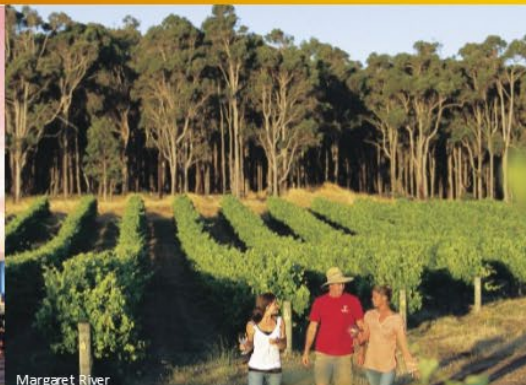


Submission to the Inquiry into Short-Stay Accommodation

February 2019



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About Tourism Council WA

Tourism Council WA is the peak body representing tourism businesses, industries and regions in Western Australia. The Council promotes the value of tourism, facilitates sustainable tourism development and advocates industry policy on behalf of members.

Tourism Council WA directly represents more than 1,500 private and public sector members across the tourism industry, including businesses in the aviation, accommodation, venues, hospitality, tours, attractions and events sectors. The Council is also the peak body for Western Australian regional and industry tourism associations.

The Council's united business, regional and industry membership endows Tourism Council WA with the collective voice of thousands of businesses employing more than 100,000 people across Western Australia.

Tourism Council WA is pleased to provide this submission to the State Government's inquiry into the short-stay accommodation sector and commends the State Government for exploring this important sector to ensure appropriate levels of regulation and fairness exist.

Tourism is Important

Tourism plays an important role in the Western Australian economy, particularly in regional Western Australia. In 2016-17, tourism contributed \$11.8 billion to the State's economy and more than 100,000 jobs.¹ In 2018, the accommodation industry contributed an estimated \$700 million to the State's economy and provided almost 16,000 jobs.²

Tourism has played an important role in the State's economy, providing a means for growth since the end of the mining investment boom in 2012. However, recently, visitation to the State has not grown and tourism's economic contribution to growth has stalled.

As highlighted in various strategies and plans from Tourism WA and Tourism Australia, visitor demand is driven by visitor experiences. Accommodation is important tourism infrastructure and facilitates visitor demand, allowing travellers to spend time in various destinations. However, **accommodation does not drive destination demand**. Leisure tourism demand for a destination depends on events, visitor experiences and greater marketing of the destination's offering.

Online Travel Booking Systems

Digital technologies play an important role in tourism and the industry has been evolving over time after the initial disruption that digital technology caused. Online travel websites (i.e. TripAdvisor), social media (i.e. Facebook, Instagram) and online travel agent (OTA) booking systems all play an important role in destination marketing. OTA booking systems mainly focus on selling and arranging travel (i.e. flights, rental cars, etc.) and making accommodation reservations. According to IBISWorld, there are 47 OTA booking systems in Australia and the sector is dominated by Expedia and Booking.com, which combined hold an estimated 53% market share.³

¹ Tourism Research Australia, *State Tourism Satellite Accounts 2016-17*

² ABS Cat. No. 6202.0 and *Short-Stay Accommodation Economic Assessment*, Lucid Economics January 2019

³ IBISWorld OD4163 *Online Travel Bookings in Australia*, February 2018

As this sector continues to grow and evolve, new OTA platforms, such as Airbnb, have emerged and IBISWorld currently estimates that Airbnb holds 2% market share in Australia. Airbnb provides an online platform to list and book properties, similar to other online travel booking systems for traditional short-stay accommodation such as Expedia and Booking.com.

A survey of Tourism Council WA members revealed that 26 per cent of tourism operators listed on Airbnb and 22 per cent listed on Stayz.⁴ While these OTAs have smaller market share, 71 percent of members agree that Airbnb charges tourism operators a lower rate of commission compared with other OTA booking systems. The industry welcomes more competition among online travel bookings systems in order to exert downward pressure on commission pricing. The market share and penetration of Expedia and Booking.com is extensive, providing these two services with considerable market power.

As a booking platform, Airbnb is simply another OTA which takes accommodation bookings in return for a commission. Many regulated commercial short-stay accommodations such as guesthouses, chalets, B&Bs etc, are listed on Airbnb. What is unusual about OTA platforms such as Airbnb is that residential dwellings are also listed on Airbnb for sale in the short-term accommodation market for commercial gain.

Residential Dwellings

Residential dwellings are properties for long-term residence by owner occupiers or tenants.

Residential dwellings are:

- developed in areas zoned for residential use (ie planning approval);
- built to residential design and construction standards as Class 1a (house) or Class 2 (apartments) (ie building approval)⁵; and
- certified as meeting the standards for residential use (ie occupancy permit).

Residential dwellings are distinct from commercial short-stay accommodation such as traditional hotels, motels and caravan parks. Federal, State and Local Governments significantly differentiate between commercial use and residential dwellings throughout their taxation, planning, building, disability access, safety, government service charges and other regulatory regimes.

The primary purpose for governments differentiating between commercial short-stay accommodation and residential dwellings is to enhance residential housing affordability. The regulatory regimes limit construction costs and government charges on residential dwellings, compared with commercial properties. Taxation incentives also support home ownership and residential property investment.

The secondary policy purpose for governments differentiating between commercial short-stay accommodation and residential dwellings is to require higher safety standards, disability access and protections for nearby residents for the commercial properties catering to short-stay guests.

⁴ Tourism Council WA, *Airbnb & Short Term Accommodation Survey, 2018*

⁵ See Appendix 2 Building Classes

It should be noted that when an ‘unhosted’ residential dwelling is rented on a short-stay basis for commercial gain for even just one night, then that dwelling is no longer available for long-term residence by an owner or tenant.

Short-Stay Renting of Residential Dwellings

Platforms such as Airbnb provide short-stay renting of residential dwellings where a property owner can rent out a home, unit or individual room. Short-stay renting of residential dwellings can resemble a traditional bed & breakfast style experience, excluding the breakfast service, particularly if the property is ‘hosted’. Part of the visitor experience and attraction of bed & breakfast establishments is the interaction with the host.

In terms of Airbnb, it is important to distinguish between a ‘hosted’ Airbnb experience and an ‘unhosted’ one. A ‘hosted’ experience should be defined as a home owner providing short-stay accommodation at their principle place of residence. Furthermore, the host should be on site in order to provide the opportunity for personal interaction between a guest and a ‘local’. At the same time, if the owner is on site, then they have opportunity to manage amenity issues with neighbours, support the guest in terms of health and safety, as well as provide recommendations for local restaurants, cafes, shops, etc.

An ‘unhosted’ experience should be defined as renting an investment property or holiday home for a short-stay (defined by the WA Planning Commission as less than 90 days⁶) without the host being present. ‘Unhosted’ experiences should also include the short-stay renting of residential units in multi-unit/apartment style buildings. Many of these ‘unhosted’ properties are often accessed via a lock box, using a security code, or brief key exchange. Under these situations, there is no host to provide a ‘live with a local’ experience, which impairs the visitor appeal (compared with a ‘hosted’ Airbnb property). Additionally, without a host, access and safety issues could emerge.

Overview of the Short-Stay Accommodation Sector in WA

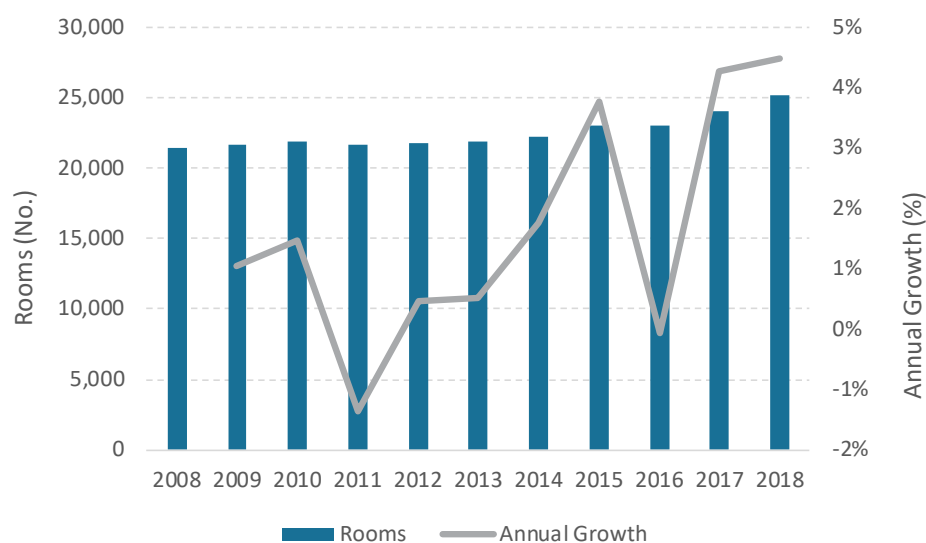
Traditionally, the short-stay accommodation market has been defined as hotels, motels and serviced apartments. Bed and breakfast establishments, caravan parks and holiday homes also provide accommodation for visitors but are considered separately.

Over the past decade, the traditional short-stay accommodation supply in Western Australia has not grown very much, except for the past few years, when there was considerable expansion in the hotel market in Perth (Figure 1). As highlighted by Tourism Accommodation Australia⁷, there are a number of market-based factors that make the development of new hotels very challenging and provide inherent disincentives for hotel development.

⁶ Planning Bulletin 83/2013 – Planning for Tourism, WA Planning Commission, January 2013

⁷ Tourism Accommodation Australia, *Creating a Long Term Future for the Sydney Hotel Industry* (2012)

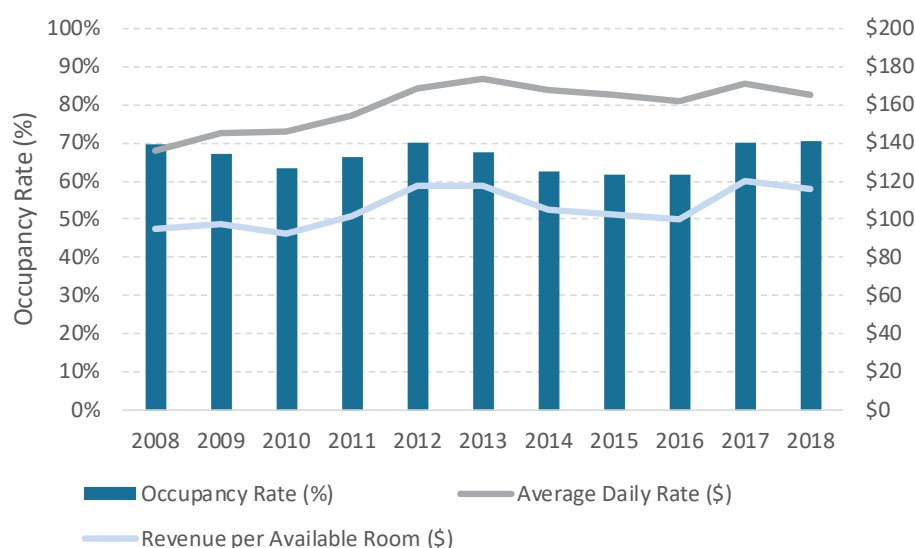
Figure 1. Accommodation Rooms, Western Australia



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. Source: Lucid Economics; ABS (2016); TRA (2018)

Since 2008, tourist accommodation across the State has experienced occupancy rates between 60% and 70%, with very little annual growth in average daily rate (ADR). As costs for the accommodation sector to provide services generally increase with inflation, experiencing no real growth in ADR over time will impact the operating profit of accommodation providers, making it challenging to offer the best visitor experience possible.

Figure 2. Accommodation Market Indicators, Western Australia

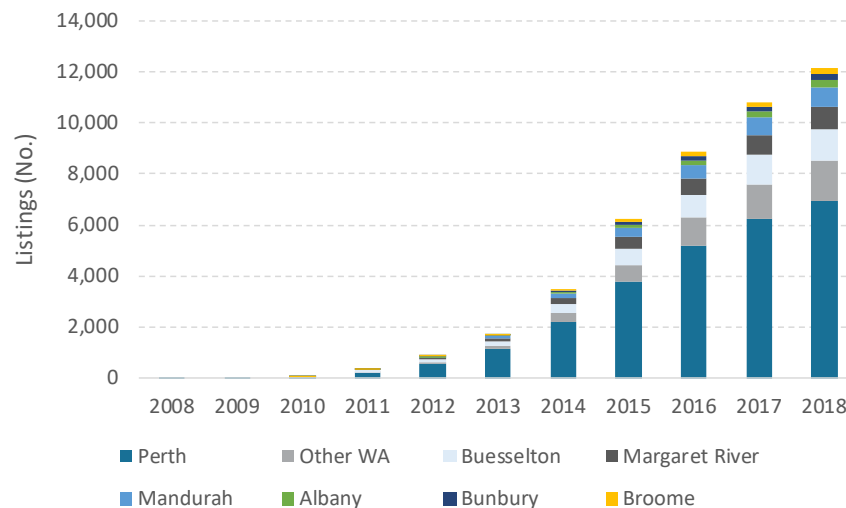


Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. GST has been subtracted from the 2008-2016 data in order to align with the TRA data. Source: Lucid Economics; ABS (2016A); TRA (2018c)

Overview of Airbnb in WA

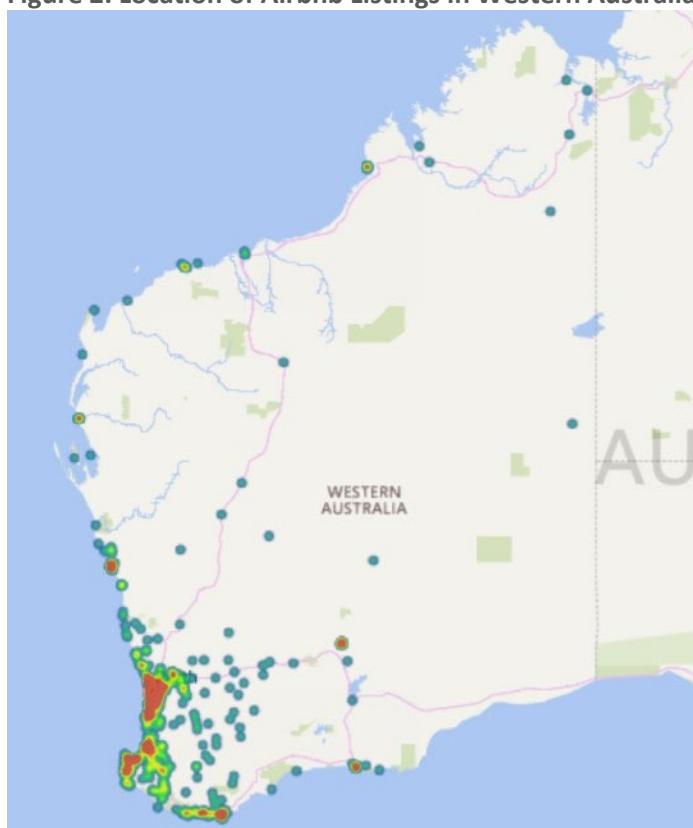
Airbnb has experienced considerable growth in Western Australia (Figure 1) and in 2018 had more than 12,000 listings in State, with the majority (57%) of listings in the Perth metropolitan region. With this level of listings, Airbnb is now roughly half the size of the traditional hotel industry that provided more than 25,000 rooms across Western Australia in 2018. Outside of Perth, Airbnb listings are concentrated in the South West region, with locations such as Busselton and Margaret River having the highest number of listings.

Figure 1. Airbnb Listings in Western Australia



Source: Inside Airbnb (2018)

Figure 2. Location of Airbnb Listings in Western Australia



Source: Lucid Economics; Inside Airbnb (2018)

Airbnb had almost 1 million booked properties across Western Australia in 2018 that represented an occupancy rate of 52%. Airbnb properties experienced an average daily rate of \$189 in 2018. Popular suburbs, such as Cottesloe, as well as other popular tourism destinations such as Margaret River and Busselton achieved much higher rates (Table 1). These rates are lower than traditional hotels in the same areas on a per room basis (Table 2). As most leisure visitors are cost-conscious⁸, they are drawn to Airbnb's listings, particularly in areas with high visitor amenity.

Owners of residential dwellings can afford to offer their accommodation for short stay at a much lower cost as they do not have the overarching cost structure of a traditional hotel, which would include wages, marketing, food and beverage services, etc. Importantly, residential dwellings on Airbnb do not have any of the costs associated with higher construction standards, taxation, government charges and compliance to local regulations. Hotels, caravan parks, bed & breakfasts and holiday homes are all subject to various laws and regulations, which require time and money with which to comply.

Hotels offer visitors a range of services, including food and beverage service, room service, access to amenity features (i.e. pools, spa, sauna, etc.) as well as assistance with finding access to other local businesses. For these reasons, some visitors see additional value in staying in a hotel, compared with an Airbnb listing (which cannot offer the level of service to guests).

⁸ *Consumer Demand Project 2018*, Tourism WA

Table 1: Airbnb Market Indicators, Western Australia

	Supply (No.)		Demand (No.)		Occupancy (%)		Average Daily Rate (\$)		Revenue per Available Room (\$)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Western Australia	1,413,449	1,896,708	704,971	989,265	50%	52%	\$197	\$189	\$98	\$99
Perth Region	931,323	1,097,937	491,316	630,782	53%	57%	\$130	\$126	\$69	\$72
Sub-markets										
Cottesloe	24,222	29,002	13,486	17,250	56%	59%	\$215	\$211	\$120	\$126
East Perth	31,488	40,798	20,407	27,179	65%	67%	\$155	\$145	\$100	\$97
Northbridge	4,836	7,534	3,063	5,022	63%	67%	\$162	\$150	\$103	\$100
Perth City	57,095	66,232	36,381	42,669	64%	64%	\$161	\$151	\$102	\$97
West Perth	21,231	30,990	12,517	17,998	59%	58%	\$139	\$127	\$82	\$74
Fremantle	176	259	83	165	47%	64%	\$27	\$29	\$13	\$18
Regional Markets										
Broome	17,103	23,748	8,757	13,916	51%	59%	\$249	\$259	\$128	\$152
Augusta Margaret River	146,567	192,370	70,527	95,830	48%	50%	\$268	\$250	\$129	\$125
Busselton	173,998	260,874	75,040	111,314	43%	43%	\$326	\$327	\$141	\$140
Mandurah	16,658	19,389	4,882	6,723	29%	35%	\$234	\$179	\$69	\$62

Albany City Council	27,890	42,798	14,801	21,921	53%	51%	\$185	\$188	\$98	\$96
Denmark	14,024	20,770	6,811	10,562	49%	51%	\$199	\$180	\$97	\$91
Rockingham	21,482	30,710	9,925	14,642	46%	48%	\$140	\$134	\$65	\$64
Bunbury	4,995	8,995	2,125	4,600	43%	51%	\$144	\$141	\$61	\$72

Note: ADR and RevPAR have been converted to AUD using foreign exchange information from the Reserve Bank of Australia for 2017 and 2018.

Source: Lucid Economics; AirDNA (2019); RBA (2019)

Table 2: Hotel and Airbnb Price Comparison (2018)

	Average Daily Rate- Hotel (\$)	Average Daily Rate- Airbnb per Listing (\$)	Average Daily Rate- Airbnb per Room (\$)
Perth Region	\$167	\$126	\$72
Busselton	\$229	\$327	\$140
Margaret River	\$170	\$250	\$83
Broome	\$175	\$259	\$132

Note: Calendar year. Average rooms per Listing calculated using Inside Airbnb data.

Source: Lucid Economics; Inside Airbnb (2018); AirDNA (2019)

Airbnb listings in Busselton and Margaret River perform well, achieving relatively high average daily rates. These properties are often rented out at peak tourism periods. In many of these regional markets, traditional tourist accommodation providers will rely on the high occupancy rates and premium prices that are generally achieved during these periods in order to ensure their ongoing financial sustainability.⁹

Considerations for Short-Stay Renting of Residential Dwellings

Tourism Council WA wishes to acknowledge and highlight the following industry considerations regarding the short-stay renting of residential dwelling (in no particular order of importance).

1. Hosted Short-Stay Renting of Residential Dwellings Can Offer Diversity and Contribute Positively to the Visitor Experience

Short-stay renting of residential dwellings through platforms such as Airbnb and Stayz can contribute positively to a destination, if they are hosted and provide a unique experience. Interaction with locals is important and a host can share their local lifestyle, pride, unique insights and provide recommendations regarding local cafes, restaurants, shops and other attractions. Unhosted properties do not contribute positively to the development of a destination or increase the destination's appeal to visitors. To 'live like a local', interaction with the host is required. Most of Airbnb listings today are unhosted.

Visitors travel for a range of reasons (i.e. leisure, business, visiting friends and relatives). Leisure visitors, which make up the bulk of Airbnb guests¹⁰, are drawn to destinations by the area's experiences, not its accommodation.

2. Short-Stay Renting of Residential Dwellings Does Not Drive Visitor Expenditure

A recent report from independent economics consulting firm, Lucid Economics, showed that short-stay renting of residential dwellings does not drive demand for tourism or visitor expenditure in the local economy (see Appendix 3).⁷

Economic assessments¹¹ carried out on behalf of Airbnb point to economic benefits generated through visits to a destination facilitated by Airbnb. These assessments highlight contributions to the local economy (in terms of Gross State Product) and local jobs. However, both studies acknowledge that expenditure associated with Airbnb guests (that drives the economic assessment) would take place even in the absence of Airbnb, thereby negating any net positive economic impact. Furthermore, given the ability of Airbnb hosts to undercut pricing of traditional hotels, visitor expenditure would be higher if Airbnb was not active in the market.

⁹ *Short-Stay Accommodation Economic Assessment*, Lucid Economics January 2019

¹⁰ *The Impact of Airbnb on WA's Tourism Industry*, Curtin University 2017

¹¹ *Economic effects of Airbnb in Australia*, Deloitte Access Economics, 2017 and *Airbnb: Economic Impact on Sydney and its Suburbs*, Airbnb (BIS Shrapnel conducted the economic analysis)

3. Short-Stay Renting of Residential Dwellings Does Not Provide Employment

While there may be some cleaning jobs associated with short-stay renting of residential dwellings, these platforms do not generate any employment outcomes. Generally speaking, hosts are likely to be employed in another industry.

Economic assessments prepared previously by Airbnb point to the economic activity and jobs generated through the expenditure of guests at local restaurants, cafes and other businesses. Without Airbnb, this expenditure in the economy would take place by guests and these jobs would still be supported.

The commercial short-stay accommodation sector, by contrast, employs almost 16,000 people in Western Australia. Hotels also contribute meaningfully to additional employment in the economy through their supply chains. Hotels will have various suppliers in terms of food, beverages, linen supplies, toiletries and numerous other consumable products. As such, hotels support a considerable number of jobs outside of the 16,000 people working directly in the accommodation industry.

4. Short-Stay Renting of Residential Dwellings Does Not Contribute to Tax Revenue in WA

Through short-stay renting of residential dwellings platforms, there is very little tax revenue that flows to Government. According to the Australia Tax Office (ATO), if a host's turnover is below \$75,000, then they are not required to register for GST. Additionally, because of the nature of short-stay renting of residential dwellings, no payroll tax is generated.

Traditional hotels will collect and pay GST as well as payroll tax.

Lucid Economics estimates that if the demand that is currently absorbed by short-stay renting of residential dwellings went to the traditional hotels instead, then the accommodation industry in Western Australia would generate an estimated \$7.7 million in GST revenue and an estimated \$3.8 million in payroll tax.¹²

5. Short-Stay Renting of Residential Dwellings Creates a Lost Opportunity for the Accommodation Industry

Through Airbnb there were almost 1 million bookings across Western Australia in 2018. If Airbnb was not available, these guests would have stayed in traditional short-stay accommodation. As such, the demand for Airbnb in 2018 represents a lost opportunity for hotels. If the almost 1 million bookings had taken place in traditional hotels, this activity would represent almost \$300 million in Gross State Product and more than 2,800 jobs (Table 1).¹⁰

Table 1: Lost Opportunity Cost of Airbnb, Accommodation Industry, Western Australia

	Gross State Product (\$m)	Employment (No.)
Direct	\$179.6	2,135
Indirect	\$119.0	726
Total	\$298.7	2,861

Source: Lucid Economics

¹² *Short-Stay Accommodation Economic Assessment*, Lucid Economics January 2019

6. Residential Properties Cost Less to Build Than Hotels

According to the Building Code of Australia (BCA), there are different classes of buildings that have different features according to their purpose of use and occupation (see Appendix 2).

As part of the BCA, Class 3 buildings require additional safety and access features, which add costs to the overall construction of the building. To comply with these standards, hotel buildings can cost between 24%-40% more than a Class 2 residential unit building.¹³

This difference puts hotel investors at a significant cost disadvantage and increases investment hurdle rates/lowers investment returns for hotel investors relative to investors in Class 2 buildings (that may be listed on Airbnb used for short-stay accommodation rather than residential use).

Table 2: Building Costs, by Type, Perth

Building Type	Cost (\$/SQM)
Hotel (Medium to High Rise, Intermediate Standard)	\$4,120-\$4,440
Serviced Apartment (Three Star)	\$3,135-\$3,380
Multi-unit High Density Apartment (Medium Standard Finish)	\$2,495-\$2,690

Source: Rawlinsons (2018)

For a long time, the government identified visitors to commercial short-stay accommodation as being at risk, and required additional safety features such as fire sprinklers in every room and fire drills, etc. Regulations and provisions are set out in the Building Code of Australia for these Class 3 buildings.

These additional safety features have not been required for Class 2 buildings (residential accommodation), because residential owners are intimately familiar with their premises and the risk of injury is lower. In a hosted Airbnb scenario, the host is on site and able to assist guests in the event of an emergency. However, in an unhosted environment, the guest or guests would be at greater risk.

