The Tasmanian housing market: update 2020-21

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Tasmania’s housing market continues to be under extreme pressure. Despite some localised fluctuations linked to the effects of COVID-19 restrictions, house prices and rents remain high, while the private rental vacancy rate remains very low.

By March 2021, Hobart dwelling values had increased 12.5 percent in the preceding 12 months, and by 3.3 percent in the previous month alone. Dwelling values across the rest of Tasmania had also increased by 15.3 percent and 2.3 percent respectively.

New loan commitments to owner-occupiers had increased by 11.5 percent to $307.5 million in the December quarter of 2020. By February 2021, loan commitments to owner-occupiers had reached $334.6 million. Loan commitments to investors had increased by 51.8 percent to $98.5 million in December quarter of 2020.

Loan commitments to first home buyers rose 85.2 percent over the 12 months to October 2019 by October 2020 were at their highest level since their post-GFC peak in 2009.

Only 23.0 percent of loans to owner-occupiers are to construct new dwellings or purchase newly built dwellings. This is, however, a higher proportion than previously.

In March 2021, the median rent in Tasmania was $400 per week for a three-bedroom house, up 6.7 percent since March 2020. The median rent for a two-bedroom unit was $360, up 20.0 percent since March 2020.

The private rental market vacancy rate was 1.9 percent in March 2021.

According to the 2020 Rental Affordability Index, Greater Hobart remained the least affordable capital city in Australia relative to income, and the rest of Tasmania is the least affordable region of the other ‘rest of state’ areas considered.

There are significant affordability challenges across the state due to continuing low wage growth and relatively static income support payments. The temporary alleviation from the coronavirus supplement to selected income support payments has now ended and many income support recipients are again living below the poverty line.
In the year to June 2020, the Tasmanian population had increased by 1.1 percent. Much of this growth was from interstate and international migration, which is now restricted due to COVID-19.

The local government areas with the greatest number of new residents are Clarence, Launceston, Hobart and Brighton, but the greatest rate of population growth is in the Glamorgan/Spring Bay, Latrobe, Tasman and Sorell local government areas. Only the West Coast, Flinders and Glenorchy local government areas saw population decreases, but these were small.

The number of building approvals increased by 65.1 percent between November and December 2020. Commencement numbers accordingly also increased in the December quarter of 2020.

In the December quarter of 2020, the number of dwelling completions was 6.8 percent higher than in the previous quarter and 26.1 percent higher than the same period in 2019.

Current projections suggest that the balance between demand and supply will fluctuate over the next three years, but external factors, especially in relation to migration, make future trends difficult to predict with certainty.

Border closures associated with COVID-19 have disrupted migration to Tasmania, cutting off its main source of population increase. Due to a range of government policies designed to stimulate the construction industry and the broader economy in the wake of COVID-19, new construction levels are relatively high, and it is likely that there will be a short-term absolute over-supply of new housing relative to new demand. Whether this will translate into increased affordability is not clear, because it depends on where the new houses are being built and what kind of properties they are.

The short-stay accommodation sector was significantly affected by the virtual closure of the tourism industry during parts of 2020. There are now signs that the sector is becoming active once more. Despite anecdotal evidence that some short-stay properties returned to the private rental market during the pandemic, it is unclear how many did so or whether this trend will persist.

There is little sign that the Short Stay Accommodation Act 2020 had any meaningful impact on the level of short-stay accommodation activity in Tasmania.

The number of listings on the largest short-stay accommodation platform, Airbnb, fell around 20 percent in Launceston and Hobart following the closure of Tasmania’s borders in March 2020, but remained relatively stable on the East Coast.

Numbers of listings have now started to increase again, including listings where there are indicators of commercial or investor activity.

Yield for Airbnb hosts has returned to pre-pandemic levels, and the numbers and timing of reviews suggest that many properties are once again being leased out regularly.
Need for social housing remains high, as does need for assistance from Specialist Homelessness Services. This indicates that despite new government investment in the social housing and crisis housing systems, demand still exceeds the available supply.

- As of December 2020, there were 3,813 applications on the Tasmanian Housing Register, which was 9.6 percent higher than the previous year.

- Timely access to social housing remains limited: in December 2020 only 72 new households were accommodated in social housing and the average waiting time for priority applicants was 53.9 weeks.

- The Tasmanian government has committed to providing 3,500 new homes in total over the next four years. This figure does not incorporate sales or demolition of other social housing properties so the net gain to the system is likely to be less than this.

- The rate of homelessness in Tasmania at the time of the 2016 Census was 31.8 homeless people per 10,000 of population, which was less than the Australian average of 49.8. In March 2021, 2,653 Tasmanian households were receiving support from Specialist Homelessness Services.

- There is a high level of unmet need for longer-term housing among Specialist Homelessness Services clients. In 2019-20, of the 76.6 percent of clients identified as needing long term housing assistance, only 7.8 percent had this need met directly, 51.5 percent were referred elsewhere (with an unknown outcome) and 40.7 percent received neither long-term housing assistance nor referral.
Introduction

There continues to be an acute shortage of affordable housing in areas of high demand. Government measures to address this shortage have only had a limited impact.

This report is the latest in a series prepared by the University of Tasmania to inform public debate on the Tasmanian housing crisis. The evidence in this report shows that although there was a small fall in house prices and rents during the early stages of the COVID-19 pandemic, in recent months both have started to rise again, fuelled by low interest rates, increased demand for housing, the cessation of some temporary policy interventions and the introduction of housing-related economic stimulus programs. These increases in house prices and rents have exacerbated the long-standing housing problems in Tasmania, which remain entrenched due to a long-term failure to adequately invest in social housing and growing demand for affordable housing.

‘Affordable housing’ can refer to a type of housing product that is available to eligible households at below-market rents (e.g. properties under the National Rental Affordability Scheme or NRAS). However, in this report, we are using the term generically and descriptively, to refer to housing which low to moderate income earners can afford without compromising their expenditure on other essential costs like food, energy and transport.

In Australia, responsibility for housing policy is shared across all three levels of government. To be effective, national, state, and local governments need to coordinate their housing-related activities, and this does not always occur. As a result, there are multiple points of tension and contradiction within the Australian housing system.

In this report, ‘social housing’ refers to public and community housing. This is housing owned and managed by government and/or the community sector and rented out to eligible households at income-linked rents. Due to limited supply, households are usually unable to enter social housing unless they are assessed as being in greatest need.
Commonwealth government taxation policy, including in relation to negative gearing and capital gains tax exemptions, encourages the provision of new housing supply but also contributes to speculative investment and consequent house price inflation (Eccleston et al. 2018a). These in turn create significant housing market pressures at the state level, yet it is difficult for state governments to fully resolve these because they lack the Commonwealth’s revenue-raising power.

For example, the unmet need in Tasmania’s social housing system has been estimated at 14,200 dwellings over the 20 years from 2016 (Lawson et al. 2019). This number is large because so many low-income households in Tasmania are living in private rental properties that they cannot afford without unreasonably compromising their standard of living. The Tasmanian state government could not deliver 14,200 new dwellings without substantial funding support from the Commonwealth and significant private investment in affordable housing. As this is not forthcoming, Tasmanian government efforts are necessarily more limited than they need to be to fully address the problem. The Tasmanian government has committed to building 3,500 social housing dwellings over the next four years, as well as constructing additional supported accommodation for target groups (Tasmanian Liberals 2021). However, this welcome investment is accompanied by other policies, such as a substantial increase to the First Home Owners Grant Boost, although restricted to new supply, eligibility for this program is not means tested and the investment is likely to be capitalised into increased prices with little long-term impact on affordability.

This paper presents data and independent analysis on different aspects of the Tasmanian housing market. It is written to inform and provoke public debate over housing policy. Obviously, the effects of the COVID-19 pandemic loom large in the data, but this is not a report about COVID-19. Rather, it traces significant continuities in Tasmania’s housing market story from before the onset of COVID-19 and, importantly, as we integrate COVID-19 into a new way of life.
1. Market trends

Given the limited supply of social housing, most Tasmanians must meet their needs for accommodation in the private market. Finding the right housing requires weighing considerations including cost (affordability) and appropriateness, which can encompass accessibility for people with disabilities or other health needs, proximity to family, friends, schools, work and essential services, the size of the property relative to the size of the household, and the cost of living in the property day to day (heating and cooling, commuting, and so on). The extent to which these considerations are either a question of competing preferences or a series of problematic and lifelong compromises depends largely on household income and where this income situates a potential purchaser or renter in relation to the property market.

Property values

The most marked influence on Tasmanian house prices in the last 18 months was the COVID-19 pandemic. Purchase prices and rents fell in most major cities during 2020. However, this has not lasted, and prices and rents are once again rising. Regional markets were even less affected. In Tasmania over the 12 months to April 2021, dwelling values increased 15.3 percent in regional areas and 12.5 percent in Hobart (see Figure 1). These increases tended to exceed the average for all regions and all capital cities.

