Housing in Hobart: an overview of the data

Richard Eccleston, Lisa Denny, Julia Verdouw & Kathleen Flanagan
University of Tasmania
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Informing the Housing Debate

Tasmania is facing significant housing market challenges, including an acute shortage of suitable and affordable rental accommodation in Hobart. These challenges are driven by a range of factors including population growth, the tourism boom, a range of housing supply constraints, and their economic knock-on effects.

We recognise that solutions to current housing needs require a more detailed and comprehensive understanding of the Tasmanian housing market. This presentation extends previous research undertaken by the Institute, *Insight Three: A blueprint for improving housing outcomes in Tasmania* and the *Tasmanian Housing Summit Directions Paper*, and is the first step in collating, analysing and publishing a range of key factors that influence the supply and demand of housing in our state.
Executive Summary

Key findings from our analysis include:

• Constraints on the supply of new housing and a decline in housing completions relative to the 5 year average since 2016;
• Population growth in Hobart is accelerating and net migration losses are declining, and;
• Significant increases in whole property short-stay accommodation listings in the state, particularly in Hobart LGA.

Taken together, this data highlights a significant and growing gap in the Greater Hobart housing supply since 2016. Consequences of this - typically borne by the most vulnerable in our city - include low rental vacancy rates, rising rents, and declining affordability that translate to increased housing stress and risk for low-income Tasmanians.

Our aim is that this data, including future regular housing data updates, will provide a valuable and reliable evidence-based resource from which governments, policy-makers, planners and stakeholders can draw to inform their response to the current housing challenges in Tasmania.
Part 1:

Supply and demand
## Housing supply and demand

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Source: ABS, Census of Population and Housing, various years, ABS Regional Population Growth, Australia, 2016-17, Cat. No. 3218.0

Between 2011 and 2016, the supply of new dwellings comfortably exceeded demand in Greater Hobart, with a surplus of 1,405 dwellings.
## Housing supply and demand

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**Source:** ABS, Census of Population and Housing, various years, ABS Regional Population Growth, Australia, 2016-17, Cat. No. 3218.0

But for 2016-17 (assuming no new dwelling completions in that period) —

- greater Hobart population increased 1.1% since 2015/2016 (compared with 0.9% previous 12 months)
- housing demand increased by 1,009 as a result
- there was an estimated housing shortage of 173 dwellings in the Hobart LGA due to population growth.
- the surplus housing supply in Greater Hobart (relative to 2016) fell to 396.

**Note:** Does not include demand from temporary visitors or residents

* statewide housing completions: ~ 1,800 for the year
In 2017, all Greater Hobart SA2s recorded an increased population growth rate compared with 2016.

The Hobart LGA population growth rate increased from 0.68% in 2016 to 0.85% in 2017.

The greatest rate of increase (0.4 percentage points) was Hobart – South and West (0.9 % to 1.3% or 433 people).

Hobart – North East maintained a 1.0% population growth rate and recorded the greatest increase of 544 people.

Source: ABS, Regional Population Growth, Australia, 2016-17, Cat. No. 3218.0
Internal migration

Between 2010-11 and 2015-16:
Hobart and Glenorchy consistently recorded net internal (non-international) migration losses.
Other areas generally recorded net internal migration gains.

In the 12 months to June 2017:
Greater Hobart recorded a net internal migration gain of 1036 people.
7,243 people moved to Greater Hobart, including 2,783 people from other areas in Tasmania.
6,207 people left Greater Hobart, including 1,828 to other regions in Tasmania.

Source: ABS, Regional Population Growth, Australia, 2016-17, Cat. No. 3218.0
Migration

Migration movements influence housing supply and demand through availability, turnover and volume.

Historically, more Tasmanians have moved interstate than have arrived to live here from interstate.

But departures have been declining, and in 2015, the number of interstate arrivals exceeded the number of interstate departures.

Meanwhile, overseas migration has been stable since 2012, averaging 1,200 per annum.

Source: ABS, Migration, 2016-17, Cat. No. 3412.0
Housing supply in Greater Hobart
Building activity

Residential dwelling approvals (state-wide) have increased since March 2017 following two years of decline.

An increase in public sector residential approvals (albeit from a low base) was recorded in the 12 months to March 2018 (104 dwellings compared with 24 the previous year)

But…
Between 2013 and 2015, approvals, commencements and completions increased simultaneously.

However, since 2015, the connection between approvals, commencements and completions has changed — is this a ‘commencement gap’?

