Institute for the Study of Social Change

Tasmanian Housing Update, August 2018
Executive Summary
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Introduction

This executive summary reports key findings from the Institute for the Study of Social Change’s August 2018 Tasmanian Housing Update.

This Update has been prepared to inform ongoing community debate and policy deliberations concerning the housing challenges facing our community. Our analysis builds on our Housing Summit Directions Paper released in March 2018, and combines the most recent housing and demographic data with an assessment of policy options that could contribute to better housing outcomes for all Tasmanians. It draws on the University of Tasmania’s expertise in housing policy, including that of the Housing and Community Research Unit.

The Update begins with a snapshot of housing market conditions in Tasmania before presenting a detailed overview of the drivers of housing outcomes in Tasmania. Our analysis includes a detailed assessment of both the composition and concentration of population growth in recent years and its implications for housing, as well as an assessment of current building activity and its consequences for housing supply.

Part 2 updates our previous analysis of the growth of the short stay accommodation sector in Tasmania, and its impact on housing markets and rental supply and affordability in particular. Given the ongoing growth in this sector and its impact on residential housing, we examine emerging regulatory frameworks being developed in other jurisdictions which aim to balance the interests of the short-stay accommodation sector with the housing needs of the Tasmanian community.

Part 3 focuses specifically on outcomes in the social and community housing sector, and the housing conditions facing the most vulnerable Tasmanians. This section includes a preliminary assessment of the Tasmanian Government’s response thus far to the housing crisis.

The report concludes by outlining policies we believe should be considered by governments and the wider community, given their potential to contribute to better housing outcomes.

The Tasmanian community faces significant housing challenges; and we acknowledge housing systems are complex and that meaningful change will take time. Yet, despite these challenges, we believe that, with a collaborative and evidence-based approach, we can achieve good housing outcomes that will deliver social and economic benefits for all Tasmanians.

Our key findings and recommendations are summarised in this Executive Summary. The full Tasmanian Housing Update is available at utas.edu.au/social-change

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Saul Eslake is a non-executive Director of Housing Choices Australia. The opinions expressed in this report are those of the authors.

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Tasmania’s housing market (and Hobart’s in particular) remains strong, although there is some evidence that the rate of price growth (both to buy and rent) may have slowed in recent months.

This is good news for home owners and investors but is problematic for aspiring home owners and tenants in the private rental market, many of whom are struggling to obtain secure and affordable housing. Given these growing barriers to home ownership and challenging conditions in the private rental market there a growing concerns that a greater number of lower income Tasmanians will require social and community housing, placing more pressure on a system already under strain.

The growth in house prices, which have increased by 32% in Greater Hobart since early 2016 (although growth outside Hobart remains modest), have attracted a good deal of attention: but our primary concern is availability and affordability in the private rental market, given that renters typically have lower incomes and are more likely to experience housing stress.

Historically low vacancy rate continues
The private rental market in Greater Hobart remains very tight. The rental vacancy rate has stabilised over the past three months at around 0.7%. This is the lowest rate of any Australian city and suggests there is an ongoing shortage of private rental accommodation. While this is an improvement over the historic lows of late 2017, evidence from other markets suggests that any rate under 1% is likely to result in significant rent increases leading in turn to a range of adverse social and economic consequences (as discussed below).

It will be important to monitor whether the vacancy rate continues to improve in the final months of 2018 given that rental demand historically increases towards the year’s end.

Rising rents
Rising rents are an inevitable consequence of a shortage of private rental accommodation. While national rents fell 0.2% in July 2018 and grew by only 1.6% over the year, Hobart’s weekly rents have increased by 10% over the year.

Rents across Greater Hobart have risen consistently over the last five years, currently at a median of $400 per week, dropping slightly from a peak of $420 in May 2018. This continues to be significantly higher than the rest of Tasmania, where median rents in June 2018 were $280 per week.

