

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 19 JUNE 2019**

SESSION FOUR

Members

**Ms J.J. Shaw (Chair)
Mr S.K. L'Estrange (Deputy Chair)
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 11.08 am

Mr DAVID BORNMANN

Director of Operations, The Marina Mindarie, examined:

Mr ADRIAN FINI

Director, FJM Property/Fini Group, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for our hearing into the committee's inquiry into short-stay accommodation. My name is Jessica Shaw and I am the Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee: to my right is Yaz Mubarakai, member for Jandakot; to my left, the Deputy Chair, Sean L'Estrange, member for Churchlands; and Stephen Price, member for Forrestfield. Our other member, Terry Redman, the member for Warren-Blackwood, is an apology.

I advise that the proceedings of the committee's hearing will be broadcast live within Parliament House and via the internet. The broadcast may include documentation provided by you to assist the committee in its investigations. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to anything you might say outside of today's proceedings.

Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Would you like to make opening statements?

Mr Fini: Okay. I requested the opportunity to come along today. I have been involved in property development since the early 1980s, and we have been involved in hospitality businesses and tourism businesses since the mid-80s. Through the development of a number of different projects, we delivered most probably about 700 serviced apartment products—most of them are branded "Quest" these days in Western Australia—throughout the Perth metropolitan area, Mandurah, Bunbury and Karratha.

We have developed a number of projects in the hotel space also, such as Sebel East Perth, the Alex Hotel, Sebel Mandurah, Bunker Bay Resort, and the State Buildings—COMO The Treasury. Obviously I am the owner for the last 27 or 30 years of Mindarie also, which has an operating hotel. Also as a director and executive of Mirvac Group, we were I think the second-largest hotel operator nationally. I was also the chairman of the hotels division of that group and the executive of development nationally. We had 4,300-something rooms around Australia until that division was sold in about early 2010 or something. So, I have a long history in tourism in Western Australia.

As a developer, we are focused on Western Australia; we are a private group and our objective is to deliver products that are significant, for two reasons. For a pride reason, obviously, we try to do projects that are better than the others, and ensure that they are significant from a state perspective and that they actually grow tourism and jobs.

We have a pipeline of landholdings in Perth and non-metro Perth where we would like to do further tourism. We have further land at Mindarie to add to tourism, Two Rocks, Perth city, Fremantle and also down South. We have found the compression in the margins in tourism and hospitality in a sense horrifying over the last period. I have always known that the ratio of profit and the average operating cost per room in Australia is the worst in the world, and I accept that. We obviously have a larger wage cost than other countries; we have an equitable employment model in Australia, and

we respect that. But we have now looked at the trends that have developed with the gig economy and the growth of things like Airbnb, the playing field is not level any longer. It has got to a point where you have an organisation that has, let us say, specific advantages, be they on a tax basis side, because they are happy to hide, and these organisations are all happy to hide.

Obviously, these global organisations are happy to hide in offshore structures and not pay what is determined as equitable in our country. They are not the only companies that do that, but they are obviously very good at it. If you sign a little contract to join Uber, you know that the 32% you are paying them goes to some little tax haven somewhere, and Airbnb has had similar comments about their structures.

Then you look at the growth of what Airbnb alone has done in the marketplace. Bunker Bay is in its fifteenth year in April. There has been no other resort built down South. We will assume that the marketplace has grown substantially in the last 15 years. Bunker Bay was built to deliver, I think, an exemplary product in its day and grow a marketplace. The marketplace has not grown, but you have 1 989 registered Airbnb products in Augusta–Margaret River and Busselton at present. What actually happens in tourism is we spend a lot of time and a lot of money investing in tourism, and we talk nationally and internationally to people. I go to a conference every year with global owners of tourism product and look at how you grow cities or the marketplace. You do it through setting examples of quality in whatever star rating you are playing in and creating quality through experiences, because that is what tourists want, okay?

