

Legislative Council Legal and Social Issues Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

By email: Rentalandhousinginquiry@parliament.vic.gov.au

Submission key points

- STRA is not the cause or the solution to the current pressures on housing.
- The implementation of ill-considered and mis-aligned regulation on the STRA sector will lead to significant impacts on families, local economies, jobs and the broader tourism sector and provide no relief related to the social and affordable housing shortage.
- All policies and regulations being considered for STRA should be in response to a properly defined problem, based on evidence and assessed against the impact of their implementation.
- With pressure being brought to bear on all levels of government, these basic principles are being forgotten in an attempt to find a quick solution. STRA is not a silver bullet for the current housing challenge.
- It's very clear that today's housing challenge has been decades in the making with the most significant contributing factors being unrelated to families renting holiday homes.
 - lack of land release for development,
 - slow and costly development approval processes,
 - an ever-growing population,
 - a significant drop over the last 20-30 years in government investment in social and affordable housing
 - a reduction in the number of people living under the one roof.
- There is a significant difference in the status of housing availability and affordability between major cities, smaller cities and the regions. As the nation returns to pre-COVID trends, pressures on regional housing are easing. It's notable that the majority of STRA whole-homes are located in the regions. A one size fits all approach to addressing Australia's housing challenge is not appropriate.
- Expedia supports the implementation of:
 - a State-wide STRA register that creates a valid evidence base on which to take policy and regulatory decisions that can be demonstrated to align with an actual alleviation of the housing challenges as identified
 - an STRA Code of Conduct that ensures owners, STRA managers, renters and visitors meet the expectations of communities
 - compliance and monitoring regimes that ensure all parties associated with STRA meet their obligations of a register and code of conduct.

Dear Committee

Thank you for the opportunity to contribute to this inquiry into the rental and housing affordability crisis in Victoria. We have included information on our experiences and understanding of the short term rental market. Additional details drawn from other reports and data we have found valuable as we work with governments around Australia on policies and regulation of the sector can be found in Attachment A.



First and foremost, I reiterate our belief that every Australian deserves a roof over their head. There is no doubt that Australia needs a community-wide conversation about the principles, aims and priorities of housing and the costs and benefits of a range of policy and regulatory options. This inquiry is contributing to that process.

Our top housing priority in Australia is to support policies and regulations that get the balance right in the use of accommodation. For us, this means:

- Ensuring arrangements for STRA that recognise many STRA homes will never contribute to the social and affordable housing solution and that to treat them as such takes away the contribution STRA makes to the visitor economy and local jobs for no benefit to the housing challenge. This scenario is particularly acute in regional Australia where the lack of traditional accommodation for tourists means that without STRA these areas miss out on the benefits of the tourist dollar.
- Meeting community expectations with regard to neighbourhood amenity relative to the community benefits from prosperous local economies and jobs.
- Influencing motivations of property investors through an appropriate mix of incentives and regulation. For every renter, there must be an investor. Where there is a public market failure, the private citizen can be incentivised to contribute to a social-good solution by creating an environment where the private impact is minimised. While it appears that some believe that you can penalise and regulate STRA to a point where investors will turn their homes into long term rentals, there is a failure to contemplate the scenario that appears to be playing out across Australia – if the costs and regulation exceed the benefits of owning an investment property, investors will leave the property market all together meaning that these properties are lost completely to either the short or long term rental market. It also fails to contemplate the fact that many STRA homes will never be available long term because they are the family holiday home, rented only when the family that owns it isn't using it. Limiting the number of nights these properties are available to rent, or increasing taxes and levies wont force these families to put their home on the long term rental market. All it does is ensure valuable resources that can contribute to the local economy lay idle for much of the year.
- Making clear the goals and ambitions for tourism and social and affordable housing and the inputs that will be necessary to achieve these. We understand the significant challenges in getting the right balance between permanent housing, and particularly accommodation that supports economies that are heavily reliant on visitors. This emphasises the need for community discussions and government leadership such as the Victorian Government has done through the commencement of this inquiry.
- Ensuring the facts about STRA are available to policy makers and regulators across the country. This includes making available data, putting STRA into context – particularly as a proportion of dwellings in Australia and the rental and purchase price points of these homes.

