

Belonging anywhere



## **Airbnb and renting in Sydney**

A Report by the Tenants' Union of NSW

March 2017



# Introduction

Airbnb is an online short-term letting platform created in August 2008 in Southern California. It arrived in Sydney not long after, with the first listings for Sydney appearing by February of 2009. Airbnb was originally marketed as part of the sharing economy, where a spare room might be listed. But in 2017 listings are increasingly made for entire homes. Compare below an early 'About page' in February 2009 to the About page currently on the site in March 2017'.

As a result, Airbnb has caused concern amongst tenant representative groups around the world. The perception from these groups is that Airbnb & other similar companies are encouraging landlords to remove dwellings from the rental sector due to higher returns in short term letting.

Some owners and neighbours also report being disturbed by short term letting guests. This is a problem that has been around for a very long time, but the rise of Airbnb has potentially exacerbated this issue.

## Now and then: "About Airbnb" in their own words

### February 2009<sup>1</sup>

#### **What is AirBed & Breakfast?**

AirBed & Breakfast is an online marketplace for peer-to-peer traveling.

We enable people to earn money by renting out extra space, and offer travelers a viable alternative to hotels.

#### **How it works**

It's simple. Nice folks, folks like you, list their guest rooms, futons, and even couches on the site and set a price per night. Adventurous travelers looking for a place to stay can search the listings for an accommodation that's just right.

<sup>1</sup> <http://web.archive.org/web/20090204194634/http://airbnb.com/home/about>

### March 2017<sup>2</sup>

... Airbnb is a trusted community marketplace for people to list, discover, and book unique accommodation around the world – online or from a mobile phone or tablet.

Whether an apartment for a night, a castle for a week, or a villa for a month, Airbnb connects people to unique travel experiences, at any price point, in more than 34,000 cities and 191 countries...

<sup>2</sup> <http://web.archive.org/web/20170330015713/https://www.airbnb.com.au/about/about-us>

This paper seeks to give preliminary answers to questions concerning the impact of Airbnb on the private rental sector in New South Wales. We hope that it encourages the further exploration of these issues by academics, governments and advocates for tenants.

Primarily we want to know what impact the presence of Airbnb in Sydney is having on private rents. Ideally this would be measured in two ways - by examining whether the stock of rental properties has been reduced, and whether the rents of those properties has increased.

We will approach this question by examining the business case for removing a rental property from the market. In other words, will properties listed on Airbnb make more money than simply renting the premises out to residential tenants.

We will also look to quantify how many properties will be affected by a potential change to council approvals that will require hosts to seek permission to use a property for short term lets for more than a certain number of days in a year.

In this paper we do not explore the issue of being disturbed by Airbnb guests or the impact on neighbours and community.

We have primarily used data supplied by AirDNA, a data scraping company, for this analysis. Unless otherwise noted this is the source for information about Airbnb listings in this report. Other data sources include Inside Airbnb (another data scraping site), the Department of Planning and Environment Population Projections and the Rent and Sales Report. More information on sources and methodology is at the end of the report.

***“We hope that it encourages the further exploration of these issues by academics, governments and advocates for tenants.”***

# Airbnb in Sydney

Australia has been described by Airbnb as “the most penetrated market in the world”<sup>1</sup> with Sydney leading the country for listings. At the time that figure was quoted in June 2016 Airbnb claimed 18,000 listings in Sydney. An alternative use of the phrase at the same time<sup>2</sup> described Sydney and Melbourne as 5th and 6th respectively in the world for ‘users’ of the site. This likely included travellers, not just local listings.