From 2015, approvals and commencements declined substantially, and completions have declined further in 2016 reflecting the sharp decline in approvals and commencements from 2015.

While approvals have increased in 2016 commencements have remained relatively flat since late 2016 and the completion time for dwellings has increased.

This gap will have a long term effect on completions and is Tasmania-specific.

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

There is a trade-off between residential and non-residential building activity: when one goes up, the other goes down.

From 2017, **residential approvals** increased.

However, it is necessary to analyse the value of the approvals when comparing residential and commercial building activity.

**Source:** ABS, Building Activity, March 2018, Cat. No. 8752.0, quarterly, original data
While the number of non-residential approvals has declined, the proportion of non-residential approvals valued between $1 million and $20 million has increased:

- From 2017 to 2018, approvals valued between $1 and $5 million increased by 14 to 75 pa (12.3 percent of all approvals)
- Approvals valued between $5 million and $20 million increased from 9 in 2014 to 12, 13, 14, and 12 in subsequent years

This may indicate that the size of the building and construction workforce is limited, affecting residential commencements and completions.

**Source:** ABS, Building Activity, March 2018, Cat. No. 8752.0, quarterly, original data
The building and construction workforce has been growing since February 2014, though growth is slowing.

Commencement and in-training numbers are rising, but apprentice completions are falling. This is indicative of time lag from training commencement to completion (approx. 4 years).

Source: ABS, Labour Force, Australia, Detailed, Quarterly, Feb 2018, Cat. No. 6291.0.55.003

Source: NCVER, Apprentices and trainees 2017 September quarter, March 2018
Housing supply in Greater Hobart

Key points
- Housing supply/completions declined 24% in Tasmania 2016-2017
- Suggests decline in completions of ~220 residential dwellings in greater Hobart last year relative to 5 year average
- Shortage of construction workers the most likely supply constraint
Tasmania is experiencing a tourism boom with obvious economic benefits, however there have been recent concerns over the impact of the short-term accommodation on the rental market by reducing the long-term residential rental supply in Tasmania and particularly in Hobart.

The data in Part 2 is drawn from ‘Inside Airbnb’ an independent, international data organisation which provides services to researchers, regulators and governments.

Monthly Airbnb data listings are available from July 2016 to February 2018 in Tasmania (with a small break in the data between August and December 2016).
Airbnb

From July 2016 to February 2018 —

total listings state-wide: 1,827 to 4,459.

whole properties state-wide: 1,198 to 3,400.

Source: Inside Airbnb, monthly data July 2016 to February 2018
Airbnb activity in Greater Hobart is concentrated in the Hobart LGA, which grew in whole property listings by 609 properties. This is consistent with the international experience.

Greater Hobart total property listings include:

- 56% Hobart LGA
- 15% Kingsborough LGA
- 15% Clarence LGA
- 8% Glenorchy LGA

In February 2018, Hobart LGA accounts for 25% of state-wide total listings, and 25% of state-wide whole property listings.

Source: Inside Airbnb, monthly data July 2016 to February 2018
Growth in Airbnb

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From July 2016 to Feb 2018 the growth in total Airbnb listings increased in most cases well over 150%. The largest increases were entire home/apartment listings:

- 244% growth over the period in Hobart LGA (250 to 859 listings),
- 212% growth in greater Hobart (485 to 1515 listings), and
- 184% growth across the state (1198 to 3400 listings).

Source: Inside Airbnb, monthly data July 2016 to February 2018
Airbnb whole properties

The proportion of all listings that are whole properties are also increasing, especially in Hobart LGA.

From July 2016 to February 2018, there was a 17 percentage point increase in whole properties listed.

Source: Inside Airbnb, monthly data July 2016 to February 2018
Airbnb multi-listings

Multi-listings is indicated by more than one listing per host.

Increasing proportion of ‘multi-listings’ may be an indicator of increasing activity by commercial operators and professional managers.

Data shows an increase in multi-listings during the period to close to half of all listings:

- from 38% to 46% in state-wide total listings.
- from 39% to 45% in Hobart LGA total listings.

Source: Inside Airbnb, monthly data July 2016 to February 2018
Peak Airbnb?

A sustained rise in price per night for entire properties (Hobart LGA) is indicated, from $152 to $212 in February 2018.

This continued price growth suggests demand remains strong and that we haven’t yet reached peak Airbnb.

Source: Inside Airbnb, monthly data July 2016 to February 2018
Data gaps

What were current short-term rentals previously used for?

