

May 5th 2019

Ms Jessica Jane Shaw MLA
Chair, Inquiry into Short Stay Accommodation
Economics and Industry Standing Committee
Parliament House
Perth West Australia



Submission by the Australian Short Term Accommodation Industry Association

Dear Ms Shaw,

On behalf of individual short stay property owners, managers and associated service providers, we would very much appreciate your acceptance of our submission to the enquiry.

We sincerely apologise for the delay. We were keen to draw the final outputs of our work with the NSW Inquiry, Planning and ongoing work with Fair Trading developing a new code of conduct. While our board is comprised entirely of volunteer directors, once through the NSW commitments, it has taken far longer than expected to research and prepare this submission around our full time jobs.

With your forbearance, we are pleased to finally represent the thousands of WA families that rely on short stay income to pay their mortgages and share their side of a debate that has been largely driven by professional lobbyists.

While the upsurge in popularity of residential short stay accommodation has created waves in the accommodation sector, the issues of bad guest behaviour and irresponsible owners relate to just a small fraction of the millions of visitor nights now provided by our members.

We welcome light touch regulation that provides certainty for our owners and the community, but most importantly, embraces the changing preferences of travellers as well as meeting the short term needs of visiting families, people relocating, renovating, staying for conferences, sporting and cultural events, hospital treatment etc.

It's been said that you "can't stop the wind, but you can reset set your sails" and this holds true for the highly competitive accommodation market striving to meet the changing preference of guests.

While the WA families that own short stay homes, have been blamed for challenges faced by traditional accommodation providers, short stay is just one part of this highly competitive, growing market. Just as caravan parks have evolved to become holiday parks, the overseas hotel groups that dominate the Australian accommodation market through their hotel and serviced apartment chains are making massive investments in new developments, refurbishment, technology and marketing.

In fact it is the local hospitality that our members so enjoy to provide that is integral in creating an authentic destination experience that is a key driver for our own brand of West Australian tourism.

Yours Sincerely

Rob Jeffress
ASTRA Chair

David Sharp
ASTRA Director (WA)

**COMMITTEE INQUIRY
INTO
SHORT STAY ACCOMMODATION IN WA**

ASTRA Submission

April 2019



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Executive Summary

Australian Short Term Rental Accommodation (ASTRA), the peak national body for the Short Term Rental Accommodation industry (STRA) values the opportunity to present its submission to the WA Government on the subject of regulating the short term rental accommodation industry. Specifically, the submission deals with STRA that takes place in residential dwellings.

To support ASTRA's position a historical background to the industry development and market analysis regarding the boarder accommodation industry and its participants has been provided.

In the highly competitive accommodation sector, now largely controlled by major offshore groups, STRA homes are owned by tens of thousands of Western Australian families and small businesses. The owners rely on STRA income to pay their mortgages and contribute to their local communities providing jobs for local cleaners and trades, shops and retailers. While STRA has operated in WA for generations, reflecting the changing preferences of local and international guests, STRA owners provide a valuable service which is a key driver for tourism and regional economies.

ASTRA supports the development of practical regulation that will provide certainty for owners, address untoward impacts and assure compliance and guest safety while providing a consistent framework to evolve standards. ASTRA recommends the same 'tripod' of regulatory changes that are included in the NSW submission in 2018. Note 1 & 2 have been achieved:

1. Consistent statewide approach
Planning changes at state level by amending the planning instrument to:
 - a. Give a consistent, state-wide definition of STRA
 - b. Make STRA permissible residential use of residential premises (without day limits)
 - c. Make STRA an exempt development in non-fire prone areas
 - d. Make STRA premises safe with mandatory features to protect the travelling public
2. Code of Conduct
Introduction of a mandatory STRA industry Code of Conduct
 - a. to manage behavioural matters associated with STRA
 - b. to set minimum standards for industry participants
3. Registration
ASTRA strongly advocates the introduction of a mandatory registration system with compliance of points 1 & 2 above, along with a mechanism for implementation provided through registration.

We welcome the opportunity to lodge this submission. ASTRA looks to government for an equitable approach that recognises the changing nature of the accommodation market, the demand for varying types/levels/affordability of accommodation options, the growing level of competition within the industry and the important contribution made by WA's thousands of local STRA owners.



Definitions

Definitions	Following is a list of definitions used in this submission along with an outline of some key terms used here, and within the STRA industry.										
STRA	<p>Short Term Rental Accommodation is the established practice of offering residential homes for short term rental to families and other guests.</p> <p>Known as ‘holiday rentals’ for generations and now, more commonly as Airbnb’s or Stayz denoting the online booking sites which offer them. Regulators in Australia and overseas often use the following acronyms: STR (Short Term Rental), STRA (Short Term Rental Accommodation), SSA (Short Stay Accommodation or STHL (Short Term Holiday Letting).</p>										
ASTRA	<p>Australian Short Term Rental Accommodation Industry Association.</p> <p>The peak national body for the STRA industry, headed by volunteer directors Formerly the HRIA Holiday Rental Industry Association.</p>										
STRA types	<p>Facilitated by the internet, there are several types of STRA offering:</p> <table> <tr> <td>Hosted</td><td>room or rooms in a home offered to guest/s by a live-in ‘host’</td></tr> <tr> <td>Unhosted</td><td>offering a whole home for short term rental (most common)</td></tr> <tr> <td>Casual</td><td>home offered intermittently when the owner is away</td></tr> <tr> <td>General</td><td>traditional holiday home offered when not in use by owners</td></tr> <tr> <td>Sublet</td><td>leased residential property offered ‘unhosted’ by the tenant</td></tr> </table>	Hosted	room or rooms in a home offered to guest/s by a live-in ‘host’	Unhosted	offering a whole home for short term rental (most common)	Casual	home offered intermittently when the owner is away	General	traditional holiday home offered when not in use by owners	Sublet	leased residential property offered ‘unhosted’ by the tenant
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General	traditional holiday home offered when not in use by owners										
Sublet	leased residential property offered ‘unhosted’ by the tenant										
Participants	The range of operators who ‘offer and manage’ STRA properties including Owner/hosts, owner/managers, licensed real estate agent managers, professional property managers and the emerging range of international, local & sole trader Airbnb-style hosts providing online STRA management eg airsorted.com madecomfy.com.au hometime.com.au heytom.com.au										