While there is much data available that contributes to an understanding of the full housing challenge, there is a single point regarding STRA that cannot be overlooked. In total number (220,000 across the nation), the STRA pool does not come close to meeting the current gap in accommodation shortfall. Even if the entire sector was to be shut down and every participating house was forced back onto

the market (which is highly unlikely to ever be the case for the reasons stated above), there would remain a large gap between supply and demand – both in number and type of housing.

- To put this into context, the 2022 national census showed a decrease in the number of people cohabiting per dwelling and that alone has increased demand by close to 400,000 dwellings. This trend has been corroborated by many, including recently by the Australian Landlords Association President, Andrew Kent who confirmed that property managers have been reporting a noticeable reduction in the number of occupants per rental, thus contributing to an increased demand in the number of rental properties.
- In a report released in July 2023, Property research collective PAR Group has calculated that removing STRA options from the market would add only 9 months worth of national housing stock and that STRA regulation is unlikely to ease rental property shortages given the small number of short-term listings compared to demand. They have calculated that short-term accommodation options only account for 1.2% of Australia's total housing stock.
- The other important context to understand is the actual number of STRA listings (220,000 nationally) compared to the widely reported figures of more than 1,000,000 homes being vacant on the last census night. There have been far too many media stories and commentaries that use this census night vacancy figure of 1,000,000 as a proof point for demanding stringent regulations on STRA. The Australia Bureau of Statistics has clarified the figure to ensure it's not used in error and the Australian Housing and Urban Research Institute has also undertaken further investigations. It's not surprising that approx. 10% of dwellings are unoccupied on any given night of the year and this is for a variety of reasons of which holiday homes is one:
 - homes being renovated
 - homes sold as vacant possession
 - newly built or bought homes where no one has moved in yet
 - rental homes awaiting new tenants
 - people living away temporarily from home during the census count (travelling or visiting other homes)
 - homes are deemed unliveable
 - subject to a probate application or other legal proceedings
 - homes owned by people currently living overseas
 - homes being land banked, that is held vacant until the local area economics (or personal circumstances) make it more profitable to sell or redevelop the property.

It is also important to make clear that a very small proportion of the 220,000 homes currently offered for STRA around Australia might even be suitable for social and affordable housing. Looking across the Expedia inventory, a significant number of STRA homes across Victoria are located in the most sought after tourist locations and are of a size and quality that precludes them from the affordable rental pool and makes them unsuitable for social housing. And as already mentioned above, a further significant number are family holiday homes that are used regularly by the owners. This also precludes this type of STRA from being available for long-term rental.

It is increasingly apparent that in the absence of a proper articulation of the housing problem and the availability of public resources to address it, governments are turning to STRA and presenting it as a quick fix. This could not be further from the truth. It's not a quick fix. It will not even constitute



a part fix. What makes this misguided belief even more problematic is that the policies and regulations being contemplated for STRA will have long-lasting damaging impacts on families, local jobs, small businesses and regional economies around the nation.

As has been the case over more than five years, Expedia remains committed to working with all levels of government to find the right balance between permanent housing and STRA. We have worked closely with governments around Australia in designing and implementing STRA registers and compliance regimes. It has been a significant commitment from the Expedia Group and the broader STRA industry but one we considered to be our obligation in getting policies and regulations in place that strike the right balance between the visitor economy and broader community expectations. We believe this can only be achieved when working from a strong evidence base built to inform clearly articulated challenges.

Though we continue to support the processes of government to make decisions for their communities, we think that state-wide Codes of Conduct and STRA registers need to be the first step in solving amenity and other community concerns related to STRA and to also ensure an accurate understanding of the STRA sector. We do not believe it is appropriate to implement additional regulations on STRA in Victoria until it can be shown from an evidence-base built through a State-wide register and code and conduct that it will address the housing challenges as articulated.

Expedia has always supported fit-for-purpose regulation of the STRA sector. We have long been the proponents of a register, codes of conduct and monitoring and compliance regimes that ensure homeowners and renters meet community expectations. Our support for this approach remains strong and in the case of the Victorian Government commencing its consideration of the issue, we implore the Committee to ensure that decisions are taken on actual data and have a good chance of actually addressing the problems cited. We offer to work closely with the Victorian Government, local councils and the community to resolve outstanding issues surrounding STRA.