Our estimate over the year to September 2016 is that Airbnb usage has grown to take in around \$160 million in gross payments by guests. \$130 million of that was for entire homes, and the remainder for rooms in larger premises, or even shared rooms. In comparison, the rent collected by the private rental market in the Sydney region for the same period is poorly measured, but would be well in excess of \$10 billion.<sup>3</sup>

Airbnb does not ask its Australian hosts whether they are tenants or property

**1** <http://www.theaustralian.com.au/business/property/sydneys-eastern-suburbs-popular-with-australian-airbnb-users/news-story/44c628e64ec79e-4d1a68d72e992888fc>

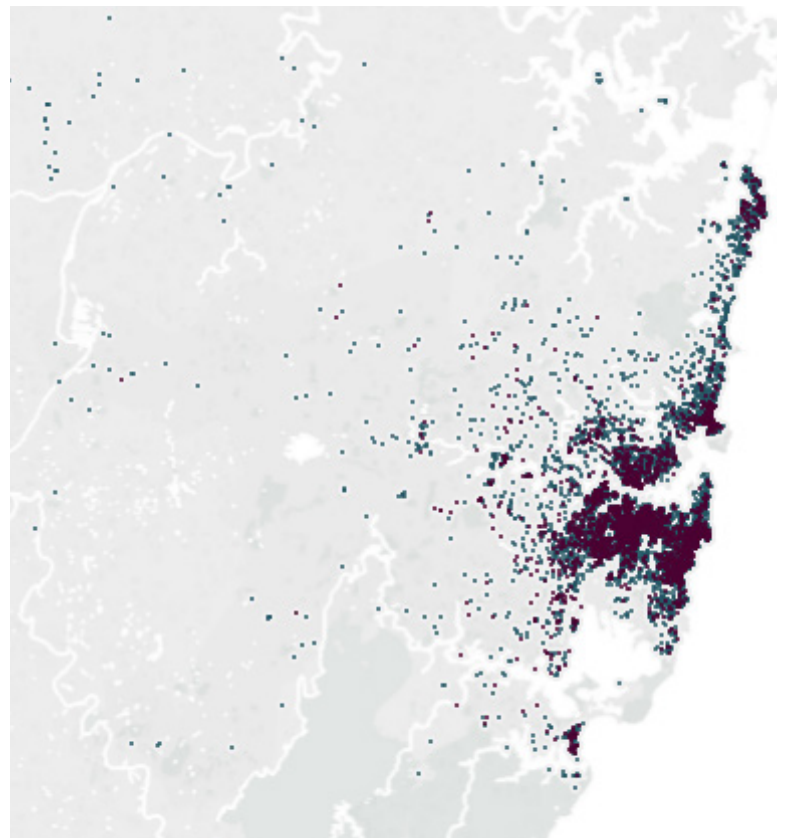
**2** <http://www.theaustralian.com.au/business/australia-key-to-airbnbs-plans/news-story/54b662a772eb6d28fdd1061534371b0d>

**3** Our own conservative analysis of all bonds held by the Rental Bond Board in September 2016: <https://data.nsw.gov.au/data/dataset/formal-gi-pa-access-application-2016-2017-fa-13/resource/ca5c4a11-64f8-4583-91c9-d9436d38e2e9>

owners. As a result, we can only speculate as to how many properties on Airbnb are listed by tenants or by home owners.

This is an area which requires further study in order to make any real claim about the impact of short term lets upon the private rental market. It is much harder to make the case that Airbnb and other sites are having an impact if, for instance, much of the use are renters themselves merely using the service to offset their already high rents.

## ***Airbnb listings across Sydney***



- Listings with more than 60 nights booked in a year
- Listings with 1-60 nights booked in a year



The areas in which Airbnb is most heavily located are also some of the most affluent and established tourist-friendly areas, and are also close to Sydney’s main economic centres. They also historically have some of the highest private rents in Sydney.

The following page shows the proportion of rented dwellings and Airbnb listings in the Greater Sydney area and then the Waverley, City of Sydney and Manly local government areas. The initial listings number is not examined for recent activity or income – they have merely appeared on the Airbnb website and been captured by Inside Airbnb. The smaller, second circle is the number of entire homes which have been frequently and recently booked, as measured by Inside Airbnb.<sup>4</sup>

Across Sydney 1.2% of Sydney’s almost 2 million properties were listed on Airbnb by September 2016. Even in popular Airbnb areas, only a tiny number were being frequently used.