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Definitions

LTO/License to Occupy The principal legal instrument under which a property is offered for STRA. As distinct from residential leases, STRA properties are offered under a Licence to Occupy. The LTO gives the guest a limited license to occupy the property under strict Terms & Conditions. The LTO can be terminated and the guest required to immediately vacate for serious breaches.

T&C's The Terms & Conditions (of the LTO) are key terms which inform guests about the terms of their stay and, if necessary, the primary mechanism used to enforce the terms of the LTO and manage guest behaviour. Breaches can incur service charges (fines), loss of bond, or termination.

T&C's generally include conditions relating to: access, noise, parking, waste, neighbour amenity, owner property and departure times.

T&C's are also used to detail specific 'House Rules' (eg pets, smoking) can also be used to advise on special strata rules (eg pool use, parking)

T&C's can also be used to detail specific Council, or Bushfire related rules.

Guest The 'Guest' is the principal occupant who takes responsibility for the STRA.

In completing and being accepted for the 'booking', the 'Guest' is party to the LTO and has responsibility for ensuring compliance with the T&C's regarding use, noise, behaviour, property, parking etc both personally, and for any supplementary guests (overnight) or other visitors to the property.



Definitions

CoC Code of Conduct CoC refers to a Code of Conduct used to regulate the STRA Industry. The CoC specifies the responsibilities of owners, managers and guests, and their obligations to each other in respect of the proper operation and management of STRA services.

ASTRA worked collaboratively with regulators and OTA's in developing the "HRIA Industry Code of Conduct" and is the custodian of this work. It is widely used by regulators, OTA's, owners and operators and is the current 'self-regulatory' model used throughout Australia.

Following its extensive Parliamentary Inquiry and subsequent reviews, the NSW Government established an Advisory Committee to develop a new 'mandatory' Code of Conduct for the STRA industry.

ASTRA represented the industry on the Government Advisory Committee which was formed to develop a revised Code of Conduct for the industry. While there are still aspects to be addressed before its public release (principally legal advice on technical matters and others ASTRA believes could be further evolved to improve the operation and effectiveness) we believe it provides a model which is both current and impressive.

OTA's

Online Travel Agents are online booking platforms which facilitate STRA. These are dominated by three global groups - Airbnb, Booking, Expedia which own most other sites eg Trivago Wotif Stayz Agoda HomeAway and between them control some 75% of global online travel bookings. The market capitalisation of the lead OTA's and their sub brands include:

Expedia	\$18.4 billion	Stayz	HomeAway	Trivago	Wotif	Hotels
Booking	\$84.0 billion	Booking.com	Agoda	Hotels Combined		
Airbnb	\$42.0 b (est)	Airbnb	Luxury Retreats	Late Rooms		

Booking is expected to win >25% share of OTA bookings in WA by 2020.

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Definitions - Global Hotel Groups

Global Hotels Groups The major corporations which dominate global accommodation markets and together control the major hotel & accommodation chains in Australia are headed by Accor, IHG and Marriott (which has over 1.3 million rooms). Market capitalisation and key details on the leaders in Australia include:

Marriott	\$ 46.7 billion	1,317,368 rooms over 6,906 properties	Ritz Carlton 'W' Marriott Westin Sheraton Four Points
Hilton	\$ 25.6 billion	879,349 rooms over 5,456 properties	
Accor	\$ 11.7 billion	616,181 rooms over 4,287 properties	Sofitel Pullman Mercure Novotel Ibis Mantra Peppers
IHG	\$ 9.0 billion	809,889 rooms over 5,431 properties	Intercontinental Regent Crowne Plaza Holiday Inn
Hyatt	\$ 8.0 billion	170,239 rooms over 667 properties	Hyatt Regency Centric Park Hyatt
Minor	\$ 5.6 billion	520 Hotels (mainly Asia Pacific)	Oaks Apartments Tivoli AVANI NH Anantara NHOW
Wyndham	\$ 5.3 billion	697,607 rooms over 9,221 properties	Ramada Travelodge Dolce Wyndham Howard Johnson
Choice	\$ 4.6 billion	525,573 rooms over 6,627 properties	Comfort Inn Clarion Quality Inn Cambria Ascend
TFE/Toga	Private Co.	10,374 rooms over 73 properties (Aust)	Travelodge Adina Vibe Medina Savoy (Melb) Rendezvous
Event (Rydges)	\$ 1.7 billion	7,400 rooms over 76 properties	QT Hotels Rydges Hotels Rydges Resorts Rialto



Definitions – Serviced Apartment Groups

Serviced Apartments These are hotel-style apartments in strata title property developments, operated for STRA under exclusive agreements by the building managers. (investor owned strata title apartments controlled by building managers). Dominated by top 5 groups Mantra, Quest, Oaks, Meriton, TFE (Adina) Top 5 control 67% of the entire national inventory of serviced apartments.