Impacts on households
Rapidly rising rents have a number of adverse social and economic consequences. Low income households may be forced out of the private rental market; while those who can secure a home will be forced to pay a higher percentage of their income on housing. In Tasmania, according to the recent PRD Australian Economic Property Report, the proportion of household income required to meet rent payments in March 2018 was 28.1%, second only to NSW and up 5.6 percentage points from the previous year. The Rental Affordability Index (RAI), which assesses the percentage of income households in the bottom 40% of the income distribution spend on rent, suggests that Hobart is the least affordable capital city in Australia. Approximately 30,000 households in the private rental market in Greater Hobart could soon be paying an extra $5,000 per annum in housing costs, representing a significant burden on household budgets and the wider economy.
Figure 2. Rental vacancy rate, Greater Hobart, January 2014 to June 2018

Figure 3. Median dwelling rent, Tasmania, June 2009 to June 2018

Source: SQM Research

Source: Core Logic
Part 1: Key drivers of housing outcomes in Tasmania

While Tasmania’s current rate of growth is lower than in 2003 and the peak of 1.2% in 2008, prior to the Global Financial Crisis (Figure 4), the dynamics of how the population is growing are having a great impact on the housing market.

Over the year to December 2017, Tasmania’s population increased by 0.9% to 524,677, slightly higher than the 15 year average growth rate of 0.7% per annum. This growth has been concentrated in Greater Hobart.

This growth occurred despite a persistent decline in the rate of natural increase (the number of births offset by the number of deaths), due to Tasmania’s ageing population.

A primary factor in the state’s recent population growth has been a reversal of the net loss of people interstate between 2011 and 2014, to increasing net gains in interstate arrivals since 2015.

Historically, Tasmania’s population growth has been driven by natural increase, (the number of births offset by the number of deaths), which has little impact on the demand for housing. Now, due to Tasmania’s ageing population, natural increase is declining and the driver of population growth has shifted to migration – both interstate and overseas – which has considerable implications on the demand for housing.

The churn of people in and out of Tasmania has major implications for housing need

— 11,680 people left Tasmania for the mainland in 2017, while 13,560 people moved to Tasmania from interstate to live. This churn creates turnover in housing and changes in housing demand and supply, which affect housing markets.

— More young people, particularly those aged 15 to 24 years, continue to leave the state than arrive and a greater number of older people continue to arrive in Tasmania than leave. This has consequences for housing, given that the young Tasmanians leaving are much less likely to be ‘freeing up’ housing for older arrivals.

— Although Tasmania experiences net losses in the younger age groups, the second largest group of inward interstate migrants since 2012 has been those aged 20 to 24 (1,272 arrivals on average per annum). The largest age group of interstate arrivals are 25 to 29 years (1,607 on average per annum). These young migrants from interstate are likely to be seeking affordable independent accommodation options, whereas outward migrants of this age (1,710) are more likely to be leaving the family home.

Overseas migrants have been the biggest contributor to population growth since 2013

— Net overseas migration (overseas arrivals offset by overseas departures) increased considerably in 2016 and 2017, when Tasmania received a net average of 2,219 arrivals per year across the two years compared with an average of 1,552 per year for the previous five years.

— The number of international students studying at the University of Tasmania

Figure 4 – Components of population change and population growth rate, Tasmania

Source: ABS, Australian Demographic Statistics, Cat. No. 3101.0
has increased significantly, to 5,036 in 2018, adding to the demand for housing generally and student accommodation in particular.

— In May 2018 the University of Tasmania announced construction of a new $70 million accommodation project which would deliver an additional 430 beds by 2020.

New housing completions have not met demand since mid-2016

— Across Tasmania the supply of new housing met demand in the decade preceding the 2016 Census.

— Analysis suggests that since the 2016 Census, approvals for new dwellings would have met demand for new housing, had these homes been completed.

— Between June 2016 and December 2017, Tasmania’s population increased by almost 5,000 people. Based on an average household size of 2.3 persons, this results in a projected demand for new dwellings of 3,114. While 3,625 new dwellings were approved for construction, creating a potential surplus of 511 houses, only 2,648 new dwellings were completed, resulting in a shortfall of 466 homes that has contributed to present tight market conditions.