We have illustrated the coverage on these three local government areas due to their level of Airbnb listing density and publicity as hubs of Airbnb activity.

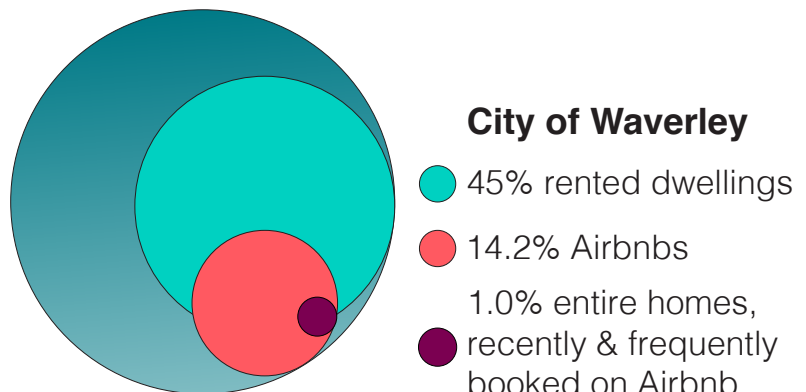
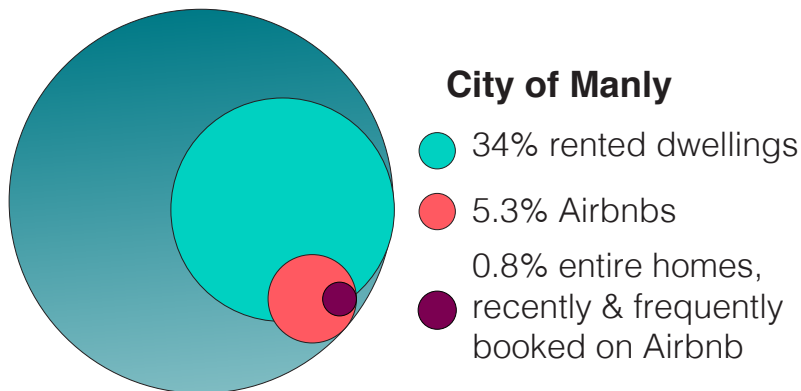