So, be it in our Alex Hotel, which would have had multiple awards and multiple global mentions in PR, or be it in COMO The Treasury, which has most probably been the most awarded hotel ever built in Australia and still rates in Condé Nast Traveler as best in Australasia et cetera et cetera. You try and create those things that then grow the marketplace, and you can only do that through delivering exemplary products in whatever star rating they play in, and helping the market grow, which then creates jobs and helps the market grow.

What I think Airbnb does in this un-level playing field is diminishing that market, because it actually creates some levels of dissatisfaction and uncertainty on customers' expectations. Quite often we have comments, "Yes, I've stayed at the COMO and I've flown from London and I'm here with my mum. Then I went down South and we got an Airbnb thing and we were stuck in a suburb and didn't have a car." You know? It creates all these other things that I do not think are consecutive growth factors in future opportunities for what is an industry. Tourism is an industry; it is a global industry. It is something that I think our state needs, and we compete, at the end of the day, with all of these areas.

When you then look at what we have to do as a developer and then as an operator to comply with the legislation versus what Airbnb or a house or an apartment has to do—am I allowed to go for quite a while?

The CHAIR: Yes. Well, we do say brief opening statements. I am just conscious that we also want to have time to ask you some questions, and we have to wrap up at about 10 to 12, so we are all across the road when the bells ring.

Mr Fini: When I look at the costs associated with regulated short-stay accommodation in a development area, obviously I have to pay council planning requirements and associated consulted costs for approvals, traffic management, acoustics, landscaping reports et cetera, heritage reports, whatever. That is my job to go and get a DA.

On all large developments, I obviously have union construction costs versus others in a cottage industry. I have disabled access and compliance regulations to comply with, so at a Treasury project, you can imagine that is in the millions of dollars obviously. There are lifts to 21 different levels to

comply. I have fire safety and fire-bound construction methods. I have sprinkler systems, hydrants, hose reels, fire compartments, engineering, fire doors, associated hardware, all the general access requirements, the public contributions to public art requirements in many of these projects and place making, car parking requirements, security requirements under liquor licensing et cetera, health regulations, acoustic compliance, all the section J requirements, reed switches for all external private doors to make sure the air conditioning is efficient so I am not wasting energy and all these things that you do to meet standard laws in Australia—all the BCA compliance for balustrading et cetera, stairs and all the window mechanisms to limit window openings et cetera so people do not throw themselves out of windows daily.

The CHAIR: I hope that does not happen too often in your hotels.

Mr Fini: It does not because we have to comply with the laws. It can happen in residential; you can throw yourself out. I have to spend all that money to comply. It is quite a burden. It is a large percentage of the cost of a building.

Then when I open the place, I have another list of compliance versus this new unlevel playing field that we have allowed. I have OH&S, hot water service and safety, potable water testing requirements, elevator maintenance, fire management and training, fire sprinkler and hydrant maintenance, fire detection maintenance, automatic fire door maintenance, evacuation exercise training, mechanical ventilation testing and maintenance, hygiene services inspections, swimming pool inspections for compliance with public use, electrical points, lead certification, which has to happen in a space like ours, legionella testing, exit site maintenance, preventive maintenance. That is just my maintenance and compliance to keep my building against this other competitor that is created. Obviously at a HR level —

The CHAIR: Do you want to just send us a list of your compliance requirements? I am just very conscious of time.

Mr Fini: I will finish it in about two minutes. Wages, staff facilities, annual leave, ADOs, sick leave, payroll tax, FBT, workers' comp, super, long service, employee meals, training and training levies, uniforms, uniform laundry, contractors. Then there are rates and taxes, statutory. You have rates and taxes at commercial versus domestic, land tax, car parking levies, energy rates, commercial versus "resi", music taxes, licences, APRA AMCOS and PPCA, because I cannot play music in my building without paying a tax; water consumption insurance. Then obviously there are all the others about laundry security, waste removal, recycling, legal fees, dues and subscriptions.

These costs we carry as a burden and you can imagine they are substantial at the end of the day. You are talking about an industry that has single-digit profit if it can make a profit. We have arrived at a model where you have got Airbnb that has grown enormously and similar models in a marketplace that is complex already. We have a built-in disadvantage obviously with the costs, and it is creating daily fewer opportunities for further projects and further development, further jobs. That is what is happening because of the unpolicing of this. We always believe that there is a requirement to look at regulations to ensure that a level of compliance comes in to manage the growth of this area.