Mantra \$3.2 billion 22,000 suites 138 properties. av. 159
Incl: Peppers. Bought by Accor in 2018 for \$1.2 billion

<https://theurbandeveloper.com/articles/accorhotels-expands-in-asia-pacific-with-12bn-mantra-group-acquisition>

Oaks \$1.8 billion 7,100 (est) 52 properties av. 136
(was 5,796 suites over 43 properties in December 14)
Bought by Thailand's Minor Hotels 2011

<https://www.theaustralian.com.au/business/thai-group-minor-international-takes-oaks-hotels/news-story/71f543358f1aa7ed3b1a854e1f2c873a>

TFE \$1.3 billion 7,955 (est) 59 properties av. 134
(was 7,686 suites over 57 properties in December 14)
Toga Far East JV serviced apartments incl Adina Medina

<http://folkestone.com.au/wp-content/uploads/2016/07/Australian-Hotel-Sector-Oct-2015.pdf>

Quest \$2.1 billion 9,000 suites 180 properties av. 50
(2,000 additional suites currently under development)
Bought by Ascott in 2017 (acq. majority share \$180m)

<https://www.thehotelconversation.com.au/news/2017/07/13/ascott-acquires-majority-stake-quest-apartment-hotels-a180-million-become-largest>

Meriton \$2.3 billion 4,644 suites 18 properties av. 258
(the only Australian owned operator of top 5 groups)

<https://www.meritonsuites.com.au/our-story/>

Top 5 \$10.7 billion 50,608 suites 447 properties av. 113
National Total Industry 75,524 suites 1,147 properties av. 66
Top 5 control 67% of total no. of serviced apts in Australia

<https://www.apartmentservice.com/wp-content/uploads/2016/13/GSAIR%202018-19%20Low%20Res.pdf>

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ASTRA – Introduction

ASTRA is the peak body representing Australia's Short Term Rental Accommodation industry. Formerly known as the HRIA, the association is headed by a board of volunteer directors, who work within the industry as STRA owner/managers and professional manager operators.

ASTRA represents STRA owners, owner/managers and professional property managers. ASTRA's commitment to the best interests of owners, our industry, the quality of our service and our contribution to tourism and the local communities in which we live and work. This distinguishes us from the professional lobbyists pressing the commercial interests and competitive positions of the powerful and well-funded hotel and global OTA groups.

By way of background, STRA owners have been providing affordable 'home away from home style' accommodation for families around Australia for over 100 years. With easy access facilitated by the internet and increasing demand led by changing guest preferences, STRA is now a key driver for tourism contributing over \$31 billion each year to local and regional communities around the country.

* P42 Inquiry Report <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=1956#tab-reportsandgovernmentresponses>

As the peak body, ASTRA monitors industry developments locally and around the world and is custodian of the HRIA industry Code of Conduct widely used by regulators around Australia.

Although long established, the accessibility and growth afforded by the internet and OTA's has set us at the edge of the rapidly evolving and highly competitive accommodation market. As the unprecedented demand and growth of STRA challenges regulators around the world, our industry is also being targeted by the global hotel groups, with some such as Accor, developing their own STRA services, and others seeking to regulate traditional STRA out of contention.

While we are proactively engaged in improving industry standards and addressing the untoward impacts of bad behaviour and irresponsible landlords, we are also having to defend the industry from the labelling and anticompetitive posturing that have been used to undermine STRA.

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ASTRA – Introduction

While limited by the modest resources of our volunteer directors, we are pleased to have the opportunity to participate in Government Inquiries and other regulatory and industry reviews.

In representing owners and the industry we seek to acknowledge and address any impacts through collaborative self-regulation with OTA's and pragmatic light touch regulation that will enhance industry standards and the quality of service we provide for guests. All whilst improving the contribution of our industry as a key economic and tourism driver for local communities.

We seek enduring solutions that will provide certainty and quality outcomes for the tens of thousands of WA stakeholders our industry supports. These include cleaners, gardeners, plumbers, electricians and other local trades, services, shops & retailers who provide services to the family and small business owners of the property who, in turn, all rely on STRA incomes.

We have the privilege of representing the industry in the NSW and Victorian Parliamentary Inquiries and working collaboratively with NSW Planning on the regulatory approach following their Options Paper. We also serve on the NSW Government Committee tasked with developing a new wide-ranging Industry Code of Conduct which is due for public release in coming months.

We welcome the opportunity to lodge this submission and look to government for an equitable approach that recognises the changing nature of the accommodation market and the growing levels of competition within it. ASTRA endorses STRA's unique, evolving role as a local tourism and economic driver, as a lead towards pragmatic light touch regulation and quality outcomes that will harness and add value to the important contribution made by our family owners, hosts and dependent stakeholders.



A highly competitive market

While STRA has grown rapidly in recent years it remains a small part of the accommodation mix. Small, by virtue of its relative size to vast hotel, motel, serviced apartment & caravan park sectors, but also important, by virtue of its unique appeal to guests and significance as a tourism driver.

The accommodation industry is changing as rapidly as it is growing, in response to guest demands. Consideration of the wider market provides valuable perspective on the role and impact of STRA.