Figure 1: Dwelling value change, capital cities and rest of state, March 2021

Source: Unpublished data, CoreLogic.
One measure of change to property values is the Residential Property Price Index, which is an aggregate index compiled to measure the price change in all residential dwellings within the eight Greater Capital City Statistical Areas. The Greater Hobart Residential Property Price Index rose 6.1 percent to 172.5 in the March quarter of 2021, a rise of 10.2 percent since the same quarter the previous year (see Figure 2).

The index shows a steady increase from March 2009 to 2016, and then a steeper incline from March 2017. The last major economic disruption in Australia occurred due the Global Financial Crisis (GFC). To enable this comparison, where data is available the scale on many of the graphs in this report has been extended back to include the GFC and its aftermath.

When analysing movements in price, economists separate units and houses because these are different products and therefore operate as different markets. Differences between markets are also seen when a capital city market is compared to the market in the rest of the state. The differences across these sub-markets can be seen in Figure 3, which depict the seasonally adjusted hedonic home value index for houses and units in Tasmania, broken down into figures for Greater Hobart and for the rest of the state. This index is designed to reflect not just raw prices but dwelling characteristics, such as location, housing type or number of bedrooms, that affect those prices.

Although there have been some fluctuations, house prices in Hobart have generally increased across 2020 and into 2021. Growth in regional markets has followed the same pattern but has been consistently higher than in Hobart. A different pattern is evident with unit prices. In Hobart, prices have been volatile, with sharp falls at the beginning and end of 2020 and a steep increase from the beginning of 2021. In regional Tasmania, however, unit prices have decreased steadily from a substantial high point at the start of 2020.

The increase in house and unit prices across most of Tasmania is reflected in the fact that median prices for houses in Hobart are now well above the price point of half a million. Prices in Hobart did drop slightly in the June quarter 2020, but they are now rising again (see Figure 4). In March 2021, the median house price in Hobart was $623,750, which represents a 5.7 percent increase in that quarter. Prices are lower in Launceston and the North-West Coast, but they too are trending upwards. Launceston prices increased by 4.5 percent to $420,000 in the March 2021 quarter, while north-west prices increased by...
Figure 3: Hedonic home value index, houses and units, Tasmania, 2014-2021

Source: Authors, calculated from unpublished data, CoreLogic.

Figure 4: Median house prices, Hobart, Launceston and North-West, March 2011 to March 2021

Source: Authors, unpublished data, Real Estate Institute of Tasmania.
12.1 percent to $379,000 in the same period.

At a local government area level, in the two years to February 2021 there were double digit house price increases in all municipalities but Flinders and King Island, but these range from a 13.7 percent increase in Burnie to a 47.6 percent increase in George Town (see Table 1).

In Hobart and Launceston and Burnie local government areas, house prices increased 14.0 percent and 16.9 percent respectively. In the same two-year period, unit prices rose in all municipalities for which there is available data apart from the Northern Midlands, but again, the size of the increase varied widely, from 4.0 percent on the West Coast to 35.4 percent in Burnie. This local level variation indicates that housing sub-markets are shaped by a wide range of macro and micro factors. In small markets, price movements need to be interpreted carefully as a small number of sales can have a large effect on the overall trend.

Table 1: Median house and unit prices (monthly average), February 2021, and percentage changes since February 2019, Local Government areas

<table>
<thead>
<tr>
<th>LGA</th>
<th>Houses in February 2021</th>
<th>Change since February 2019</th>
<th>Units in February 2021</th>
<th>Change since February 2019</th>
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<tbody>
<tr>
<td>Break O’Day</td>
<td>$365,000</td>
<td>+ 30.4%</td>
<td>$275,000</td>
<td>+ 18.3%</td>
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<tr>
<td>Brighton</td>
<td>$400,000</td>
<td>+ 29.0%</td>
<td>$328,000</td>
<td>+ 19.3%</td>
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<td>Burnie</td>
<td>$290,000</td>
<td>+ 13.7%</td>
<td>$260,000</td>
<td>+ 35.4%</td>
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<tr>
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<td>$375,000</td>
<td>+ 25.0%</td>
<td>$281,750</td>
<td>+ 8.4%</td>
</tr>
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<td>$187,500</td>
<td>+ 23.4%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Circular Head</td>
<td>$260,000</td>
<td>+ 20.9%</td>
<td>$226,000</td>
<td>+ 25.6%</td>
</tr>
<tr>
<td>Clarence</td>
<td>$580,000</td>
<td>+ 18.4%</td>
<td>$427,500</td>
<td>+ 6.9%</td>
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<td>Derwent Valley</td>
<td>$355,000</td>
<td>+ 34.0%</td>
<td>$320,875</td>
<td>+ 36.5%</td>
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<td>Devonport</td>
<td>$335,000</td>
<td>+ 21.8%</td>
<td>$264,000</td>
<td>+ 11.4%</td>
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<tr>
<td>Dorset</td>
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<td>+ 32.0%</td>
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<td>-</td>
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<td>Flinders</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>$265,000</td>
<td>+ 26.2%</td>
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<td>$295,000</td>
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<td>Kentish</td>
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<td>-</td>
</tr>
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<td>-</td>
<td>-</td>
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<td>$435,000</td>
<td>+ 11.5%</td>
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<td>$320,000</td>
<td>+ 15.4%</td>
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<td>+ 16.9%</td>
<td>$307,000</td>
<td>+ 5.9%</td>
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<td>+ 14.6%</td>
<td>$302,500</td>
<td>+ 10.8%</td>
</tr>
<tr>
<td>Northern Midlands</td>
<td>$375,000</td>
<td>+ 23.0%</td>
<td>$275,000</td>
<td>- 1.4%</td>
</tr>
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<td>Sorell</td>
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<td>+ 27.8%</td>
<td>$363,500</td>
<td>+ 19.2%</td>
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<tr>
<td>Southern Midlands</td>
<td>$356,000</td>
<td>+ 16.7%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tasman</td>
<td>$372,500</td>
<td>+ 27.6%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Waratah/Wynyard</td>
<td>$330,000</td>
<td>+ 20.0%</td>
<td>$267,500</td>
<td>+ 20.2%</td>
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<tr>
<td>West Coast</td>
<td>$120,000</td>
<td>+ 44.6%</td>
<td>$77,500</td>
<td>+ 4.0%</td>
</tr>
<tr>
<td>West Tamar</td>
<td>$430,000</td>
<td>+ 20.2%</td>
<td>$340,000</td>
<td>+ 13.3%</td>
</tr>
</tbody>
</table>
Home buyers

There are currently strong incentives to purchase housing in Tasmania’s housing market. Interest rates are at historic lows and are expected to remain at these levels for a further three years at least. In addition, both the Australian and Tasmanian governments have put in place policies that provide lump-sum payments to new home buyers.

• The Australian Government’s HomeBuilder Grant offers $25,000 to eligible owner-occupiers building a new home or substantially renovating an existing one, provided contracts were signed between 4 June 2020 and 31 December 2020. It was subsequently extended, at the lower rate of $15,000, for contracts signed between 1 January 2021 and 31 March 2021.

• Tasmania’s existing First Home Owners Grant of $20,000 is also available to first home buyers of new homes, and in the recent state election campaign, the government committed to increasing this to $30,000 through the First Home Owners Grant Boost. The additional payment will be available between 31 March 2021 and 30 June 2022.

• In some circumstances, applicants can be eligible for both a Tasmanian First Home Owner Grant and the Commonwealth HomeBuilder grant for the same property. The programs have relatively generous means-tests.

• The Tasmanian government also offered a HomeBuilder Grant of $20,000 for new housing, available for contracts signed between 4 June 2020 and 31 March 2021.

• Together with low interest rates, these programs offer substantial upfront incentives to build or renovate housing in Tasmania. The value of new, owner-occupier home loans in December 2020 (excluding refinancing) was at record highs across all the states and territories except the Northern Territory. In Tasmania, owner-occupier loan values rose 11.5 percent to $307.5 million in the December 2020 quarter, which is 47.8 percent higher than in December 2019, and then reached a new high of $334.6 million in February 2021; values dropped slightly to $310.0 million in March 2021 (see Figure 5). The value of investor home loan commitments rose 51.8 percent to $98.5 million in the December 2020 quarter—which was 45.5 percent higher than December 2019—and increased again in March 2021 to $100.5 million.

Figure 5: New loan commitments, owner occupiers and investors (excl. refinancing), seasonally adjusted, Tasmania, March 2003 to March 2021

Source: ABS 2021g.
Incentives like the HomeBuilder grants and the First Home Owner Grant are directed to new supply. Loan commitments for the construction of new dwellings accounted for 18.8 percent of total commitments, with a further 4.2 percent for the purchase of newly erected dwellings. This is a high proportion relative to historic trends, although there is fluctuation: the proportion of loans that are for new construction has increased by 189.4 percent since March 2020 (from 66 dwellings to 191), but the March 2021 figure is 13.2 percent lower than it was in the previous month.