Figure 5 – Dwelling demand and supply, 2013 to 2017, Tasmania

Skilled labour shortages affect the conversion of dwelling approvals to finished homes.

— Over the two years to May 2017 the building and construction workforce grew considerably, in response to an increase in demand for housing and growth in commercial construction. However, since then growth in the building and construction workforce has plateaued, even though demand for residential and non-residential construction has continued to increase.

— Apprenticeship completion rates in the building and construction workforce are poor and are declining. Of those who started an apprenticeship in 2013, 67.4% completed their training, but the apprentice attrition rate has since increased, despite a strong building and construction sector. Of those who started their apprenticeship in 2016, more than a quarter (28.3%) have withdrawn.

Communities need region-specific housing policies

— While Tasmania is experiencing population growth as a state, the experience differs substantially by local government area (LGA). As explained in more detail in the full report, six municipalities experienced a deficit in housing supply for their growing populations, while in all other LGAs, new dwelling approvals exceeded demand.

We suggest governments consider the following policy recommendations:

1. Establish a framework for the development of robust five-yearly population projections at a local government area level across Tasmania, including a profile of the changing mix of population and housing demand in each area.

2. Promote and facilitate the development of housing appropriate for each LGA population profile.

3. Promote collaboration between state and local governments to develop regional housing and settlement plans which will complement Tasmania’s Population Growth Strategy. Such plans will support sustainable population growth and should be central elements of any regional and urban planning initiatives including prospective City Deals.

4. Support the Tasmanian Building and Construction Industry Training Board (TBCITB) to implement a comprehensive workforce development plan for the industry and support apprentices to complete their training.

5. Develop a detailed building and construction pipeline by region, building on the work already started by Infrastructure Tasmania’s Infrastructure Pipeline.2

Source: ABS, Building Activity, March 2018, Cat. No. 8752.0, quarterly, trend data

Part 2: The short stay accommodation sector

Strong tourism growth and the local boom in short stay accommodation has delivered many economic benefits to Tasmania. However, like all emerging technologies, digital accommodation platforms have also generated unforeseen consequences. Tasmania is not unique in this experience, and, like many other jurisdictions worldwide that are attempting to regulate the sector, local and state governments must also balance the growth in short stay accommodation with the housing needs of the wider community. The growth in the short stay accommodation sector in Tasmania (and particularly in Hobart), including the growth of ‘high filter’ listings, is having an impact on housing supply in some local markets and should, we believe, be subject to more targeted regulation. The Tasmanian Government’s August 2018 announcement that it will enforce the requirement that all short stay accommodation properties have a permit if they are not the host’s principle place of residence will serve as a foundation for more effective regulation of the sector.

Key Findings:

— Tasmania’s short stay accommodation sector has grown steadily since our February 2018 review, albeit at a rate slower than the previous six months. Moreover, listings for most areas (Tasmania, Greater Hobart and Hobart LGA) and listings types (all properties and entire properties only) are currently at their peak. Entire properties have grown state-wide by 205%, in Greater Hobart by 228% and in the Hobart LGA by 268% (see Table 1).

— We focused on listings more likely to indicate commercial activity, in order to better understand possible impacts on local housing supply. ‘High filter’ properties and multi-listing properties (where the host operates two or more Airbnb properties) are less likely to be shared by the property owner and may be managed by professional hosts. We found that both listing types, in all areas, are also at an all-time high, with few exceptions. Multi-listings have experienced robust growth over the two years (see Figure 6), including 241% growth in the Hobart LGA.

— The recent growth in short stay accommodation in Tasmania mirrors international experience in that it has been concentrated in inner city areas. The Hobart LGA has experienced the largest growth in both total listings (183%) and entire properties (268%) (see Table 1). Airbnb activity that is more likely to be commercial is also concentrated in the Hobart LGA. Across Greater Hobart, 63% of all its high filter listings (and 62% of all multi-listings) are located in the Hobart LGA, despite this being home to only 23% of Greater Hobarts’ resident population.