We are not saying stop Airbnb; we do not expect that to happen. But we believe that similar to the AHA's 5.5, and looking at a regulation model that ensures that there is a level playing field to allow the tourism industry to grow, because I think you are going to cause issues in the future. We are not in that future. We are not in the Venice issue or the Barcelona issue. We are nowhere near those issues. You are actually going to stifle creativity and growth in a marketplace if you do not regulate.

The CHAIR: Thank you. Mr Bornmann, do you have an opening statement to make?

Mr Bornmann: I will keep it very brief. My position is obviously not from a development perspective. I am an operator. I guess my responsibility is to generate the profits that Adrian alluded to for the developers and investors in the businesses. I think my submission to the committee was along those lines. Our accommodation holdings that we have in Mindarie are not big, but probably more significant is the fact that we are the largest true accommodation operator north of Joondalup Resort. We have witnessed drop-off in occupancy rate and RevPAR over the last four or five years, obviously compounded by the mining downturn as well. I think the committee would have direct access to all the statistics from Deloitte and the Tourism Council on the Perth occupancy and rate drop-off over the last five or six years as well.

I have actually operated in and out of Perth since 2002 with Rydges. I ran Rydges Perth from 2002 to 2006 and I ran the Esplanade as well for a few years. I have seen the impact it has. It was probably hidden to some degree from the mining boom, but as soon as that obviously came off and we saw demand come off in the true corporate and leisure markets, it certainly hurt. I think the committee will probably witness moving forward—unless there are some regulations or compliance put on the likes of Airbnb, we will see a real further downturn not only in occupancy and rate and a lot of pressure on these businesses, but we will also see a downturn in future prospects of development in Perth, which is what tourism is craving for, to attract overseas visitors and also corporate conferences.

The CHAIR: Thank you both for your evidence today. I want to tease out the degree to which an issue around reducing occupancy rates is genuinely down to Airbnb. As Mr Bornmann points out, there has been a drop-off in the true corporate and leisure market. One of the questions that I have repeatedly asked a number of witnesses now is around the assumptions and the business case, justifying basically the development of mass of new hotels.

We now find ourselves in a situation in Perth in which we have a glut of hotel rooms. I wonder the degree to which this is genuinely down to Airbnb or about some pretty bullish assumptions on occupancy rates that were made during the boom, assuming that the unseasonally high number of travellers would still be coming to Perth. We have seen now the drop-off of the boom and the decline in the true corporate and leisure market. As developers and operators, I would be very interested to hear your perspectives on that because to a degree there is a bit of both. It is not necessarily all down to Airbnb or short-stay accommodation.

Mr Fini: I think if you look at Perth, it is a complex market. Obviously, you have seen opportunities that created new hotels to be built, be it Elizabeth Quay—if the site was not there, maybe the hotel company would not come. The Westin was a government incentive model. COMO—they are small boutique things; they are not big numbers. Some of those decisions may have been made from the boom because they were opportunities in a time frame. Hotels are quite long-term commodities globally. There are many hotels that are 100 years old still operating so we are young in that cycle.

Then if you look at a place like the South West and you say, “How come no-one’s built? Many announced but none built. How come?” Then you look at the market and you go, “Whoa, 2,000 properties in Airbnb alone, multiple users in many of them. Is this affecting the tourism opportunities and growth creation and are they living in the same space as the next potential competitor that wants to build there? Has he got a 20% built-in penalty to even play the same game?” It is most probably closer to 30% in reality in a development side, let alone an operating cost side. Is that because of Airbnb? I would say yes.

The CHAIR: Let me tease that out, Mr Fini. If we are talking about competition, you are not playing the same game. The product that is offered at Bunker Bay or at COMO The Treasury is a premium product. If we are trying to facilitate customer choice and also enable recreation and holidaying

available to a broad market, there are a number of people that would never be able to afford to go to Bunker Bay but nonetheless want to go down South. There is a tourism market, but there are segments within that market.