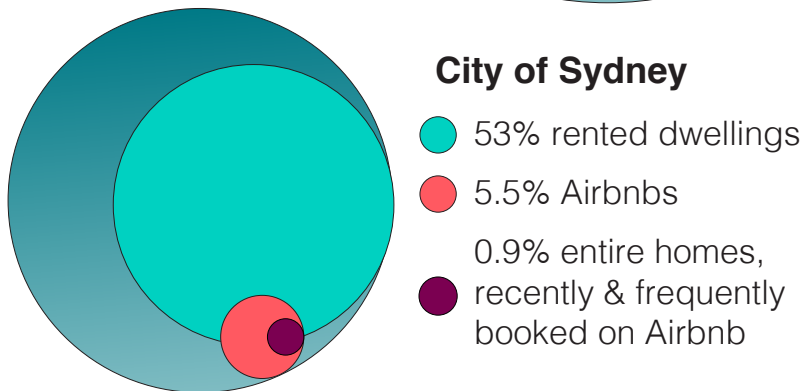
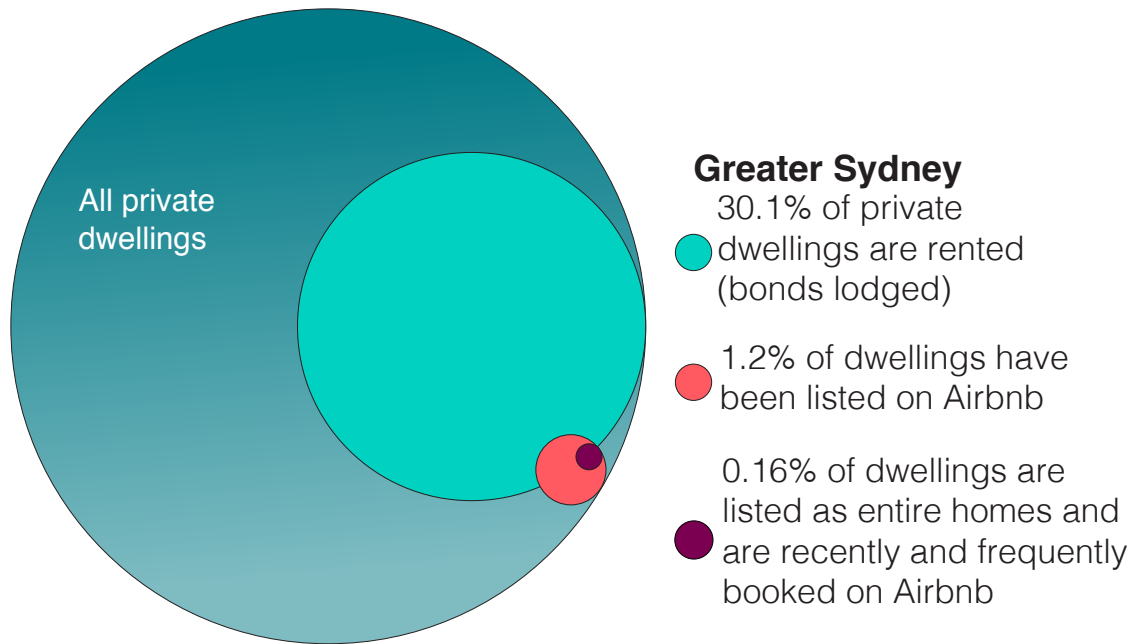
<sup>4</sup> <http://insideairbnb.com/sydney/> Recently and frequently booked is defined as having received at least one review in the last 6 months and at least 90 booked nights in the last year.