— It is possible to establish the impact of short stay accommodation platforms such as Airbnb on rental supply and vacancy rates in Greater Hobart. Our conservative estimate is that the ‘conversion rate’ is likely around 75% of listed high filter entire homes. Our estimates in Table 2 highlight that the current net housing shortage in the Hobart LGA is approximately 451 dwellings, and almost 600 dwellings in Greater Hobart.

— Our data also suggests that short-stay accommodation may also be affecting the availability of rental housing in some tourism-intensive regional areas in Tasmania (for example, St Helens).

— At the local government level, planning directives which came into effect on 1 July 2017 highlight the requirement for non-owner-occupiers who make their property available for short term rental accommodation to apply for a permit. Our data highlights that compliance with this directive has been poor, which contributes to the challenge facing state and local government in their attempts to develop effective regulatory frameworks to govern short stay accommodation in Tasmania.

### Table 1. Growth in Airbnb listings, by region and listing type

<table>
<thead>
<tr>
<th></th>
<th>July 2016</th>
<th>June 2018</th>
<th>Growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total listings (no.)</td>
<td>Entire properties (no. and %)</td>
<td>High filter (no. and %)</td>
</tr>
<tr>
<td>State-wide</td>
<td>1,827</td>
<td>1,198 / 66</td>
<td>715 / 39</td>
</tr>
<tr>
<td>Hobart LGA</td>
<td>416</td>
<td>250 / 60</td>
<td>211 / 51</td>
</tr>
<tr>
<td>Greater Hobart</td>
<td>787</td>
<td>485 / 62</td>
<td>350 / 44</td>
</tr>
</tbody>
</table>

1 ‘High filter’ listings are entire properties which are rented frequently and available for rent often. This high availability is incompatible with use as a primary residence and indicates a high likelihood the property has been ‘converted’ from residential housing to short stay accommodation effectively reducing housing supply.
**Based on this analysis we suggest governments consider the following policy recommendations:**

1. Government should develop a consistent and comprehensive database of information to better understand and monitor the short-stay accommodation landscape, including any changes that arise as a result of regulation.

2. Government should provide a clear directive that all properties converted to visitor accommodation by non-owner-occupiers require a permit, regardless of when the property’s change of use took place (that is, there should be no ‘grandfathering’ of pre-existing permit requirements). The Tasmanian Government’s August 2018 announcement that it will introduce legislation to address poor compliance with existing planning provisions is to be commended.

   a. a framework to ensure compliance by hosts should be put in place, such as the requirement to display a permit authorisation number on the short-stay accommodation user platform and in associated marketing. (The Tasmanian Government has adopted this recommendation since the drafting of this report).

   b. short stay accommodation operators should be required to provide local councils with adequate information from which to make informed decisions about their community and housing conditions in the area.

3. Conditions outlined in the State Government’s June 2018 Planning Directive for compliance with the planning scheme be expanded to consider the impact of short stay accommodation on the affordability and supply of residential rental properties, with permits only being issued on current terms if the change of use to visitor accommodation does not have detrimental consequences for the local housing market. If the short stay accommodation sector is deemed to be impacting on rental market conditions, local councils should have the authority to respond (see 4. below).

4. A state-wide regulatory framework should be established which empowers local councils to take discretionary action if needed to respond to the housing needs of their communities, with a range of approaches available to address needs flexibly. These may include:

   a. Limiting short-term rental accommodation availability for owner-occupied listings to 60 or 90 days per year.

   b. Establishment of permit fees, e.g. $500 per annum.

   c. Implementing a ‘pause’ on issuing new visitor permits or renewal of permits in communities where the short stay accommodation sector is deemed (by an agreed measure) to be having a detrimental impact on rental market outcomes until conditions ease.
Part 3: Social and affordable housing and the Tasmanian Affordable Housing Strategy

Social housing is a critical component of any housing system, especially during periods of rising prices (to buy or rent) and a declining supply of affordable housing options. This is particularly the case in Tasmania given the high proportion of households on low and fixed incomes. The social and community housing sector in Australia has been subject to considerable reform and change in recent years, and Tasmania is no exception to this national trend. These reforms have resulted in new partnerships and innovative models of housing provision, but most commentators argue the sector continues to be underfunded in the face of high demand.