Mr Fini: Exactly.

The CHAIR: I guess I am trying to understand the degree to which the product you are offering—a premium product, which I have enjoyed at various points in my lifetime—is genuinely being eroded by someone putting a three by two down around the golf course in a suburb of Busselton, or in Margaret River, where there are a couple of old weatherboard cottages that you can go and hire. Genuinely, where is the competition here? I am talking about the facilitation of customer choice as well.

Mr Fini: We play across different star ratings. I think the star-rating model is grey these days, because it is an experience driven thing. In the Alex Hotel, rooms are from 13 square metres to 18 or 23 square metres—they are small. They are all sub-\$200. We are talking to a diverse person. I say it is the same customer who might stay at the COMO if they had the money. Those kinds of products are not even getting built down South.

The CHAIR: But is that the experience people want down South, or do they want to go down into a home where they can have a kitchen and sit around the table?

Mr Fini: I think the communities and the economies want those products, because they then create reasons of villages, reasons of growth, reasons of new industries growing and reasons that restaurants get supported and small bars. They actually create things. Suburbia, to be honest, does not create a lot, does it? It creates, you know, 32 fast-food outlets and a supermarket and a shopping centre. Urbanist village-based concepts create amenity, identity and things that we all travel and aspire to.

The CHAIR: But to play devil's advocate, people would like to go down South and live in a three by two in Margaret River, where they can walk down to the local cafe.

Mr Fini: But that is not the reality. They end up in a suburb, quite often. I mean, if you go to south Margaret River, you are just in a suburb, as any suburb on the planet of Earth. We do not travel as tourists and go, "Wow, wasn't it great hanging around in the suburbs of Dallas." We go and see the city or we go inside Austin or we go inside Seattle. We do not go to the suburbs. The reality is that it is anti-tourism. You are creating experiences of anti-tourism and not the storytelling that creates things. It is villages that we go and see. London is a collection of villages. Rome is a collection of villages. You do not go to the new "Bronx" of Rome on your holiday. Tourists do not do these things. You are actually sending a lot of these people into those types of experiences, because if you actually map where these places are, they are not all walking distance to the cafe. You have got people paying from \$90 a night, so you are actually creating things that are completely different.

The CHAIR: But different markets in different forms, much as you run different hotels. You can cut your garment according to your cloth and the type of experience that you would like.

Mr Fini: I totally agree, but then when are you going to give them a tourism experience, you see? If you are giving them a Tuart Hill experience, no problem. If that is what we want to do for tourism in Western Australia and our future, to give them an experience of what it is like to hang around, I am just saying, Tuart Hill in a townhouse, if that is what tourism is for the future of those marketplaces, play the game and continue.

The CHAIR: I think there are segments. I mean, there are some tourists who genuinely just want to go down South, take a house, chill out, hang out by the beach.

Mr Fini: I totally agree.

The CHAIR: Their tourism experience and their demand for that is no less legitimate and no less worthy of being met than someone who wants a premium experience of going down in a limo, staying in a flash hotel and visiting all the cafes and art galleries. There are very different markets. Tourism is not a uniform experience. I guess I just want to tease that out.

Mr Fini: I totally agree. The reality is that in today's market, the down South model—let us use that one, as it is isolated and there are less other factors on it—shows that you can have all those housing choices, but if someone started today trying to get a DA, it is going to be a 20-year gap between a tourism product. There are lots of sites. They have zonings, but no-one has built anything. I am not saying it has to be premium, because I actually think the marketplace is not that today. People go and spend time and energy anywhere on the planet going on hiking holidays, living in a hut, sharing in a dorm. They do all those things already as experiences. We are not getting those products delivered any longer. We are missing the market. We have left, I think because of our suburban character.