7. Residential Properties are Not Required to Offer Disability Access

The *Disability Discrimination Act 1992* protects individuals across Australia from unfair treatment in many parts of public life. The Act makes disability discrimination unlawful and promotes equal rights, equal opportunity and equal access for people with disabilities. Hotels must provide disability access to the property and have a minimum number of disability accessible rooms in accordance with Class 1(b) or Class 3 building standards.

Airbnb listings (and listings from other similar platforms) of residential dwellings may operate in breach of the *Disability Discrimination Act 1992*. Airbnb does offer a search function for disability features across its listings. Using the Airbnb platform, a search for disability properties was conducted using the following features (which are similar to, but less than, the standards that a hotel must offer):

- Entering the home
 - Step-free access
 - Wide doorway
- Getting Around
 - Wide hallway clearance
- Bedroom
 - Step-free access

¹³ Rawlinsons Construction Handbook, 2018

- Wide doorway
- Bathroom
 - Step-free access
 - Fixed grab bars for toilet
 - Roll-in shower
 - Handheld shower head
 - Accessible-height toilet
 - Fixed grab bars for shower
 - Wide doorway
- Common areas
 - Step-free access
 - Wide entryway
- Parking
 - Disabled parking spot

Using these search features, Airbnb returned only four homes in Perth and nine across the State. According to Inside Airbnb, in 2018 there were a total of 12,119 Airbnb listings in the State and 6,941 Airbnb listings in the Perth region. Based on these searches for disability accessible properties, only 0.07% of Airbnb listings in the State and 0.06% of Airbnb listings in the Perth region are listed as disability accessible.

Currently, there is no mechanism to ensure the advertised disability features exist in these properties, except for contacting the host to confirm they are actually in place.

8. Residential Properties are Treated Differently than Commercial Properties

Residential properties are treated differently than commercial properties in order to support housing affordability in many ways:

- Release of land, and zoning land, for residential use only to increase housing supply and ensure local residential amenity.
- Development incentives (height, density, etc) to promote investment in housing supply.
- Grant incentives (e.g. first home buyers) to promote affordability and investment in new housing supply.
- Government financing, subsidies and other support for low-cost housing.
- Exemptions or discounts for residential properties from government charges, asset tests, etc.
- Taxation regimes such as negative gearing and capital gains discount that promote investment in residential as opposed to income-producing commercial property e.g. hotels.
- GST is charged on commercial property transactions, but not on residential property transactions.
- Due to Building Code of Australia requirements, residential property is more affordable to build than commercial property.

All of these policy settings and regulations are in place to protect residential property and encourage housing affordability. In the case of residential dwellings on Airbnb (and other similar platforms), residential property investors are able to benefit from this government support for residential dwellings and then make further commercial gain by renting the residential dwelling in the short-term market.

The unintended consequence is that property investors reap the benefits of affordable housing policies by removing the property from long-term residential use and selling on the short-stay visitor market. Where the returns from short-stay visitors exceed the lower rent of tenants, residential dwellings will be removed from long-term renting.

9. Short-Stay Renting of Residential Dwellings Can Drive Down Housing Affordability

The 'Venice Effect' can be defined as a scenario where a destination becomes so popular that visitors significantly outnumber local residents and almost all residents make the decision to leave the area because visitors will pay

more than residents to be there, creating a financial incentive to leave the destination. In Venice, there are 140 visitors for every resident. As described in the book *If Venice Dies*, short-stay renting of residential dwellings platforms has exacerbated the situation and sped up the development of this phenomena.

In the context of Western Australia, there is a risk in popular areas such as Margaret River, Busselton and other suburbs that interest from visitors in these areas will create an environment where housing prices increase based on the level of income that hosts can achieve through short-stay renting of residential dwellings. As housing prices increase, housing affordability will be impacted and could decrease. Furthermore, as this phenomenon continues, platforms such as Airbnb could contribute to local residents being priced out of the market.

Lucid Economics found the housing market in some suburbs that have experienced strong growth in Airbnb listings over the past three years have also seen housing affordability decline¹⁴, as evidenced by increasing mean multipliers in the suburb (Table 3), which measure how many times median household income is required to purchase a median-priced house in a given area.

Table 3: Mean Multipliers (Selected Markets)

	2016	2017	2018
Cable Beach	4.82	4.88	4.92
Margaret River	6.68	6.76	6.70
Cottesloe	12.38	14.80	14.82

Source: Lucid Economics; REIWA (2018); ABS (2018); ABS (2017)

In terms of housing affordability, the proliferation of unhosted experiences in places like Margaret River and Busselton, as well as the residential suburbs of Cottesloe and Mosman Bay, provide a situation where wealthy residents can rent out their weekend property in a destination like Margaret River when they are not using it and then rent out their primary place of residence in a suburb like Cottesloe when they are spending time in Margaret River. Under these circumstances, wealthy residents can leverage their ability to afford a nice home in a desirable location in order to make additional income (which may or may not be needed). This income then allows these residents to pay a higher price for housing in these locations.

10. Short-Stay Renting of Residential Dwellings Can Negatively Impact Destination Appeal

Part of the appeal of some Airbnb listings is the opportunity to meet and interact with the host, in a similar manner as the appeal of a bed & breakfast establishment. Interaction with a host can help visitors 'live like a local'. On the contrary, unhosted Airbnb listings in a destination can impact the appeal of the destination, if they grow in an unconstrained manner. As highlighted in the book *If Venice Dies*, platforms such as Airbnb have exacerbated the 'Venice Effect' and created a destination virtually void of any locals.

There is a risk in Western Australia that high appeal of many destinations can be negatively impacted by the increasing and high numbers of unhosted Airbnb listings. In these often residential neighbourhoods, if the residents leave and decide to rent out their residential property, then the local character of the area will be impacted and the neighbourhood could lose its appeal for future visitors.

Additionally, there are currently no quality control systems in place to maintain a minimum standard of quality at residential properties offered to the short-stay market. Airbnb seems to acknowledge this issue and created two designations; 'superhost' and 'Airbnb Plus' to highlight properties that maintain a high level of quality.

¹⁴ *Short-Stay Accommodation Economic Assessment*, Lucid Economics January 2019

According to AirDNA, the ‘superhost’ program was launched in 2016 in response to the lack of consistent experiences on the platform. The program seeks to identify and acknowledge Airbnb hosts that maintain a quick response rate and consistently receive a high proportion of 5-star reviews.¹⁵ Airbnb has also introduced ‘Airbnb Plus’ in Australia to augment the ‘superhost’ designation. An ‘Airbnb Plus’ listing promotes that the property has been verified for quality, which includes an inspection to verify guest feedback. The ‘Airbnb Plus’ designation is also reserved only for a ‘superhost’.¹⁶

Tourism Council WA operates the Quality Tourism Accredited Business program to ensure minimum safety, insurance, consumer protection, environmental and quality standards. Currently there are 510 accommodation businesses in this program in WA.

11. Short-Stay Renting of Residential Dwellings Can Deter Tourism Investment

As highlighted by Tourism Accommodation Australia, the development of new hotels can be very challenging. In Western Australia, the development of new hotels has proven difficult, with very little growth in room supply over the past decade. The Perth region has recently seen considerable hotel development, but outside of this period, the construction and development of new hotels has been rare. For regional Western Australia, there has been very little new hotel development over the past decade.

Airbnb has generated substantial demand across the State totalling almost 1 million booked properties in 2018. Without Airbnb, this demand would be accommodated in traditional hotels or other established forms of short-stay accommodation. Lucid Economics found that absorbing overnight accommodation demand through Airbnb would have a negative impact on hotel investment.¹⁷

12. Short-Stay Renting of Residential Dwellings is Not Recognised by the Planning System

The planning system organises and establishes land-use across the State. Local planning schemes dictate specific land uses including residential, commercial, education, etc. The WA Department of Planning, Lands and Heritage acknowledges that the current planning system does not recognise short-stay renting of residential dwellings and has recommended that a new definition for ‘hosted accommodation’ be added to the existing accommodation types in the planning system.¹⁸ The WA Planning Commission has previously recognised the unique uses and requirements of the tourism sector and has issued specific planning bulletins regarding short-stay accommodation. These bulletins recommend that in areas that receive a high number of visitors, local Councils should develop specific definitions and zones for tourism accommodation (hotels).¹⁹ The WA Planning Commission has also already recognised the role of holiday homes in tourism destinations as well and recommended a variety of planning regulations for this property type.²⁰

The short-stay renting of residential dwellings means any area zoned for residential use only would have commercial short-stay accommodation available, including in zones where traditional hotels and other forms of short-stay accommodation are excluded through the planning scheme. Property owners/investors that rent out residential dwellings on land zoned only for residential use are making money in a market that is not accessible to commercial operators. As highlighted in Table 1, exclusive residential suburbs, such as Cottesloe, achieve an Average Daily Rate through Airbnb that is much higher than the Average Daily Rate that hotels in Perth can

¹⁵ www.airdna.co

¹⁶ www.airbnb.com.au

¹⁷ *Short-Stay Accommodation Economic Assessment*, Lucid Economics January 2019

¹⁸ *Options for regulating sharing economy short-term accommodation in WA*, Department of Planning, Lands and Heritage, August 2018

¹⁹ *Planning Bulletin 83/2013 – Planning for Tourism*, WA Planning Commission, January 2013

²⁰ *Planning Bulletin 99 – Holiday Homes Guidelines*, WA Planning Commission, September 2009

achieve. Across Perth (and Western Australia), prices for listings in areas where hotels are not permitted are higher, which is partly due to a lack of competition.

13. Short-Stay Renting of Residential Dwellings is Completely Unregulated by Government

For all other forms of short-stay accommodation, there is considerable regulations and requirements.

The *Caravan Parks and Camping Grounds Act 1995* provides very specific requirements for this type of short-stay accommodation. This Act dictates the appropriate level of infrastructure, such as toilets and showers, that are required in caravan parks. Furthermore, there are regulations regarding the size of lot, distance to amenities and numerous other features. These regulations exist for safety reasons and to ensure minimum levels of service for visitors.

Bed & breakfast operators are required to register and depending on local planning schemes, must comply with various Acts, such as the *Health Act 1911* and the *Food Act 2008*. Hotels must comply with these Acts as well as additional requirements.

Complying with regulations requires time and effort and all businesses incur costs to remain compliant with all necessary regulations.

Government has seen the requirement to regulate all other forms of short-stay accommodation. Compliance with all of these regulations puts all other forms of short-stay accommodation at an unfair, competitive disadvantage with Airbnb hosts. The lack of regulatory compliance that Airbnb hosts have is one reason they can provide their accommodation for prices generally below a hotel.

14. Short-Stay Renting of Residential Dwellings Platforms Do Not Contribute to Destination Marketing

Destination marketing is critically important to the tourism industry, particularly in the leisure segment. The State Government has recognised this fact through its annual funding of Tourism WA, the State's lead tourism marketing organisation. Hotels also conduct marketing activities in order to drive demand and occupancy for their properties. Large hotel groups, such as Accor, will spend tens of millions of dollars on marketing every year. These hotel operators also conduct cooperative marketing activities with State organisations such as Tourism WA, Perth Convention Bureau and others.

In most parts of Western Australia, local hotels and motels provide funding to their regional tourism organisation, which is responsible for marketing the destination. The State Government, through Tourism WA, also recognises the important marketing role of these regional tourism organisations.

The accommodation industry also contributes to various taxes in Western Australia including payroll tax and GST. This tax revenue is then available to the State Government for funding organisations such as Tourism WA.

Neither residential dwelling owners on Airbnb, nor Airbnb, directly contribute any funding to destination marketing. As such, Airbnb and Airbnb hosts receive the financial benefits from destination marketing without contributing any of the funding for it. Airbnb and its properties leverage the funding of the State Government (through Tourism WA) and hotels across the State in order to drive demand and generate revenue as a result of these marketing efforts.

Unfair Competition

Hotels and other traditional short-stay accommodation providers are at a competitive disadvantage to residential owners renting out their properties in the short-stay market:

- Existing regulatory framework requires compliance from short-stay accommodation providers, which incurs costs.

- Properties advertised on Airbnb and other similar platforms do not have these costs.
- Traditional short-stay accommodation providers pay a range of taxes.
 - Properties listed on Airbnb and other similar platforms do not pay these taxes and the Government misses out on this revenue.
- Traditional short-stay accommodation providers must market the property, which incurs costs.
 - Airbnb and Airbnb hosts (as well as other similar platforms) receive the benefit from this marketing but don't incur the costs.
- Traditional short-stay accommodation is not an allowable use in many residential areas that have high levels of attraction for visitors.
 - Hosted accommodation is not regulated in the planning system and can be created in any residential zone.

Airbnb and Airbnb hosts are generating income from residential property, which receives considerable support under current regulations and policy in order to facilitate housing affordability. Airbnb and platforms like it are using the existing regulatory environment to generate corporate revenues that are not taxed in Australia, therefore removing any financial contribution to the regulatory system.

If short-stay renting of residential dwellings will remain a feature of the short-stay accommodation market in Western Australia, these issues must be addressed in order to ensure fair and equitable competition across the market.

Industry Views

Tourism Council WA conducted an industry survey in 2018 to assess industry views on residential dwellings offering short-term accommodation and what government policies should be adopted.²¹

The survey covered all operators in the tourism industry including: hotels, motels, caravan parks, B&Bs, self-contained accommodation, tour, transport, visitor centres, restaurants, wineries, attractions, events and retail services.

The survey attracted 271 respondents. The key responses were:

- 72% agreed that residential properties offering short-stay accommodation are unfair competition and regulation should be effectively and equally enforced.
- 78% agreed that there should be state-wide consistent regulation of residential properties offering short-stay accommodation by State Government rather than local government.
- 74% agreed that residential properties offering short-stay accommodation that are not paying GST should pay an equivalent fee.
- 81% agreed that part of any such fees should go to destination marketing.

Case Studies from Other Jurisdictions

Appendix 1 contains a table that highlights case studies from other jurisdictions regarding regulations for Airbnb that were included in Curtin University's 2017 study, *The Impact of Airbnb on WA's Tourism Industry*. It is important to note that many jurisdictions across the world have felt the need to develop regulations for Airbnb and the short-stay renting of residential dwellings.

²¹ Tourism Council WA, *Airbnb & Short Term Accommodation Survey, 2018*

Collectively, the case studies would seem to recommend:

- A registration process should exist for the short-stay renting of residential dwellings.
- Minimum standards should be met in terms of short-stay renting of residential dwellings.
- The ability to contact the host is important.
- A cap should be considered regarding the number of nights that a residential dwelling can be used for short-stay renting during the year.
- Fines should be charged for non-compliance.

Policy Approach

The policy approach to the short-stay renting of residential property in Western Australia should have the following goals:

- Maximise visitor expenditure in Western Australia, which provides a number of economic benefits, including job creation.
- Maximise visitation to WA by ensuring any property offering short-stay accommodation contributes financially to destination marketing efforts in some form (i.e. either directly or through the tax system).
- Maintain an environment conducive to tourism investment.
- Ensure fair and equitable competition across the short-term accommodation market.
- Maintain destination character and community support for sustainable tourism by ensuring short-stay visitors do not displace housing for local residents.

Recommendations

In order to achieve these policy goals, Tourism Council WA makes the following recommendations:

Registration of Short Stay Accommodation in Residential Dwellings

1. Traditional commercial short-stay accommodation in Class 1(b) or Class 3 buildings should continue without any additional regulatory burdens.
2. Any residential property owner wishing to offer their property for short-stay letting must register the property with the State Government. The table below shows the recommended eligibility of residential properties to be registered for short-stay letting.
3. Registration of a residential property for short-stay accommodation would require certain minimum requirements, including:
 - That the residential dwelling is a Class 1(a) building and is the primary place of residence of the host. The host should be contactable at any time for the duration of the stay.
 - Proof of public liability insurance (minimum \$10 million, which is a requirement of the Quality Tourism Accredited Business program).
 - Agreeing to abide by an industry Code of Conduct with violations against the code grounds for revoking a registration. The WA standard code of conduct already exists as part of the Quality Tourism Accredited Business program.
 - Class 2 residential dwellings in buildings which do not meet disabled access or short-stay visitor safety standards should not qualify for registration.

Registration Fees, Compliance and Destination Marketing

4. Once registered, a suitable fee must also be paid which would support the costs of compliance, contribute to destination marketing and equal the contribution of accommodation providers paying GST.
5. A fee equivalent to 10% of the nightly rental income (inclusive of commissions and fees charged by the platform) should be paid to the State Government by the OTA, with the majority of the fee revenue going to Tourism WA for destination marketing. This fee would not apply if the property owner is paying GST on the short-stay accommodation takings.
6. The OTA listing platform (i.e. Airbnb, Stayz, etc.) should be responsible for ensuring all properties listed are registered, with failure to do so resulting in fines of between \$1,000 and \$2,000 per unregistered property per day (or any part thereof) it is advertised.
7. Revenue from fines could be used to further fund compliance and/or contribute to destination marketing.

Building Standards

8. State Government should amend the building standards in WA to allow the development of small, unique tourism accommodation as a Class 1A building. If short-stay renting of residential dwellings at Class 1A standards is acceptable, then the tourism industry should be allowed to build to a Class 1A standard as well.

Planning

9. If short-stay renting of residential dwellings is permitted in a land use zone, then short-stay commercial should also be allowed.

Table 1: Eligibility of Residential Property for Short-Stay Accommodation

Eligible	Not Eligible
<ul style="list-style-type: none">• Class 1 Buildings• Resident's principle place of residence• Hosted property• Single listing	<ul style="list-style-type: none">• Class 2 Buildings• Property owner's investment property• Unhosted property• Multiple listings

Source: Tourism Council WA

Appendix 1: Case Studies of Regulatory Approaches in Other Jurisdictions

Table 1: Airbnb Policy Case Studies

Location	Overview of Policy Approach
London	<ul style="list-style-type: none"> • Amended standard tenancy agreements to remove explicit ban on sub-letting • Allowing home sharing for up to 90 days per year without government approval • Properties are automatically banned on Airbnb website once the 90-day limit has been reached
New York	<ul style="list-style-type: none"> • Amended specific laws to make it illegal to rent out a residential apartment for less than 30 days, unless the permanent resident is present • Amended laws to make it illegal to advertise a property in a residential multiple dwelling building (without the owner present) • Implemented fines for breaking this law, \$1,000 for the first instance, \$5,000 for the second and \$7,500 for each further violation • Airbnb hosts must collect and pay all relevant taxes (i.e. Hotel Unit Fee, Hotel Room Occupancy Tax and sales tax)
San Francisco	<ul style="list-style-type: none"> • Amended local codes to allow home sharing • Units may be rented for up to 90 days (without the host present) and no max number of nights if the permanent resident is present. • Units must be registered, and hosts must provide quarterly activity reports • Hosts by \$50 registration fee that is valid for two years • Tenants may not charge more than their monthly rent when renting out their residential property • Proof of insurance for \$500,000 or more must be provided what the time of applying for registration • Only one residential unit may be registered by any person • Airbnb collects the hotel tax for all rentals • Hosting platforms must ensure that advertised properties are registered and face \$1,000 per day fine if they are not
Barcelona	<ul style="list-style-type: none"> • Registration of any dwelling rented for a fee for up to 31 days, two or more time per year • Tourist tax must be collected and paid • Details of guests must be sent to the City • Both guests and neighbours are provided a telephone number for queries and complaints
Amsterdam	<ul style="list-style-type: none"> • City of Amsterdam signed an agreement with Airbnb regarding local regulations • City provides legal information on home sharing to hosts • Airbnb collects the City's tourism tax • Automatic blocking of rentals from Airbnb's platform if they exceed the rental cap of 60 days per year • Neighbour complaint online tool and dedicated hotline • Provision and tracking of activity

Source: Curtin University (2017)

Appendix 2: Building Classes

For accommodation buildings, the BCA describes three classes:

- **Class 1:** one or more buildings which in association constitute
 - (a) Class 1a — a single dwelling being—
 - (i) a detached house; or
 - (ii) one of a group of two or more attached dwellings, each being a building, separated by a fire-resisting wall, including a row house, terrace house, town house or villa unit; or
 - (b) Class 1b —
 - (i) a boarding house, guest house, hostel or the like—
 - (A) with a total area of all floors not exceeding 300m² measured over the enclosing walls of the Class 1b; and
 - (B) in which not more than 12 persons would ordinarily be resident; or
 - (ii) 4 or more single dwellings located on one allotment and used for short-term holiday accommodation, which are not located above or below another dwelling or another Class of building other
- **Class 2:** a building containing 2 or more sole-occupancy units each being a separate dwelling.
- **Class 3:** a residential building, other than a building of Class 1 or 2, which is a common place of long term or transient living for a number of unrelated persons, including—
 - (a) a boarding house, guest house, hostel, lodging house or backpackers accommodation; or
 - (b) a residential part of a hotel or motel; or
 - (c) a residential part of a school; or
 - (d) accommodation for the aged, children or people with disabilities; or
 - (e) a residential part of a health-care building which accommodates members of staff; or
 - (f) a residential part of a detention centre.



Short-Stay Accommodation Economic Assessment

Prepared for

Tourism Council WA

February 2019

lucid

/ˈluːsɪd/

adjective

1. expressed clearly; easy to understand

2. bright or luminous



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Executive Summary

Introduction and Background

Lucid Economics Pty Ltd (Lucid Economics) has been engaged by the Tourism Council WA to undertake a comprehensive economic assessment of the short-stay accommodation sector in Western Australia.

Digital technologies continue to impact and disrupt the tourism industry in Western Australia and the industry continues to evolve and adapt to these changes. The renting of residential dwellings through platforms such as Airbnb and Stayz has grown rapidly in Australia in the recent past, giving rise to numerous questions regarding these platforms, the properties listed on them and how the Government should interact with this type of accommodation offering.

This assessment provides an up-to-date analysis of the State's short-stay accommodation market, with a particular focus on short-stay renting of residential dwellings.

Western Australian Economy and Tourism

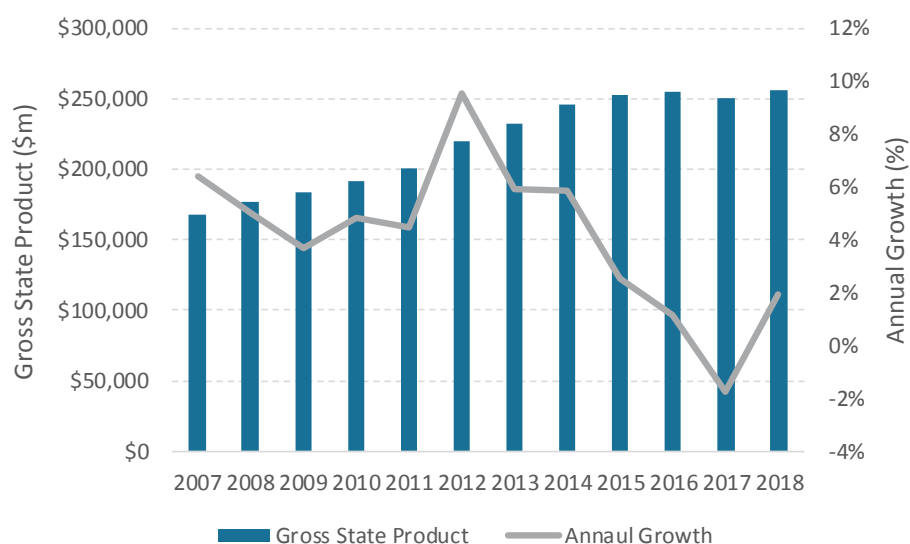
The Western Australian economy has struggled to grow since the end of the mining investment boom in 2012. The tourism industry has been one segment of the economy that, until recently, provided growth to Gross State Product as well as creating jobs.

In 2017-18, tourism generated \$15.3 billion in visitor expenditure, which supported \$11.8 billion in Gross State Product and over 100,000 jobs.

However, over the last two years, visitor expenditure has become stagnant. Visitation to Western Australia is not growing like it has over the past five years. International visitation is declining as well as the State's market share. Leisure visitation is also lagging, which is the key market segment for the short-stay renting of residential dwellings.

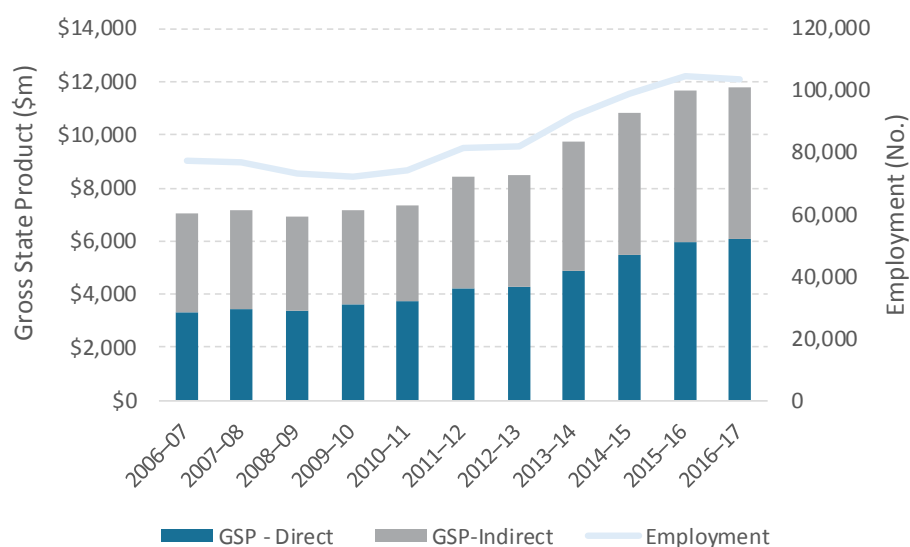
While tourism can make an important contribution to the State's economy, visitation, market share and visitor yield (\$/visitor) will need to increase again.