The Tasmanian Government’s Affordable Housing Strategy 2015-2025, and its Action Plan 2015-2019 include specific initiatives for new social housing supply as well as a host of emergency accommodation and accommodation support programs.

Key findings:

— The Affordable Housing Strategy 2015-2025 appears to have funded the construction of approximately 450 new social and community homes up to July 2018. In addition to this contribution to new supply, the AHS has also supported emergency accommodation initiatives and rental subsidies for existing housing.

— The extension and investment of an additional $125 million in the second phase of the AHS is welcome but, based on recent experience, delivering an additional 1500 new affordable homes by 2025 will be challenging and may require new approaches and additional investment.

— While a number of factors affect demand for social and community housing, despite a tightening of the Tasmanian (and Hobart in particular) rental market over the past 2 years, the number of applicants on the Tasmanian Housing Register has not increased significantly.

— However the wait time for applicants seeking social and community housing has increased significantly since mid-2016; the wait time for priority applicants has increased from less than 40 weeks to more than 60 over the past two years.

— Despite the Tasmanian Government’s investment in the AHS, the total number of social and community houses in Tasmania continues to decline. This decline in the stock of social and community housing in Tasmania can partly be attributed to Commonwealth funding.

— It is too early to assess the efficacy of recent policy responses to Tasmania’s housing crisis.
Based on this analysis we suggest governments consider the following policy recommendations:

1. The State Government should ensure that Stage 2 of the AHS includes robust provisions for new social and affordable housing supply, including using levers available through the planning system (e.g. inclusionary zoning and similar provisions) as well as through new capital investment.

2. Recent policy initiatives designed to increase rental supply such as the Private Rental Incentive scheme should be subject to independent evaluation to ensure their efficacy.

3. Interest on Housing Tasmania’s historical housing debt to the Commonwealth consumes approximately half of the federal funding for affordable housing in Tasmania. Given that the Commonwealth has refused to forgive this debt the Tasmanian government should treat the debt as a whole of government issue and service it out of consolidated revenue freeing up resources to invest in social and affordable housing.

4. The State and Commonwealth governments must work together to find a solution to the well-recognised shortfall in both capital and recurrent subsidies for social and affordable housing. The efficient financing available through the National Housing Finance and Investment Corporation (NHFIC) is a worthwhile start, but it does not solve the underlying structural problem, which is that providers do not have access to sufficient recurrent subsidies.

5. Governments must also work with institutional investors to encourage more large scale investment in the sector and implement tax changes to promote this investment. For example, the Tasmanian government should end land tax aggregation for institutional investors.

6. Social and Community housing supply should be central elements of any regional and urban planning initiatives including prospective City Deals.
Summary of policy recommendations

Part 1: Key Drivers of Housing Outcomes in Tasmania

1. Establish a framework for the development of robust five-yearly population projections at a local government area level across Tasmania, including a profile of the changing mix of population and housing demand in each area.

2. Promote and facilitate the development of housing appropriate for each LGA population profile.

3. Promote collaboration between state and local governments to develop regional housing and settlement plans which will complement Tasmania’s Population Growth Strategy. Such plans will support sustainable population growth and should be central elements of any regional and urban planning initiatives including prospective City Deals.

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1. Government should develop a consistent and comprehensive database of information to better understand and monitor the short-stay accommodation landscape, including any changes that arise as a result of regulation.

2. Government should provide a clear directive that all properties converted to visitor accommodation by non-owner-occupiers require a permit, regardless of when the property’s change of use took place (that is, there should be no ‘grandfathering’ of pre-existing permit requirements). The Tasmanian Government’s August 2018 announcement that it will introduce legislation to address poor compliance with existing planning provisions is to be commended.

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