The hotel sector has grown to 281,598 rooms in Australia
It has a record of consistent growth and is outperforming other property classes
More than 7,100 new Australian hotel rooms were added in 2018
Reflecting the strong returns, a further 50,878 rooms are in the construction pipeline
<http://www.tourisminvestment.com.au/en/research-insights/hotel-performance.html>



“since 2000 serviced apartments have grown steadily and now enjoy a 25% share of the accommodation market. Travellers’ need for serviced apartments remains high, with demand outweighing supply in some areas, with both business and leisure travellers choosing home comforts over hotel services for both quick and longer-term stays”.
<https://www.yourinvestmentpropertymag.com.au/strategy/investing-for-cash-flow--the-serviced-apartment-solution-236642.aspx>



The 'serviced apartment' sector has grown exponentially, 26% in the past 4 years
They compete directly with motels and hotels in location, services and building type
There are now 75,524 serviced apartments in Australia offering more than 150,000 beds
This sector has grown to 1,147 developments with an average of 65 rooms each
Development in regional areas has driven inventories 27.64% in 4 yrs, 18.91% in last 2yrs
Following phenomenal growth it is now a \$55 billion industry recording 30+ million 'nights'
BankWest forecasts the sector will triple from 1,147 to 3,648 developments by 2022 !
<https://accomproperties.com.au/news-info/article-display/arama-launches-top-awards-campaign-to-celebrate-management-rights-industry,256>
Pages 74-78 <https://www.apartmentservice.com/wp-content/uploads/2016/13/GSAIR%202018-19%20Low%20Res.pdf>

Australia's serviced apartment inventory is dominated by the major hotel groups
Accor's \$1.2 billion purchase of Mantra with 22,000 rooms led a number of acquisitions
Adina, Medina, Quest, Oaks Mantra & Peppers are now all controlled by global hoteliers
Meriton is the only major serviced apartment operator not controlled by global chains
<https://www.businessinsider.com.au/accor-mantra-group-takeover-2018-5>

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A highly competitive market



From: The Global Serviced Apartments Industry Report 2018-2019

Today, there are 75,524 serviced apartment units in 1,147 locations across Australasia. This compares to 63,512 units in 1,090 locations two years ago and 59,169 apartments in 1,073 locations four years ago. ... This means that regional inventory has increased by 27.64% in four years – and by 18.91% in the last two.

..... Serviced apartments are expected to experience the fastest rate of growth of any lodging sector in the region until 2020, with an average expected rise of 3% per annum. Bankwest for Business says that in 2022, Australia will have approximately 8,586 hotels and resorts, 2991 motels, 1481 caravan parks and camping grounds, 3648 serviced apartments and 1,188 hostels, making up a total of 17,893 accommodation businesses.

Figure 57 - Leading operators (1,000+ units) in Australasia

AUSTRALIA/NEW ZEALAND		
Mantra Hotels (rebranded from Mantra Group June 2017)	127	19,486
Quest Apartment Hotels (Australia, New Zealand & Fiji)	180	11,974
Mercure/Grand Mercure	38	8,366
Oaks Apartments (Australia, New Zealand)	56	7,000
Other Providers	492	6,927
Meriton Suites	17	4,469
Best Western Australia	38	3,382
Adina Apartment Hotels	21	2,325
The Sebel	28	1,893
Waldorf Serviced Apartments	27	1,200

P74-78 <https://www.apartmentservice.com/wp-content/uploads/2016/13/GSAIR%202018-19%20Low%20Res.pdf>



In 2015, Perth was at the height of a boom, whilst Melbourne was in the doldrums. Mining investment and strong commodity volumes drove a high Australian dollar, choked-off tourism and saw assignment projects cancelled or postponed.

In 2018, the positions have been reversed. The telecoms and IT industries, government led infrastructure projects and a revival in assignment working has seen house, and accommodation prices rocket.

Meanwhile in Perth, accommodation providers, such as ourselves [Quest] are having to discount strongly to attract sparse demand.

Serviced apartments are expected to experience the fastest rate of growth of any lodging sector in the region until 2020, with an average expected rise of 3% pa.

<https://www.apartmentservice.com/wp-content/uploads/2016/13/GSAIR%202018-19%20Low%20Res.pdf>

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A highly competitive market



Traditional 'Caravan Parks' have now transformed into highly successful 'Holiday Parks' It is a model of 'traditional accommodation providers' evolving to meet & capture demand The growth follows strategic investment in resort style facilities, luxury cabins & glamping As a consequence, 'Holiday Parks' won 15% of the overall accommodation market in 2018 The industry increased 9% to a record 54.8 million 'nights' in the year to Sept 2018

<https://www.caravanindustry.com.au/visitor-economy-continues-to-break-records>



The 'Luxury' sector is one of the busiest with a number of new brands opening These include Marriott, 'W', St Regis, Ritz-Carlton, Sheraton's Four Points and Pullman Regional areas also show strong growth in luxury, resort and specialist offerings These feature Luxury and Eco Resorts, Luxury Lodges, glamping and 'Great Walks'