Figure E.1: Gross State Product, Western Australia



Note: Year Ending June.
Source: ABS (2018a)

Figure E.2: Tourism Gross State Product and Employment, Western Australia



Source: TRA (2018a)

Visitor Experiences and Destinations

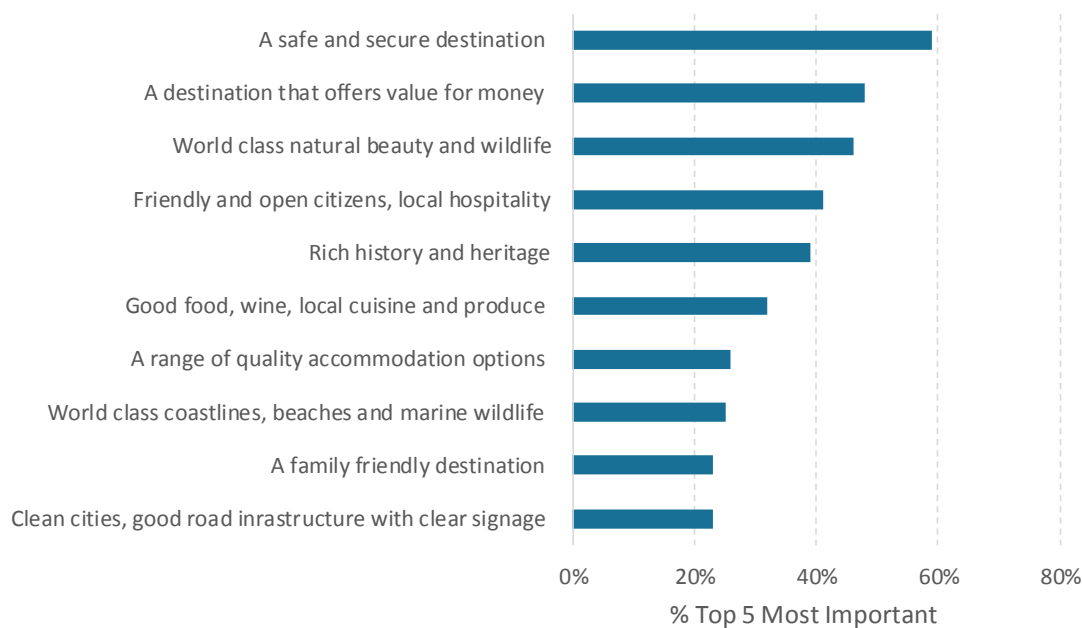
Visitor demand is driven by experiences through various attractions and activities. Accommodation, transport access and local amenity contribute to the overall visitor experience but these factors do not drive demand. If visitor demand is to grow in Western Australia, then a focus on the development of visitor experiences and marketing existing (and future) visitor experiences is required.

The core experiences that Tourism WA promotes align well to Tourism Australia's core experiences that it promotes globally (TA, 2017), which include:

- Aquatic and coastal
- Food and wine
- Nature
- Wildlife

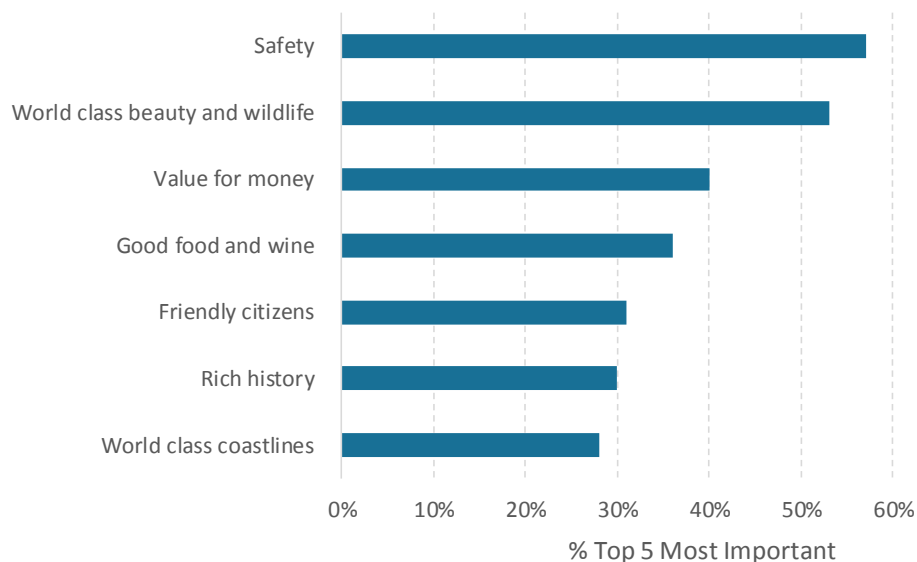
Accommodation does not feature in this list as accommodation represents tourism infrastructure (similar to restaurants & cafes, shops, transport infrastructure) that facilitates a visit from a traveller as opposed to driving demand for visitation. Figure E.3 and Figure E.4 shows that the visitor experience is what drives destination choice.

Figure E.3: Domestic Destination Choice Factors, Western Australia (2017)



Source: TWA (2017a)

Figure E.4: International Destination Choice Factors, Western Australia (2017)

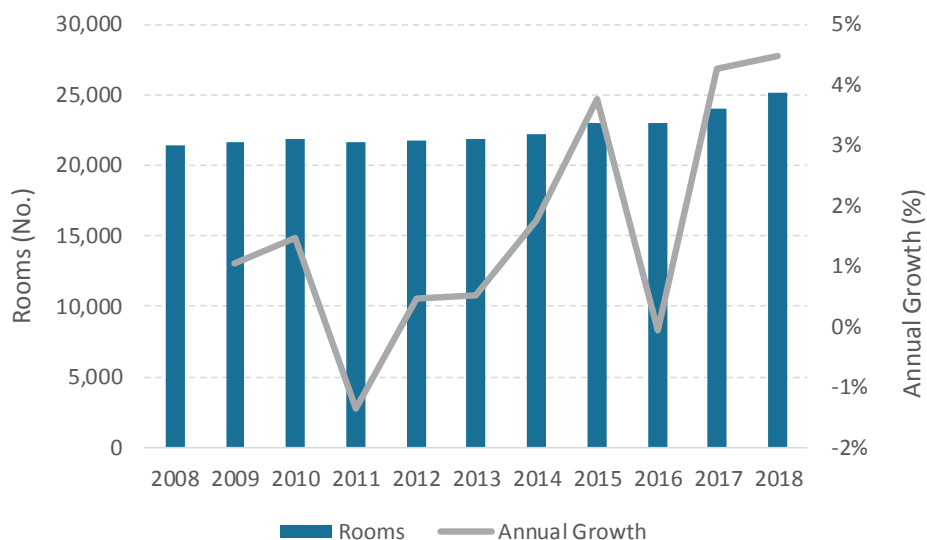


Source: TWA (2017b)

Western Australia Accommodation Market

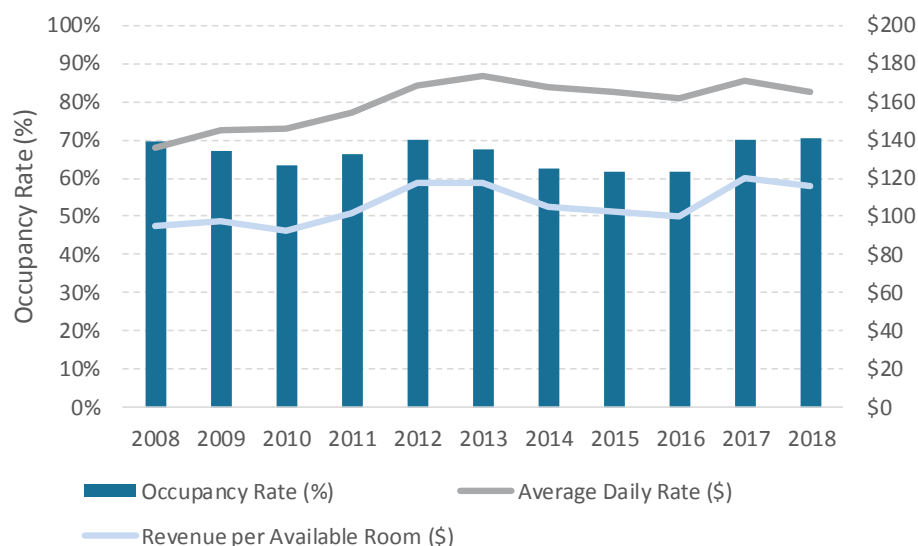
Over the last decade, traditional short-stay accommodation supply has not grown very much, except for the last few years, when there was considerable expansion in the hotel market in Perth. Since 2008, tourist accommodation across the State has experienced occupancy rates between 60% and 70%, with very little annual growth in average daily rate (ADR). As costs for the accommodation sector to provide services generally increase with inflation, experiencing no real growth in ADR over time will impact the operating profit of accommodation providers, making it challenging to offer the best visitor experience possible.

Figure E.5: Accommodation Rooms, Western Australia



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. Source: Lucid Economics; ABS (2016A); TRA (2018c)

Figure E.6: Accommodation Market Indicators, Western Australia

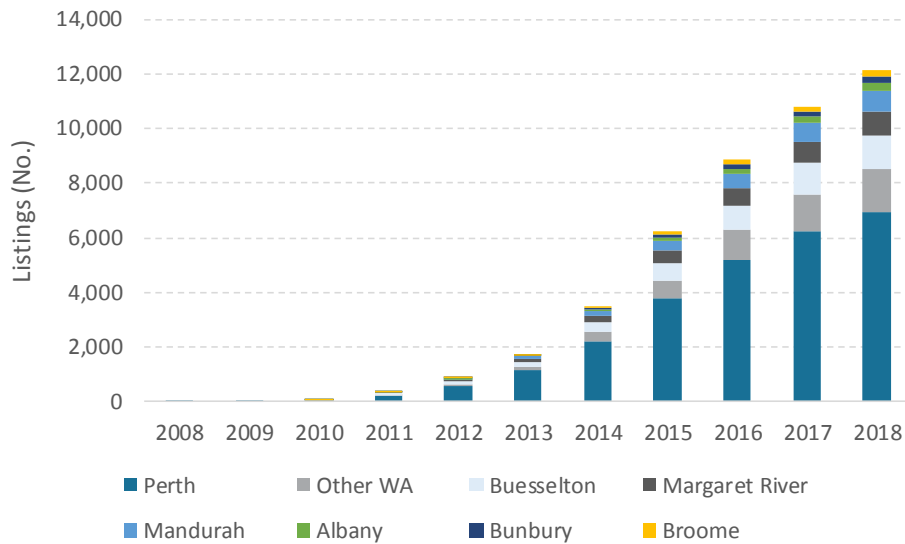


Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. GST has been subtracted from the 2008-2016 data in order to align with the TRA data. Source: Lucid Economics; ABS (2016A); TRA (2018c)

Airbnb in Western Australia

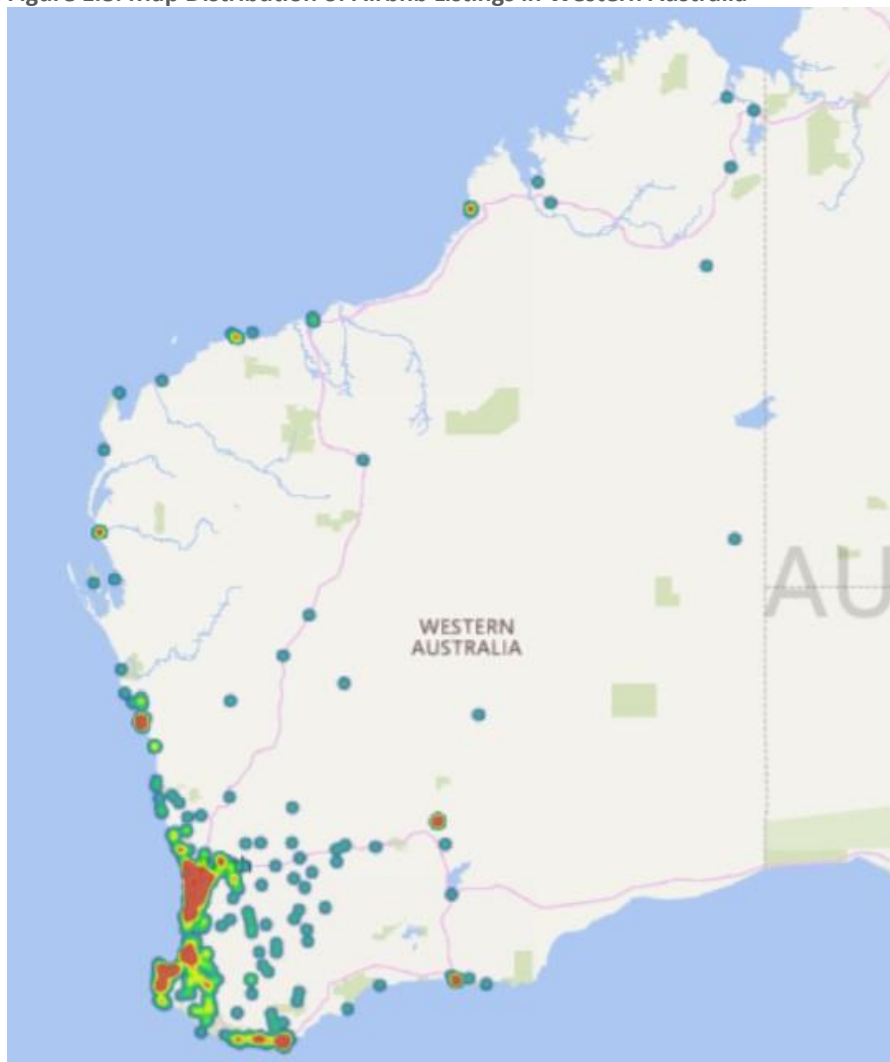
In stark contrast to the traditional short-stay accommodation market, Airbnb listings have increased at an incredibly fast rate, with the number of listings in 2018 representing half of traditional short-stay accommodation rooms across the State and in the Perth Region. While property listings through Airbnb are dispersed across the state, there is a strong concentration of listings in the Perth region as well as in the South West region. 63% of Airbnb listings are available for 181 days or more and 82% are available for more than 90 days, providing direct competition for the traditional short-stay accommodation market.

Figure E.7: Airbnb Listings in Western Australia



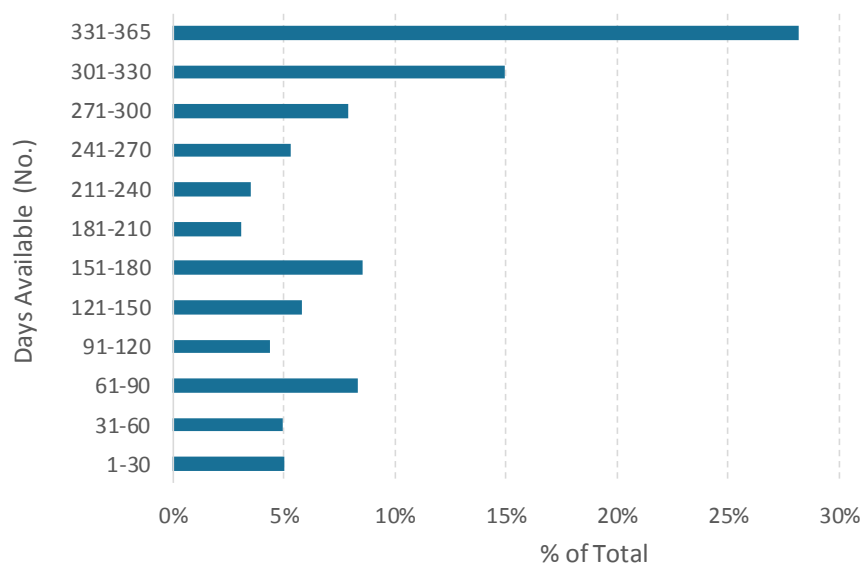
Source: Inside Airbnb (2018)

Figure E.8: Map Distribution of Airbnb Listings in Western Australia



Source: Lucid Economics; Inside Airbnb (2018)

Figure E.9: Days Available During the Year, Airbnb Listings, Western Australia (2018)



Note: 9.5% of listings noted '0' for days available. These listings have been excluded from the figures above.

Source: Lucid Economics; Inside Airbnb (2018)

Analysis of Airbnb market data (Table E.1) provides a number of insights into market for renting residential dwellings in Western Australia:

- In contrast to the traditional hotel market in the State and the Perth region, Airbnb properties experienced growth in occupancy rates between 2017 and 2018
- Most sub-markets and regional markets for Airbnb listings also experienced growth in occupancy rates between 2017 and 2018
- Similar to the traditional hotel markets in Western Australia and the Perth region, almost all Airbnb listings experienced a drop in ADR from 2017 to 2018
- Interestingly, Airbnb listings in the popular tourist destinations of Broome, Busselton and Albany experienced an increase in ADR between 2017 and 2018
- Generally speaking, most sub-markets in the Perth region outperformed the regional markets in terms of occupancy rate
- The popular tourism destinations of Broome, Augusta-Margaret River, Busselton, Albany and Denmark all achieved ADRs higher than the Perth Region and its sub-markets

The popularity of the South West in terms of Airbnb performance is clear, with Busselton and Augusta-Margaret River demonstrating considerable demand (and supply) relative to other markets as well as high ADR and RevPAR. The fact that these markets experience a much higher ADR than the Perth region while experiencing lower annual occupancy rates would indicate that these Airbnb properties are likely very popular during peak holiday seasons such as Christmas and other traditional school holidays.

These periods are typical high demand periods for traditional tourist accommodation in these markets and the growth of Airbnb is likely having an impact on these businesses. In many of these regional markets, traditional tourist accommodation providers will rely on the high occupancy rates and premium prices that are generally achieved during these periods in order to ensure their on-going financial sustainability.

Table E.1: Airbnb Market Indicators, Western Australia

	Supply (No.)		Demand (No.)		Occupancy (%)		Average Daily Rate (\$)		Revenue per Available Room (\$)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Western Australia	1,413,449	1,896,708	704,971	989,265	50%	52%	\$197	\$189	\$98	\$99
Perth Region	931,323	1,097,937	491,316	630,782	53%	57%	\$130	\$126	\$69	\$72
Sub-markets										
Cottesloe	24,222	29,002	13,486	17,250	56%	59%	\$215	\$211	\$120	\$126
East Perth	31,488	40,798	20,407	27,179	65%	67%	\$155	\$145	\$100	\$97
Northbridge	4,836	7,534	3,063	5,022	63%	67%	\$162	\$150	\$103	\$100
Perth City	57,095	66,232	36,381	42,669	64%	64%	\$161	\$151	\$102	\$97
West Perth	21,231	30,990	12,517	17,998	59%	58%	\$139	\$127	\$82	\$74
Fremantle	176	259	83	165	47%	64%	\$27	\$29	\$13	\$18
Regional Markets										
Broome	17,103	23,748	8,757	13,916	51%	59%	\$249	\$259	\$128	\$152
Augusta Margaret River	146,567	192,370	70,527	95,830	48%	50%	\$268	\$250	\$129	\$125
Busselton	173,998	260,874	75,040	111,314	43%	43%	\$326	\$327	\$141	\$140
Mandurah	16,658	19,389	4,882	6,723	29%	35%	\$234	\$179	\$69	\$62
Albany City Council	27,890	42,798	14,801	21,921	53%	51%	\$185	\$188	\$98	\$96
Denmark	14,024	20,770	6,811	10,562	49%	51%	\$199	\$180	\$97	\$91
Rockingham	21,482	30,710	9,925	14,642	46%	48%	\$140	\$134	\$65	\$64
Bunbury	4,995	8,995	2,125	4,600	43%	51%	\$144	\$141	\$61	\$72

Note: ADR and RevPAR have been converted to AUD using foreign exchange information from the Reserve Bank of Australia for 2017 and 2018.

Source: Lucid Economics; AirDNA (2019); RBA (2019)

Economic Benefits from Airbnb

There have been studies into the economic benefits of Airbnb. Given that Airbnb does not drive demand and that fact that Airbnb listings can easily be replaced with traditional hotel rooms for visitors, there is very little economic benefit that is attributable to Airbnb. The existing studies note these exceptions and value the visitor expenditure from guests staying at Airbnb listed properties. Without Airbnb, these visitors would still travel and spend money, maintaining the economic benefits for the region visited. In fact, as Airbnb properties often cost less than traditional accommodation rooms, there is potential that the economic benefits highlighted in these existing studies would be higher, if these visitors stayed in traditional commercial accommodation.

Deloitte Access Economics describes a consumer savings generated through Airbnb as these listings for accommodation cost less than traditional short-stay accommodation. While true, this consumer savings comes at the cost of the traditional short-stay accommodation providers. Furthermore, the lower nightly rates at Airbnb put downward pressure on hotel nightly rates.

If the accommodation demand that is currently absorbed by listings on Airbnb were to stay in traditional short-stay accommodation, the accommodation industry would generate considerable value for the State's economy, including adding:

- 2,15 direct jobs (726 indirect jobs, total 2,135)
- \$298.7 million (direct and indirect) to Gross State Product
- An estimated \$7.7 million in GST revenue for Western Australia
- An estimated \$3.8 million in payroll tax revenue for Western Australia.

Interestingly, these economic benefits exceed the economic benefits associated with Airbnb that have been estimated by Deloitte Access Economics for Western Australia.

Additional Economic Considerations

The Venice Effect can be defined as a scenario where a destination becomes so popular that visitors significantly outnumber local residents and almost all residents make the decision to leave because the destination is so popular that residential property values greatly exceed affordability levels of local residents. In Venice, there are 140 visitors for every resident. As described in the book *If Venice Dies*, platforms like Airbnb have exacerbated the situation and sped up the development of this phenomena.

In the context of Western Australia, there is a risk in popular areas such as Cottesloe, Margaret River, Busselton and other suburbs that the income derived from renting a residential dwelling in the short-stay market may begin to distort the normal pricing mechanisms for residential property in these markets, thereby effecting housing affordability for local residents.

There are numerous policies and regulatory features that are in place to support housing affordability, including:

- Eligible first home buyers can access a grant of \$10,000 towards the purchase of a new home
- Local government rates systems charge more for commercial properties than they do for residential
- Negative gearing policies exist to provide a financial incentive for investment into residential property
- GST is charged on commercial property transactions, but not on residential property transactions

When a property owner decides to rent their residential dwelling on the short-stay market through Airbnb or Stays, they receive a direct financial benefit from leveraging all of the existing policies that support housing affordability.

Traditional hotels are a Class 3 building in terms of the Building Code of Australia, which requires additional safety and access features that are not present in typical residential dwellings. These features have been deemed necessary as hotels cater specifically for short-stay visitors, who may or may not be familiar with various safety features of the property in the case of an emergency. Additionally, hotels must comply with the *Disability Discrimination Act* and provide access for disabled persons. The short-stay renting of residential dwellings also caters specifically for these short-stay visitors, but these properties do not have the same safety and access features.

As highlighted by a recent report from the Department of Planning, Lands and Heritage (August 2018 *Options Paper Options for Regulating Sharing Economy Short-term Accommodation in WA*), the existing planning system does not address short-stay renting of residential dwellings. Specific bulletins and other regulations have recognised the importance of tourism and short-stay accommodation, holiday homes and caravan parks. Specific regulations have been developed and recommendations have been made regarding the best way to address all of these forms of short-stay accommodation. The report recommends adding a definition of 'Hosted Accommodation' for the planning system in Western Australia to account for the short-stay renting of residential dwellings.

Residential areas have been planned and designed to accommodate permanent residents and afford these residents certain access to services and infrastructure. Short-stay accommodation has been defined by the Department of Planning, Lands and Heritage as visitors staying a maximum of 90 days. Short-stay guests in residential properties should be provided the same safety, access and infrastructure that all other short-stay visitors are afforded.

All of the existing regulations including the Building Code of Australia, planning codes and other industry regulations all provide a cost impost on industry. Compliance with these regulations is not a question and traditional short-stay accommodation properties must comply with the regulations or suffer fines and other legal action. As such, because traditional short-stay accommodation providers fund and pay for the cost to comply with all regulations, Airbnb hosts have an immediate, unfair cost advantage over these accommodation providers. Additionally, they have no or very little costs for labour, less costs for insurance, utilities, etc, nor do they offer any of the services of a traditional short-stay accommodation provider, which allows Airbnb hosts to provide their accommodation at reduced rates, a further unfair cost advantage.

Summary

The existing environment provides unfair and inequitable competition within the short-stay accommodation sector. Consideration should be given to all of the contributing factors and the regulatory environment should change to ensure fairer competition and a vibrant tourism industry within the State.

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1. Introduction

Lucid Economics Pty Ltd (Lucid Economics) has been engaged by the Tourism Council WA to undertake a comprehensive economic assessment of the short-stay accommodation sector in the State with a particular focus on the evolution of platforms such as Airbnb and Stayz.

Accommodation is critical infrastructure for the tourism industry and is required in order to generate the economic benefits from the industry for the State. In recent past, the end of the mining investment boom in 2012 and subsequent decline in economic activity has provided a focus on the importance of the tourism industry, particularly in the State's regions.

Like many other industries across the country, tourism and accommodation have been heavily impacted by 'digital disruption' and technology. Society's use of technology continues to shape how destinations and industry engage with consumers as well as how the industry effectively and efficiently delivers tourism services to the market.

Platforms such as Airbnb and Stayz provide an online mechanism that connects residential property owners with tourism consumers seeking accommodation in various destinations. These platforms utilise digital technology to connect consumers with residential property owners in a way that has not been possible previously. Historically, Bed & Breakfast establishments have long been a part of the accommodation landscape, so the concept of utilising residential style properties for the purposes of short-stay accommodation is not new. Traditionally, the allure of Bed & Breakfast establishments included the personality of the host, the uniqueness of the property as well as the quality of the overall visitor experience, often including a gourmet breakfast. Additionally, these establishments have been regulated by government and must comply with various regulations in order to be able to welcome guests.

