

18 What is your household's main source of income?

- ☐ Wage/salary
- ☐ Income from properties
- ☐ Government payments
- ☐ Business earnings
- ☐ Superannuation or retirement savings

19 What is your household's annual income?

- ☐ Less than \$35,000
- ☐ \$35,000–\$60,000
- ☐ \$60,001–\$100,000
- ☐ \$100,001–\$150,000
- ☐ \$150,000 or more
- ☐ I'd rather not say

20 Please provide the postcode of your Airbnb listing(s):

21 Are you willing to participate in a follow-up interview? You will receive a \$50 gift card if selected.

- ☐ Yes; my contact details are: _____
- ☐ No thanks

Appendix 3: Interviewee data

Table A1: Interviewee data

City	No. of properties	Suburb(s)	Tenure	House share?	Type
Melbourne	1	Coburg	owner	y	spare rooms
Melbourne	2	Elwood	owner	both	home & holiday home
Melbourne	1	Caulfield	owner	y	investment/family strategy
Melbourne	1	Sunshine	renter	y	spare room
Melbourne	1	suburban	owner	y	spare room
Melbourne	1	Ascot Vale	owner	y	spare room
Melbourne	1	Collingwood	owner	n	investment
Melbourne	1	Mornington Peninsula	owner	n	investment
Melbourne	1	Windsor	owner	n	investment
Melbourne	1	Footscray	owner	y	travel / vacates for good booking
Melbourne	1	suburban	owner	y	spare room
Melbourne	Multiple	Carlton	owner & tenant	both	spare rooms & rentals
Melbourne	3	Sth Melbourne/ CBD	owner & tenant	n	pied à terre & rentals
Melbourne	1	Collingwood	tenant	y	spare room
Melbourne	1	Brunswick	owner	both (at different times)	travel/interstate work
Melbourne	1	St Kilda	owner	n	pied à terre
Melbourne	1	Armada	tenant	y	travel/vacates for good booking
Melbourne	1	Northcote	owner	y	travel/vacates for good booking
Melbourne	1	North Fitzroy	owner	n	investment
Melbourne	1	Richmond	owner	y	travel
Sydney	1	Gordon	owner	y	spare room
Sydney	Multiple	N/A	N/A	N/A	property manager
Sydney	1	Potts Point	owner	n	pied à terre
Sydney	1	Beacon Hill	owner	y	spare rooms

City	No. of properties	Suburb(s)	Tenure	House share?	Type
Sydney	1	Brookvale	owner	y	travel/vacates for good booking
Sydney	1	Manly	owner	y	travel
Sydney	1	Redfern	owner	y	spare room
Sydney	1	McMahons Point	owner	y	spare room
Sydney	1	Rosebery	owner	n	investment
Sydney	2	Balmain	owner	y	investment & travel/vacates for good booking
Sydney	1	Queenscliff	owner	y	spare room w/ kitchenette
Sydney	1	Coogee	owner	y	travel
Sydney	1	Manly	owner	y	spare room
Sydney	1	Forest Lodge	owner	y	spare room w/ kitchenette
Sydney	1	Bronte	owner	y	travel/vacates for good booking
Sydney	1	Potts Point	owner	y	spare room
Sydney	1	Cremorne	owner	y	spare room
Sydney	0	Wolli Creek	owner	N/A	potential host (pied à terre)
Sydney	0	Sydney	owner	N/A	potential host (investment)
Sydney	1	Elizabeth Bay	tenant	y	Vacates for good booking
Sydney	2	Thornleigh & Nth Parramatta	owner	n	granny flat & investment
Sydney	1	Birchgrove	owner	n	dual occupancy
Sydney	Multiple	N/A	N/A	N/A	property manager
Both	Multiple	N/A	N/A	N/A	property manager
Sydney	1	Bilgola Plateau	owner	y	spare room
Sydney	1	Oyster Bay	owner	y	spare rooms w/ living area
Sydney	1	Ashbury	owner	y	spare rooms w/ living area
Sydney	Multiple	N/A	N/A	N/A	property manager
Sydney	1	Bondi	owner	y	spare room
Sydney	1	Winston Hills	owner	n	awaiting sale

Source: authors.

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