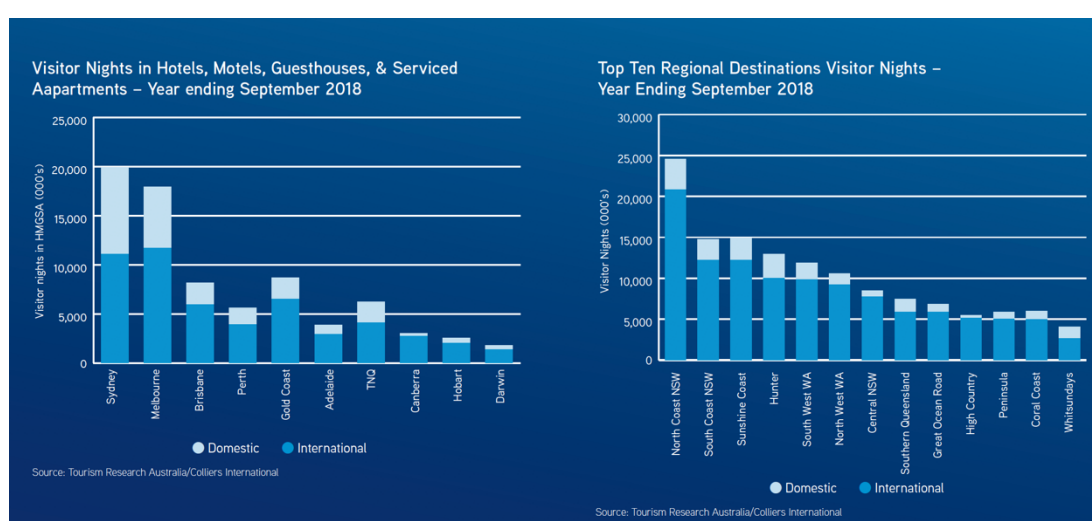


According to BankWest for Business, accommodation sector growth is set to continue By 2022, Australia will have approximately 8,586 hotels and resorts, 2,991 motels, 1,481 caravan parks, 1,188 hostels and 3,648 serviced apartments.

<https://www.accomnews.com.au/2017/09/areas-on-the-rise-in-the-australian-accommodation-sector/>



Western Australia seems set to benefit from growing tourism with WA South West and North West both ranked in the top 6 regional destinations for visitor nights nationally. Reflecting the high proportion of international guest preferences will likely continue to shift towards experience-based accommodation options over traditional providers.



A highly competitive market



Tourism 2020 is the Australian government's strategy to build the resilience and competitiveness of Australia's tourism industry and grow its economic contribution.

The strategy's goal is to achieve more than \$115 billion in overnight spend by 2020 (up from \$70 billion in 2009).

Research firm Strategy Analytics' Global Mobile Workforce Forecast Update 2016-2022 predicts that 1.87 billion people will become mobile employees over the next four years, comprising 42.5% of the total global workforce.

<https://www.apartmentservice.com/wp-content/uploads/2016/13/GSAIR%202018-19%20Low%20Res.pdf>



The accommodation sector is comprised of a growing mix of alternative offerings, hotels, motels, luxury, serviced apartments, caravan parks, B&B's, hostels & STRA. The global hotel groups now dominate the accommodation industry in Australia. The overall size of the accommodation market is growing, as is competition within it. There is strong competition between accommodation sectors and operators.



In this industry continuous investment is required to meet changing customer demands. Guests preferences are shifting towards authentic, lifestyle, eco and experience options. Property upgrades and refurbishments are needed to maintain relevance and appeal. Performance is increasingly dependent on technology and sophisticated marketing. This technology includes booking systems, guest tracking, dynamic (automated) pricing. Marketing now relies on SEO websites, CRM, social media, channels, online advertising.



'Traditional accommodation providers' as the term suggests, does not relate to newer hotels, motels, serviced apartments, luxury, glamping or holiday park developments, but to long established operators such as older or smaller hotels/motels, B&B's, Farm Stays.

While it is wrong to blame any specific type of offering for any decline, particularly in a highly competitive market that is driven entirely by meeting changing tourism demand, traditional accommodation providers are challenged and impacted by all above factors.

Rather than "waiting for drive-by guest in a market dominated by online bookings" most, like caravan parks, are now investing in upgrades, marketing & technology to evolve and promote their business. Airbnb's listings now include large numbers of guest houses, B&B's, motels & farm stays which have evolved to appeal to the growing market of guests.



STRA owner profiles

The vast majority of STRA properties are owned by individuals - ordinary mums and dads, and other small business investors - who have worked hard to achieve their financial goals. and rely on supplementary rent to pay their mortgages and the range of local cleaners, gardeners, plumbers, electricians and small businesses who clean after guests, supply beds, BBQ's and furniture and maintain their property. Owners take pride in the service they provide to their guests and are passionate about supporting their local communities.

The 'traditional' STRA owners have been joined by a growing proportion (perhaps 40%) comprised of live-in owner 'hosts', who let one or more rooms in their home to guests, and 'casual' STRA owners, who offer their homes when they are away on holiday themselves.

Reflecting changing guest preferences, affordability, and the growing 'mobile' workforce, traditional holiday guests now represent just 39% of guests. The balance is comprised of: visiting family and friends; doctors, lawyers, accountants etc travelling on regular rotation; consultants and other professionals travelling on assignment or to attend conferences; contract workers in remote locations; families relocating, rebuilding, in-between homes, or visiting children at university; other families and individuals coming together or separating; and a growing number of people who need to travel for extended specialist medical treatment.

While an increasingly important sector within the range of accommodation options on offer, the rapid growth of our industry has evidenced issues such as party houses and unnecessary impacts on neighbours associated with inconsiderate guests and irresponsible owners. These and other impacts such as parking and waste, are amplified in strata developments. Although less than a fraction of one percent of hundreds of thousands of guest nights, these issues have gained traction with the media and come to define the STR industry to many.



STRA owner profiles

Unfairly, our industry has also been labelled as illegal, derided as unsafe, targeted for challenges faced by 'traditional accommodation providers', and blamed for affordable housing pressures as part of an aggressive anti-competitive campaign rallied by lobby groups.

In markets saturated by an increasing number of hotels, serviced apartments, luxury resorts, holiday parks and local landholders offering growing inventories of cabins and glamping, it is wrong to blame STRA for any local operator's challenges or changing guest preferences.