What are actual current compliance levels with new short-stay accommodation provisions?

Can we know more about Tasmania’s private rental stock and changing supply?
Map 1: City of Hobart new visitor accommodation permits in accordance with planning provisions from July 2017 (approx. 60 permits).

Map 2: Inside Airbnb whole property listings as at February 2018 (approx. 859 properties, of which 152 have been added since July 2017).

Key point: Number of permits granted does not reflect the scale of short-stay accommodation activity in Hobart.

Source: City of Hobart, to April 2018

Source: Inside Airbnb, monthly data July 2016 to February 2018
Assumptions and impacts

If just 50% of the ‘entire properties’ listed on Airbnb in greater Hobart were previously in long-term rental then the private rental stock will have declined by 750 homes (430 in inner Hobart) in an already tight rental market.
Part 3:
Impact on the rental market
Supply constraints, population growth and tourism...

The bottom line

Three factors have contributed to the tightening Greater Hobart housing market since 2016:

1. **Population growth** — increased demand for dwellings by 325 per annum over 5 year average
2. **Supply constraints** — decreased supply of 223 dwellings p.a. over 5 year average
3. **Growth in short-stay accommodation** reduced supply by a conservative 752 dwellings

Net result:
+ 1,300 additional properties needed in greater Hobart to restore 2016 market conditions, and
+ 1,200 further properties per annum (assuming 1% population growth).
At end April 2018:

• The vacancy rate in Hobart is 0.7, having risen slightly from 0.4 in the last quarter of 2017.
• For context, a vacancy rate of below 1.0% is considered a market failure and is likely to increase homelessness, slow short to medium term migration and negatively affect associated economic growth.
Rising rents

Hobart house rentals were up 15.8% over the twelve months to March (compare this with average rise of 3.6% for five mainland state capitals).

All dwellings rental prices up by 17.1% (and compare this with a growth of 3% average across all capital cities)

House rents in Hobart are now higher than those of Melbourne, Brisbane or Adelaide (or Perth, not shown on this chart).

Source: CoreLogic, to April 2018
Rising rents

Hobart is much more expensive than the rest of the state.

Rents in Hobart (all dwellings) are now around $450 per week, whereas the same elsewhere is still under $300.

Source: CoreLogic, to April 2018
The Rental Affordability Index (RAI) is an indicator of the price of rents nationwide relative to household incomes. In the RAI, households paying 30% of income on rent have a score of 100 (indicating a threshold for housing stress). An index of less than 100 suggests households would pay more than 30% of income on housing costs and would be at increased risk of housing stress.

This map shows that in the December quarter (2017), all of the central, southern and eastern shore suburbs are ‘unaffordable’ (scores of 80-100) and the northern suburbs are ‘moderately unaffordable’ (scores of 100-120).

Note: Data on the RAI was published after the HCC Roundtable as was not a part of that presentation.
The rental affordability Index (RAI)

A comparison of RAI in Australian cities shows that Greater Hobart is the least affordable capital city, with an RAI score of 102.

This means that rents in metropolitan Hobart have become unaffordable even to median income families in the private rental market, and that many of these families are now experiencing housing stress.

A comparison of RAI scores between Hobart and Sydney (which is the second least affordable city to rent in Australia) shows that while both cities have experienced similar levels of affordability since 2014, the RAI score gap has widened significantly in 2017. This is because income growth in Hobart has not kept pace with rising rent prices.


Note: Data on the RAI was published after the HCC Roundtable as was not a part of that presentation.
Economic impacts

Cost of living shock, especially for tenants:
- 25,000 households in the Hobart private rental market are paying ~ $5000 more for rent a year
- This will result in increasing housing stress for many household

Likely consequences include:
- Negative effect on discretionary spending
- Constraint on population and economic growth
- Increased cost and decreased supply of labour
No affordable homes

As always the poorest members of our community are most vulnerable, reflected in increased homelessness and demand for social and community housing.

Rental Affordability snapshot (Anglicare, 2018) highlights that of 1245 properties advertised in Tasmania for rent, the proportion of properties in the south that were affordable and appropriate:

- for young people, 0
- for disability pensioner, 1
- for single parents with one child, 0
- for couple with two children on minimum wage, 15
- for age pensioner couple, 13

The usually more affordable north west region showed a 45% drop in affordable properties from the year previous.

Source: Anglicare Tasmania 2018
Thank you

http://www.utas.edu.au/social-change

Housing and Community Research Institute
Institute for the Study of Social Change