According to the National Housing and Finance Investment Corporation, first home buyers now account for more than 40 percent of total new housing commitments (NHFIC 2020b). In Tasmania, there were 350 owner occupier loans to first home buyers in October 2020, which was an increase of 36.2 percent on the previous month and an increase of 85.2 percent since October 2019 (see Figure 6). Reflecting the pattern across the rest of Australia, this is the highest level since the peak in 2009, when the then federal government’s response to the GFC included a temporary tripling of the First Home Owners Grant. First home owner buyer loan commitments remained high in the first quarter of 2021 with a further 774 loan commitments.

Economists have frequently criticised the inflationary effect of First Home Owner Grants on house prices. As noted above, however, governments used increases to First Home Owners Grants in the wake of the GFC as a source of economic stimulus. This has occurred again in 2020: programs like Home Builder and the boosted First Home Owners Grant in Tasmania may be presented as housing assistance programs, but their primary function is as sources of wider economic stimulus due to the large multiplier effect of investment in the construction industry. In 2019-20, the Tasmanian Government made 690 grants to first home buyers, but by the end of May 2021 the number of grants had already reached 822 (State Revenue Office of Tasmania 2021).

In the first six months of 2020, 138 guarantees were issued in Tasmania (of 6814 across Australia) through the First Home Loan Deposit Scheme, an Australian Government program enabling eligible first home buyers to purchase a property free of lenders’ mortgage insurance with as little as 5 percent deposit (NHFIC 2020a). Until July 2021 the program could only be used to purchase properties valued up to $400,000, which presents a significant limit on location and quality in the current Tasmanian market.
The rental market

The strong growth in house prices has intensified the affordability problems of Tasmanian renters. Hobart’s rental market remains one of the tightest in the country, with rents above pre-pandemic levels.Renters’ living costs are increasing, driven by housing costs and the low vacancy rate. In March 2021 the median rent for Tasmania was $400 per week for a three-bedroom house and $360 for a two-bedroom unit (see Figure 7). This represents a 6.7 percent increase in median rent for three-bedroom houses and a 20 percent rise for two-bedroom units respectively since March 2020.

Movement in rents was constrained during 2020: between 23 April 2020 and 31 January 2021 landlords were prohibited from increasing the rents of sitting tenants, and prohibitions on eviction would have limited tenant mobility and thus the number of new leases. As these restrictions lifted, rents for both houses and units have been increasing across the state (see Figure 7). At the local level, however, there is variation. House rents have fallen slightly in the Hobart local government area, risen slightly in the Launceston local government area, and remained flat in the Burnie local government area (see Figures 8-9). For units, rents have been steady in Hobart and have increased in Launceston and Burnie.

Figure 7: Median rents, weekly, houses and units, Tasmania, July 2017 to March 2021

Source: Authors, unpublished data, Real Estate Institute of Tasmania.
Figure 8: Median rents, monthly average, houses, Hobart, Launceston and Burnie local government areas, January 2016 to February 2021

Source: Authors, unpublished data, CoreLogic.

Figure 9: Median rents, monthly average, units, Hobart, Launceston and Burnie local government areas, January 2016 to February 2021

Source: Authors, unpublished data, CoreLogic.
Alongside affordability pressures are issues with availability. Tasmania’s rental market has been marked by long periods of very low vacancy rates: between 2004 and 2010, vacancy rates hovered around 2 per cent, and a similarly low vacancy rate has again persisted since the end of 2017 (see Figure 10). A vacancy rate of 3 percent is commonly considered the point at which the rental market is in equilibrium between demand and supply; a vacancy rate of 2 percent therefore means demand for rental housing is unlikely to be met and many prospective tenants will be unable to secure accommodation. The decline in the vacancy rate seems to be driven by a shortage of actual properties—the Anglicare Australia network’s series of ‘snapshot’ surveys has tracked a steady decline in rental availability, with the number of properties advertised for rent falling 73 percent since 2013 (Claxton 2021: 4).

### Summary

Tasmania’s housing market was affected throughout 2020 by the economic consequences of the COVID-19 pandemic, but also by the measures introduced in response to those consequences, including stimulus measures targeting the construction sector. The effect is that house prices have continued to increase. First home buyers have been able to enter the market due to the available grants and incentives, but investors have also benefited. The situation in the private rental market is less clear, with rents increasing in some locations and decreasing in others. This may reflect the moratoriums on evictions and rent increases in place during 2020. As these restrictions are lifted, there are signs of increasing affordability pressure in the market linked to a declining vacancy rate.
The previous section outlined the sustained increases in the cost of housing in Tasmania, both in purchase prices and in rents. Increased costs present affordability challenges when they are not matched by increased capacity to pay.

‘Housing affordability is defined by the relationship between housing expenditure, such as mortgage payments or rent, and household incomes. Having housing that is affordable means households can access an adequate standard of housing without unduly compromising other needs’
(NHFIC 2020b: 47)

Wage income in Australia has remained stagnant for some years with no increase to purchasing power. According to the 2019-20 Survey of Income and Housing, national average ($2,348) and median ($1,841) weekly household income remained unchanged in the June 2020 quarter from the March 2020 quarter and represented only a minimal increase from June 2018 ($2,314 average and $1,752 median) (ABS 2020a). At the time of writing, data was not yet available for Tasmania specifically, but Tasmanian incomes have historically been below the national average. This as an important consideration: it is not only rent that varies across location but also income, which means ‘affordability’ has a strong geographical component.

A high proportion of the Tasmanian population has historically relied on the Australian social security system for their primary source of income. Pension increases have been limited in recent years as these are linked to wage increases. Allowances have increased even less as these payments are linked to inflation. The Melbourne Institute tracks the income of households wholly reliant on the income support system against the Henderson Poverty Line, which is calculated to represent the disposable income needed to support the basic needs of a family of two adults and two children (Melbourne Institute: Applied Economic and Social Research 2020). Equivalence scales are used to produce equivalent poverty lines for other household types. According to the Institute’s December 2019 report, only two household types reliant on income support were receiving incomes above the poverty line: married pensioner couples, single pensioners, and single parents with one child (the calculation assumes these single parents are living on Parenting Payment, which means their child would be aged under eight—single parents with a child above this age would be on the much lower JobSeeker payment). In some cases, the gap between payment and poverty line is substantial: a couple reliant on JobSeeker (then called Newstart Allowance) was receiving 79.5 percent of a poverty line income ($577.60 per week compared to a poverty line of $726.27, while a single person on JobSeeker was receiving just 65.0 percent of the poverty line ($352.90 compared to $542.92).

Statutory and other incomes did shift during 2020 due to government interventions in response to the COVID-19 pandemic. JobKeeper, an Australian Government payment made available to workers via eligible employers (defined primarily by their amount of revenue loss due to the pandemic), and the coronavirus supplement to selected income support payments, including JobSeeker Payment, Youth Allowance, Parenting Payment and Austudy, would have represented a decline in income for some households.
and an increase for others. Anecdotally, this adjustment in income did influence people’s housing choices, especially where households had an increase in income and used it to, albeit temporarily, improve their housing circumstances (Verdouw et al. 2021). However, JobKeeper payments tapered from 28 September 2020, ultimately ceasing on 28 March 2021. The coronavirus supplement has also been withdrawn and income support has largely returned to pre-pandemic levels, with the recent $50 per fortnight increase in JobSeeker Payment and comparable payments effectively negligible given the level of those payments relative to the poverty line (Melbourne Institute: Applied Economic and Social Research 2020).

**Rental affordability**

One measure of rental affordability that accounts for local household incomes is the rental affordability index (RAI), which is based on modelling by SGS Economics. The RAI uses a score of 100 to indicate the boundary between affordability and unaffordability; scores of 100 or less indicate a household is paying more than 30 percent of income in rent, which is a measure of ‘housing stress’ or unaffordable housing. Greater Hobart currently scores 96 against the RAI (see Figure 11).

The 2020 RAI report, drawing on data from mid-2020, identified Greater Hobart as the least affordable Australian capital city—it was the only capital city in which households on the local average income and renting in the private market would be living in housing stress (SGS Economics and Planning 2020: 54). Although this represented a slight increase in affordability relative to the previous year, this improvement was attributed to the effects of the pandemic and the broader situation in Hobart was ‘dominated by a more persistent trend of declining affordability’ (SGS Economics and Planning 2020: 40). The authors also cautioned that an overall improvement in affordability masks the fact that very low-income households may still face extreme to severe affordability problems.

Relative to the other ‘rest of state’ areas in Australia, regional Tasmania is the most unaffordable of the states included in the research (New South Wales, Queensland, South Australia, Victoria and Western Australia). Affordability increased slightly in the first half of 2020, again probably due to the impact of JobKeeper and the coronavirus income support supplement, but the underlying trend is towards greater unaffordability (see Figure 11).