The emergence of platforms such as Airbnb and Stayz has provided new access for consumers to residential property and provided residential property owners with a new avenue to generate income from their homes. These relatively new platforms provide a set of unique opportunities and challenges to the existing and established tourism and accommodation industry.

Given the rapid pace of change, a current and up-to-date assessment of the State's short-stay accommodation market, with a particular focus on these new platforms, is required in order to inform the current State Parliamentary Inquiry into the sector.

2. Western Australian Economy

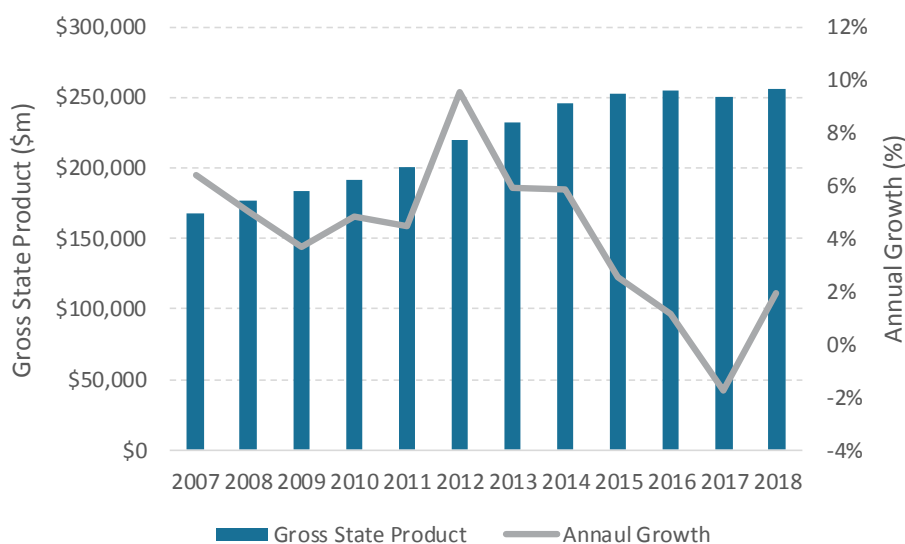
The Western Australian economy has struggled since the end of the mining investment boom in 2012. Gross State Product (GSP) has moderated significantly since the completion of large resource based construction projects across LNG, iron ore and other key resources. Since 2015, the State economy has been stagnant and actually decreased in 2017.

Business investment was a key driver of the economic prosperity that the State enjoyed up until 2012 and as it waned, so too did the economy. Unemployment has risen over the last four years as jobs moderated. Naturally, during this period, population growth in the State slowed, which had additional flow-on impacts across the economy, slowing growth further.

Tourism has contributed positively to the economy against this economic background. Since 2012, tourism has provided positive economic growth with the sector's contribution to the economy growing substantially from 2012 to 2016 in terms of both GSP and employment. Unfortunately, over the last two years, tourism's contribution to the economy has been stagnant.

Tourism has played an important role in providing a more diverse economy across the State as well as generating economic growth since the end of the mining investment boom in 2012. Unfortunately, over the last two years, tourism's economic contribution to the State has been stagnant.

Figure 2.1: Gross State Product, Western Australia



Note: Year Ending June.

Source: ABS (2018a)

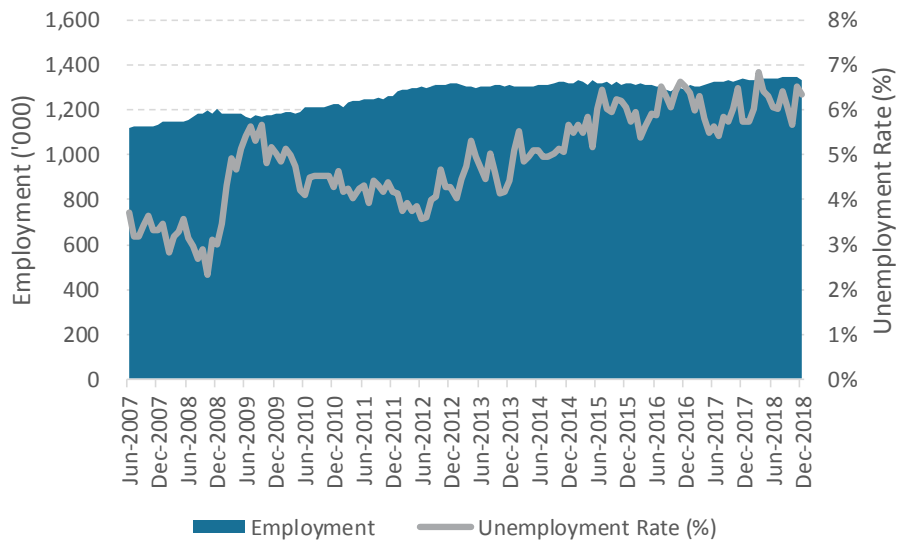
Figure 2.2: Business Investment, Western Australia



Note: Year Ending June.

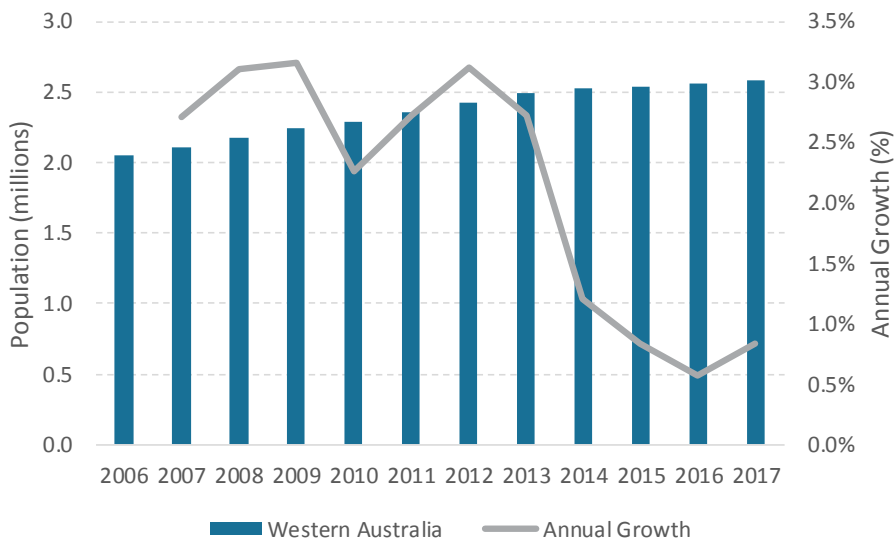
Source: ABS (2018a)

Figure 2.3: Employment and Unemployment Rate, Western Australia



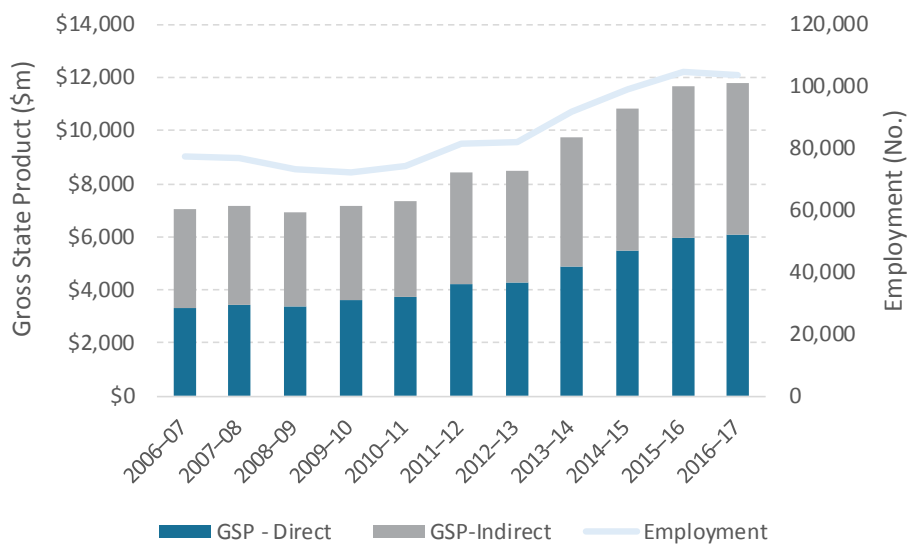
Source: ABS (2018b)

Figure 2.4: Estimated Resident Population, Western Australia



Source: ABS (2018c)

Figure 2.5: Tourism Gross State Product and Employment, Western Australia



Source: TRA (2018a)

3. Tourism Market in Western Australia

3.1 Overview

For the tourism sector, there are various type of visitors including day trip, domestic overnight and international visitors. For Western Australia, given its relative size and distance from eastern states, intrastate and interstate visitation (which, combined makes up domestic overnight) is also important to understand. These different types of visitors travel for different reasons, namely holiday/leisure, business, visiting friends and relatives or other (which often includes travel for medical, education or another reason). Out of these groups, the leisure visitor market is the most competitive, as the other types of travellers are driven to destinations based on very specific destination drivers (i.e. business travellers will visit customers at their locations or participate in a business event at a specific destination, a family member or friend may visit another family member or friend at their place of residence, a student may visit at destination to attend University, etc.).

Leisure tourism is very competitive amongst the different destinations across Australia (and beyond). Leisure visitors are driven to a specific destination largely by the experience that they are seeking, which would include specific attractions or activities (or lack thereof). The leisure market differs further from the other segments because beyond the visitor experience, a leisure traveller and their ability to travel will be impacted by overall economic conditions, individual/household income levels and numerous other factors outside the control of any destination or tourism operator.

This section provides an overview of recent visitor trends in Western Australia.

3.2 Visitor Trends

3.2.1 Overnight Visitors

Overnight visitation to Western Australia increased after the end of the mining investment boom in 2012 and then moderated until last year, when an increase in domestic overnight visitors drove overall visitor numbers higher (Figure 3.1). In terms of market share, Western Australia's proportion of overnight visitors has remained relatively consistent, except for a slow decline in international visitor market share (Figure 3.2).

Leisure visitation to the State has been stagnant over the last four years, with virtually no growth in overnight leisure visitors (Figure 3.3). In terms of market share, Western Australia has been losing ground to other states in relation to leisure visitors, particularly for domestic overnight visitors (Figure 3.4).

Tourism Research Australia Data

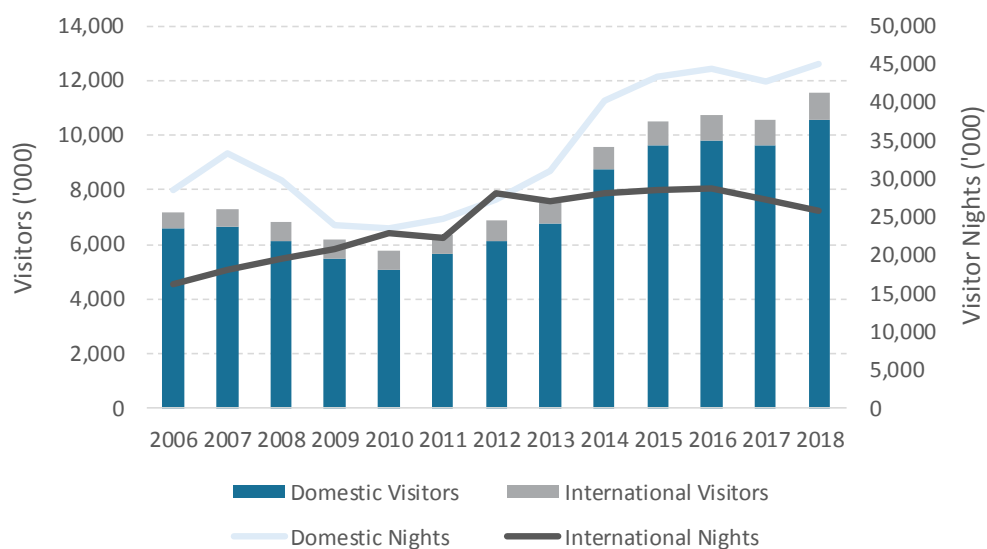
Tourism Research Australia (TRA) conducts the National Visitor Survey (NVS) and International Visitor Survey (IVS) in order to gain insights and understanding regarding the travel patterns of domestic and international visitors. The NVS is an ongoing survey of 120,000 Australian residents to find out about any recent travel, including overnight trips. The IVS samples 40,000 departing, short-term international travellers aged 15 years and over who have been visiting Australia. Combined, this information is the most comprehensive and up-to-date source of data regarding visitation trends within Australia.

TRA augmented the survey methodology in 2014 to include contacting participants and conducting the survey using mobile phones. Up until this point, the survey had been conducted using land lines only. This change in methodology may influence some time series of data. The change means that a more representative sample of the population is being surveyed, which will provide more accurate results.

TRA has encountered an issue with its purpose of visit data for international visitors related to inbound passenger data that is used to supplement data collected in the International Visitors Survey. There are no issues with the survey collection and accuracy of visitor data in 2018.

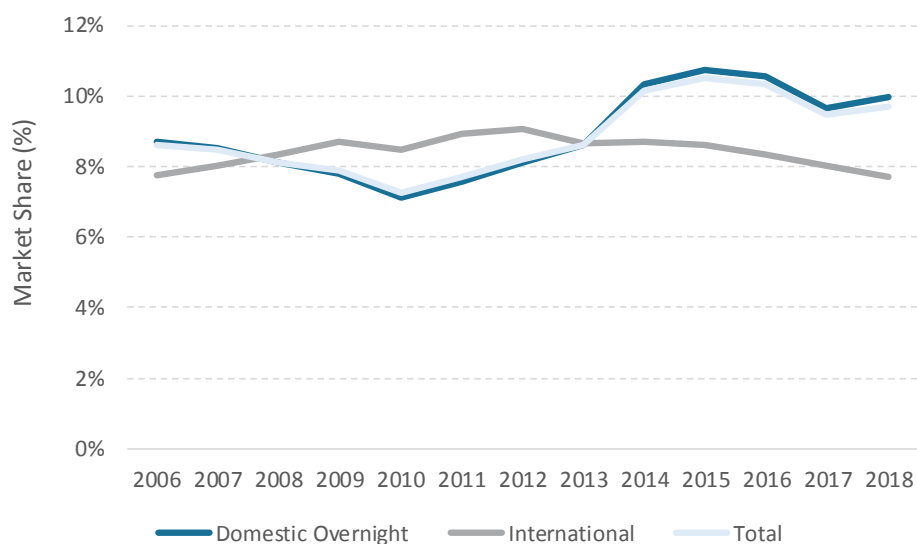
For these reasons, the year ending December is the most up-to-date data that is available for leisure visitation at this time.

Figure 3.1: Overnight Visitors, Western Australia



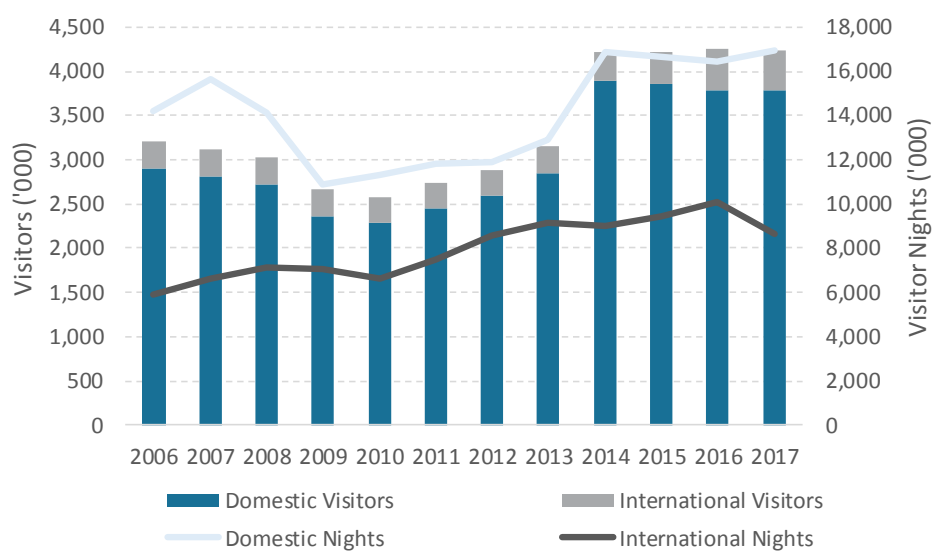
Note: Year Ending September.
Source: TRA (2018b)

Figure 3.2: Overnight Visitor Market Share, Western Australia



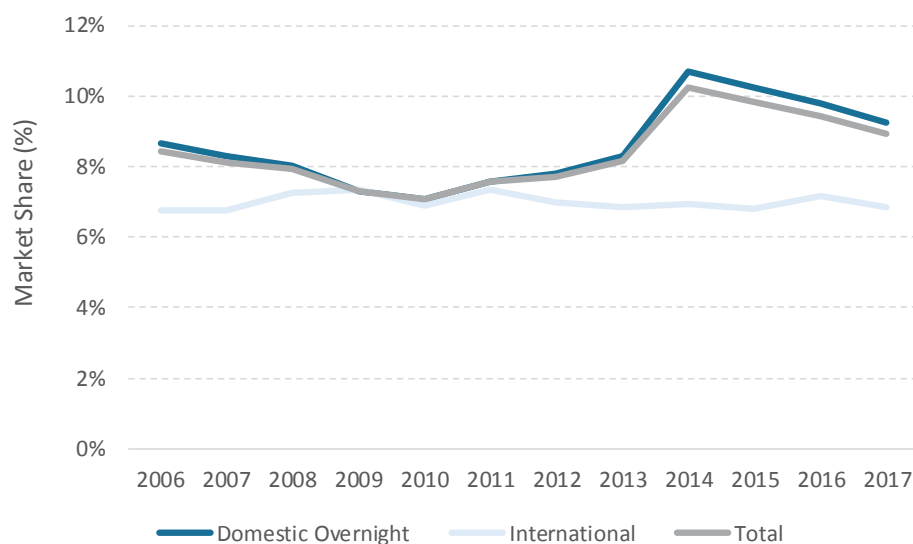
Note: Year Ending September.
Source: TRA (2018b)

Figure 3.3: Leisure Overnight Visitors, Western Australia



Note: Year Ending December.
Source: TRA (2018b)

Figure 3.4: Leisure Overnight Visitor Market Share, Western Australia



Note: Year Ending December.

Source: TRA (2018b)

3.2.2 Interstate and International Visitors

Much of Western Australia's domestic overnight market originates from within the State. Consideration of interstate and international visitors is important as these visitors bring money that would not have otherwise been spent in the State. Intrastate visitor expenditure on most tourism services would be spent in the visitor's home region, if they did not make a trip within the State, representing a transfer of this expenditure from the home region to the destination within the State (rather than a net gain). As such, interstate and international visitation is very valuable for the State's economy.

Over the last four years, interstate visitation to Western Australia has been relatively stagnant (Figure 3.5). As highlighted previously, Western Australia's market share of international visitors has dropped in recent years, however, the State's market share for international visitor nights has experienced a more dramatic decline. While the State's market share in interstate visitors has remained relatively unchanged, Western Australia's market share in interstate visitor nights has declined over the last three years (Figure 3.6). Declining market share signals that the visitor market in Western Australia is not performing as well as competing states.

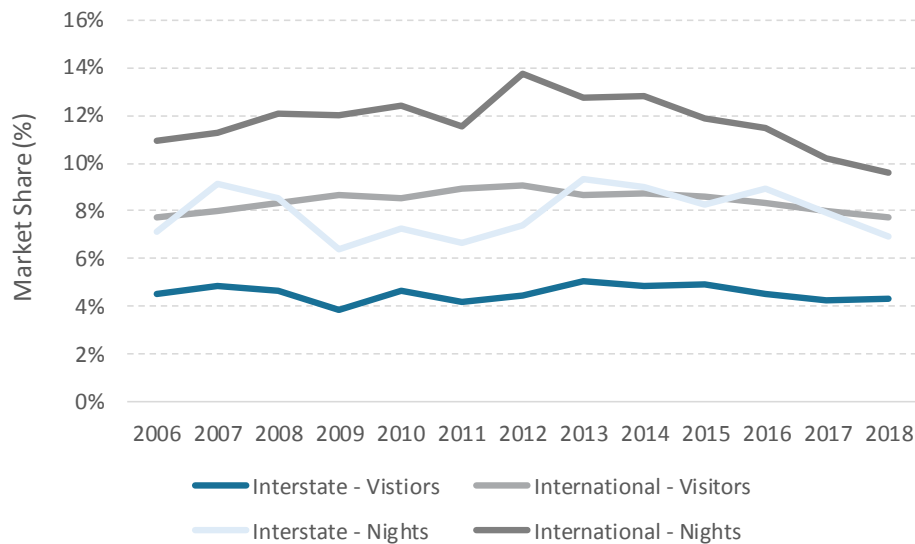
Leisure interstate visitors to Western Australia have been relatively stagnant over the last four years, and the State's market share for leisure interstate and international visitors has been relatively consistent over the last decade, with only minor movements during this term (Figure 3.7 and Figure 3.8).

Figure 3.5: Interstate and International Visitors, Western Australia



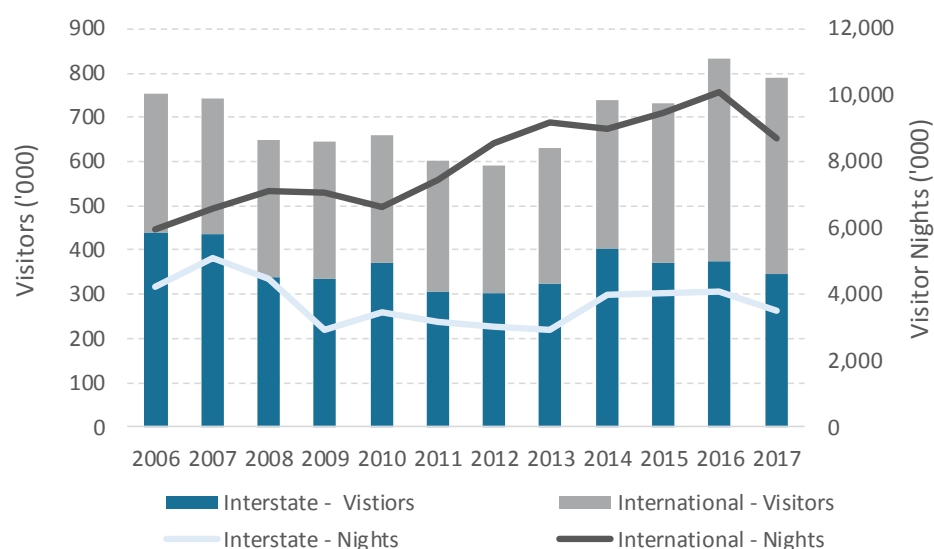
Note: Year Ending September.
Source: TRA (2018b)

Figure 3.6: Interstate and International Visitor Market Share, Western Australia



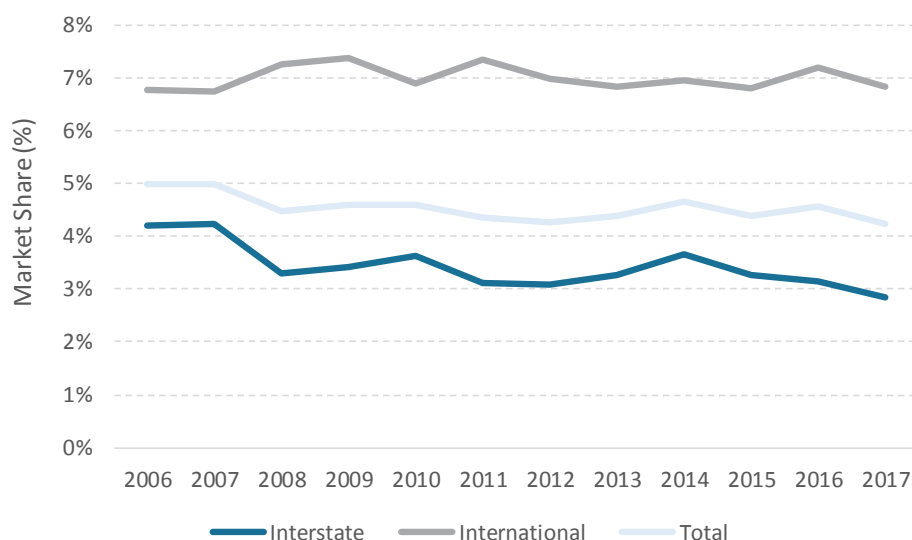
Note: Year Ending September.
Source: TRA (2018b)

Figure 3.7: Leisure Interstate and International Visitors, Western Australia



Note: Year Ending December.
Source: TRA (2018b)

Figure 3.8: Leisure Interstate and International Visitor Market Share, Western Australia



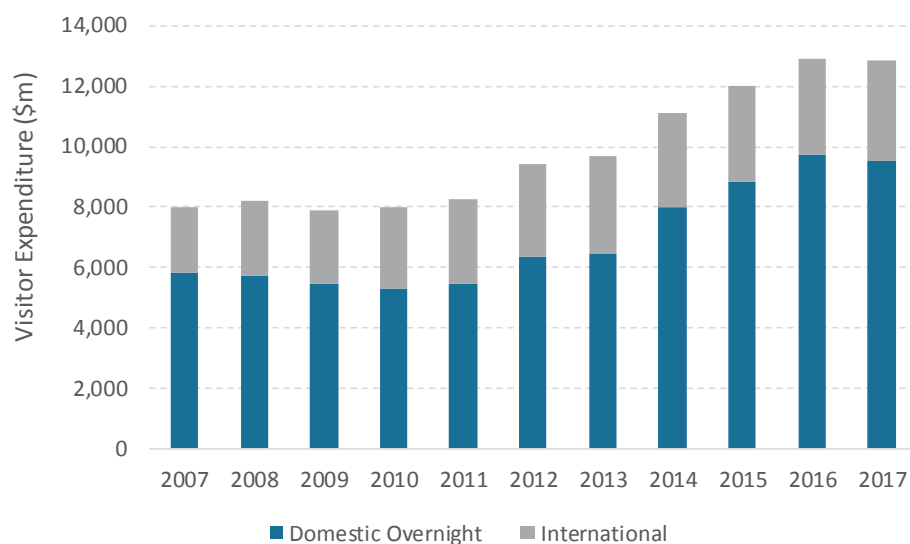
Note: Year Ending December.
Source: TRA (2018b)

3.3 Visitor Expenditure

3.3.1 Overnight Visitor Expenditure

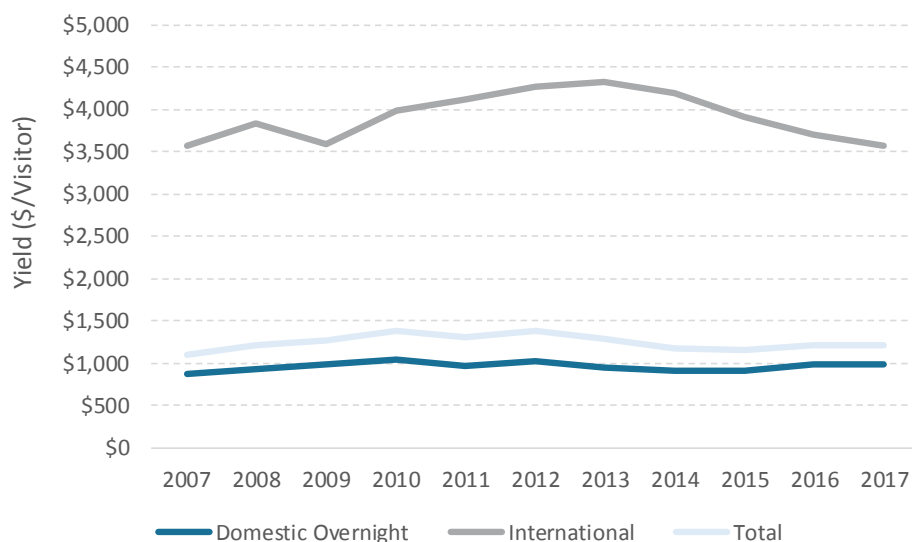
Similar to visitation, overnight visitor expenditure has increased over the last four years, driven through the increase in domestic overnight visitation. Over the last year, visitor expenditure in Western Australia has decreased slightly (Figure 3.9). Domestic overnight visitor yield (i.e. expenditure per visitor) has been relatively consistent over the last decade, however international visitor yield has eroded over the last four years, decreasing the economic contribution these visitors make to the State (Figure 3.10).