We are a very young country. There was very little settlement here. We built a suburban environment from the 60s on, whereas it is not an urban place. Our country villages have been, let us say, decimated a little bit through the changes of agriculture, so the identities that we look at are these big suburban things. This commodity fits very well, but where we are missing the market is in creating those other things, and there is going to be a 20-year gap. Then it might be 30 years suddenly, because it has already been 20 that no other product has been delivered while you have seen this massive growth in the last decade. If you look at the number of new businesses that are floated and funded to grow and support the Airbnb service industry—yesterday in *The Australian Financial Review*, \$5 million was given to another company to service the professional Airbnb management industry—you will see a continual growth of this. It is all designed for multiple users. It is not designed for individuals—of hosting a guest, where this product started from.

Mr S.J. PRICE: Just following on from that conversation, there is obviously a reasonable amount of speculation that goes into a tourist development; for example, the Mindarie marina. When that was first built back in the mid-90s—30-odd years ago—there was not much out that way, yet it was a premium at the time. The experience that you refer to in your submission, Mr Fini, is the new Quest units at Innaloo. We have Airbnb having such a negative impact on the hotel industry and stuff, so there would have to have been a reasonable business case behind building the Quest out at Innaloo, I would imagine. Yet if I was looking to go and stay somewhere, I would not go and stay in Innaloo, unless I had something to do out there. There is obviously a different target market for that particular operation. Essentially, do you think that Airbnb is impacting on all types and areas of accommodation, and not just the tourist market? There is a particular market you must have identified for that new development.

Mr Fini: It definitely does. Quest Innaloo is a landholding we have in Innaloo. The Osborne Park—Herdsman Lake area is the second largest workforce outside of the Perth CBD, so there are a lot of people there. There are national sales managers visiting caryards or whatever they do, so there is traffic there because of an economic model. The financial model as a developer to do it—if it was a hotel, I would not do it. I had a 15-year lease from Quest. They rent the property off me and they operate it. It is their worst-performing property in Perth. Okay. That is their risk; that is their headache in reality.

I went and visited the manager there actually a couple of weeks ago for the first time since it was opened. It is performing really badly. Obviously, there are a lot of low-volume products competing against them, which is new. Call it an Airbnb product in the marketplace. They have not won a lot of corporates, which they think they will. It will take time. It has taken a lot longer than normal for them as a start-up proposition in their normal model. They think they will get there but I think it is

a lot tougher than they thought, obviously. Does it do a job? Yes. We actually helped. The Leukaemia Foundation rents rooms off us and use it as their overflow so they can centralise their administration, keep all the non-metropolitan leukaemia patients, in one location—saves management, increased care—and that is the biggest customer in reality in 174 room nights to date this year.

They all play different games, these products. But, I think in this new economy, it would not be a product that I would do. I have not built a Quest product. I built almost all serviced apartments through the 1990s into 2000 in Perth—I think 11 projects. I have not done one since because I always said to myself as a developer that the first product that will get damaged by Airbnb is a serviced apartment. I only did this because it was a 15-year initial term lease to Quest. Quest is 100% owned by the Singapore government, basically, now, through Ascott and their other companies. I thought it was a pretty good and safe.

The CHAIR: That is the very point I was trying to get to before about the assumptions upon which—you know that you have you a lease there, so your return is fairly secure. It is underwritten by the Singapore government —

Mr Fini: Exactly.

The CHAIR: Beautiful. But what has been put to us is that Airbnb is decimating a market and a lot of people did not have the foresight to think, “Hey, it is going to potentially affect the business model; maybe we should not go and build another apartment hotel.” That is the point I am really trying to tease out.

Mr Fini: The other point is Quest complies with all of those things and the other one does not. Therefore, the growth of Airbnb has got a massive advantage to kill those products. That product, the example I gave you, is 174 room nights for leukaemia patients. Airbnb will not talk about satisfying—they do not even comply; where is the wheelchair access? They do not even care about that marketplace. If we all go along naively along this road, think about it in 10 or 20 years’ time. Because they are not going to comply with those regulations, are they? You are not going to change our regulations to not comply.

The CHAIR: That is something that perhaps we can come to. I am going to turn over to Yaz because I know he has a question and I am conscious of the time.