As an alternative measure of affordability, research undertaken for the National Housing Finance

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**Figure 11: Rental Affordability Index, quarterly, Tasmania, 2012 to 2020**

and Investment Corporation found that nationally, as of June 2020, the bottom quintile of renters (by income) could afford less than 10 percent of rental stock and the second lowest income quintile could afford just 20 percent (NHFIC 2020b: 55). Affordability was defined according to the housing stress benchmark of 30 percent or less of income spent on rent by a household in one of the bottom two income quintiles. In Hobart, less than 10 percent of homes were considered affordable according to this definition (NHFIC 2021b).

Rents in social housing are income-linked, with most tenants paying around 25 percent of their income in rent (plus any applicable Commonwealth Rent Assistance for those in community housing). This means that according to the ‘housing stress’ measure of affordability, social housing tenants do not have affordability problems. However, while social housing provides an important protection to tenants by ensuring such rents, the extremely low level at which Australian income support payments are set means that many social housing tenants may nonetheless be living in poverty, particularly those who have complex health and other support needs which impose additional costs.

**Purchase affordability**

There is a lack of current data on the affordability of home purchase specifically in Tasmania. Nationally, the affordability of home purchase, measured by the ratio of mortgage repayments to incomes, improved for some groups in the population during 2020. As noted in section 1 of this update, house prices have continued to rise, which means that borrowers may have been taking on higher levels of debt overall, but because interest rates are historically low, the cost of servicing a mortgage has been equal to or even below the average cost of paying rent (NHFIC 2020b: 60). The deposit gap may also have closed somewhat; the Australian National Accounts show that the household saving ratio increased nationally to 22 percent in the June quarter of 2020, up from 7.9 percent in March, and it still remained relatively higher, at 11.6 percent, in March 2021 (ABS 2021d).

NHFIC now considers a quarter of available dwellings nationally to be affordable to prospective first home buyers in the bottom two income quintiles (NHFIC 2020b: 62). The picture for Hobart is slightly different, however, with only 10-20 percent of properties affordable to the bottom 60 percent of income earners (NHFIC 2021).

**Summary**

Affordability is determined not just by house prices or rents, but by income. Incomes from wages have been static for some time which means that, as rents have increased, affordability in the private rental market has declined. Home purchase is somewhat more affordable than it has been due to low interest rates and increased household savings, but the price of most Tasmanian houses remains too high for most income earners. The lowest income earners in the community tend to be those on income support payments. Many of these individuals and households are living well below the poverty line, with significant consequences for their ability to obtain any kind of housing.
3. Demand and supply drivers

In formal terms, demand for housing refers to households’ housing needs and preferences, and the number of dwellings required to meet these needs or preferences. Thus, although demand refers to the basic need for shelter, it can also incorporate a preference for particular types of housing or levels of amenity. The long-term drivers of housing demand include changes in the population due to births, deaths or migration; the overall age structure, and therefore life-stages, of the population; and broader social and economic change.

Housing supply refers to the number of houses available. It is the net result of new additions to the housing market arising from the construction of new dwellings and losses to the housing market through demolition. The supply of residential housing may not always match the number of households in a community, as some households may use more than one house (e.g. because they live in one property, but use a second as a holiday home or shack).

Changes in demand

The COVID-19 pandemic has affected the make-up of housing demand in Tasmania, but it is not yet clear what the long-term impact might be. The ongoing shortfall in affordable housing supply has been a confounding factor. For example, migration increases housing demand more rapidly than natural population increase (more births than deaths) or new household formation, yet although the demand for housing through migration, especially international student migration, almost halted during 2020 due to COVID-19 travel restrictions, unmet demand for affordable housing in Tasmania has remained high.

The COVID-19 pandemic has also shifted housing preferences towards free standing dwellings that contain extra spaces suitable for work or study from home and outdoor areas for fresh air, exercise and gardening. Less urbanised areas have become more desirable due to the ability to work remotely and avoid crowded commutes (see Verdouw et al. 2021). At the time NHFIC prepared its State of the Nation’s Housing 2020 report, it was estimated that around half the working population was still working from home, a pattern that has persisted into 2021 amid ongoing lockdowns. The report noted that demand appeared to be shifting away from inner-city dwellings to regional centres, although it was not yet clear whether this trend would persist (NHFIC 2020b: 6). Even if the shift is only temporary, it could still increase housing demand in Tasmania in the short and medium term, including through greater interstate migration to Tasmania.

Components of population change

There were an estimated 540,600 people residing in Tasmania at the end of June 2020 (ABS 2020b). The population had been growing steadily in the four years to March 2020 but following the closure of Australian borders—and Tasmanian borders—it is likely this growth has been checked, although this was not yet apparent in the data available at the time of writing. What was available
showed an annual growth for the year ending June 2020 of 1.1 percent. The impact of the border closures is likely to be significant because population growth in Tasmania, as in the rest of Australia, is primarily driven by net overseas migration, or NOM. NOM has contributed to nearly 60 percent of population growth over the last few years. This is followed by net interstate migration (NIM) and natural increase arising from births outnumbering deaths.

Population change in Tasmania has fluctuated since the previous global economic shock of the 2008 GFC (see Figure 12), reflecting changes in economic conditions which shape employment markets. Natural increase is a declining influence as a component of population growth—from a peak of 50 percent of population growth in 2012, it now only contributes 21.9 percent as of June 2020.

Although Tasmania’s borders are now generally open to interstate migrants, Australia’s borders are likely to remain closed to international arrivals, including international students, for some time to come. This will obviously have an impact on population change over the coming years. It is highly unlikely that substantial population growth will occur due to natural increase: in 2019, Tasmania recorded a total fertility rate (TFR) of 1.79 births per woman, which is less than the rate of 1.85 in 2018 and well below the population replacement rate of 2.1. This TFR is consistent with the rate used in the ‘low’ series of population projection assumptions which assume the rate will continue to fall, to 1.76 per woman by 2028 (ABS 2020b). Overall, the difference between births and deaths in Tasmania is beginning to narrow; structural ageing of the population and lower life expectancy in Tasmania relative to Australia means there is likely to be continued increase in the number of deaths relative to births. This puts Tasmania on trajectory of natural population decline, which in turn makes the state more reliant on migration for population growth and therefore more sensitive to changes in migration levels.

Figure 12: Components of population change, and population growth rate, Tasmania, year ending June 2008 to 2020

Source: ABS 2020b.
Local variation
Changes in population at a statewide level are distributed differently at the local level, with some areas experiencing rapid growth while others may see a decline in the resident population. In the year to 30 June 2020, the local government areas in Tasmania with the greatest number of new residents were Clarence (which increased its population by 916 people or 1.6 percent of population), Launceston (779 people or 1.1 percent), Hobart (531 people or 1.0 percent), and Brighton (449 people or 2.5 percent) (see Table 2). However, the highest growth rates occurred in the more regional local government areas of Glamorgan-Spring Bay (3.2 percent), Latrobe (2.8 percent), Tasman (2.7 percent) and Sorell (2.7 percent). In only three local government areas did the population decline between June 2019 and June 2020: the West Coast (a decrease of 43 people or -1.0 percent), Flinders (14 or -0.6 percent) and Glenorchy (16 or 0.0 percent).

Table 2: Regional population change, number and growth rate, Tasmanian local government areas, year ending June 2020

<table>
<thead>
<tr>
<th>LGA</th>
<th>Population change (no. of people)</th>
<th>Population growth rate (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Break O’Day</td>
<td>+59</td>
<td>+0.9</td>
</tr>
<tr>
<td>Brighton</td>
<td>+449</td>
<td>+2.5</td>
</tr>
<tr>
<td>Burnie</td>
<td>+152</td>
<td>+0.8</td>
</tr>
<tr>
<td>Central Coast</td>
<td>+220</td>
<td>+1.0</td>
</tr>
<tr>
<td>Central Highlands</td>
<td>+36</td>
<td>+1.7</td>
</tr>
<tr>
<td>Circular Head</td>
<td>+73</td>
<td>+0.9</td>
</tr>
<tr>
<td>Clarence</td>
<td>+916</td>
<td>+1.6</td>
</tr>
<tr>
<td>Derwent Valley</td>
<td>+95</td>
<td>+0.9</td>
</tr>
<tr>
<td>Devonport</td>
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<tr>
<td>Dorset</td>
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<tr>
<td>Flinders</td>
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<td>-0.6</td>
</tr>
<tr>
<td>George Town</td>
<td>+149</td>
<td>+2.1</td>
</tr>
<tr>
<td>Glamorgan/Spring Bay</td>
<td>+147</td>
<td>+3.2</td>
</tr>
<tr>
<td>Glenorchy</td>
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<td>0.0</td>
</tr>
<tr>
<td>Hobart</td>
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<td>+1.0</td>
</tr>
<tr>
<td>Huon Valley</td>
<td>+402</td>
<td>+2.3</td>
</tr>
<tr>
<td>Kentish</td>
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<td>Meander Valley</td>
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<td>Northern Midlands</td>
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<td>Sorell</td>
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<tr>
<td>Southern Midlands</td>
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<td>+1.8</td>
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<td>+2.7</td>
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<tr>
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</tr>
<tr>
<td>West Tamar</td>
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<td>+1.5</td>
</tr>
</tbody>
</table>

Projections of future demand
In 2019, the Tasmanian Department of Treasury and Finance’s ‘middle’ series of population projections estimated that Tasmania’s population would grow at a rate of 0.2 percent per year, reaching about 569,000 by 2042 (Department of Treasury and Finance 2019: 19). As part of this overall growth, the population would increase in 14 of the state’s local government areas and would and decline in the other 15. The Hobart local government area would see the greatest number of new residents, due to higher NOM made up primarily of younger people, and Brighton was predicted to see the fastest growth.