Figure 3.9: Overnight Visitor Expenditure, Western Australia



Note: Year Ending June.
Source: TRA (2018a)

Figure 3.10: Overnight Visitor Yield, Western Australia

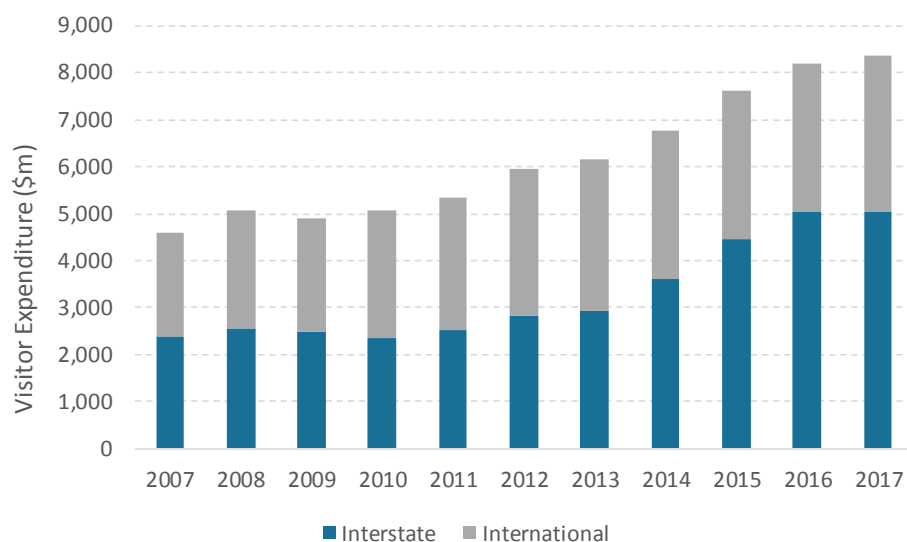


Note: Visitors are sourced for the year ending September and expenditure is sourced for the year ending June.
Source: TRA (2018a); TRA (2018b)

3.3.2 Interstate and International Visitor Expenditure

Interstate visitor expenditure in Western Australia has plateaued over the last year, after growing steadily since 2014 (Figure 3.11). As Figure 3.12 highlights, much of the growth during this time was due to an increase in yield.

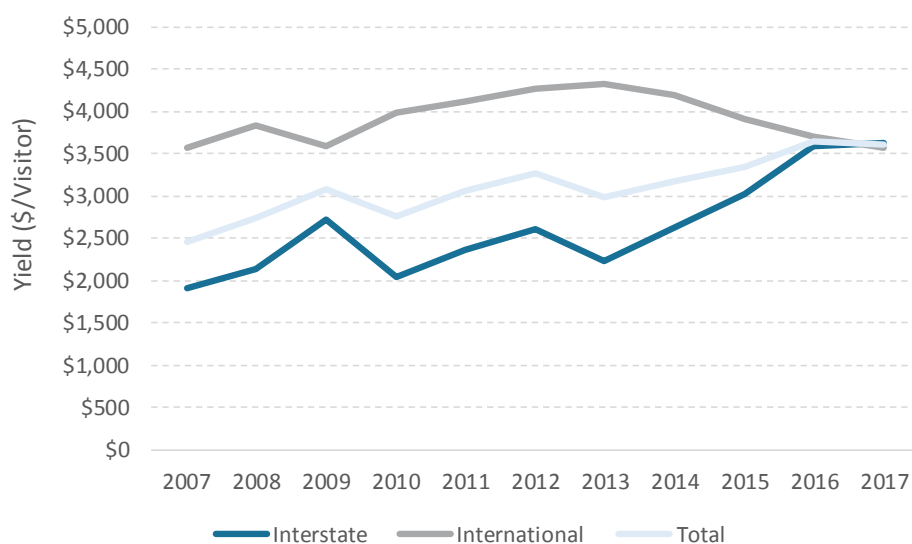
Figure 3.11: Interstate and International Visitor Expenditure, Western Australia



Note: Year Ending June.

Source: TRA (2018a)

Figure 3.12: Interstate and International Visitor Yield, Western Australia



Note: Visitors are sourced for the year ending September and expenditure is sourced for the year ending June.

Source: TRA (2018a); TRA (2018b)

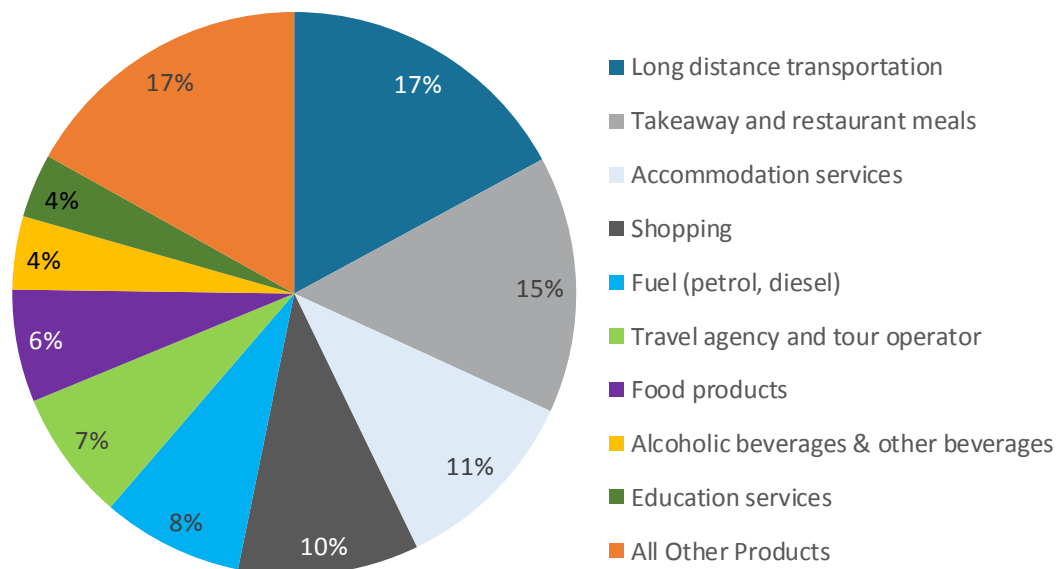
After the end of the mining investment boom, visitation and visitor expenditure in Western Australia increased, based on increases in interstate visitors and yield. During this time, leisure visitation and visitor nights (the key segment for Airbnb and Stayz) has been stagnant. Over the last year, all domestic visitation and expenditure has seen no growth. During this term, international visitation has experienced decreases.

Without a growing visitor market, it is difficult for tourism to contribute meaningfully to Western Australia's economic growth.

3.3.3 Visitor Expenditure Breakdown

Figure 3.13 shows visitor expenditure broken down by specific tourism product. As highlighted, accommodation represents only 11% of overall visitor expenditure. As these figures include day trip visitation as well as overnight, excluding day trip visitor expenditure would increase the proportion of visitor expenditure on accommodation services, however, it would remain only one of numerous tourism products purchased by visitors.

Figure 3.13: Tourism Consumption, by Product, Western Australia (2016-17)



Source: TRA (2018a)

Destination Marketing

Tourism WA is the State's lead tourism marketing organisation, promoting the State as a destination for a variety of key target markets. Large hotel operators also spend millions of dollars on marketing campaigns to drive demand to their properties in various destinations. Additionally, many of these traditional short-stay accommodation players provide funding to other destination marketing organisations, including regional tourism organisations, Perth Convention Bureau, etc.

Neither Airbnb, Stayz or their individual hosts contribute funds for destination marketing purposes to drive demand. Essentially, these platforms and their property hosts leverage the marketing of Tourism WA and other organisations to promote Western Australia as a destination and drive demand without contributing any funding to the process. Essentially, these platforms and their hosts receive benefits of demand without incurring the costs.

3.4 Visitor Experiences

As highlighted earlier, leisure visitation is driven by largely by the experience that the leisure visitor is seeking, which would include specific attractions or activities. Ease of access, type and quality of accommodation as well as the level of amenity at the destination are also factors that contribute to the overall visitor experience, however, these factors do not drive demand.

Tourism WA has recently developed a new domestic market segmentation model, including the following key target segments:

- Bright Lights
- Culture Vultures
- Escape and Connect
- Family Fun
- Off the Beaten Track
- Relax and Rewind

Table 3.1 highlights these market segments and their holiday needs and behaviour. As highlighted, these market segments are driven by the visitor experience that they are seeking. Accommodation does feature in these needs, as accommodation often provides the visitor with the ability to stay in a destination. The table also shows that most of these market segments seek traditional short-stay accommodation or will overnight with friends and/or family.

This information clearly highlights that visitor experiences drive demand for visitation and that accommodation allows the visitor to stay in the destination.

Table 3.1 Tourism WA Domestic Market Segmentation Model, Holiday Needs and Behaviour

Market Segment	Holiday Needs and Behaviour
Bright Lights	<ul style="list-style-type: none"> • Travel for Bright Lights is a chance to reward themselves for all their hard work, through a bit of luxury and indulgence. • They are more likely to visit cities, rather than regional areas, and are more likely than other travellers to travel with friends (although travelling with a partner or immediate family remains most common). • While on holiday, this segment likes to have as many experiences as possible, and are more likely than other travellers to engage in social activities and be 'out and about' such as attending sporting events, going shopping, and enjoying night life. • If they aren't staying with friends or family, Bright Lights choose to stay in 4 or 5 star accommodation, and they have a higher average spend per trip than other travellers.
Culture Vultures	<ul style="list-style-type: none"> • Travel is a big part of Culture Vulture's lives, particularly overseas travel. • Holidays for this segment are all about discovery and learning – seeing and doing new things. • They are fascinated and feel enriched by experiencing other cultures. • When travelling, this segment enjoy sightseeing, learning about a destination's history and heritage, visiting cultural attractions or attending cultural events, and experiencing local food and wine. • They are most likely to stay in 4 star or standard hotel accommodation or with friends and family. • Price is less of a concern for this segment and they typically spend more than most other travellers when holidaying.

Market Segment	Holiday Needs and Behaviour
Escape and Connect	<ul style="list-style-type: none"> • Escape & Connect travellers are looking to disconnect and have a complete break from all their responsibilities and worries when travelling. • For this segment, holidays are a chance to reconnect with their partner and spend quality time with them. • While on holiday, this segment enjoys food and wine experiences, sightseeing, and experiences that allow them to completely relax and unwind. • The absolute price is less of a concern for this segment when travelling – they are willing to pay more for a quality experience. • Compared to other travellers, they are more likely to choose higher end accommodation (4 or 5 star hotels) and have a higher average spend per trip.
Family Fun	<ul style="list-style-type: none"> • Holidays for this segment are all about having fun as a family. • Family Fun are more likely than other travellers to visit the same destination year after year are more likely to travel within Australia than overseas. • This segment values ease and convenience when holidaying and seek out destinations, facilities, and experiences that are family-friendly. • Coastal and self-drive holidays are particularly appealing to this segment. • Value for money is very important to Family Fun travellers – they want to know they are getting the best bang for their buck. • If they aren't staying with friends or family, they are most likely to stay in a standard hotel or self-contained apartment.
Off the Beaten Track	<ul style="list-style-type: none"> • Travel for this segment is about avoiding crowds and 'touristy' destinations, and discovering what's off the beaten track. • Holidays are all about nature and wildlife experiences, particularly those that are unique, and balancing active, outdoor adventures with peace and relaxation. • Compared to other travellers, they are more likely to holiday within Australia and less likely to travel overseas, and have a preference for regional destinations (rather than cities). • They are most likely to stay in standard hotel/motels or resorts, with friends and family, or in caravanning and camping accommodation. • This segment thinks through their travel decisions carefully, and want to know they are getting the best value for money, without wasting money on extras.
Relax and Rewind	<ul style="list-style-type: none"> • Holidays for this segment are all about relaxing, unwinding, and spending time with their partner. • They want a complete break from all their responsibilities and worries when travelling – it should be easy and hassle free. • When travelling, they enjoy balancing their rest and relaxation with sightseeing, food and wine experiences, and some shopping. • They are most likely to stay in 4 star or standard hotel accommodation or with friends and family. • Affordability is a major consideration for this segment when choosing their travel destination, and they have a below average spend per trip.

Source: TWA (2017)

Tourism WA participates in the Consumer Demand Project every year, which provides insights into travellers decision making regarding the destinations they visit. Given the nature of the survey, it is focused on the leisure market. The project includes both the domestic and international markets.

Consumer Demand Project (2017)

The Consumer Demand Project is a large scale online survey of travellers conducted annually since 2012. Each year, the survey samples 'out of region' travellers in 11 core international markets (Indonesia, NA, Singapore, Malaysia, South Korea, Japan, China, India, Germany, USA & UK), as well as the domestic market. The purpose of the Consumer Demand Project is 'to annually monitor Australia's brand health in relation to competing destinations, and to provide insight into the changing perceptions, motivations, and desires of consumers' (TWA, 2017a).

As highlighted in Figure 3.14 and Figure 3.15, safety is the most important decision factor regarding the selection of a destination to visit. Affordability also features prominently. The survey also shows the prominence of various visitor experiences, including natural beauty, food and wine and history/heritage. A range of quality accommodation options ranks relatively low as a decision factor for the domestic market and it does not feature in the international destination choice factors.

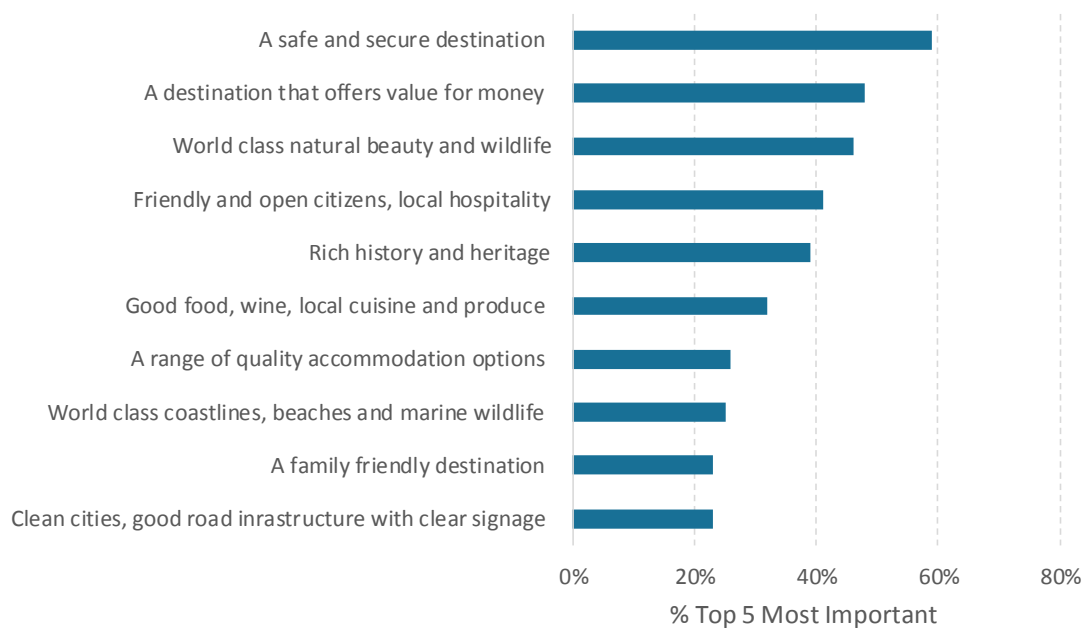
The core experiences highlighted in the Consumer Demand Project align well to Tourism Australia's core experiences that it promotes globally (TA, 2017), which include:

- Aquatic and coastal
- Food and wine
- Nature
- Wildlife

These core visitor experiences are marketed globally by Tourism Australia as they have the ability to drive demand and influence an international visitor's destination decision making process. Accommodation does not feature in this list as accommodation represents tourism infrastructure (similar to restaurants & cafes, shops, transport infrastructure) that facilitates a visit from a traveller as opposed to driving demand for visitation.

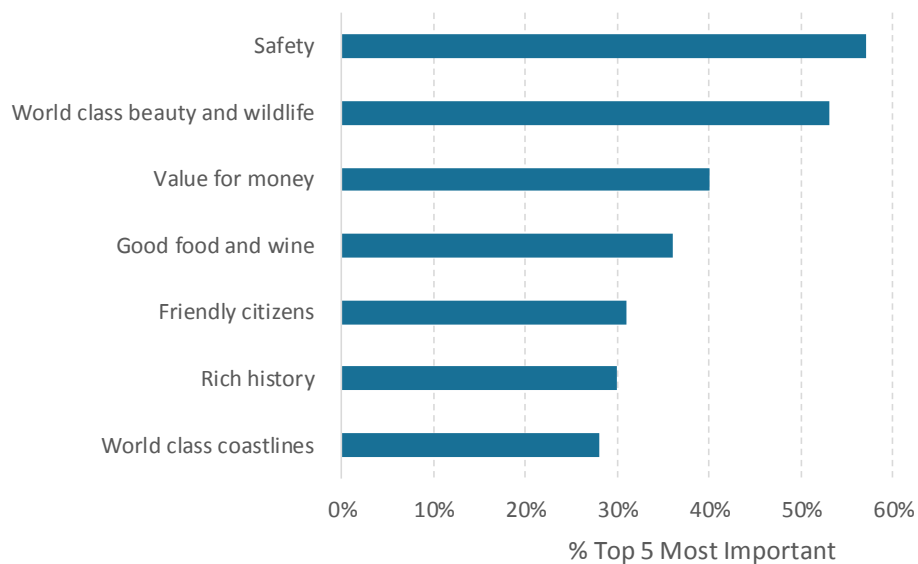
Visitor demand is driven by experiences through various attractions and activities. Accommodation, transport access and local amenity contribute to the overall visitor experience but these factors do not drive demand. If visitor demand is to grow in Western Australia, then a focus on the development of visitor experiences and marketing existing (and future) visitor experiences is required.

Figure 3.14: Domestic Destination Choice Factors, Western Australia (2017)



Source: TWA (2017a)

Figure 3.15: International Destination Choice Factors, Western Australia (2017)



Source: TWA (2017b)

4. Western Australian Accommodation Market

4.1 Overview

The Australian Bureau of Statistics (ABS) has defined the tourist accommodation market to include:

- Hotels (hotels and resorts)
- Motels (motels, private hotels and guest houses)
- Serviced apartments

This traditional definition would exclude caravan parks. The ABS Tourist Accommodation Survey (Cat. No. 8635.0), from which this definition is provided, only captured data on establishments with 15 or more rooms. As such, the definition and survey would also exclude small hotels/motels as well as Bed and Breakfast establishments and any Airbnb or Stayz listings.

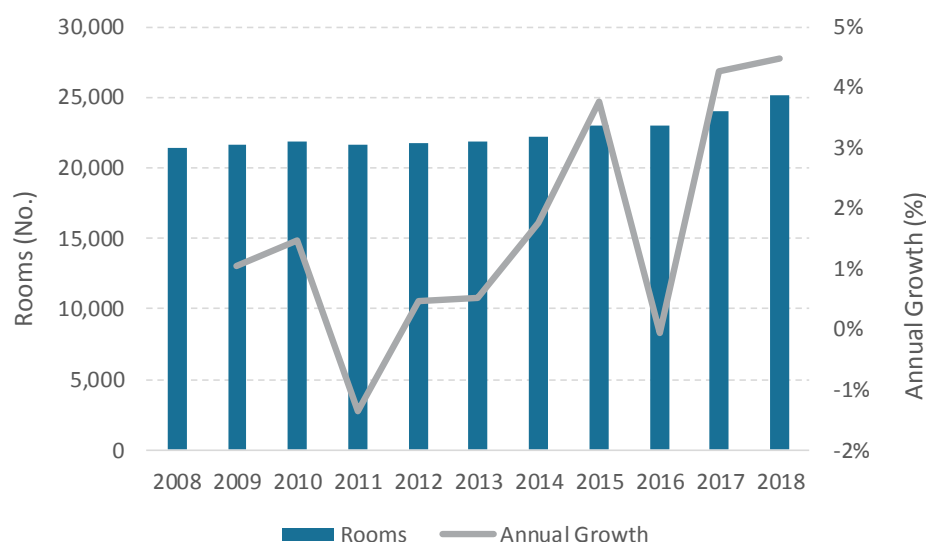
This section provides an overview of the tourist accommodation market in Western Australia, leveraging the most up to date information possible.

4.2 WA Accommodation Market Indicators

4.2.1 Western Australia

Across Western Australia, the supply of tourist accommodation rooms has not experienced considerable growth, averaging just 1.6% per annum, which was heavily influenced by considerable growth over just a few years (Figure 4.1). There are a variety of market based factors that make it difficult to successfully develop new traditional hotel accommodation (refer Section 6.1). The growth in room supply experienced in 2015, 2017 and 2018 is largely due to growth of rooms in the Perth Region.

Figure 4.1: Accommodation Rooms, Western Australia



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution.
Source: Lucid Economics; ABS (2016A); TRA (2018c)

Data Sources

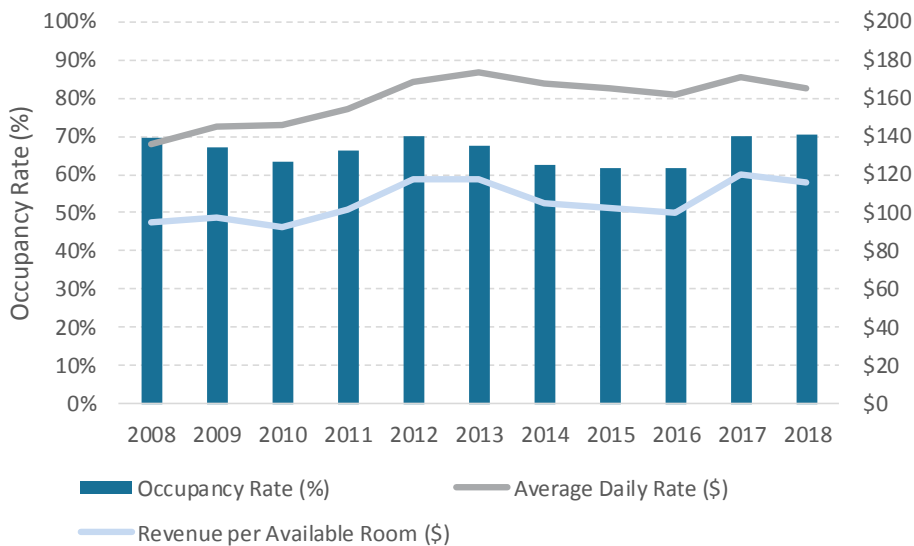
A variety of different data sources have been used to capture and quantify the Western Australian accommodation market, including:

- **Australia Bureau of Statistics (ABS):** The ABS conducted the Tourist Accommodation survey until 2016, when the survey ceased. This survey captured a variety of market information including rooms, establishments, demand, occupancy, accommodation takings, average daily rate and revenue per available room for properties with 15 or more rooms.
- **Tourism Research Australia (TRA):** Since the cessation of the ABS Tourist Accommodation Survey, TRA has developed the Australian Accommodation Monitor (AAM) together with STR Global. This publication captures data on the accommodation market in Australia including room nights available, room nights occupied, occupancy, average daily rate and revenue per available room. Through the AAM, properties can provide their data without paying the normal subscription fee required by STR Global. TRA also captures data from the National Visitors Survey (NVS) and International Visitors Survey (IVS) regarding visitors that stay in commercial accommodation.
- **STR Global (STR):** STR Global is a private research company that focuses on the accommodation market globally. The company provides market indicators including rooms supply, demand, occupancy, average daily rate and revenue per available room. STR captures this information for participating hotels (i.e. properties that pay STR to access market data).