## How much extra rent? The median rent in these LGAs is much higher than Greater Sydney



# airbnb in Sydney

Makeup of rented dwellings and Airbnb listings  
Sources: Insideairbnb, FACS, Planning & Environment



# Airbnb in Sydney

## Listing Activity

Both supporters and opponents of Airbnb cite large numbers for how many listings appear on Airbnb and how fast these numbers are growing.<sup>1</sup> These numbers affect the potential impact listings have on Sydney's market. However the number of listings which appear to be active at any one time is not as large.

We have compared the number of "entire home" listings ever created with the listings active in each month from August 2014 to August 2016. We have further broken down listings

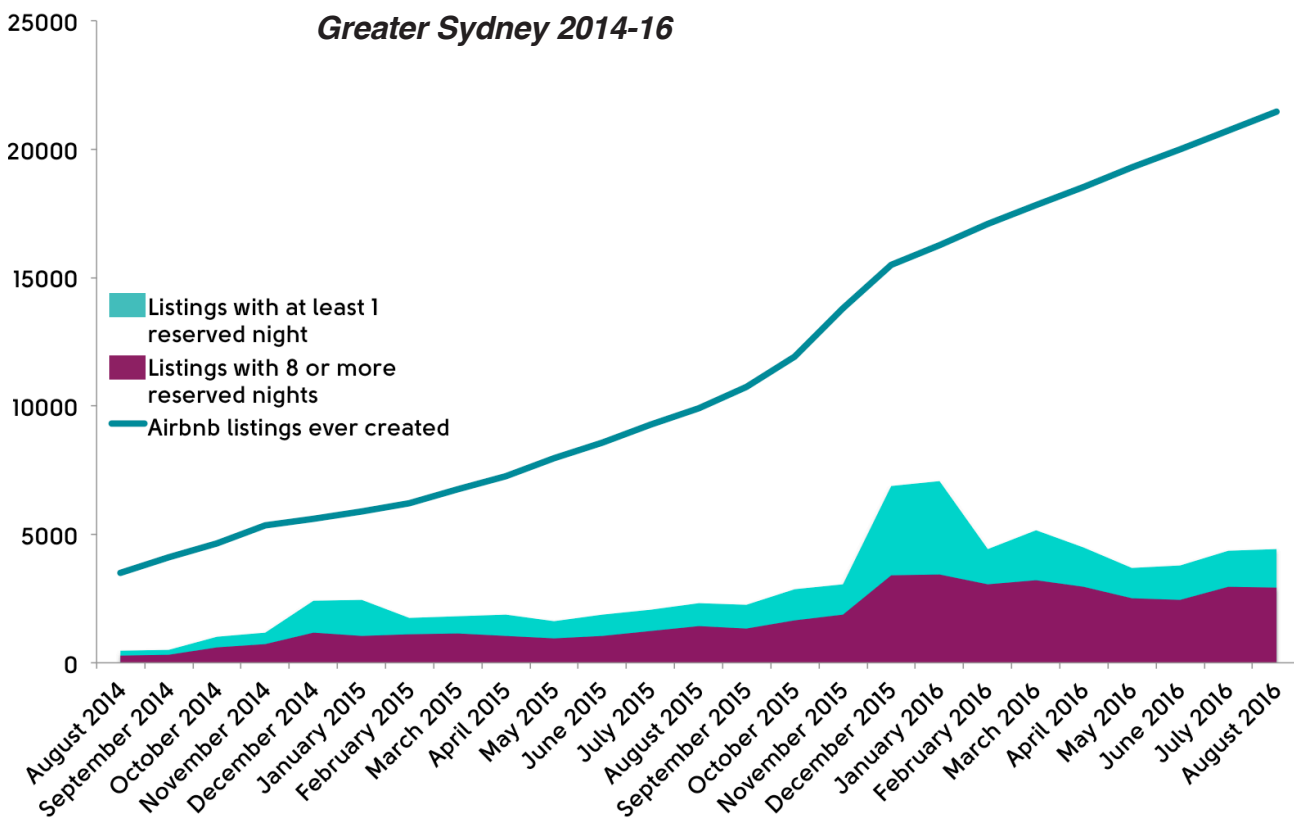
which had more than 7 nights booked in each month.

We can see very clearly the summer jump in casual bookings, but the growth in heavier use is much less seasonal. This indicates a large number of people are listing homes on Airbnb very infrequently, and only using the site at particular peak times.

The gap between listings ever created and those active in each month also suggests that many listings may have stopped being active. Intuitively this is obvious as the same host may have moved house. However the large numbers also start to indicate that

<sup>1</sup> <http://www.abc.net.au/news/2017-01-31/airbnb-booming-in-sydney-but-it-could-be-pushing-up-rents/8223900>

**Growth in Airbnb compared to monthly activity  
Greater Sydney 2014-16**



continued use may not be what hosts are seeking, and certainly aren't what they are achieving.