Source: ABS 2020c.
with a percentage increase of 1.18 percent per annum (Department of Treasury and Finance: 2019: 10). However, the changes COVID-19 has caused to NOM and continued uncertainty about interstate travel and consequently to NIM mean the assumptions that underpin these projections may no longer be valid.

The Australian Government’s population projections from 2020 were less conservative than the Tasmanian government’s, even with adjustments to assumptions due to COVID-19. Its ‘middle’ case shows Tasmania’s population reaching 569,000 by 2028-29. This was based on assumptions consistent with those in the 2020-21 Budget: that further localised outbreaks of COVID-19 would be largely contained, that state border restrictions would be lifted by the end of 2020 and that the restrictions on gatherings and on international travel would continue until a population-wide vaccination program was fully implemented by the end of 2021 (Centre for Population 2020). At the time of writing in mid-2021, some of these assumptions appear overly optimistic, although there is mounting anecdotal evidence of growing interstate migration being driven by lifestyle factors combined with growing acceptance of remote working arrangements.

Overall, Tasmania’s future population has become much more uncertain due to the changes brought by the pandemic. Although international migration remains constrained, there may be an increase in migration from interstate. This will have implications for housing demand and the supply response needed to meet it.

**Changes in supply**

With the cessation of large-scale government construction of public housing in the 1980s, meaningful growth in new housing supply in Tasmania has depended largely on activity in the private sector. This, along with the relatively small size of the Tasmanian market, has had implications for the type of stock that is added to overall supply. According to the last Census, Tasmania has a higher proportion of detached housing than the national average, and a correspondingly lower proportion of semi-detached housing and flats (ABS 2021c). In-fill development has been relatively limited and much of the growth in private housing supply occurs on the urban fringe. During the post-war period, as did other states, Tasmania constructed broadacre social housing developments, but these were smaller in scale than those on the mainland, and Tasmania’s extensive rent-to-purchase scheme and later sales programs have meant that even the most concentrated areas of social housing are in fact mixed communities of home owners, private renters, and social renters (Flanagan 2019).

**Building approvals**

As noted in Section 1, the Australian and Tasmanian governments have used various programs of grants to stimulate economic growth via the housing market. These programs include the boosted First Home Owners Grant and the state and national HomeBuilder programs. There is evidence that these types of programs have triggered an upsurge in building approvals across Australia, including in Tasmania, where building approvals numbers increased by 65.1 percent to 464

![Figure 13: Monthly building approvals, seasonally adjusted, Tasmania, March 2006 to March 2021](Source: ABS 2021f)
Figure 14: Total number of building approvals and number of approvals not yet commenced (quarterly, original time series), Tasmania, December 2005 to December 2020

Source: Authors, collated from ABS 2021e, 2021f.

Figure 15: Number of dwellings commenced and number of dwellings under construction (quarterly, original time series), Tasmania, December 2005 to December 2020

Note: The ABS defines a building commencement as the first performance of physical building activity on a site, in the form of materials fixed in place and/or labour expended. Commencement includes site preparation but excludes delivery of building materials, the drawing of plans and specifications and the construction of non-building infrastructure such as roads (ABS April 2021).

Source: ABS 2021e.
approvals between November and December 2020, a 95.0 percent increase since December 2019 (see Figure 13). Approval numbers were lower in January 2021 but were again in the mid-400s in February and March.

According to NHFIC, the time lag between building approval and completion is on average 12 months for a detached or medium density dwelling and two years for an apartment. In practice, the lag varies depending on the type of building being constructed, prevailing planning and market conditions and access to materials and labour (NHFIC 2020: 34). Historically (between 2014 and 2019), the average time between approval and commencement for houses in Tasmania was 2.6 months and the average time between commencement and completion was 7.0 months (ABS 2019). Previous University of Tasmania housing market updates noted a growing time lag between approvals and commencements in Tasmania, possibly due to a lack of access to skilled labour, finance or project management expertise (Eccleston et al. 2018c; Jacobs et al. 2019). This underscores that there is no guarantee that building approvals will necessarily lead to commencements.

Building activity: commencement, construction and completions

ABS statistics for the December quarter of 2020 show there were 1,013 building approvals in Tasmania. There were also approvals for 546 dwellings sitting ‘on the books’ and classified as ‘not yet commenced’ (see Figure 14). This shows the potential lag between building approvals and building starts. Some of the dwellings that have been approved but which have not yet commenced may never be built.

Despite these 546 dwellings not yet commenced, the growth in overall approvals meant that commencement numbers did increase in the December quarter of 2020. In that quarter there were 891 commencements, which was an increase of 11 percent year on year as well as an increase from the previous quarter (see Figure 15). These commencements, and the number of dwelling units that have proceeded beyond commencement and are now considered under construction, indicate the number of dwellings coming on line. For the December quarter of 2020 there were 2,367 dwelling units under construction,
which was a slight decline from the previous quarter (-1.6 percent) and a slight increase from the previous year (1.3 percent). The previous major peak in construction, in March 2010, coincides with the GFC stimulus package which included measures targeted at the construction industry.

The number of dwelling completions is also tracking upward. In the December quarter of 2020, 875 dwelling units completed, comprised of 823 private sector dwellings and 51 public sector dwellings (due to complexities in the way dwellings are classified as public or private, the latter figure may not be equivalent to new social housing supply). The total represents an increase of 6.8 percent from the previous quarter and 26.1 percent from the previous year (see Figure 16).

The increased building and construction activity is most likely connected to the economic stimulus measures introduced by the Commonwealth and State Governments. There is new housing supply being built and this includes some social housing. However, this does not necessarily imply that all new construction is in the right form or the right place to match demand. There are also reports of concerns within the industry about critical shortages in construction materials which could push up costs and put at risk timely completion of new housing supply (Coulter 2021), as well as an ongoing shortage of building labour (Mawby 2021).

The demand-supply balance

The balance between supply and demand is formed by the

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Figure 17: Actual and projected annual changes in supply, demand and supply-demand balance, Greater Hobart, 2019-2025

Note: ‘Supply-demand balance’ refers to the difference in new demand and new supply. A negative balance implies there is not enough new supply to meet new demand and a positive balance implies that there is too much new supply relative to new demand.

Source: NHFIC 2020b: 76.
relationship between the amount of underlying demand in the market and the net supply of housing. Although the ratio between demand and supply can be quantified for a given point in time, the relationship itself is dynamic. In a well-functioning market, a significant level of unmet demand would be expected to stimulate a supply response, but the many factors at play in housing markets mean they do not always function well.

In 2010, the former National Housing Supply Council estimated there was a cumulative undersupply of housing of around 200,000 dwellings in Australia (NHFIC 2020b: 5). According to NHFIC, which now has carriage of monitoring the national supply of and demand for housing, over the following decade construction levels increased at a rate that broadly kept supply and demand in balance. NHFIC has supplemented the National Housing Supply Council’s model of underlying housing demand (which is based on new household formation derived from population growth and age structure rather than changes in housing demand for already formed households) with economic adjustments that incorporate factors such as in unemployment rates, income and cost of housing.

NHFIC’s modelling for 2020 found Greater Hobart to have a small under supply of housing but projected a moderate over-supply of 800 dwellings to develop by 2021 as new demand fell and there was a net increase in new dwellings (see Figure 17). This was expected to remain in balance until 2024 when demand was expected to increase to the point of another undersupply unless

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**Figure 18: Actual and projected annual changes in supply, demand and supply-demand balance, rest of Tasmania, 2019-2025**

Note: ‘Supply-demand balance’ refers to the difference in new demand and new supply. A negative balance implies there is not enough new supply to meet new demand and a positive balance implies that there is too much new supply relative to new demand.

Source: NHFIC 2020b: 76.
a construction program was maintained. This pattern was consistent with NHFIC’s projections for Australia as a whole.

For the rest of Tasmania, NHFIC’s projection for 2021 was a fall in new household formation, and therefore a fall in demand, leading to an over-supply of 700 new dwellings. In 2022 this balance would shift to an undersupply of 500 dwellings, before returning to a small oversupply in 2024 (see Figure 18).