From our more than 30 years of experience working in the tourism industry, we have valuable information and insights in addition to that shared here that we are prepared to share throughout this process. We also make the offer to work with all governments on creative solutions for those people struggling after the significant events of recent years. We believe that there is the potential to partner with the STRA industry to make life better for them.

Please do not hesitate to get in contact with me [REDACTED] [REDACTED] with any questions or to speak further.

Regards,

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[REDACTED]
[REDACTED]

Attachment A

General points about the nation's housing challenge

- Regional rental numbers and prices are improving as people move back to the cities post covid (recent SQM and PropTrack reports). Regions are where most whole home STRAs operate.
 - SQM Managing Director [REDACTED] (SQM charts the rental market) said the latest stats (for the month of May) showed **regional rents falling and vacancies increasing for the third consecutive month**. Most regional rental vacancies continued to rise sharply as a sign of the population flow reversal back to the larger capital cities now that people are required back in the office. SQM is recording rental price falls (or at least stalling increases) across most out-of-city areas across the nation.
 - Mr [REDACTED] stated 'what is apparent from today's data is that the rental crisis is easing in the **nations regions, as well as some of our smaller capital cities** where we are now confident the **rental crisis is over.**'
- Household sizes are reducing and this is having a noticeable impact on demand. This alone had **increased demand by 130,000 dwellings since Covid and by more than 400,000 between the last two censuses**. It puts the STRA sector (operating with a total of 220,000 homes across the nation) into perspective.
 - [REDACTED] – Federal Treasury Secretary at Senate Estimates (June 2023) reported that Treasury had calculated that in Sept 2022 the move to smaller households had increased the need for more dwellings by 130,000 when compared to pre-covid levels.
 - ABS stats from the most recent two census show that the reduction in the number of people living under the same roof has resulted in the need for an additional 400,000 across the nation.
- **Council DA approvals are seriously lagging**. This is now a well established fact.
 - During the most recent Senate Estimates session, RBA governor [REDACTED] blamed the undersupply of homes on state and local government regulation and vested interests opposing development. These comments stemmed from a report by [REDACTED] – Former RBA Economist, released in June 2023 which found Australia's housing market would look very different with liberalised zoning, development and building rules. Lengthy delays and uncertainty in DAs and planning approvals makes development harder than it needs to be. [REDACTED] believes many of **Australia's housing problems are self-inflicted**. "If we had a freer and more certain system that had allowed 50,000 more homes per year to be built over the last 20 years, the current environment would look very different."
 - ABS reported during June 2023 that development approvals are currently at an 11 year low.
 - [REDACTED], the AFR Economics Editor rolled out a series of stories in early June about the problems the nation is experiencing as a result of poor council DA and planning approvals processes.
- **Planning and zoning restrictions add significantly to the cost of new builds**. These costs are unnecessary and act as a major inhibitor to increasing the number of dwellings, particularly lower cost, higher density dwellings that are needed to address the current demand for affordable and social housing.

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- RBA research May 2023 shows that **planning and zoning restrictions raised prices by “69% in Melbourne, 42% in Brisbane and 54% in Perth.**
- Australia has plenty of land and should be on the affordable end of global house price indexes – instead we are at the other.
- **Mortgage interest repayments have risen nine times as fast as rental costs** in the past year, with a broad range of economists saying the economic pressure of rate rises is being felt acutely by homeowners rather than renters.
 - The most recent ABS figures should that **interest rate payments doubled** from nearly \$11bn to above \$22bn in the March quarter.
 - This compares with a \$1.3bn increase in rental costs – the national spend on rent rising from \$18bn to \$19.3bn in the March quarter.
 - PropTrack data collected on recent property investors shows that 66.4% nationally are operating with negative cashflows – averaging approx. \$40,000/year. The highest being in Sydney and Melbourne where 87.5% and 83.3% of rental properties respectively required out-of-pocket spending to cover costs. Tasmania and Canberra also showed high out-of-pocket expenses – affecting 73.7% and 67.1% respectively.
 - For the first time in over a decade, **mortgage interest payments are above the total national spending on rents.**
 - In response to these figures being released, [REDACTED], President of the Real Estate Institute of Australia said *“a push to bolster renters rights was already scaring off investment in housing, further decreasing the pool of houses and causing rents to rise.....we know rents have risen but they haven’t risen anywhere near as quickly as those taking on the risk of property investment.”*