For the most part, any declines experienced by traditional accommodation providers are a result of the massive growth and success of the hotel, luxury resort, serviced apartment and holiday park sectors and growing consumer preferences for experience style offerings.

With a dominant share of the accommodation market controlled by major corporate owners and vast international groups, competitive pressures are further increased, driven by unprecedented levels of investment in refurbishment, technology, marketing and new property developments.

By their very nature 'tourism', 'hospitality' and 'accommodation' trends are determined by the changing preferences of contemporary travellers and guests. STRA is now credited as a key 'accommodation' driver for regional tourism. It is a worthy and appealing offering in the broader accommodation mix and a strong contributor to local economies.

While STRA operates in a dynamic and increasingly competitive accommodation market, it is unreasonable to impose limits, costs or uncompetitive constraints on one sector in order to afford protectionist advantage to 'traditional accommodation operators' - or for regulation to be used to limit competition and confer commercial benefits to international hotel groups. This would deny the legitimate rights of owners who provide valuable services, as others have done for generations, and rely on the income to maintain their homes and pay their mortgages.

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STRA 'participant' profiles

Participants Traditionally, STRA properties have been managed by licensed real estate property managers and other private property owners and managers.

The internet has also allowed a growing proportion of property owners to 'self-manage' their property, organising guest bookings, cleaning etc remotely, whilst engaged in other domestic and work related activities.

There are a growing number of 'online managers', Airbnb-style hosts, who manage bookings, keys, cleaning, maintenance and other issues, online from remote locations. These range from large international and Australian organisations such as 'airsorted' and madecomfy.com.au, to entrepreneurial sole traders.

The internet has also facilitated a smaller group of operators who lease residential properties as tenants in order to furnish and sublet them for STRA. Those that do so without landlord authority, operate illegally.

Owners	owner of a property
Owner/Hosts	owner who hosts guests at their principal residence
Owner/manager	owner who self manages the property
Sublet	a tenant who sublets a leased property 'unhosted'

Real Estate Agent	professional licensed property manager (formally licensed, compliant trust accounts)
Property Manager	professional manager (unlicensed)
Online manager	Airbnb-style online host (unlicensed/unregulated)



Western Australia

STRA properties by market and OTA booking platform

		Stayz HomeAway			Airbnb est			STRA est (overall market)	
		No.	% WA	% Nat	No.	% WA	% Nat		
Regional	Gascoyne	121	3.1%		193	1.8%			
	Goldfields-Esperance	48	1.2%		168	1.6%			
	Great Southern	264	6.7%		306	2.9%			
	Mid West	425	10.8%		558	5.3%			
	Peel	358	9.1%		632	6.0%			
	South West	1,388	35.1%		2820	26.6%			
	The Avon Valley	34	0.9%		141	1.3%			
	The Kimberley	30	0.8%		91	0.9%			
	The Pilbara	4	0.1%		37	0.3%			
	Wheatbelt	8	0.2%		20	0.2%			
	Cocos Keeling Islands	4	0.1%		4	0.0%			
WA Regional	Regional Total	2,684	68.0%	5.4%	4970	47%	3.0%	6,100	2.9%
Metropolitan	Perth	1,265	32.0%	2.5%	5,622	53.1%	3.4%	6,800	3.2%
State	WA	3,949	100%	7.9%	10592	100%	6.4%	12,900	6.1%
National	Australia	49,921			165,000		0.79	210,000	

The figures in this table are estimates compiled from Stayz, Airbnb & AirDNA websites and ASTRA estimate:

A consistent regulatory approach

Though a long-standing practice in Australia and many other countries around the world, the phenomenal success of Airbnb and the associated rapid worldwide growth of STRA - accommodation in what is a 'residential development' or home - caught most by surprise. This has governments throughout the world grappling with the scale of an accommodation sector that has, for the most part, been unrecognised and unregulated.

Reflecting its long history in WA, and in line with considered determinations in other states, it is our view that STRA should be recognised as a legitimate 'residential use' of a home or 'residential development'. Also, that STRA be recognised as a desired, worthy and valuable 'core' sector of the travel and accommodation industry.

We recognise and support the need for pragmatic light-touch regulatory approaches to support evolving quality standards and address behavioural and other impacts.

Rather than a range of hybrid initiatives set at local government level, we believe the best approach is one built on a state-based regulatory framework that establishes a quality model while providing flexibility for additional relevant planning controls at local government level.

In our view, this approach will assure consistency and provide the economies of scale necessary to afford optimum efficiencies in implementation and management. A quality template will also remove mass duplication in reviews and development of hybrid policy and regulations for local governments. A pragmatic state-based approach to regulation will also facilitate equitable pricing models, allow assured flexibility for future planning amendments, and support a streamlined flow of information and educational material to industry participants.

Reflecting the nature of tourism and trade, uninhibited by traditional geographic boundaries, a patchwork of regulation and policy framed against local government boundaries will restrict STRA's contribution and impair the ability to monitor issues or gather quality data and statistics.



Key regulatory recommendations

Reflecting the nature of the wider tourism and accommodation industries, ASTRA advocates a national approach to STRA regulation that is generally consistent but recognises the need for flexibility to tailor the approach to best meet the varying requirements of each state and territory.

As the general operation, use and workings of the STRA sector are also broadly consistent, ASTRA recognises the merit in taking advantage of improved approaches and initiatives eg Code of Conduct, so they can be customised to local requirements.

The past four years of Parliamentary Inquiry, Options Paper, formal recommendations and significant investment in the subsequent Planning & Code of Conduct work undertaken in NSW, also affords a vast resource of exhaustive research and comprehensive professional review which can be mined and considered for adaption and use by other regulators in Australia.