Each of these data sources will have differing geographies and differing sample pools. Comparing information across these data sets can provide an understanding of the market, however, the differences in these data sources need to be understood and appreciated. Some results using a combination of data should be viewed with caution.

Since 2008, tourist accommodation across the State has experienced occupancy rates between 60% and 70%, with very little annual growth in average daily rate (ADR) (Figure 4.2). As costs for the accommodation sector to provide services generally increase with inflation, experiencing no real growth in ADR over time will impact the operating profit of accommodation providers, making it challenging to offer the best visitor experience possible.

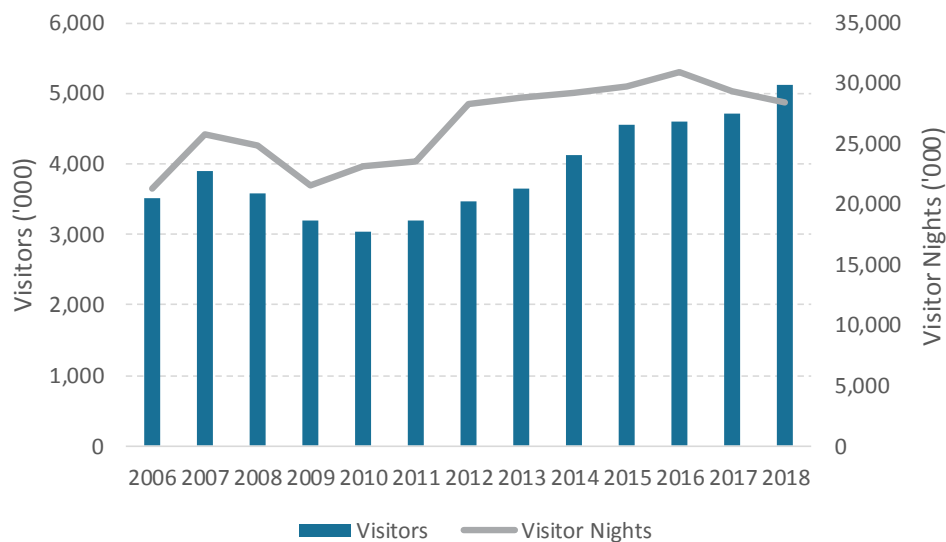
Figure 4.2: Accommodation Market Indicators, Western Australia



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. GST has been subtracted from the 2008-2016 data in order to align with the TRA data.
Source: Lucid Economics; ABS (2016A); TRA (2018c)

According to TRA, visitors staying in commercial accommodation across the State has increased over time (Figure 4.3). However, visitor nights has not increased at the same rate. Over the last three years, visitor nights spent in commercial accommodation has fallen even though visitation has increased.

Figure 4.3: Visitors in Commercial Accommodation, Western Australia



Note: Year ending September.
Source: TRA (2018b)

Visitors Staying in Commercial Accommodation

TRA captures a range of information through the NVS and IVS, including the accommodation type used by travellers, including:

- Commercial accommodation
- Private accommodation
- Other accommodation

According to TRA, 'commercial accommodation' includes hotels and similar accommodation as well as 'other commercial accommodation', which includes:

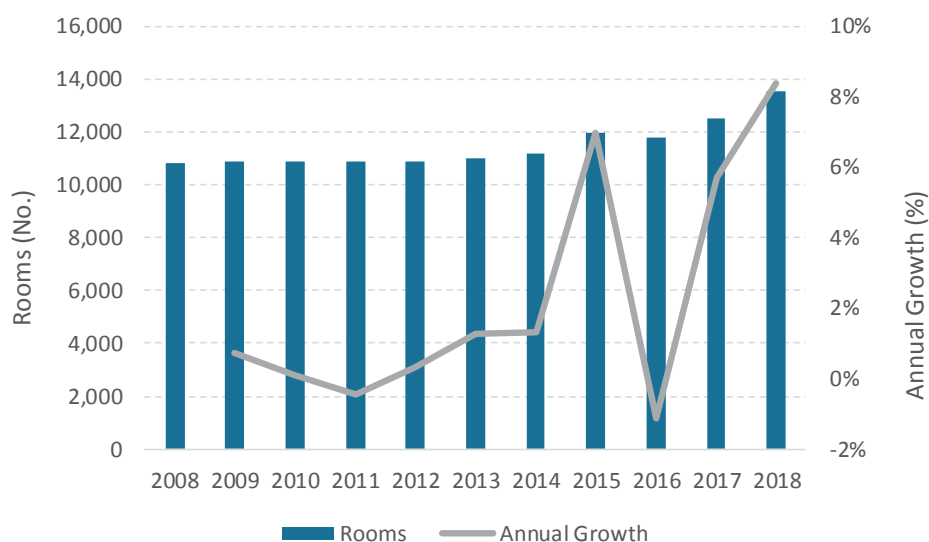
- Guest house or Bed & Breakfast
- Rented house/apartment/flat or unit
- Caravan park or commercial camping grounds
- Backpacker or hostel
- Other

Under this segmentation, visitors staying in 'commercial accommodation' would include those staying in traditional tourist accommodation (i.e. hotels, motels and serviced apartments) as well as those staying in Airbnb and Stayz properties.

4.2.2 Perth Region

The Perth Region has experienced slightly faster growth in terms of tourist accommodation rooms since 2008 than the State, growing at an average annual rate of 2.3%. However, the significant increase in rooms in 2015, 2017 and 2018 would have impacted this average growth rate significantly (Figure 4.4). Without these years of considerable supply increases, the average annual growth rate of rooms in the Perth region would be just 0.3%.

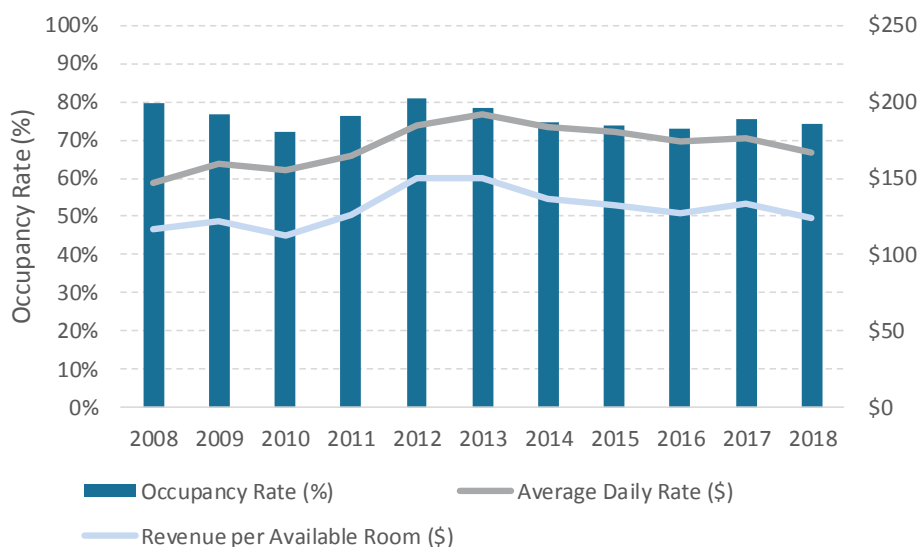
Figure 4.4: Accommodation Rooms, Perth Region



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution.
Source: Lucid Economics; ABS (2016A); TRA (2018c)

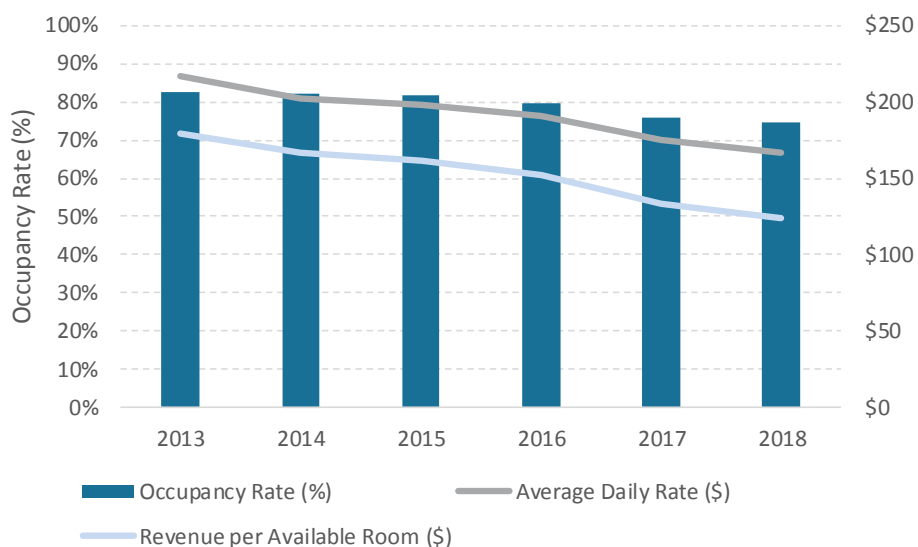
Since 2012 (and the end of the mining investment boom), occupancy rates for tourist accommodation in the Perth Region have generally declined (Figure 4.5). During this same period, ADR has also been in decline, with the largest decrease in 2018, dropping 4.9%. Data from STR Global for the Perth region shows an even more significant fall in market indicators with occupancy dropping from 83% in 2013 to 74% in 2018 (Figure 4.6). During this period, ADR fell from \$217 to \$167, a decrease of 23% (or over 5% per year). The decrease in both occupancy and ADR have led to a much larger drop in RevPAR or room yield.

Figure 4.5: Accommodation Market Indicators, Perth Region (ABS/TRA)



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution. GST has been subtracted from the 2008-2016 data in order to align with the TRA data.
Source: Lucid Economics; ABS (2016A); TRA (2018c)

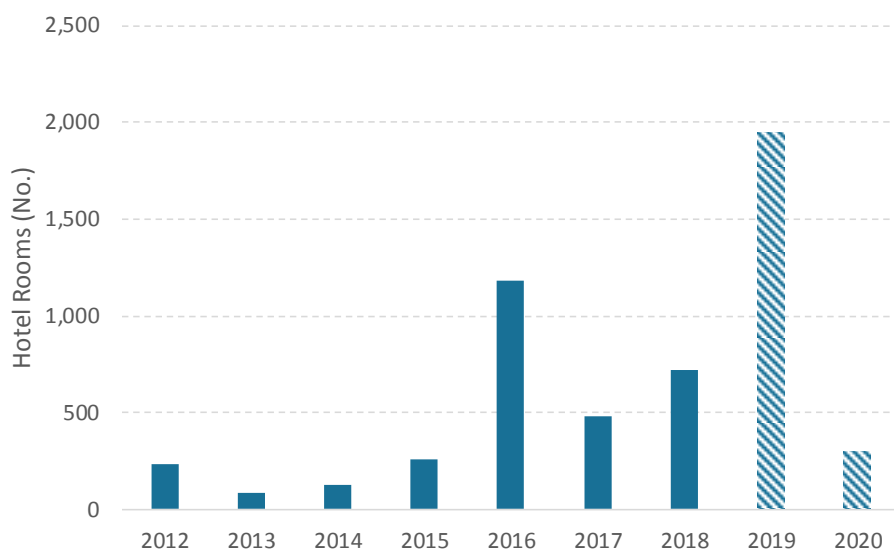
Figure 4.6: Accommodation Market Indicators, Perth Region (STR Global)



Note: Calendar years.
Source: STR (2018)

Further increases in room supply in the Perth Region are expected for 2019 and 2020 (Figure 4.7). Currently, there are 2,245 rooms under construction in the region, which represents 17% of the total current room supply. Without a commensurate increase in demand, occupancy rates (as well as ADR and RevPAR) would be expected to fall further across the region as these new rooms enter the market.

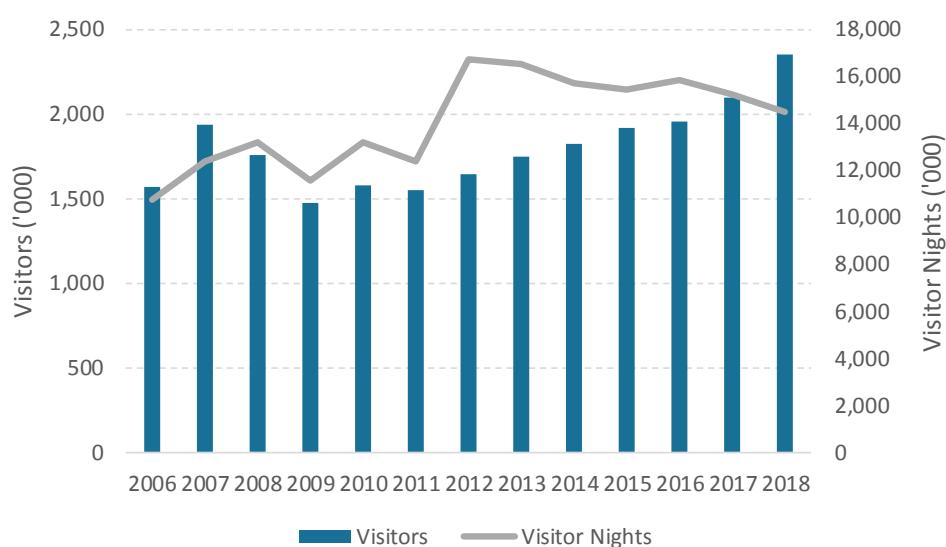
Figure 4.7: Recent and Future Room Additions, Perth Region



Note: Calendar years. 2019 and 2020 are future expected completions.
Source: TWA (2018c)

While visitors staying in commercial accommodation has increased in the Perth Region since the end of the mining investment boom, visitor nights in commercial accommodation have decreased (Figure 4.8).

Figure 4.8: Visitors in Commercial Accommodation, Perth Region



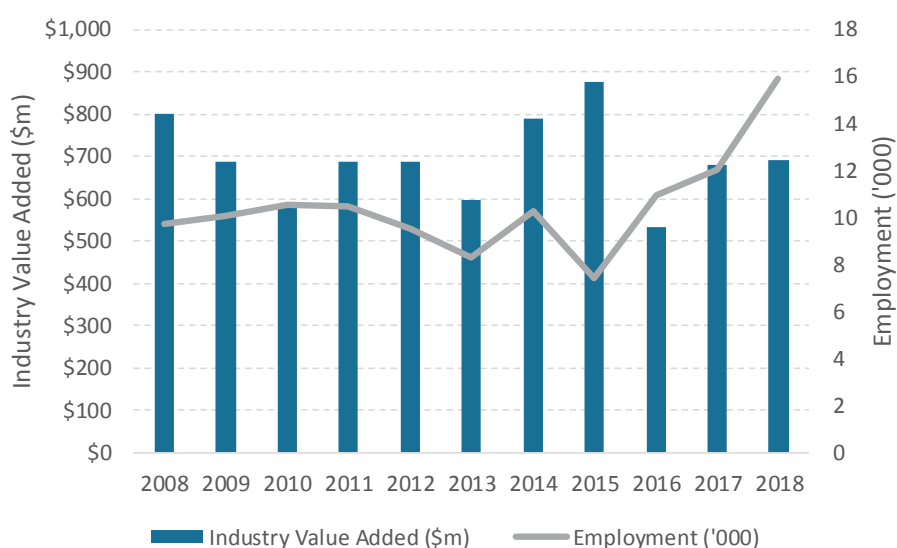
Note: Year ending September. Perth region defined as 'Experience Perth'.
Source: TRA (2018b)

4.2.3 Accommodation Industry Economic Contribution

The accommodation industry is recognised by the Australian and New Zealand Standard Industrial Classification (ANZSIC) and combines with the food and beverage industry to form one of the 19 major industry divisions across the economy. The ABS defines the accommodation industry as “...units mainly engaged in providing accommodation for visitors, such as hotels, motels and similar units (ABS, 2013)”. This definition focuses on traditional style hotel, motel or serviced apartment style accommodation.

Figure 4.9 shows that the industry has experienced solid growth over the last few years with employment in the industry growing from 7,500 in 2015 to almost 16,000 in 2018, demonstrating the important role that the accommodation sector plays in the tourism sector and the State’s economy more generally. In 2018, the accommodation sector contributed almost \$700 million to the State’s economy (in Gross State Product terms).

Figure 4.9: Accommodation Industry, Western Australia



Note: Financial years. Employment figures are for are a quarterly average across the year.
Source: Lucid Economics; ABS (2018a); ABS (2018b)

5. Airbnb

Short-Stay Renting of Residential Dwellings

Platforms such as Airbnb and Stayz are relatively new to Australia. These platforms facilitate the short-stay renting of individual residential dwellings including entire homes, units and rooms.

Airbnb, through various sources such as Inside Airbnb and AirDNA, provides market data regarding listings, occupancy, revenue and other market indicators. Additionally, it is possible that hosts can list their property on Airbnb and Stayz (as well as other similar platforms). As such, Airbnb has been used as the benchmark for short-stay renting of residential dwellings in Western Australia. As hosts do list properties and transact through other platforms, this data provides a conservative estimate regarding the market for short-stay renting of residential dwellings in Western Australia.

5.1 Overview

Airbnb is a US-based company that operates a platform that allows individuals to let out spare rooms or entire homes via the Airbnb website, with the company generating revenue through a fee charged to both the accommodation owner and the guest (IBISWorld, 2018a).

Airbnb defines itself as a ‘trusted community marketplace for people to list, discover, and book unique accommodation around the world (Airbnb, 2015)’.

According to IBISWorld, the rise of ‘accommodation-sharing networks’ like Airbnb have increased competitive pressures across the accommodation sector through increasing the supply of accommodation and decreasing the price of accommodation. Many industry operators have had to cut prices and accept lower margins to remain competitive (IBISWorld, 2018b). Airbnb, among other similar networks, are not required to comply with existing accommodation regulations, giving them an advantage over traditional players (IBISWorld, 2018a). The lack of regulation for short-stay renting of residential dwellings (and/or the cost impediment born by traditional players to comply with regulation) means that hosts through Airbnb can often undercut the pricing of traditional accommodation providers.

The level of engagement an Airbnb host has with a guest varies greatly across Airbnb listings. In some cases hosts live on site or in an adjacent room, providing a more traditional ‘Bed & Breakfast’ type of experience. While in other cases, the host is not available and doesn’t interact with the guest at all, which creates ‘hosted’ and ‘unhosted’ listings through Airbnb.

‘Hosted’ properties are often in the person’s principle place of residence and the guest experience includes interaction with the host, which is an integral part of the experience. This interaction provides the guest with a very local, personal and customised experience. ‘Unhosted’ properties can often be a single unit in a residential unit development or a residential property in an area of high visitor amenity such as Margaret River, Busselton or even Cottesloe and Mossman Bay. These properties are usually not the host’s principle place of residence and offer no interaction with the host, losing a key aspect of the visitor experience.

At the same time, Airbnb has evolved over time adding ‘superhost’ and ‘Airbnb Plus’ designations as well as advertising Airbnb Experiences. According to AirDNA, the ‘superhost’ program was launched in 2016 in response to the lack of consistent experiences on the platform. The program seeks to identify and acknowledge Airbnb hosts that maintain a quick response rate and consistently receive a high proportion of 5-star reviews (AirDNA, 2018a). Airbnb has also introduced ‘Airbnb Plus’ to augment the ‘superhost’ designation. An ‘Airbnb Plus’ listing promotes that the property has been verified for quality, which includes an inspection to verify guest feedback. The ‘Airbnb Plus’ designation is also reserved only for a ‘superhost’ (Airbnb, 2018a). In October 2018, Airbnb launched its Airbnb Experiences in Australia, which allows experience hosts to participate in the company’s platform and offer a variety of tours and experiences in the same way that Airbnb hosts offer accommodation (Airbnb, 2018b).

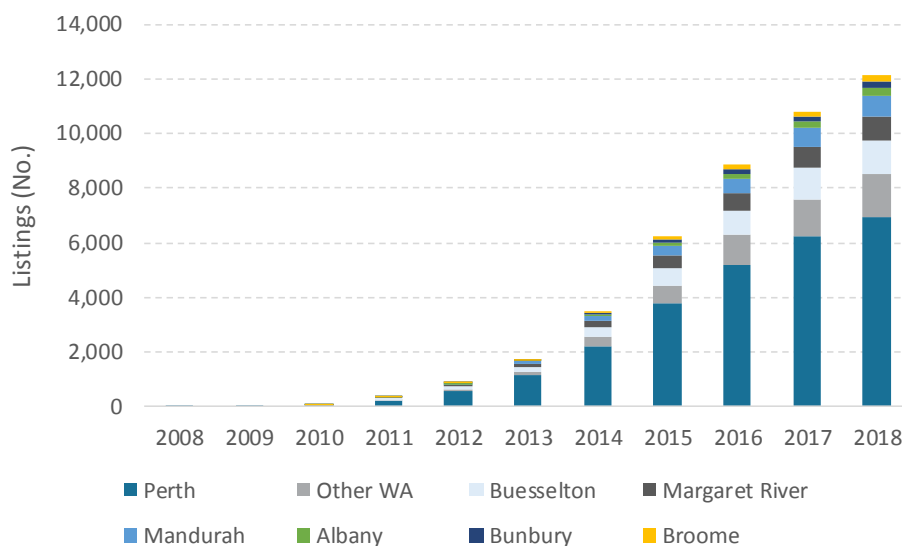
This section provides an overview of Airbnb in Western Australia.

5.2 Growth and Distribution in WA

Airbnb has been in Western Australia since 2008 and has experienced considerable growth in Airbnb listings since this time. In 2018, Airbnb listings in Western Australia were over 12,000 (Figure 5.1). The growth of Airbnb in Western Australia has been extraordinary compared to the traditional tourist accommodation sector. In 2008, there was just one Airbnb listing in Western Australia and by 2018, the 12,119 Airbnb listings make up almost half of the traditional room supply in the State (Figure 5.4).

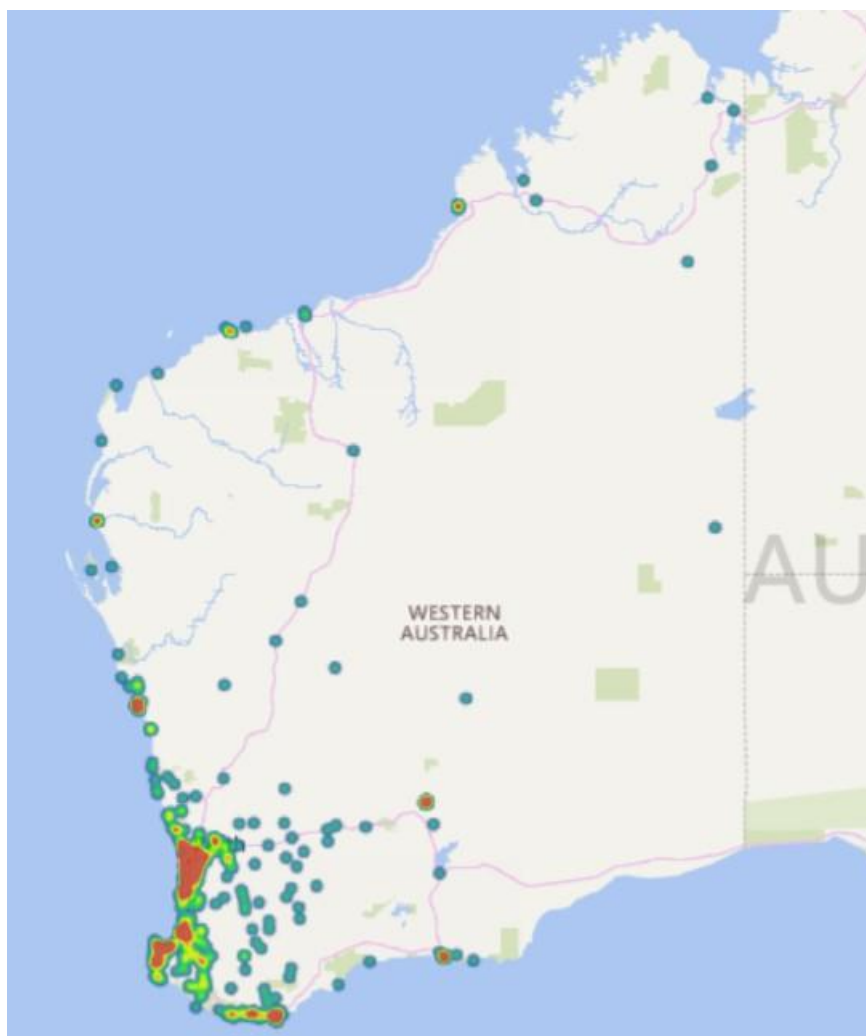
Perth is by far the largest market in the State for Airbnb, contributing 57% of all listings in the State (Figure 5.2 and Figure 5.3). In the Perth region, Airbnb listings represent just over half of traditional tourism accommodation rooms in the market (Figure 5.5). The South West is a popular destination for Airbnb listings, with Busselton and Margaret River representing 10% and 7% of total listings in the State, respectively (Figure 5.2 and Figure 5.3).