Mr Y. MUBARAKAI: Mr Fini, I guess you have answered the question partly, but what I am trying to touch on is: how long was the process using Quest Innaloo as a project, from its inception to completion? It says that you completed that in 2016 at a cost of \$80 million. What was the duration from the start to comply with the list that you have just explained? When did it start for it to be completed in 2016?

Mr Fini: Most probably four to five years, I would say.

Mr Y. MUBARAKAI: Would you say it took four to five years to basically start, comply —

Mr Fini: Feasibility, DA, drawings, tender, construction—yes, four to five years.

Mr Y. MUBARAKAI: Mr Fini, in your opinion, how long does it take to take a four-bedroom residential house?

Mr Fini: Eighteen months if you are slow.

Mr Y. MUBARAKAI: In today’s market, would you build another Quest?

Mr Fini: Would I?

Mr Y. MUBARAKAI: Would you recommend that as a business investment?

Mr Fini: No; as I mentioned, it depends on the lease, but the reality is, no. I know Quest would not either.

Mr Y. MUBARAKAI: Is that because there is a market that is unregulated?

Mr Fini: Totally.

Mr Y. MUBARAKAI: The point that I am trying to make, Mr Fini, and you are a very smart businessman, for \$80 million at Quest Innaloo, you got 80 rooms. But if today, you were to build 36 residential houses at half a million each in any suburbia in Perth, at four bedrooms a house, that would give you a total of 144 rooms compared with 80 rooms, spending the same amount of money. In comparison, would you say that the cost of running them —

The CHAIR: The compliance costs.

Mr Y. MUBARAKAI: — would be far less if you put it on short-stay accommodation on the online platforms.

Mr Fini: It would be substantially lower because half of that stuff lives in the black economy does it not, in the real world, let us be honest.

Mr Y. MUBARAKAI: I am glad you touched on the word “black economy” because I have been sort of using it. I just wanted to touch on that. Thank you.

The CHAIR: Can I ask: Mr Bornmann—Mr Fini touched on this as well—it has been put to us that we do need to establish a level playing field. A lot of people have said that the Airbnb providers or short-stay accommodation providers need to be brought up to standard, but there is a contrary argument that traditional operators such as yourself should have the standards relaxed somewhat. What is your view on that and what sorts of things should be relaxed around hotel operations or your form of accommodation operations to level the playing field a little more?

Mr Bornmann: Thank you, Chair. I have been in the hotel game for probably 30 years now. I think, albeit that we may not agree with all of the compliance or regulations that are out there and some of them are there just as roadblocks for us, I think most of them are there for good reason. There are safety reasons. They protect not only the public, but also the staff and obviously investors and directors of the company that own the property. I would find it quite difficult to name any compliance items in the operations I run that you would want to lower the standards. I think, as we have said before, if anything, these Airbnb and other short-term accommodation businesses need to probably lift to our standards, or at least to the minimum standards.

The CHAIR: What are those minimums? What would you suggest the other short-stay accommodation provider should come up to?

Mr Bornmann: Chair, I think as Adrian listed before in developing an accommodation business, all of those compliance items are probably what need to be addressed.

The CHAIR: Does your facility advertise on or do you use any of these platforms to make your accommodation available?

Mr Bornmann: No.

Mr Fini: No.

The CHAIR: You never have done?

Mr Bornmann: No.

Mr Fini: No. Mindarie is a good little isolated case. We have surplus land. We have looked at the feasibility. We recently looked also at adding four more rooms to it, which we knocked on the head

last month, I think, roughly. We actually looked at the updated figure on how many new Airbnbs came into the Mindarie segment, and it was substantial.

Mr Bornmann: We are surrounded by them. Just recently, a prime example of what we are talking about is Vivid Blu Apartments that only opened in February this year, 22 apartments, which were sold as owner-operator type businesses —

Mr Fini: Owner-occupiers.

Mr Bornmann: There are already three of those apartments on Airbnb at \$150, which is \$20 to \$30 cheaper than what our rooms are selling for, brand-new.

The CHAIR: Yes.