Against this background, and with the benefit of ASTRA's active participation in this process and the associated Government committees, we have taken the liberty of referring to the work and approaches in our recommendations.



Key regulatory recommendations

In principle ASTRA supports the following:

State-wide planning law to establish STRA regulations that are uniform, certain and predictable.

Regulations set individually by LGA's are confusing and uncertain for both hosts and guests.

ASTRA recognises the need for industry regulation under the following principles:

- State-wide planning laws to ensure uniformity and predictability
- State-wide mandatory code of conduct
- State-wide mandatory registration of STRA properties (potential to roll out to a national system)

1) *Change of planning laws*

a) *ASTRA's position in NSW to the inquiry were:*

STRA should be defined in the Standard Instrument (Local Environmental Plan)

Order 2006 in the dictionary as:

- (1) Residential use of residential premises*
- (2) Not commercial in nature (in other words letting premises for STR is not a business)*
- (3) Permissible in every zone where residential dwellings are allowed*
- (4) Exempt development with few exceptions in bush fire prone areas*
- (5) Applicable state-wide, cannot be overruled at local level by councils*
- (6) STRA premises have to be "guest ready" – safe and secure and insured*



Key regulatory recommendations

- b) *The above changes will ensure that STRA is legal state-wide irrespective of local peculiarities, thus ensuring predictability, certainty and uniformity.*
- c) *Reflecting its long history in WA and status in other states, STRA is a legitimate, complying 'residential' use of a 'residential' property (in much the same way as general residential lease). Through misinformation and misrepresentation, the 'residential' nature of STRA has been argued by lobbyists seeking to impose 'commercial' building controls and regulations on STRA:*

(1) *Commercial activities require:*

- (a) *Purpose made premises, ramps, disabled toilets, fire doors, etc*
- (b) *ABN registration*
- (c) *Special rates*
- (d) *Compliance with zoning*
- (e) *Compliance with food safety authorities etc*

- (2) Therefore, it was a BIG step forward that the NSW government (Dept of Planning) settled this matter with the definition of STRA as: *"the commercial use of an existing dwelling, either wholly or partially, for the purposes of short-term accommodation, but does not include tourist and visitor accommodation"* (this does not mean that it is a "business" in a commercial sense, simply it refers to the fact that rents are collected). In effect, a short term rental is similar to a longer term rental or standard tenancy lease, a complying residential use that takes place in a normal residential home.

Reflecting the significance of the NSW Planning determinations, the ATO have since advised their own determinations on STRA and the surrounding tax requirements.

d) *STRA properties*

- (1) *Safety is paramount. Properties need to be checked and certified that the planning minimum safety standards and requirements are met.*

ASTRA supports an approach where owners certify the safety and compliance of their property. This 'by exception' approach, reinforced by heavy fines, will remove the burden of compliance checks by councils who are already struggling with compliance issues in relation to swimming pools etc.



Code of Conduct

2) Code of Conduct (CoC)

a) *ASTRA advocated for the NSW Fair Trading to administer the new industry CoC stating in the submission and suggest that West Australia follow with your equivalent:*

(1) “The natural home for the Code of Conduct and the registration of owners is with NSW Fair Trading. There is already a comprehensive guide on their website which addresses many of the management issues that face STRA operators.

b) *ASTRA advocates a mandatory CoC as self-regulation has proven not to keep up with the phenomenal growth of the industry*

We are well pleased that the proposed CoC also includes requirements for guest expectations and behaviour standards whilst occupying STRA. It is also now noted the rapid rise of properties by the owners themselves who are unaware of the requirements and are being led by the requirements of the many OTA (Online Travel Agencies, such as Airbnb), who are foreign owned entities with little regard for the requirements and regulations in the areas that they list in.

3) *ASTRA was very vocal in promoting a mandatory CoC for all industry participants ie all entities / businesses / organisations that offer property management services outside the real estate sector, and thus outside the reach of NSW Property, Stock and Business Agents Act 2002. As a consequence, of the strong push, the Code of Conduct now includes a category of industry participants called “facilitator” which relate to the so-called Airbnb Super Hosts, co-hosts and companies like Made Comfy, Just Sorted, And Chill, Hey Tom, etc. ASTRA considers this a big win to ensure that the industry standards are genuinely lifted when the regulations take effect.*

While the CoC process has led to valuable evolution of the former Code, several important matters are still under legal review (pending determination) and have not yet been resolved:

- *The question about the nature of STRA. Is it a license to occupy or a tenancy lease?*
The concept that STRA is a licence to occupy granted to the guest and not a lease has been challenged in the case of Swan v Uecker [2016] VSC 313 opening this matter for scrutiny.
- *Despite standard residential lease terms, do Tenants have the right to sublet the property for STRA?*
- *Standardised T&Cs*



Registration

4) Registration

- a) Registration was a major pillar of ASTRA's submission to the NSW government because it would:
 - i) Precisely identify the industry participants, including details for Emergency contacts.
 - ii) Give quality information of the size of the industry
 - iii) Make the sector see-through
 - iv) Allow for raising fees to finance the code administration at NSW Fair Trading
 - v) Make it possible to reach out to all industry participants with relevant information
 - vi) Make it easy to enforce CoC with a live real time database
 - vii) Facilitate data and statistics to support quality longer term planning.