The accuracy of these projections depends on a range of factors. The housing market is currently more dynamic and hence less predictable than ever. COVID-19 has altered the economic outlook and is driving unanticipated changes in intrastate, interstate and international migration. Subsequent policies that seek to actively influence construction, such as the various stimulus programs, were not incorporated into NHFIC’s model.

The models are also broad. An over-supply of 700 homes, for example, may be less significant once those 700 homes are distributed across the entirety of the ‘rest of Tasmania’. Certain communities may experience an under-supply even though in aggregate the entire state is in over-supply and vice versa. Nor do raw supply numbers incorporate the amenity or price of newly built dwellings, which means shortages of certain types of housing, such as affordable housing or housing which meets universal design principles, may persist despite an oversupply in other segments of the market.

For example, the supply of new apartments coming onto the market peaked in 2017 and was already in decline prior to the pandemic, particularly in capital cities (NHFIC 2020b: 24). Since 2020, demand for apartments has fallen due to restrictions on migration, including from international students. There is now an oversupply of apartments in major cities such as Melbourne or Sydney, which is expected to lead to lower rents for those dwellings. However, this has not happened in Hobart, where rents have remained high. As noted above, historically the Tasmanian market has been dominated by detached housing and this is expected to continue with demand for freestanding homes growing. The market for detached housing, as well as regional markets with spare capacity in the building industry, are also more likely to benefit from the various stimulus programs.

Summary

The balance between housing demand and housing supply is always dynamic, but with the changes brought by COVID-19, including restrictions on migration, affecting demand, and economic stimulus measures targeted at construction, affecting supply, it is now inherently unpredictable. Although there are signs that the stimulus measures are leading to increased activity within the building sector, there are no guarantees that the resulting new supply will be of the type or at the price point needed to resolve Tasmania’s affordability challenges in the short-to-medium term.
The evolution of platforms such as Airbnb have transformed short-stay accommodation, which now encroaches into the residential housing market as some owners switch their properties from long-term to short-stay use. This pattern accelerated after the short-stay market was effectively deregulated in 2017. According to one conservative estimate 393 dwellings in the Hobart local government area alone were removed from the private rental market and into the short-stay sector between 2016 and 2019, a figure which translates into 6 percent of all private rental stock (Verdouw & Eccleston 2019).

Although short-stay accommodation could be treated as a component of the supply-demand balance, the growth of the short-stay sector alongside the intensifying of Tasmania’s housing crisis means it has been and continues to be closely scrutinised. We therefore consider it appropriate to treat it separately in this report.

The short-stay listings service with the greatest market share is Airbnb. In this report we use data from the independent monitoring platform, Inside Airbnb, as this is the currently the most comprehensive, accurate and longer-term source of data on short-stay activity within Tasmania. The Tasmanian Short Stay Accommodation Act 2019 was introduced in response to concerns about the effects the short-stay market was having on housing affordability. It was intended to increase access to data about the sector and improve compliance with a new permit regime. Its first reporting period was the December quarter of 2019. We have not used data provided under this legislation in this report because it would not allow us to show long-term trends.
Listings

The Short Stay Accommodation Act was expected to lead to a reduction in short-stay listings in Tasmania, including those on Airbnb. Inside Airbnb data from late 2019 indicates there was a small decline across all types of listings, possibly in response to the legislation (see Figure 19). This effect did not last long, with numbers of listings increasing again in early 2020 to close to previous levels by March.

However, from March, listings began to steadily decline again. This decline is almost certainly associated with the virtual shutdown of the tourism industry at that time due to COVID-19 related travel restrictions. From early 2021, listing numbers in some areas started to increase once more.

The greatest declines during 2020 were apparent in the cities (see Figures 19 and 20). Between February and December 2020 in Launceston and the Hobart local government area, total listings declined by 22.4 percent and 20.3 percent respectively, the decline was 18.5 percent for Greater Hobart (see Figure 20). By contrast, however, there was a much less pronounced decline in listing numbers on the East Coast.

Figure 19: Numbers of Airbnb listings by listing type, selected areas of Tasmania, July 2016 to February 2021

Notes: 1. An ‘entire property’ is one in which guests have the whole dwelling to themselves with no shared spaces and with a private entrance and self-contained facilities. The host of the property may or may not be living elsewhere on the property. 2. ‘East Coast’ refers to the Break O’Day and Glamorgan/Spring Bay local government areas. 3. Data from 2016 is from the months of July, August and December only, from January 2017 onwards, data is monthly.

Source: Authors, unpublished data, Inside Airbnb.
Coast. This may in part reflect the roll-out of government incentives for Tasmanian residents to travel within the state during the September school holidays and in the last quarter of 2020.

The extent to which short-stay activity affects the residential housing market is largely shaped by two aspects of short-stay letting: the renting of entire properties, rather than a room or rooms within a property, and the existence of multiple entire property listings by the same host. Where a host has more than two entire properties listed, it is indicative of a more commercial investment operation rather than a host leasing out their own primary residence for part of the year. The numbers of multi-listings declined along with all listing types from March 2020, especially in urban centres (see Figure 21). In the south, this trend reversed slightly from the

Figure 20: Decline in numbers of Airbnb listings by listing type, selected areas of Tasmania, February 2020 to December 2020

Notes: 1. EP = entire property listings (see notes to Figure 19). ML = multi-listings i.e. where the host has two or more entire properties listed. This listing type is more indicative of commercial activity. 2. ‘East Coast’ refers to the Break O’Day and Glamorgan/Spring Bay local government areas.

Source: Authors, unpublished data, Inside Airbnb.
beginning of 2021, but the decline continued in Launceston. By contrast, the number of multi-listings on the East Coast has been relatively consistent throughout the pandemic.

Overall, the data suggests that COVID-19 has had a significant impact on short-stay activities in urban areas, especially those properties managed by investors and commercial operators. This is consistent with the significant role played by interstate and international tourism in the expansion of the short-stay sector.

The ongoing loss of that tourism is less felt on the East Coast, which has continued to attract some intrastate and, more recently, interstate visitors throughout. Nonetheless, the concentration of multi-listings in some centres remains high. For example, the Hobart local government area contains 22.7 percent of the Greater Hobart population (ABS 2021a, 2021b), but 57.5 percent of all multi-listings in Greater Hobart.

Property use

The restrictions that applied between March and June 2020 meant there could be very little if any travel even within Tasmania during that time. This means that, even if properties were listed as available, few could have been booked by short-term travellers. As a result, the listings data above does not provide a complete picture of the extent or otherwise of short-stay market activity during 2020. There is also no way of telling whether properties no longer listed...
at all were moved into the longer-term rental market, left vacant, or used for another purpose.

The Inside Airbnb data does provide partial insight into whether listed properties were being used for a short-stay accommodation purpose. Data on yield (average price per night) suggests that to some extent hosts let their properties sit dormant on the platform during the immediate lockdown period (see Figure 22). Once restrictions on short-stay accommodation use were lifted in late June, prices dropped, especially outside the East Coast, reflecting low demand. However, over December 2020 and January 2021, prices rose once more, to levels higher than previous peaks for that period. This may reflect the resumption of interstate tourism into a market with less supply.

Data on reviews is the best proxy available for actual Airbnb bookings in any given month. Host and guest profiles on Airbnb are built through reciprocal ratings and reviews systems, and most guests leave reviews so as to build their own guest profile for future bookings. This means the number of reviews provided is a reliable indicator the number of stays by guests and the timing of the most recent review sheds light on whether the property is being regularly booked or is largely vacant.

The existence of reviews is detected by Inside Airbnb ‘scraping’ Airbnb’s website. The ‘scrape’ detects whether a review has been left within the last 30, 60 or 90 days for the listing. The number of properties with recent reviews peaks each tourist season, reflecting the seasonal nature of the short-stay market (see Figure 23). The effect of the COVID-19 lockdown can be seen in the fact that by May 2020, very few reviews had been left within the last 30 days, and relatively few listings had been reviewed in the last 90. However, the growth in recent review numbers since then indicates that activity within the short-stay sector is once again increasing.

Figure 22: Yield (price per night) for Airbnb listings of entire properties, selected areas of Tasmania, February 2019 to February 2021

Note: ‘East Coast’ refers to the Break O’Day and Glamorgan/Spring Bay local government areas.

Source: Authors, unpublished data, Inside Airbnb.
Summary

Although the effect of the 2019 Short Stay Accommodation Act was limited and short-lived, the short-stay accommodation sector was significantly affected by COVID-19. Following the introduction of restrictions, numbers of properties listed on the Airbnb platform declined by 15-25 percent, especially in urban centres. However, although there is anecdotal evidence that some short-stay hosts moved their properties back into the private rental market for a period during 2020, contributing to a brief easing in market conditions, there is no way to quantify the number or to determine hosts’ longer-term intentions. Listing numbers are increasing again in some areas, and yield and review data suggests that hosts are finding demand sufficient to increase prices to previous levels and that bookings are becoming more regular.