Mr Fini: That is next door, but if you look at the suburb on the listings, it has grown substantially through this market. Do not forget, if you look at what is the housing market of Western Australia, it is the most laissez-faire industry that exists. It is a subcontracted industry. It is a laissez-faire product; it is managed in a laissez-faire, free enterprise model completely. There is nothing more laissez-faire than that, okay? We are living in this other industry, where we have been brought as a mature economy into—we live in this democratic model where democracy protects minority groups, so we make sure we have compliance about disabled; okay? How are you going to drag that space called housing into this space? I do not think you are going to be successful, to be honest. How can you actually say, “Hang on, maybe enough is enough”? How do we actually not make, then, a competitor to this product—this product does not have democracy or respect democracy, let us be really honest—where has this been, as a mature product, designed to protect democracy, how do you stop this stopping this?

I think that is where the question is today, and really the only answer is about forcing Airbnb—to say, “What was your job originally? Okay, it is hosts renting a room out.” It is not about professionals managing multiple houses. They are not calling it a hotel. They are doing whatever they want, whenever they want and not living with any of the compliances, and that is where I think you have to bring it back to a level playing field.

The CHAIR: Just one final question: it has been put to us that there are now—as a property developer in particular I would appreciate your insight into this—apartment buildings that are being built to housing standard, not hotel standard, with the intention of using them basically as short-stay accommodation facilities, bypassing—they are actually operating like hotels, but they are not hotels. Have you seen direct experience of that in the Perth market, or are you aware that there are proposals to develop properties on that model?

Mr Fini: Look, there has been examples kind of highlighted, I know, on the east coast, because you have had a little bit of the backlash of the partying and the craziness, so there was a lot of strata requirements. Call it the owner-occupier type developers, and obviously Mirvac is the national leader in that, and I used to look after all of that, where we had an anti-short-term stay policy in our strata regs. But then you actually had the other side of it, where you had developers saying, “No, we’re actually on that game plan” and you look at that smaller investor-driven product—great examples in Melbourne, where you can just see them bouncing off the balconies on the weekends, because they are obviously after that market. Yes, developers are aware of the product. There has been lots of examples and controversy because of that. That is what they are doing. They going to play that game. I think it will only grow as the digital game allows it.

The CHAIR: But you are not seeing any direct evidence of it in Perth at the moment?

Mr Fini: I have not seen one—no, I am not aware of one that is being developed that way, but I know there are products in the Melbourne market that have been delivered that way. It depends if you want to be the neighbour or not.

The CHAIR: A lot of people are not aware.

Mr Fini: Exactly.

The CHAIR: That is the issue. There is a bit of a buyer beware, and how can buyers inform themselves?

Mr Fini: Usually, the salesman is very happy to sell you the unit, and he will answer every question just how you want to hear it.

The CHAIR: That is a very interesting point, because it has been put to us that a lot of real estate agents market new apartments as, “Hey, you can short-stay accommodate this thing if you buy it” and very often without realising or without disclosing that there are strata laws that, in effect, prevent it, or local government regulations.

Mr Fini: Look at Airbnb. What are they going to say? You go onto their site this morning, and it says that in Balcatta you will make \$1,934 a month. That is what it says on the front page. Is it true? Is it untrue? If I said that as a developer, and you did not get it, I have broken the law in Australia. If I said any number of rent, when I sell a home unit to any person, under Australian legislation, and you did not achieve it, I have broken the law as a developer. But Airbnb says that on the front page of their website, and has not broken one law in Australia. Let us be honest, it is a joke.

Suddenly you have this model of business—I cannot believe how we are so lax in our legislation, personally. How we have allowed that to happen, with all the legislation we have in this democracy we live in, and you can just open up your page, today, on Airbnb, and you are so lucky—you are going to make two grand a week in Balcatta. Net, gross, yes, no, who—but I cannot do it. Any real estate agent who mentions it would go to jail for it.

The CHAIR: We do have to draw a line under it, because broadcasting is going to switch across to the Parliament. I will proceed to close today’s hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within seven days of the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee’s consideration when you return your corrected transcript of evidence. Thank you very much.

Hearing concluded at 11.54 am