At ASTRA we cannot see how implementation of NSW planning regulations, the Code of Conduct and effective behavioural management will be possible without a registration system. In summary, it is ASTRA's recommendation that the WA Government should take advantage of work done in other states but also "take the lead" in setting the requirements of STRA in WA:

- Consider the new requirements as set by NSW in the CoC, in the belief that this will improve industry standards while adding certainty and uniformity for hosts and guests alike
- Individual LGA's will have certainty under their own Planning regulations for the same rationale
- That the rights of property owners throughout your state to operate STRA will be clear and concise through changes to planning regulations
- That the OTA's that have had significant impact in the rise of STRA not be the entities that set the standards for your state, with their own online hosting and guest requirements
- That the hotel lobby is not able to press competition to leverage regulation as a mechanism to advance their commercial interests and market share by imposing limits on STRA
- That WA provide certainty for owners who rely on STRA income to pay their mortgages and harness the power of this key economic and tourism driver to provide quality outcomes for all.



NSW Parliamentary Recommendations

Executive Summary

Short-Term Holiday Letting in NSW

There has been a rapid growth in short-term holiday letting (STHL) both nationally and in NSW over recent years particularly since the emergence of online booking services and the development of the sharing economy.

The NSW Government's response to the Parliamentary Inquiry into the regulation of short-term holiday letting supported putting in place a regulatory framework for STHL. This Options Paper seeks feedback on the approaches to enable economic benefits while managing the social and environmental impact of STHL.

STHL is estimated to be worth \$31.3 billion¹ nationally, providing income for property owners and creating jobs through the establishment of new businesses to manage transactions between property owners and customers. In NSW, STHL constitutes approximately 50% of the national total, accounts for 25% of total visitor nights and occurs in both regional and metropolitan areas. It is expected that STHL in NSW will continue to increase its share of visitor night demand over the next ten years.

STHL has the potential to generate impacts on the community if not adequately managed. These impacts could include noise, waste, traffic and parking, safety and security, and the potential impact on housing and broader industry in general. These impacts vary between regional and metropolitan areas, and between detached dwellings and apartments. Impacts can be managed in different ways and feedback is sought on the type and degree of impacts and the appropriate response by government to these impacts.

2016 Parliamentary Inquiry

In 2016, the NSW Legislative Assembly Committee on Environment and Planning conducted an inquiry into the adequacy of regulation for short-term holiday letting in New South Wales.

This Options Paper should be read as a companion document to the Committee's paper – which can be found at <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/ReportAcrobat/6080/>.

NSW Government's Response

The Government response² to the Parliamentary Committee was released on 20 April 2017.

The NSW Government generally supports the findings and recommendations of the Parliamentary Inquiry.

The Government considers that STHL is acceptable in a residence however, there is a point where STHL becomes a more intensive commercial type of use.

This Options Paper is the next step in determining a policy framework – by engaging with stakeholders, industry and the general public to discuss what level of regulation is required to best meet the needs of the NSW community.

¹ Parliamentary Inquiry Report, October 2016, p42.

² <https://www.parliament.nsw.gov.au/>



NSW Parliamentary Inquiry

Section 1 - Background

Short-term Holiday Letting and its Contribution to NSW

STHL has occurred for many years in coastal and other holiday locations in NSW to accommodate tourists³. STHL is no longer confined to holiday making, but is now commonly used throughout NSW for corporate and business trips, annual community events, family reunions, temporary accommodation while looking for long-term rental, and emergency accommodation.

In 2014, there were an estimated 216,000 STHL premises in NSW/ACT⁴.

These premises have traditionally been managed through local real estate agents or tourism agencies. In the last decade, however, online advertising platforms and booking services have taken a growing share of STHL listings. The number of listings via online platforms is more than doubling each year between 2011-2015⁵, and most online listings are managed directly by the owner of the dwelling rather than an estate agent.

In 2015, non-traditional accommodation accounted for 25% of visitor nights to NSW⁶.

STHL occurs in both regional and metropolitan areas of NSW. About one-third of accommodation supply in non-metropolitan coastal NSW is STHL and it is a significant contributor to regional economies⁷. While STHL demand in regional areas tends to be seasonal (around holiday periods) and mostly full (unhosted) houses, STHL demand in metropolitan NSW appears year-round and is mostly apartment-based.

STHL takes four forms in NSW:

- Rental of one or more rooms (including room sharing) with the host present
- Rental of a whole dwelling (principal residence) with the host away
- Rental of a holiday dwelling (non-principal residence) with the host away
- Rental of a dwelling solely reserved for STHL

2016 Parliamentary Inquiry

In 2016, the NSW Legislative Assembly Committee on Environment and Planning conducted an inquiry into the adequacy of short-term holiday letting in New South Wales. 212 public submissions were received, and three public hearings were held between March and May 2016. The Committee's final report was published on 19 October 2016 and made 12 recommendations (Appendix 2).

The full report can be found on the Parliament of NSW website⁸, and it should be read as a companion document to this paper. The key recommendations were that the NSW Government:

- amend planning laws to regulate short-term rental accommodation,
- allow home sharing, and letting a principal place of residence, as exempt development,
- allow empty houses to be let as exempt and complying development,
- strengthen owners' corporations' powers to manage and respond to STHL issues in strata properties, and
- commit to further investigating impacts from STHL on traditional accommodation operators, and opportunities to reform their regulation.

The NSW Government responded to the report on 19 April 2017 indicating general support for the key recommendations.

³ *Parliamentary Inquiry Report, October 2016, p14.*

⁴ *Parliamentary Inquiry Report, October 2016, p23.*

⁵ *Gurran and Phibbs, 2017: 80.*

⁶ *Parliamentary Inquiry Report, October 2016, p23*

⁷ *Holiday Rental Industry Association, 2016: 20-21.*

⁸ <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=1956>