Figure 23: Number of Airbnb listings where the most recent review has been left within 30, 60 and 90 days prior to scrape date, Tasmania, July 2016 to February 2021

Source: Authors, unpublished data, Inside Airbnb.
The production of the University of Tasmania’s series of housing ‘updates’ was initially triggered by the widespread public concern over rising levels of homelessness in Tasmania (Eccleston et al. 2018b). Homelessness, especially ‘rooflessness’, had previously been largely hidden, but during 2018 it became unusually visible and has remained so since. COVID-19 brought home to many not only the importance of having a home, but the importance of housing as a public health measure.

Social housing

The total number of Tasmanian social housing dwellings, which includes public, community, state owned and managed Indigenous housing (SOMIH) and Indigenous community housing (ICH), remained relatively steady between 2011 (13,087 dwellings) to 2020 (13,725) (see Figure 24). The distribution changed significantly during this period because the Tasmanian government has had a policy of transferring the management (and in some cases the ownership) of public housing to the community housing sector. Because new vacancies in the social housing sector arise less frequently than new applications for assistance, a waiting list, the Housing Register, is maintained. There are eligibility requirements, including an income and assets test, and a person’s position on the list is further determined by their circumstances. Applicants with more complex needs, such as medical or disability needs, are given higher priority on the list.

Figure 24: Number of social housing dwellings, by social housing type, Tasmania, at 30 June, 2011 to 2020

as homelessness, exposure to family violence or disability, are placed higher on the list. It is well known that being on the list does not guarantee a person will be allocated a property quickly, or at all. People take this into account when they decide whether to lodge an application. This means the Housing Register is a curated measure of housing need.

In March 2021 there were 4006 applications on the Housing Register, an increase of 11.9 percent, or 428 applications, from March 2020 (see Figure 25). Aside from a small decrease between April and July 2020, applications sat at approximately 3,500 for most of 2020 until September. This may reflect an initial ‘catch up’ period after potential applicants delayed applying for social housing during the months most affected by COVID-19 restrictions, but given the monthly increase has now been sustained, it may also reflect a deterioration in some households’ circumstances, due to loss of income or work or affordability challenges in the private market.

Waiting times, even for those classified as a priority applicant, are lengthy. The average time to house priority applicants increased in the September quarter of 2020 to 63.7 weeks from around 50 weeks in the previous three quarters, and then dropped to 53.9 weeks in the December quarter; in the March quarter of 2021, it was 55.6 weeks (DHS 2021). Waiting times are long because there is a substantial under-supply of social housing relative to need and because social housing vacancies arise relatively infrequently. Most people who come into social housing need somewhere to live permanently (Flanagan et al. 2020).

As in other states, there is a growing tendency to divert social housing applicants into the private rental market instead, supported...
by various subsidy arrangements such as grants for bond or rent in advance, and a program of private landlord incentives (Blunden & Flanagan 2021). In Tasmania, the number of households assisted through private rental assistance is small compared to the size of the Register: 109, 161 and 15 new households were assisted respectively in each of the months of the first quarter of 2021 (see Figure 25). Separately, the Quarterly Housing Report indicates that 14 new households received private rental incentives in the March 2021 quarter and eight new households were accommodated under the Rapid Rehousing program, which is targeted to people affected by domestic and family violence or who are exiting institutions. The total numbers of households being assisted in these programs during the quarter were 267 and 332 respectively (Department of Communities 2021).

In December 2020, 124 new public sector dwellings (61 houses and 63 units) were approved for construction (this may not include all social housing approvals due to the way in which different developments are classified in the statistics). This is a slight increase from 2019 but below the peak of 144 approved in 2018 (see Figure 26).

The Tasmanian government committed during the 2021 election campaign to spending $280 million to deliver an additional 2000 social housing dwellings over four years, in addition to an existing commitment to deliver 1500 dwellings over three years. However, providers do dispose of properties each year as part of long-term asset management strategies—for example, Housing Tasmania assumes 40 sales and 10 demolitions per year as part of its planning (Parliament of Tasmania 2020: 70-71) and the financial modelling underpinning Tasmania’s Better Housing Futures stock transfer program permits up to 2 percent of transferred properties to be sold per annum (Pawson et al. 2016: 25n11). This means that net gain in supply arising from new investment may be less than the number of new dwellings built or acquired.

One indicator of housing pressure is overcrowding, because it may indicate the presence of homeless friends or family or households ‘doubling up’ to save on housing costs. For data collection purposes, overcrowding is defined by the

![Figure 26: Total number of public sector dwelling units approved (original time series), Tasmania, 2011 to 2020](Source: ABS 2021f)
Canadian National Occupancy Standard. Overcrowding statistics are not comparable across the different types of social housing, but are comparable, subject to caveats, over time.

In Tasmania, 4.7 percent of public housing dwellings were recorded as overcrowded in June 2020, which was higher than the national average of 3.9 percent (Productivity Commission 2021: sec. 18). The figure was an increase from 3.4 percent in 2019 but it has historically fluctuated from year to year; the 2018 figure was 4.8 percent. Overcrowding levels in SOMIH remained steady from the previous year at 3.8 percent. Data notes for public housing and SOMIH state that the relationship status for household members is not consistently recorded, which can affect the accuracy of the figures. The proportion of overcrowded households in community housing was 6.9 percent, which is more than double the proportion in 2018 and 2019, where it was 3.3 percent for both years. Unfortunately, there is no comparable data available on overcrowding levels in the private housing market.

**Homelessness**

Although those sleeping in tents and cars have been the focus of much of the public concern about homelessness in Tasmania, homelessness extends beyond this to include those staying temporarily with friends or family (‘couch-surfing’), people living in shelters and other dedicated facilities, and people living in housing situations that are manifestly inadequate and inappropriate. Not all people who are homeless seek assistance from Specialist Homeless Services. Because of the difficulties in accurately counting homeless people across all these categories, the most complete data on homelessness tends to be that based upon the most recent Census of Population and Housing—at the time of writing, the 2016 Census—even though the currency of this data fades over time.

At the time of the 2016 Census, Tasmania’s rate of homeless persons per 10,000 of the population was 31.8, which was lower than the national rate 49.8. The rate of people ‘sleeping rough’ was 2.7 per 10,000 of the population and the rate of ‘couch surfing’ was 9.4 (see Table 3).

The Specialist Homelessness Services are the primary source of assistance for homeless households, as well as those who have housing but are at risk of becoming homeless. These services coordinate access to a range of different types of support, including crisis and longer-term accommodation, but also to other general and specialist services. Some of this assistance is in the form of brokerage, which is funding services can use to purchase nights in a motel, pub-top, or caravan park on behalf of homeless clients or to provide basic living essentials. During 2020, the Tasmanian government uncapped its brokerage funding to ensure that all people sleeping rough were able to comply with lockdown requirements to remain ‘at home’. As well as this, a 24/7 ‘Safe Space’ program was funded in each of the three Tasmanian healthcare regions, and additional funding for clinical mental health and telephone health screening was made available to expand service provision.

During 2019-20, 6286 clients approached Tasmania’s Specialist Homelessness Services system for assistance, which was a 2.0 percent

<table>
<thead>
<tr>
<th>Category of homelessness</th>
<th>Rate per 10,000 people</th>
</tr>
</thead>
<tbody>
<tr>
<td>People who are in improvised dwellings, tents or sleeping out</td>
<td>2.7</td>
</tr>
<tr>
<td>People in supported accommodation for the homeless²</td>
<td>11.3</td>
</tr>
<tr>
<td>People staying temporarily with other households³</td>
<td>9.4</td>
</tr>
<tr>
<td>People staying in boarding houses</td>
<td>2.7</td>
</tr>
<tr>
<td>People in other temporary lodging</td>
<td>0.5</td>
</tr>
<tr>
<td>People living in ‘severely’ crowded dwellings⁴</td>
<td>5.2</td>
</tr>
<tr>
<td>Total homeless people</td>
<td>31.8</td>
</tr>
</tbody>
</table>

Notes: 1. Categories are mutually exclusive. 2. This category includes those accommodated by Specialist Homelessness Services. 3. This category includes ‘visitor only’ households where all persons report having no usual address. Some people who were homeless are likely to be underestimated in this category. 4. This category includes usual residents in dwellings needing 4 or more extra bedrooms under the Canadian National Occupancy Standard.

decrease on the previous year’s figure of 6413 (AIHW 2020b). Client numbers have been trending downwards overall since 2015-2016, but the number of returning clients (clients who have sought assistance before) has remained consistent (AIHW 2020a).