Figure 5.1: Airbnb Listings in Western Australia



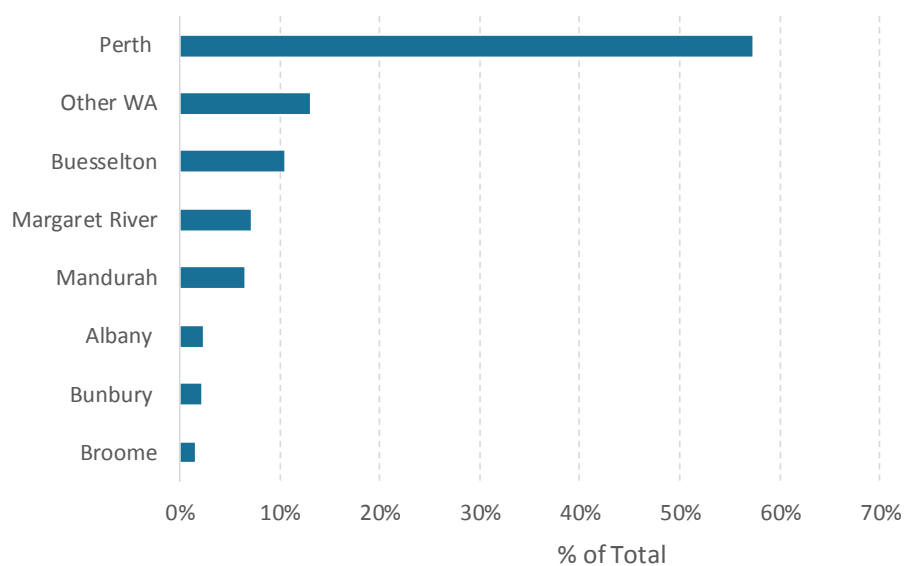
Source: Inside Airbnb (2018)

Figure 5.2: Map Distribution of Airbnb Listings in Western Australia



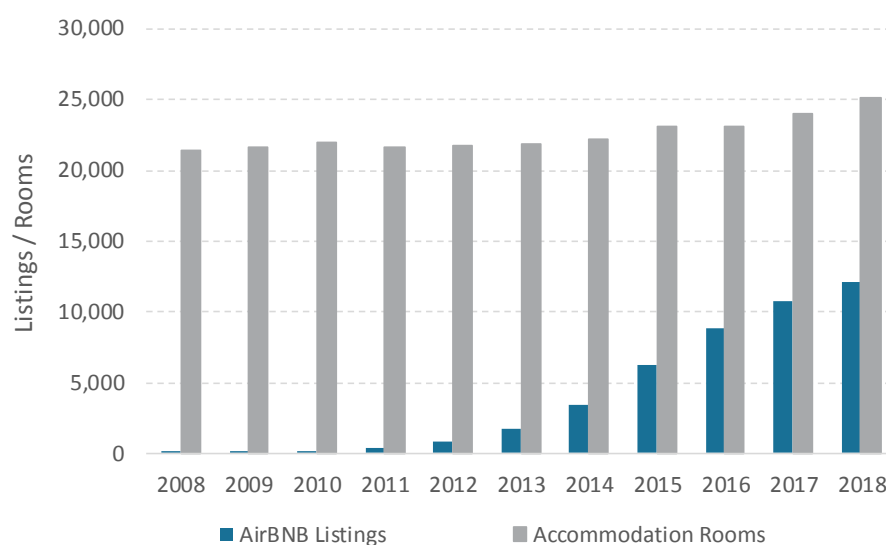
Source: Lucid Economics; Inside Airbnb (2018)

Figure 5.3: Distribution of Airbnb Listings in Western Australia



Source: Lucid Economics; Inside Airbnb (2018)

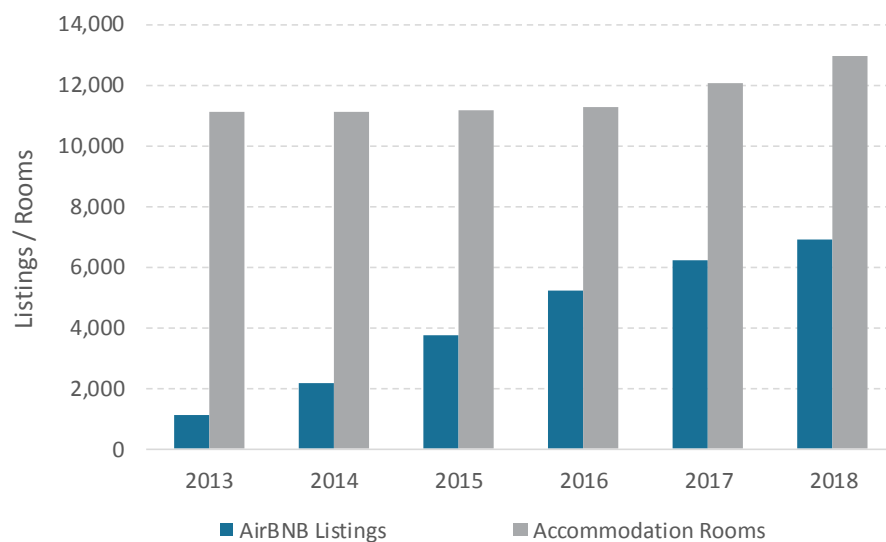
Figure 5.4: Airbnb Listings and Hotel Rooms in Western Australia



Note: Airbnb Listings include all listings (i.e. house/apt, private rooms and shared rooms). Hotel rooms include all rooms in hotels, motels and serviced apartments with 15 or more rooms. Airbnb Listings are for the calendar year. Hotel rooms are for the financial year.

Source: Inside Airbnb (2018); ABS (2016A); TRA (2018c)

Figure 5.5: Airbnb Listings and Hotel Rooms in the Perth Region

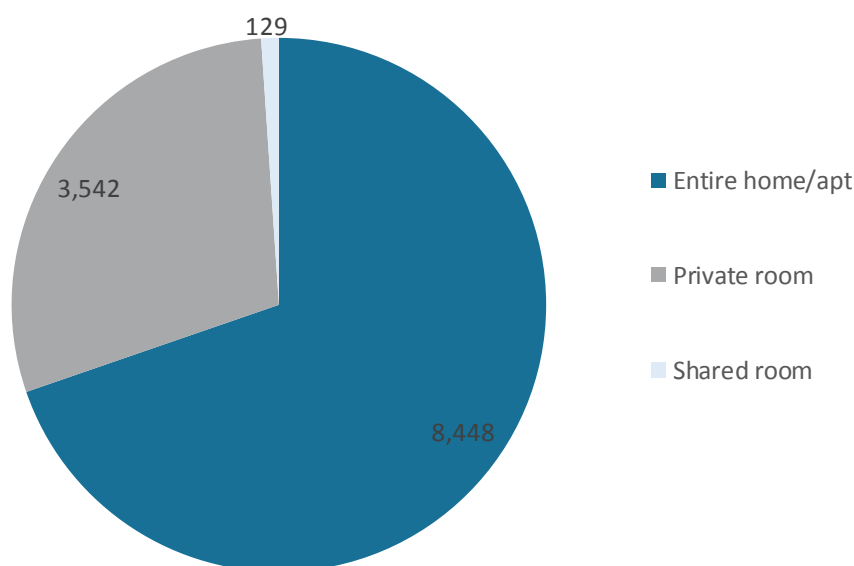


Note: Airbnb Listings include all listings (i.e. house/apt, private rooms and shared rooms). Hotel rooms include all rooms in captured by STR Global. Airbnb Listings and hotel rooms are for the calendar year.

Source: Inside Airbnb (2018); STR Global (2018)

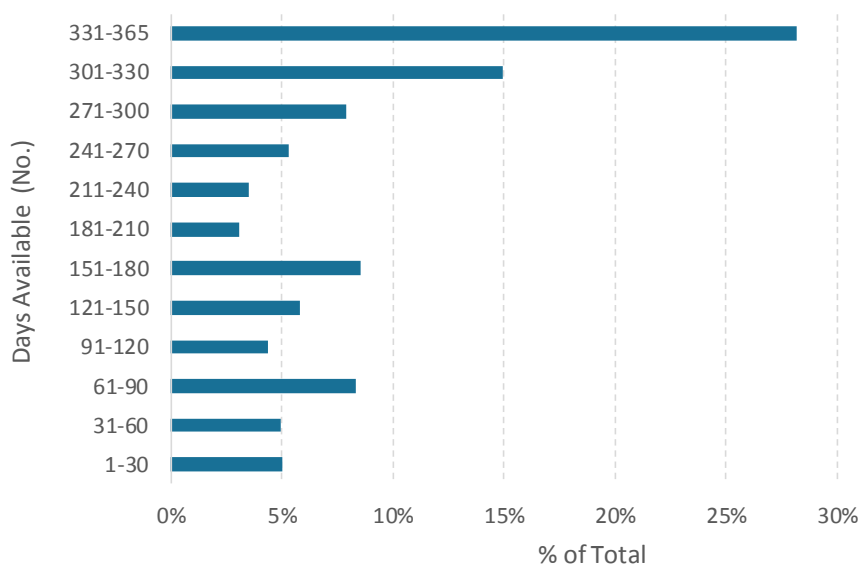
The majority of Airbnb listings in Western Australia are for an entire home/apartment, representing 70% of all listings (Figure 5.6). Over a quarter of Airbnb listings in Western Australia (28%) are available for most of the year. A total of 82% of Airbnb listings in Western Australia are available for more than 90 days, providing direct competition to the traditional short-stay accommodation market (Figure 5.7).

Figure 5.6: Room Type, Airbnb Listings, Western Australia (2018)



Source: Lucid Economics; Inside Airbnb (2018)

Figure 5.7: Days Available During the Year, Airbnb Listings, Western Australia (2018)



Note: 9.5% of listings noted '0' for days available. These listings have been excluded from the figures above.

Source: Lucid Economics; Inside Airbnb (2018)

5.3 Overview of Select Markets

The following table (Table 5.1) provides a summary of Airbnb markets in terms of supply, demand, occupancy, Average Daily Rate (ADR) and Revenue per Available Rooms (RevPAR).

The table provides a number of insights into the Airbnb market in Western Australia:

- In contrast to the traditional hotel market in the State and the Perth region, Airbnb properties experienced growth in occupancy rates between 2017 and 2018
- Most sub-markets and regional markets for Airbnb listings also experienced growth in occupancy rates between 2017 and 2018
- Similar to the traditional hotel markets in Western Australia and the Perth region, almost all Airbnb listings experienced a drop in ADR from 2017 to 2018
- Interestingly, Airbnb listings in the popular tourist destinations of Broome, Busselton and Albany experienced an increase in ADR between 2017 and 2018
- Generally speaking, most sub-markets in the Perth region outperformed the regional markets in terms of occupancy rate
- The popular tourism destinations of Broome, Augusta-Margaret River, Busselton, Albany and Denmark all achieved ADRs higher than the Perth Region and its sub-markets

The data shows that there are considerable differences amongst the various Airbnb markets across the State and within the Perth region. There are noticeable differences in the Airbnb market across the Perth region with different parts of the region having different volumes of Airbnb supply and demand as well as experiencing varying levels of occupancy and ADR.

The popularity of the South West in terms of Airbnb performance is clear, with Busselton and Augusta-Margaret River demonstrating considerable demand (and supply) relative to other markets as well as high ADR and RevPAR. The fact that these markets experience a much higher ADR than the Perth region while experiencing lower annual occupancy rates would indicate that these Airbnb properties are likely very popular during peak holiday seasons such as Christmas and other traditional school holidays.

These periods are typical high demand periods for traditional tourist accommodation in these markets and the growth of Airbnb is likely having an impact on these properties. In many of these regional markets, traditional tourist accommodation providers will rely on the high occupancy rates and premium prices that are generally achieved during these periods in order to ensure their on-going financial sustainability.

Table 5.1: Airbnb Market Indicators, Western Australia

	Supply (No.)		Demand (No.)		Occupancy (%)		Average Daily Rate (\$)		Revenue per Available Room (\$)	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Western Australia	1,413,449	1,896,708	704,971	989,265	50%	52%	\$197	\$189	\$98	\$99
Perth Region	931,323	1,097,937	491,316	630,782	53%	57%	\$130	\$126	\$69	\$72
Sub-markets										
Cottesloe	24,222	29,002	13,486	17,250	56%	59%	\$215	\$211	\$120	\$126
East Perth	31,488	40,798	20,407	27,179	65%	67%	\$155	\$145	\$100	\$97
Northbridge	4,836	7,534	3,063	5,022	63%	67%	\$162	\$150	\$103	\$100
Perth City	57,095	66,232	36,381	42,669	64%	64%	\$161	\$151	\$102	\$97
West Perth	21,231	30,990	12,517	17,998	59%	58%	\$139	\$127	\$82	\$74
Fremantle	176	259	83	165	47%	64%	\$27	\$29	\$13	\$18
Regional Markets										
Broome	17,103	23,748	8,757	13,916	51%	59%	\$249	\$259	\$128	\$152
Augusta Margaret River	146,567	192,370	70,527	95,830	48%	50%	\$268	\$250	\$129	\$125
Busselton	173,998	260,874	75,040	111,314	43%	43%	\$326	\$327	\$141	\$140
Mandurah	16,658	19,389	4,882	6,723	29%	35%	\$234	\$179	\$69	\$62
Albany City Council	27,890	42,798	14,801	21,921	53%	51%	\$185	\$188	\$98	\$96
Denmark	14,024	20,770	6,811	10,562	49%	51%	\$199	\$180	\$97	\$91
Rockingham	21,482	30,710	9,925	14,642	46%	48%	\$140	\$134	\$65	\$64
Bunbury	4,995	8,995	2,125	4,600	43%	51%	\$144	\$141	\$61	\$72

Note: ADR and RevPAR have been converted to AUD using foreign exchange information from the Reserve Bank of Australia for 2017 and 2018.

Source: Lucid Economics; AirDNA (2019); RBA (2019)

Table 5.2 shows a comparison between various Airbnb markets and the more traditional hotel markets across different destinations. The analysis shows that Airbnb listings often achieve a lower ADR than traditional hotels in the Perth region. As highlighted by IBISWorld, Airbnb listings are often able to provide accommodation at rates below the traditional accommodation industry due to the lack of regulation as well as numerous other costs borne by traditional accommodation providers (i.e. staff, food and beverage services, room service, insurance, etc.). At the same time, Airbnb listings also achieved much lower occupancy rates than the traditional hotel market in Perth, however, while the traditional hotel market experienced a decrease in occupancy between 2017 and 2018, Airbnb listings in the Perth Region had an increase in occupancy.

In other popular tourism destinations, such as Busselton, Margaret River and Broome, Airbnb experienced occupancy rates that while lower in some markets than the Perth Region were more in line with the traditional hotel markets in these destinations. At the same time, these Airbnb markets received ADRs that were much higher than the traditional hotel markets in these destinations. This increased ADR is likely due to the fact that the majority of Airbnb listings in these markets are for entire homes compared to individual rooms for the traditional hotel markets.

Table 5.2: Airbnb vs. Hotel Performance, Selected Markets in Western Australia

	Occupancy (%) - Hotel	Occupancy (%) - Airbnb	ADR (\$) - Hotel	ADR (\$) - Airbnb
Perth Region				
2017	75%	53%	\$170	\$130
2018	73%	57%	\$167	\$126
Busselton				
2017	57%	43%	\$213	\$326
2018	60%	43%	\$229	\$327
Margaret River				
2017	61%	48%	\$171	\$268
2018	60%	50%	\$170	\$250
Broome				
2017	59%	51%	\$176	\$249
2018	59%	59%	\$175	\$259

Note: Calendar year.

Source: AirDNA (2019); STR Global (2019)

In order to better compare ADRs between traditional hotels and Airbnb listings in these markets, the Airbnb ADRs have been divided by the average number of bedrooms for the Airbnb listings in these markets. As the table (Table 5.3) shows, these adjusted ADR figures are well below comparable rates for traditional hotel markets.

Table 5.3: Average Rooms per Listing and Adjusted 2018 ADR (\$), Selected Airbnb Markets

	Average Rooms per Listing	Adjusted ADR (\$)
Perth Region	1.75	\$72
Busselton	2.33	\$140
Margaret River	3.02	\$83
Broome	1.96	\$132

Note: Calendar year. Average rooms per Listing calculated using Inside Airbnb data.
Source: Lucid Economics; Inside Airbnb (2018); AirDNA (2019)

5.4 Airbnb Policy Overview

In 2017, Curtin University published a research report entitled '*The Impact of Airbnb on WA's Tourism Industry*'. In this report, a number of case studies were conducted regarding how other jurisdictions managed new policy development in response to the growth of Airbnb in these jurisdictions. It is noteworthy that many jurisdictions (beyond the examples highlighted in the table) have felt that regulation of Airbnb was required, including San Francisco, where Airbnb was founded.

These policy responses are highlighted in the below table (Table 5.4). Overall, these policies demonstrate a number of aspects regarding how this new platform can be regulated:

- Hosts are often required to register their property for short-term letting
- As part of the registration process, pertinent legal information is provided to hosts and in many cases a certain level of insurance is required
- In some areas, a cap (60 or 90 days) has been applied to Airbnb listings and this cap is managed on the Airbnb platform, with properties automatically banned after reaching the threshold
- The relevant taxes, often a tourism tax or hotel tax, are collected and paid for Airbnb listings
- Non-compliance is met with fines for the host and/or the booking platform

In Australia, there is no hotel or tourism tax, which removes the financial incentive for governments to more highly regulate short-stay renting of residential dwelling. However, as these case studies demonstrate, there are numerous reasons that the short-stay renting of residential dwellings should be regulated.

Table 5.4: Airbnb Policy Case Studies

Location	Overview of Policy Approach
London	<ul style="list-style-type: none"> Amended standard tenancy agreements to remove explicit ban on sub-letting Allowing home sharing for up to 90 days per year without government approval Properties are automatically banned on Airbnb website once the 90 day limit has been reached
New York	<ul style="list-style-type: none"> Amended specific laws to make it illegal to rent out a residential apartment for less than 30 days, unless the permanent resident is present Amended laws to make it illegal to advertise a property in a residential multiple dwelling building (without the owner present) Implemented fines for breaking this law, \$1,000 for the first instance, \$5,000 for the second and \$7,500 for each further violation Airbnb hosts must collect and pay all relevant taxes (i.e. Hotel Unit Fee, Hotel Room Occupancy Tax and sales tax)
San Francisco	<ul style="list-style-type: none"> Amended local codes to allow home sharing Units may be rented for up to 90 days (without the host present) and no max number of nights if the permanent resident is present. Units must be registered and hosts must provide quarterly activity reports Hosts by \$50 registration fee that is valid for two years Tenants may not charge more than their monthly rent when renting out their residential property Proof of insurance for \$500,000 or more must be provided what the time of applying for registration Only one residential unit may be registered by any person Airbnb collects the hotel tax for all rentals Hosting platforms must ensure that advertised properties are registered and face \$1,000 per day fine if they are not
Barcelona	<ul style="list-style-type: none"> Registration of any dwelling rented for a fee for up to 31 days, two or more time per year Tourist tax must be collected and paid Details of guests must be sent to the City Both guests and neighbours are provided a telephone number for queries and complaints
Amsterdam	<ul style="list-style-type: none"> City of Amsterdam signed an agreement with Airbnb regarding local regulations City provides legal information on home sharing to hosts Airbnb collects the City's tourism tax Automatic blocking of rentals from Airbnb's platform if they exceed the rental cap of 60 days per year Neighbour complaint online tool and dedicated hotline Provision and tracking of activity

Source: Curtin University (2017)

6. Financing Tourism Development

6.1 Barriers to Hotel Development

In 2012, Tourism Accommodation Australia (TAA), a division of the Australian Hotels Association, commissioned a report into the sustainable development of the hotel industry in Sydney. This report considered numerous facets of the industry and also identified numerous barriers to development that hotels and the broader accommodation sector face. While focused on the Sydney market, these aspects apply to hotel development anywhere in Australia.

The report found that the development of bespoke, short-stay accommodation properties is difficult due to a number of developmental and operational barriers, as highlighted below.

Development Barriers

- **Competition with Other Land Uses:** hotels demand locations on prime real estate. The land is typically highly sought after for other land uses (such as residential, office or mixed use), which further generally provide higher development returns and are easier to finance
- **Increasingly High Land Costs:** given the characteristics required for a successful hotel site, land costs are generally high and the competition for sites with other land use types exacerbates the situation
- **Access to Financing:** it is often more difficult to secure financing for hotel developments compared with other property development projects (such as residential or office). Developers can more readily obtain finance for non-hotel projects through residential pre-sales or office/retail lease pre-commitments. In order to access debt financing, valuations are required. Hotel valuations are very sensitive to future supply increases. This data is often the only future variable that valuers can identify with any certainty
- **High Construction Costs:** hotels generally cost more (on a sqm basis) to build than competing land uses. In order to comply with the Building Code of Australia, hotels (as Class 3 buildings) must have additional safety and access features that are not required in a residential building (Class 2)
- **Development Timeframes:** there is a significantly long development and “ramp-up” lead time (usually 5-6 years) before hotels perform at normalised trading levels, resulting in increased investment pay back periods and capital costs. Residential or commercial projects can pay back investment and financing costs much more quickly by comparison

Operational Barriers

- **High Fixed Costs:** a large proportion of hotel operating costs are fixed (i.e. not increasing or decreasing relative to demand) and are generally higher than for other property developments (which by comparison generate cash returns from lease rentals rather than via the variable results of an operating business in the case of hotels)
- **Tourism Infrastructure Investment:** hotels benefit greatly from investment in tourism infrastructure (e.g. convention centres, casinos, etc) that drive or induce demand for visitation and resultant accommodation. A lack of tourism infrastructure development can stymie hotel investment
- **Revenue Volatility:** a very diverse range of factors influence demand for hotels and variability in demand can be considerable. Substantial revenue fluctuations result. Most of these factors tend to be macroeconomic in nature and cannot be influenced by the hotel industry

6.2 Short-Stay Renting of Residential Dwellings Effect on Accommodation Investment

As highlighted in the previous Section (Section 6.1), the development of new, bespoke hotel and short-stay developments is difficult for a number of market-based factors. Short-stay renting of residential dwellings impacts the market's ability to develop new short-stay developments through increasing room supply as well as absorbing accommodation demand in the region that would otherwise be accommodated by traditional short-stay accommodation providers.

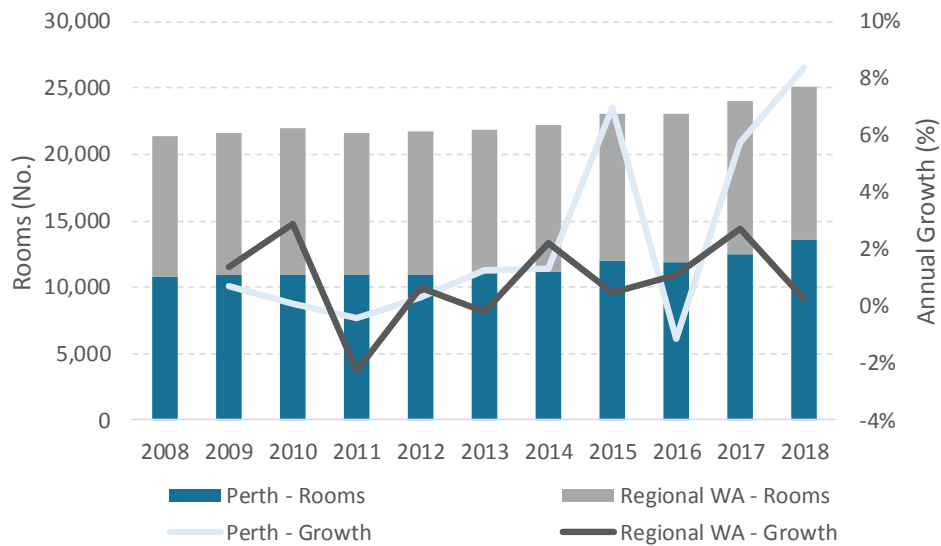
As highlighted in Figure 6.1, almost all of Western Australia's recent room growth has taken place in the Perth region, with very limited growth occurring in regional Western Australia. In many regional areas there is a lack of or limited number of bespoke hotel or other short-stay accommodation establishments. In these areas, short-stay renting of residential dwellings does facilitate access to these areas and overnight accommodation.

However, at the same time, short-stay renting of residential dwellings in some regions absorb accommodation demand in the region that would otherwise be accommodated by traditional short-stay accommodation providers. In this sense, without short-stay renting of residential dwellings, this demand would be available for the established short-stay accommodation providers in the region and represent available future market demand for new short-stay accommodation developments. As such, the emergence of short-stay renting of residential dwellings often absorbs any excess demand in a regional market that otherwise would represent new demand for accommodation, potentially representing future demand and revenue sufficient to support the development of new, bespoke short-stay accommodation.

As highlighted in Section 5.3, Augusta Margaret River, Busselton and other regions experience considerable overnight accommodation demand through Airbnb. If Airbnb was not available, this level of demand could trigger further investment and development of traditional short-stay accommodation. In the case of Augusta Margaret River and Busselton, annual demand in 2018 would be the equivalent of 263 and 305 rooms on an annual basis, respectively. If Airbnb was not available in these regions, it is likely that new traditional short-stay accommodation could be developed to meet this demand.

In the Perth region, the majority of new developments have been delivered over the last two years and other projects are currently under construction. Given the long lead times, the decision to invest in many of these projects was made before Airbnb has considerable listings and represented considerable demand in the market. Armed with this information, some of these investment decisions may have been reconsidered.