The level of unmet need within Specialist Homelessness Services is relatively high given the critical nature of the assistance being provided—in 2019-20, services recorded 12,502 unmet requests for assistance (people can request more than one type of assistance when approaching services), with an average of 36.4 unmet requests a day (AIHW 2020c). The main reasons Tasmanians were seeking assistance from homelessness services in the first place were housing crisis (49.6 percent of all clients), financial difficulties (45.1 percent) and housing affordability stress (44.1 percent). The national averages for the proportions of clients reporting these reasons were lower, at 34.3 percent (housing crisis), 41.2 percent (financial difficulties) and 29.0 percent (housing affordability stress) respectively. In Tasmania, 77.3 percent of all clients reported some form of housing problem as a main reason for seeking assistance (as well as housing crisis, 41.3 percent reported inadequate or appropriate dwelling conditions and 38.4 percent reported their previous accommodation had ended).

Services conduct detailed needs assessments on incoming clients. A wide range of areas of potential need are assessed and services subsequently record whether these needs have met. Needs can be met directly by the service or the service may refer the client elsewhere (data is not collected on the outcome of referrals).

The most common area of need identified for Tasmanian clients in 2019-20 was for general assistance, which includes basic financial and practical assistance, living skills and advocacy support—94.0 percent of all clients were identified as having general assistance needs. The overwhelming majority of clients had those needs met: 98.6 percent of those who needed

<table>
<thead>
<tr>
<th>Area of need</th>
<th>Clients with need</th>
<th>Percentage of clients with need receiving:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>As percentage of all clients</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assistance</td>
</tr>
<tr>
<td>Accommodation provision</td>
<td>5919</td>
<td>91.9</td>
</tr>
<tr>
<td>Short-term or emergency accommodation</td>
<td>4200</td>
<td>65.2</td>
</tr>
<tr>
<td>Medium-term/transitional housing</td>
<td>3911</td>
<td>60.7</td>
</tr>
<tr>
<td>Long-term housing</td>
<td>4938</td>
<td>76.6</td>
</tr>
<tr>
<td>Assistance to sustain housing tenure</td>
<td>1449</td>
<td>22.5</td>
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<tr>
<td>Mental health</td>
<td>932</td>
<td>14.5</td>
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<tr>
<td>Family</td>
<td>655</td>
<td>10.2</td>
</tr>
<tr>
<td>Disability</td>
<td>152</td>
<td>2.4</td>
</tr>
<tr>
<td>Drug/alcohol</td>
<td>359</td>
<td>5.6</td>
</tr>
<tr>
<td>Legal/financial services</td>
<td>414</td>
<td>6.4</td>
</tr>
<tr>
<td>Immigration/cultural services</td>
<td>105</td>
<td>1.6</td>
</tr>
<tr>
<td>Other specialist services</td>
<td>1157</td>
<td>18.0</td>
</tr>
<tr>
<td>General services\</td>
<td>6056</td>
<td>94.0</td>
</tr>
</tbody>
</table>

Table 4: Specialist Homelessness Services clients, by need for services and assistance and service provision status, Tasmania, 2019-2020

Note: 1. General services include financial information, material aid/brokerage, advice and information, advocacy/liaison, assistance with challenging social/behavioural problems, living skills/personal development, meals, transport and a wide range of other support.

Source AIHW 2020c.
general services were provided with them (see Table 4). The other most common area of need was for accommodation, whether that was short, medium or long term, or a combination of more than one of those. A total of 91.9 percent of SHS clients were identified as needing assistance with accommodation. However, the effects of Tasmania’s housing crisis, particularly the lack of longer-term housing options, is evident in the fact that for 20.6 percent of clients, this need was not met, either directly or via referral. The level of unmet need was higher for longer-term housing: need was met directly for 17.8 percent of clients needing medium-term housing and only 7.8 percent of clients needing long-term housing. Referrals were made for 37.1 percent and 51.5 percent of clients respectively, but 45.1 percent of clients needing transitional housing and 40.7 percent of clients needing long-term housing were neither provided with this housing nor referred to an alternative.

Most of the Specialist Homelessness Services data is released annually but a limited amount is released monthly. During March 2021, 2653 Tasmanian clients were receiving Specialist Homelessness Services support, either as new or continuing clients, compared to 2434 in March 2019, an increase of 9.0 percent. For 1894 (71.4 percent) of these clients, their main reason for seeking assistance was a need for accommodation: 1,091 were in housing crisis (for example, due to being evicted), 956 were living in inadequate or inappropriate conditions and 794 had had their previous accommodation come to an end (AIHW 2021).

Summary

Homelessness remains a major problem in Tasmania, and a high proportion of this homelessness is attributable to housing-related issues, including eviction, poor quality housing or the end of existing accommodation. Despite the efforts of Tasmania’s Specialist Homelessness Services, many people who approach them in need of shelter exit the service without this need having been met, either directly or via a referral. As many homelessness people are eligible for and need social housing as a long-term solution, high rates of unmet need are likely due to the continued constraints on overall social housing supply, with new additions to social housing well out of proportion with both existing demand and likely future growth in demand.
This report has documented the current state of the Tasmanian housing market. The data presented highlights the following:

- Despite the actual and anticipated social and economic impacts of the COVID-19 pandemic and the uncertain outlook, overall pressures in the Tasmanian housing market have intensified over the past 12 months as house prices and rents continue to rise.
- Tasmania’s housing market is becoming increasingly unaffordable given prevailing income levels.
- The construction industry has benefited from recent pandemic-related stimulus measures, which is increasing new housing supply although rising costs and skilled labour shortages are a risk to future growth. Medium-term demand is uncertain due to ongoing border restrictions although there is evidence of strong interstate migration to Tasmania.
- There are signs that the short-stay accommodation sector is once again becoming an active part of the Tasmanian housing system.
- Despite recent investment, social housing supply remains insufficient to genuinely meet need.

The focus for most Tasmanians over the last 18 months has been the COVID-19 pandemic. As noted throughout this paper, at certain points this pandemic and responses to it have had tangible effects on the housing market. However, given the scale of disruption brought by COVID-19, the consequences for the housing market have been proportionally small, although some of this may be due to the remedies chosen by governments, including substantial cash grants to new home buyers, which have largely preserved ‘business as usual’. The ‘story’ of previous years: a booming market offering substantial capital gains to owner-occupiers and investors, a widening gap between the cost of renting and the average household’s capacity to pay, and a residualised and overstrained social housing sector, looks set to continue.

The first of these University of Tasmania updates on the state of the housing market was triggered by the shock and anger many Tasmanians felt about the extent of visible homelessness in our community. The extra investment in housing assistance by the Tasmanian government has supported individual households in ways that matter deeply, but the broader, structural problems within the housing system have not been addressed.

Tasmania needs a communitywide conversation about the aims and priorities of housing policy, and innovative strategies and policies which could be developed and adopted by governments, industry, investors, service providers and the community to deliver better housing outcomes. The evidence and analysis in this report is designed to provide a starting point for this conversation.

The social housing system

The State Government has committed new funding to the social housing sector. However, this funding is unlikely to be sufficient to overcome the extended deterioration of the social housing system caused by decades of disinvestment and residualisation.
The decline could be reversed by a large-scale, steady and permanent building program to rebuild the system. The cheapest and most effective way to fund this would be through upfront government grants (see Lawson et al. 2019), but the quantum of funding required mandates ongoing Commonwealth involvement. This has proved difficult in the past.

To consider: How can we tackle the complex politics that impede federal-state cooperation in relation to subsidising social and community housing?

The private rental market
The targeted and residualised nature of the social housing system means that increasingly, many disadvantaged households are living in the private rental market because they have no alternative. Yet access, tenure security, affordability and housing quality, especially at the lower end of the market, are frequently poor. The growth in the short-stay accommodation sector has placed further pressure on the market. Although there is little tangible evidence that proportionate intervention to improve security of tenure, moderate excessive rent increases and promote higher quality standards causes investors to retreat from the market (see Seelig et al. 2009; Martin et al. 2017), efforts to increase regulation in this area can face intense opposition.

To consider: How do we ensure that the private rental market is fit for the purpose—accommodating marginalised and low-income households—to which it is increasingly being put?

Subsidies and stimulus
Many of the trends noted in this report can be traced to the use of First Home Buyers Grants and other forms of demand stimulus in the wake of COVID-19. These grants have been enhanced in response to a major economic crisis and are having an effect, promoting increased activity in residential construction and bringing forward demand. However, outside such periods of crisis, such subsidies have become an everyday component of the housing policy landscape, even though there is little evidence they do more than bring forward purchases that would have happened anyway, while their benefits flow disproportionately to people on higher incomes.

To consider: How can we design housing market subsidies to maximise benefits to those in greatest need, while minimising unintended inflationary consequences?

The evidence and analysis presented in this report highlights the significant ongoing challenges facing the Tasmanian housing market during the recovery from the COVID-19 pandemic. These challenges are complex and addressing them will require new approaches and community-wide discussion and debate.

The aim of this report has been to provide an evidence base to inform this process and to identify some of the priority issues which require careful consideration in coming months.
Acknowledgements

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