Figure 6.1: Accommodation Rooms, Western Australia



Note: Year ending June. Data for 2008-2016 is based on the ABS Tourist Accommodation Survey, which ceased in 2016. Data for 2017 and 2018 is based on TRA's Australia Accommodation Monitor, which succeeded the ABS Tourist Accommodation Survey. As such, comparing the two data sets should be done with caution.
Source: Lucid Economics; ABS (2016A); TRA (2018c)

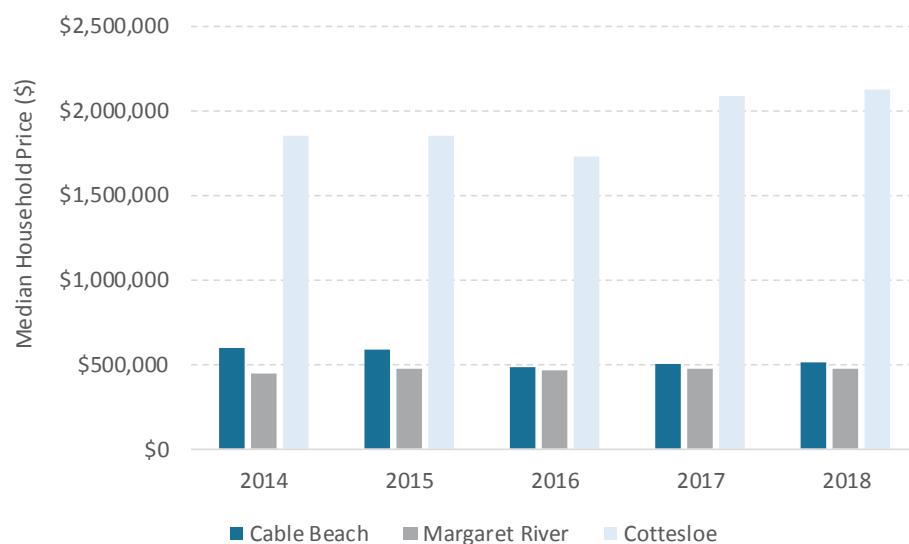
7. Housing Affordability and Airbnb

Housing affordability has been a recent topic across numerous Australian housing markets, particularly in Sydney and Melbourne. There are a wide variety of factors that influence housing prices in any given market. Case studies of three popular Airbnb destinations has been completed to better understand these markets and any recent changes to housing prices and housing affordability.

Figure 7.1 shows the median house price across Cable Beach (Broome), Margaret River and Cottesloe. In order to understand the on-going trends in housing affordability in these areas, a mean-multiplier approach has been adopted. A mean-multiplier compares the median house prices in a market relative to the median household income in that market. In order to get a current and up-to-date understanding of the mean-multiplier in these markets, the ABS's wage price index has been applied to household income levels from 2016.

Table 7.2 shows that the mean-multiplier in the selected markets has increased slightly since 2016, which means that more household income is required to purchase a median priced house or housing affording has decreased. Given the multitude of factors that influence housing prices and wages, it is not possible to tell whether or not this decrease in housing affordability is due to the increase of Airbnb listings in these areas or not.

Figure 7.1: Median House Prices, Select Markets, Western Australia



Source: REIWA (2018)

Table 7.1: Median Household Income (2016)

	Median Household Income (\$)
Cable Beach	\$101,088
Margaret River	\$68,900
Cottesloe	\$139,360

Source: ABS (2017)

Table 7.2: Mean Multipliers (Selected Markets)

	2016	2017	2018
Cable Beach	4.82	4.88	4.92
Margaret River	6.68	6.76	6.70
Cottesloe	12.38	14.80	14.82

Source: Lucid Economics; REIWA (2018); ABS (2018d); ABS (2017)

The Venice Effect can be defined as a scenario where a destination becomes so popular that visitors significantly outnumber local residents and almost all residents make the decision to leave because the destination is so popular that residential property values greatly exceed affordability levels of local residents. In Venice, there are 140 visitors for every resident. As described in the book *If Venice Dies*, platforms such as Airbnb have exacerbated the situation and sped up the development of this phenomena.

In the context of Western Australia, there is a risk in popular areas such as Cottesloe, Margaret River, Busselton and other suburbs that the income derived from renting a residential dwelling in the short-stay market may begin to distort the normal pricing mechanisms for residential property in these markets, thereby effecting housing affordability for local residents.

There are numerous policies and regulatory features that are in place to support housing affordability, including:

- Eligible first home buyers can access a grant of \$10,000 towards the purchase of a new home
- Local government rates systems charge more for commercial properties than they do for residential
- Negative gearing policies exist to provide a financial incentive for investment into residential property
- GST is charged on commercial property transactions, but not on residential property transactions

When a property owner decides to rent their residential dwelling on the short-stay market through Airbnb or Stays, they receive a direct financial benefit from leveraging all of the existing policies that support housing affordability, which is not the purpose of these policies.

8. Regulatory Framework

8.1 Building Code of Australia

The Building Code of Australia (BCA) provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings. Buildings are classified based on their type and future use as follows:

- **Class 1:** one or more buildings which in association constitute
 - (a) Class 1a — a single dwelling being—
 - (i) a detached house; or
 - (ii) one of a group of two or more attached dwellings, each being a building, separated by a fire-resisting wall, including a row house, terrace house, town house or villa unit; or
 - (b) Class 1b —
 - (i) a boarding house, guest house, hostel or the like—
 - (A) with a total area of all floors not exceeding 300 m² measured over the enclosing walls of the Class 1b; and
 - (B) in which not more than 12 persons would ordinarily be resident; or
 - (ii) 4 or more single dwellings located on one allotment and used for short-term holiday accommodation, which are not located above or below another dwelling or another Class of building other
- **Class 2:** a building containing 2 or more sole-occupancy units each being a separate dwelling.
- **Class 3:** a residential building, other than a building of Class 1 or 2, which is a common place of long term or transient living for a number of unrelated persons, including—
 - (a) a boarding house, guest house, hostel, lodging house or backpackers accommodation; or
 - (b) a residential part of a hotel or motel; or
 - (c) a residential part of a school; or
 - (d) accommodation for the aged, children or people with disabilities; or
 - (e) a residential part of a health-care building which accommodates members of staff; or
 - (f) a residential part of a detention centre.

As part of the BCA, Class 3 buildings require additional safety and access features, which add costs to the overall construction of the building. Hotel buildings can cost between 24%-40% more than a Class 2 residential unit building. This difference puts hotel investors at a significant cost disadvantage and increases investment hurdle rates/lowers investment returns for hotel investors relative to investors in Class 2 buildings (that may be used for short-stay accommodation).

Table 8.1 Building Costs, by Type, Perth

Building Type	Cost (\$/SQM)
Hotel (Medium to High Rise, Intermediate Standard)	\$4,120-\$4,440
Serviced Apartment (Three Star)	\$3,135-\$3,380
Multi-unit High Density Apartment (Medium Standard Finish)	\$2,495-\$2,690

Source: Rawlinsons (2018)

8.2 Land Use Planning Context

Regulation of short-stay accommodation is very important with respect to land use planning, as evidenced by WA Planning Commission's Planning Bulletin 83 (Planning for Tourism).

The bulletin recognises that short-stay accommodation is critically important to the tourism industry and that the tourism industry makes an important contribution to the State's economy. The bulletin established short-stay accommodation as residential dwellings with a maximum length of stay provision of three months in any twelve month period. The bulletin also recommends that regions with a significant tourism industry should apply special provisions in the local planning schemes to identify and reserve tourism sites and tourism land for future tourism uses.

Areas planned and developed as residential estates naturally are expected to be afforded the amenity a residential area can offer; and likewise within residential apartment projects. Where short-stay accommodation uses begin to 'infiltrate' these areas in an unmanaged and unregulated manner, conflict can eventually develop between residential land uses and short-stay uses.

Concentration of short-stay accommodation uses in defined precincts is important as it provides critical mass to support land uses which activate communities. If short-stay renting of residential dwellings is allowed to proliferate amongst broader residential areas, the impact to established commercial and town centres could be determinantal.

Approvals are required under current local planning schemes and local governments have progressively developed local planning policies informed by WA Planning Commission Planning Bulletins. However, the ongoing regulation and compliance management burden associated with such approvals can't be resourced by Local Governments (i.e. ensure the maximum 90-day stay period is enforced for short stay accommodation). Supporting mechanisms are required by the State with respect to land use planning that better assist Local Governments and investors comply with regulation. A dedicated Statement of Planning policy which properly defines locations and the services required and associated with short-stay accommodation could provide the foundation for better regulation and compliance management.

A report by the WA Department of Planning, Lands and Heritage (*Options for regulating sharing economy short-term accommodation in WA*, August 2018) recognises that existing planning regulations does not recognise short-stay renting of residential dwellings as a use. The paper suggests specific definitions be added to the Local Planning Scheme Regulations 2015 to account for these properties as a defined land use and provides numerous options for the State Government to regulate the short-stay renting of residential dwellings.

Many Airbnb or Stayz listings are located in popular residential neighbourhoods, often providing access to local beaches and other amenities. These areas are often zoned exclusively for residential use with ancillary retail/commercial uses nearby and exclude tourism and traditional short-stay uses. As such, tourism industry operators and investors are excluded and do not have access to these areas.

9. Economic Benefits from Airbnb

9.1 Literature Review

There has already been a number of economic assessments conducted regarding Airbnb and its impact on local markets in Australia, including:

- *Airbnb: Economic Impact on Sydney and its Suburbs* (Airbnb and BIS Shrapnel, 2013)
- *Economic effects of Airbnb in Australia* (Deloitte Access Economics, 2017)
- *The Impact of Airbnb on WA's Tourism Industry* (Curtin University, 2017)

A summary of each study, its methodology and findings as well as commentary regarding the study is provided below.

Airbnb: Economic Impact on Sydney and its Suburbs

The study was conducted by Airbnb with assistance and support from BIS Shrapnel.

The study was based on a survey conducted by Airbnb of 484 Airbnb guests visiting Sydney between August 2012 and July 2013, a survey of 280 Airbnb hosts between August 2012 and July 2013 as well as data from the Airbnb booking system. Other sources of data and information for comparisons was sourced from Australian Census, Tourism Research Australia, Australian Bureau of Statistics, Colliers International and Hotelbase. No references of specific documents from these sources was provided.

The report notes that BIS Shrapnel reviewed all data and calculations and conducted the total impact analysis.

The study found that during the 2012-13 year:

- There were 2,205 local Airbnb hosts
- There were 30,804 inbound guests
- There were 79,804 outbound guests
- Airbnb supported \$214 million in economic activity and 1,642 jobs
- Airbnb provided an average annual host with an income of \$4,505 (37 average nights booked per year)
- Airbnb guests spent on average \$1,822 compared to \$1,071 for an average hotel visitor
- The average Airbnb guest spent \$1,042 at local businesses in the suburb where they stay

The sample sizes for the survey conducted is relatively small but likely large enough to still provide a sufficient sample to produce statistically reliable information. The Study provides an important note for the economic impact, "Airbnb total economic impact and jobs supported were calculated according to analysis by BIS Shrapnel Pty Ltd. Economic activity and jobs generated do not account for the substitution effects and include visitors who would have come to Sydney without Airbnb (Airbnb, 2015)". As this note highlights, the \$214 million in economic activity is simply a transfer from the accommodation industry to Airbnb (the substitution effect) and as such, represents no net new economic activity.

In a similar fashion, the income earned by hosts is also a transfer from the accommodation industry to a private individual. Given the different cost structures between a traditional hotel in the accommodation industry and an individual host on Airbnb, this transfer likely also includes a significant reduction in revenue in the economy, providing a net loss for the economy overall.

Economic effects of Airbnb in Australia

This study was conducted by Deloitte Access Economics on behalf of Airbnb. The assessment considered the economic effects of Airbnb in Australia, including expenditure in Australia by Airbnb guests (excluding fees paid to Airbnb). The assessment also identifies consumer savings as well as additional consumer surplus generated by Airbnb. The study also gave consideration to the economic benefits achieved by Airbnb hosts in terms of additional earned income.

The study was based on guest information, particularly guest expenditure, provided by Airbnb as well as information from other sources such as TRA and ABS.

The study found that in 2015-16, Airbnb contributed \$1.6 billion to Australia's GDP and 14,409 total jobs (i.e. direct and indirect). For Western Australia, the study found that Airbnb contributed \$99.7 million to GSP and 780 jobs. Furthermore, the study found that in Sydney, Airbnb saved consumers \$25.8 million in 2015-16 and created an additional consumer surplus of \$48.4 million. These figures were not replicated for Perth. The study identified that Australian hosts earned a median income of \$4,920 in 2015-16 from Airbnb, which was available for a variety of purposes including to pay for living expenses, pay down debt or increased savings.

The study represents a robust assessment using a variety of sophisticated tools and models.

However, the assumptions around Airbnb guest expenditure remain unclear. The report says that 'The economic contribution analysis is based on data provided by Airbnb on the number of guests and their expenditure in 2015-16 (pg 20)'. However, Table 3.4 'Tourism expenditure of Airbnb guests in Australia, 2015-16' is sourced to 'Deloitte Access Economics estimates for categories based on Airbnb and TRA survey and other data (pg. 21)'.

This reference would seem to indicate that the expenditure data used for the analysis is a blend of data from Airbnb and TRA. Airbnb would naturally have a detailed database of expenditure from guests to pay for the accommodation, however, without an additional survey tool, Airbnb would not have any way to estimate expenditure on other items such as food services, groceries, shopping, etc. Furthermore, TRA conducts detailed surveys as part of their National and International Visitor Survey and regularly produces visitor expenditure estimates for accommodation, food services, groceries, shopping, etc.

If the analysis uses TRA based estimates for non-accommodation expenditure items and supplements this with actual Airbnb guest accommodation expenditure from Airbnb, it would not stand to reason that 'In 2015-16, the average Airbnb guest spent 1.6 times more per day than the average tourist in Australia (pg 20)' as the report asserts. The report accurately highlights that traditional accommodation costs more than Airbnb. Simply substituting the Airbnb associated accommodation expenditure for the typical accommodation expenditure should lower the average Airbnb guest expenditure relative to the average tourist in Australia.

Additionally, the claim of Airbnb guests spending 1.6 more than the 'average tourist in Australia' is an insufficient statement because it does not provide sufficient detail regarding the comparison. Taken literally, the 'average tourist in Australia' should describe the average of all visitors, which would include those staying with family and friends or in other private (non-commercial) accommodation. Typically, these visitors would not have any expenditure for accommodation, so the 'average tourist in Australia' would include those staying in commercial accommodation (who paid for it) as well as those who did not stay in commercial accommodation (and who don't spend any money for accommodation). Naturally, expenditure from Airbnb guests would be more than compared to those travellers that didn't incur an expense for accommodation.

The more accurate comparison would be to compare the average Airbnb guest and their expenditure (sourced from a dedicated and statistically sound survey) with the expenditure of the average visitor to Australia who stay in commercial accommodation (as per TRA). It is possible that the analysis included this detail but it is not possible to understand this in the current report.

In terms of the economic contribution identified for Western Australia, it is important to understand that the report notes that 'The analysis does not take into account the fact that, in the absence of Airbnb, guests may have still travelled and stayed in alternative accommodation (pg 20)'. This statement highlights that Airbnb does not create the economic contribution, but rather the economic contribution would likely exist, even in the absence of Airbnb, as guests may have still travelled and stayed in alternative, more traditional accommodation. As the reports shows that traditional accommodation is more expensive than Airbnb, if these guests did travel and stay in alternative accommodation, the economic contribution would be higher.

Additionally, the report states that 'Airbnb listings and hotel rooms are not perfectly substitutable, however they compete in the market for accommodation (pg 20)'. This statement acknowledges that there is a degree of substitution available within the accommodation industry, whereby in the absence of Airbnb, visitors may still travel and use traditional accommodation. As the desire or need to travel is based more on one's purpose of visit and the destination's experiences, paid accommodation in any form can provide the necessary support infrastructure to facilitate a visit.

The Impact of Airbnb on WA's Tourism Industry

This study was conducted by the Bankwest Curtin Economics Centre at Curtin University and supported by Tourism Research Australia, Tourism WA, Inside Airbnb, the WA Department of Premier and Cabinet and Eurac Research.

The study is not an economic assessment of Airbnb but rather an investigation into the impact of Airbnb on Western Australia's tourism industry. The research considered four key questions:

- What are key stakeholders' perceptions of the sharing economy and Airbnb in WA?
- What is the extent of Airbnb supply and demand in WA and what are its main attributes?
- To what degree does Airbnb demand differ from conventional demand?
- What policy responses have been employed in other tourism destinations worldwide in response to Airbnb?

The study found that sentiment across stakeholders is mixed, with some stakeholders seeing benefits to Airbnb's growth in the market including additional income for hosts, increased competition and distribution advantages for regional areas, and other stakeholders expressing concerns regarding neighbourhood amenity, safety and liability, tax avoidance and impact on future investment as well as the need for more monitoring.

In terms of supply, the report found more than 8,100 listings and more than 5,800 hosts and annual growth rates between 50% and 100% over the last three years. Airbnb listings were distributed across the entire State with 'hotspots' in the metropolitan areas of Perth and Fremantle as well as in the South West. Renting out the entire home or apartment dominated Airbnb listings across the State. Additionally, the report found that typically (more than 80% of the time), there was one listing per host and average occupancy rates remained below 20%. Average prices for Airbnb listings provide hosts with a modest monthly income of \$626 per listing.

Analysis of Airbnb guests found that leisure visitors interested in tourist activities and local attractions have a higher probability to use Airbnb than other visitors such as visiting friends and relatives. International visitors from Singapore and Malaysia have a much higher probability to use Airbnb than other international visitors. Couples and families have a much higher probability to use Airbnb than other travel groups.

The report also outlines a variety of domestic and international case studies regarding policy approach towards Airbnb from various jurisdictions. It recommends a number of future policy considerations as well as future research.

9.2 Alternative Economic Outcomes

The above assessments have often considered the expenditure associated with guests that use Airbnb accommodation during their visit. This guest expenditure is the key driver for both the BIS Shrapnel analysis (contained in the 2013 *Airbnb: Economic Impact on Sydney and its Suburbs* Report conducted by Airbnb) and the Deloitte Access Economics Report.

On both occasions, these reports highlight that the economic benefits identified through the guest expenditure do not consider the fact that the guests would have likely travelled to the destination even in the absence of Airbnb, so these economic benefits are not directly reliant upon Airbnb. In other words, these visitors and their expenditure would have benefited the local economy with or without Airbnb. The Deloitte Access Economics Report highlights that traditional hotel rooms are more expensive than Airbnb listings, which would seem to indicate that in the absence of Airbnb, there would be more expenditure in the local economy (as traditional hotels cost more than Airbnb listings).

The Deloitte Access Economics Report goes further to identify the cost savings to consumers that are generated through Airbnb. But it is also important to note that these cost savings to consumers come at the expense of the traditional accommodation industry. The Deloitte Access Economics report would seem to describe a situation where through Airbnb, there is a simple transfer of economic benefit that the traditional accommodation industry would have previously received to the consumer, Airbnb and the Airbnb host. This transfer would also not seem equitable as the lost revenue to the accommodation industry would be more than the benefit to the consumer, Airbnb and the host.

There is no publicly available, documented evidence that would suggest all guests of Airbnb would not have made the trip if Airbnb was not available. In reality, visitors choose a destination, for leisure, business or other reasons, then decide on an accommodation option. As such, Airbnb does not drive nor deliver net economic benefits.

If short-stay rental of residential dwellings was not a feature in the market, then the existing demand absorbed by this type of accommodation offering would otherwise largely go to the traditional accommodation market. In the context of Western Australia, this would mean that the 989,265 booked nights in Airbnb listings in 2018 would be transferred to the traditional short-stay accommodation market, thereby increasing room nights sold in the State to 7.4 million and annual occupancy rate from 70% to 81% in 2018. At this level of occupancy, there would likely be some shortage of rooms in the market, which could in turn provide a catalyst for new investment in short-stay accommodation, creating additional economic benefits for the State.

At the same time, given the nature of Airbnb listings, there is a very different employment outcome associated with an Airbnb listing compared to a traditional hotel room. For an Airbnb listing there may be some very minor employment outcomes related to the cleaning of properties, but this level of employment would be trivial compared to the employment outcomes in the accommodation industry.

9.3 Alternative Economic Value for the Accommodation Industry

9.3.1 Alternative Employment Outcomes

The lost economic opportunities to the accommodation industry through the advent of Airbnb can be quantified. In order to quantify this lost economic value (or opportunity cost) for the accommodation industry, an assessment of employment outcomes in the accommodation industry is required. The following table (Table 9.1) shows that if the demand that was absorbed by Airbnb in 2018 went into the traditional short-stay accommodation market, then there could have been 2,135 jobs created across the State with 1,882 of these jobs in the Perth Region.

Table 9.1 Accommodation Industry Statistics and Equivalent Employment Outcomes (2018)

	Western Australia	Perth Region
Accommodation Industry		
Employment	13,909	10,958
Room Nights Occupied (Demand)	6,445,505	3,673,325
Employment per Room Nights Sold	0.002158	0.002983
Airbnb		
Airbnb Demand	989,265	630,782
Lost Employment Opportunity		
Equivalent Accommodation Employment	2,135	1,882

Source: Lucid Economics; ABS (2018b); TRA (2018c); AirDNA (2019)

9.3.2 Alternative Economic Outcomes

Using the direct employment outcomes highlighted above, it is possible to estimate the direct and indirect impacts of these jobs for the State's economy. This assessment leverages Input-Output (IO) modelling based on the most recent tables produced by the Australian Bureau of Statistics (ABS, 2016b). This table has been modified to reflect the structure of the Western Australian economy.

Table 9.2 shows that if Airbnb was not available and the level of demand that stayed with Airbnb listings in 2018 stayed alternatively in traditional short-stay accommodation, then the Western Australian economy would receive a total benefit of \$298.7 million and 2,861 jobs.

While not directly comparable, it is noteworthy that this benefit is much greater than the Deloitte Access Economics findings for Western Australia, which showed an economic benefit associated with Airbnb of \$99.7 million (in GSP terms) and 780 jobs.

Table 9.2 Lost Opportunity Cost, Accommodation Industry, Western Australia

	Gross State Product (\$m)	Employment (No.)
Direct	\$179.6	2,135
Indirect	\$119.0	726
Total	\$298.7	2,861

Source: Lucid Economics

9.3.3 Lost Government Revenue

Through platforms such as Airbnb, there is very little tax revenue that flows to Government. According to the Australia Tax Office (ATO), if a host's turnover is below \$75,000, then they are not required to register for GST (ATO, 2019). Generally speaking, a host's income will be below this threshold, so no GST is collected and paid to the ATO. Additionally, because of the nature of an Airbnb listing, no payroll tax is generated. Under traditional short-stay accommodation models, these businesses collect and pay GST as well as payroll tax.

If the demand that is currently absorbed through renting residential dwellings in the short-stay market went to the traditional short-stay accommodation providers, then it is likely that there would be an increase in State Government tax revenue. In order to identify how much tax revenue would be paid by the short-stay accommodation market, alternative revenue calculations have been made. The latest determination of GSR revenue sharing proportion for Western Australia has been used to estimate GST revenue to the State from the hypothetical GST collection made by the accommodation industry.

The lost opportunity for the traditional short-stay accommodation sector would generate an estimated \$7.7 million in GST revenue for Western Australia and an estimated \$3.8 million in payroll tax revenue.

Table 9.3 Potential GST Revenue, Western Australia

	2018
Airbnb Demand	989,265
Hotel ADR 2018 (ex GST)	\$165.23
Revenue	\$163,456,890
GST	\$16,345,689
WA Share 2018-19 (\$ revenue/\$ GST)	\$0.47
GST Revenue WA	\$7,729,386

Source: Lucid Economics; AirDNA (2019); TRA (2018c); Australian Government (2018)

Table 9.4 Potential Payroll Tax Revenue, Western Australia

	2017-18
Payroll Tax Revenue (\$m)	\$3,279
Gross State Product (\$m)	\$255,883
% Payroll	1.28%
Payroll Tax	\$3.83

Source: Lucid Economics; ABS (2018a); WA Government (2018)

Airbnb hosts should report any revenue from their property listing as income for tax purposes, as highlighted by the ATO (ATO, 2019). Given the structure and nature of this market, there is potential for income tax evasion and/or income tax avoidance.

10. Summary

This analysis has provided an up to date understanding of the short-stay accommodation market in the State, including data and information regarding the short-stay rental of residential dwellings through Airbnb.

Tourism is important to the State's economy and is not performing at its optimal level. The State Government should consider ways to encourage new tourism product and experiences as well as avenues to provide further destination marketing to drive consumer demand.

Airbnb has grown dramatically in Western Australia and currently absorbs considerable demand. While it is possible for hosted Airbnb listings to provide a unique offering and contribute positively to the visitor experience in the State, many listings are unhosted, providing no experience for the visitor.

It is clear that Airbnb and Airbnb hosts enjoy numerous advantages over the traditional accommodation providers. Most of these advantages stem either from gaps in existing regulations or from a lack of it. The resultant environment represents unfair and inequitable competition in the short-stay accommodation market.

In reviewing the advent of Airbnb and other platforms that rent residential dwellings into the short-stay accommodation market, there are numerous factors that should be considered:

- Airbnb and other platforms do not drive demand for tourism visitation, a destination's experiences, attractions and activities do
- Accommodation in any form facilitates a visit from a traveller and the decision regarding accommodation is made after the visitor chooses a destination
- The renting of residential dwellings in the short-stay market does not generate employment or other general economic benefits. These benefits are generated by the expenditure from visitors, which would come regardless of Airbnb and other platforms
- The accommodation industry is recognised by the ABS and other government entities and it provides almost 16,000 jobs and \$700 million in Western Australia
- The accommodation industry in Western Australia generates an estimated \$7.7 million in GST revenue for the State Government and \$3.8 million in payroll tax
- There are a number of features of the Building Code of Australia that require traditional short-stay accommodation providers to provide increased safety and access, which is not required for residential dwellings
- Tourism operators are often excluded from residential zones and unable to develop new properties to compete against Airbnb listings
- Short-stay renting of residential dwellings can negatively impact destination appeal and deter investment into traditional accommodation

The State Government should consider these factors and devise a regulatory solution to ensure fair and equitable competition as well as a buoyant tourism industry.

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