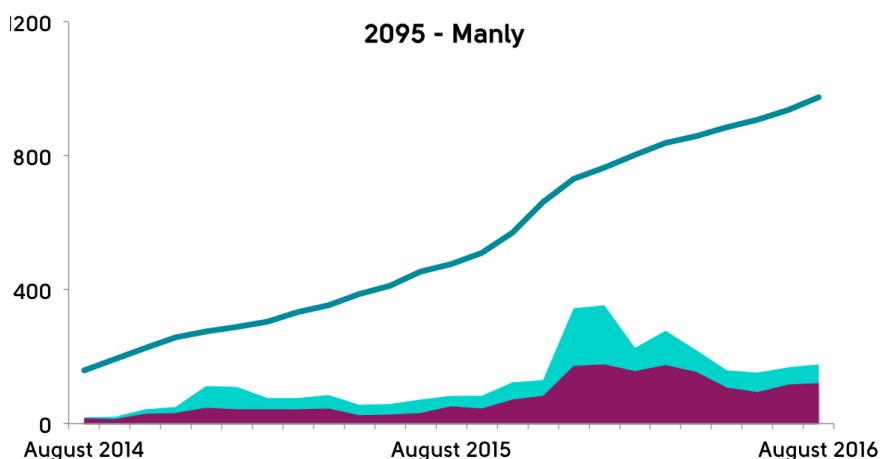
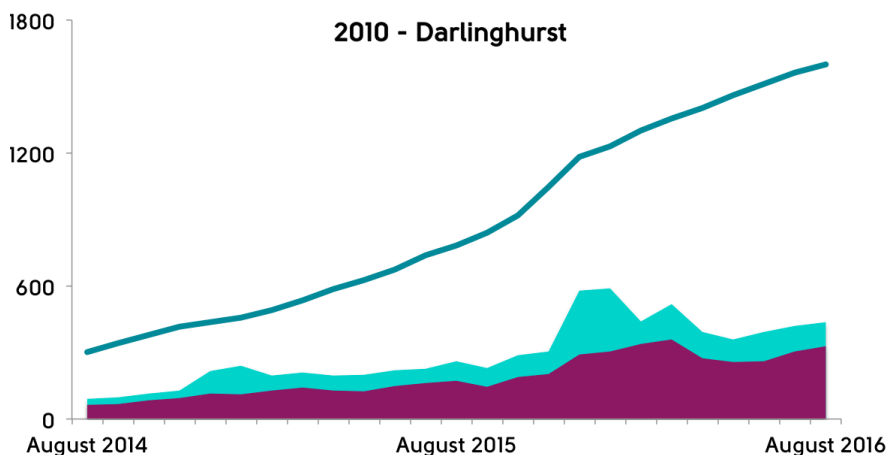
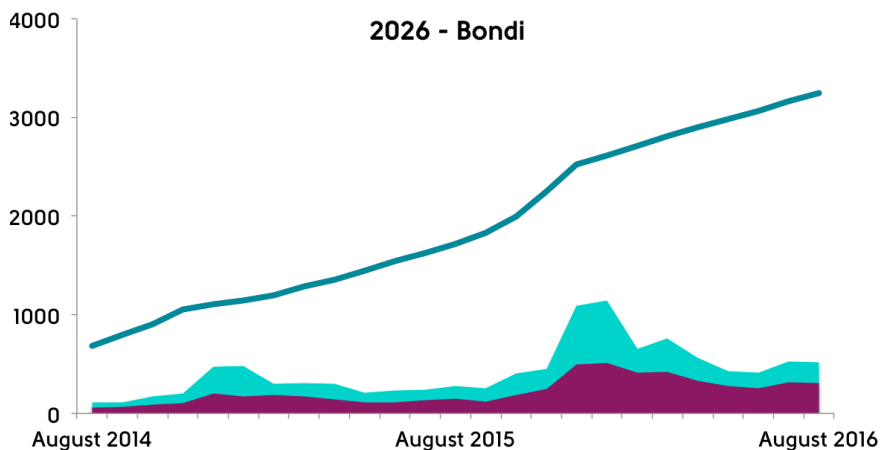
We repeated the work at the postcode level for all the most densely listed Airbnb areas (compared to rentals) and found very similar stories. The peak time for Airbnb is over summer, particularly in the beach areas, but large numbers of listings over that period are for 7 or less days in the month, and do not continue after summer.

Where these summer listings are residents using their property while they have a week away, this would have little impact on the rents in the area.

However, these summer listings may also show a landlord using private rents during the cooler months and short term lets over summer. This would have a double impact on tenants - the first set of tenants has to move, and when the dwelling is returned to the residential sector after summer the second set of tenants will be given a higher rent.

Without data about evictions in Sydney, it is impossible to know the extent to which these scenarios occur.

- Listings with at least 1 reserved night
- Listings with 8 or more reserved nights
- Airbnb listings ever created





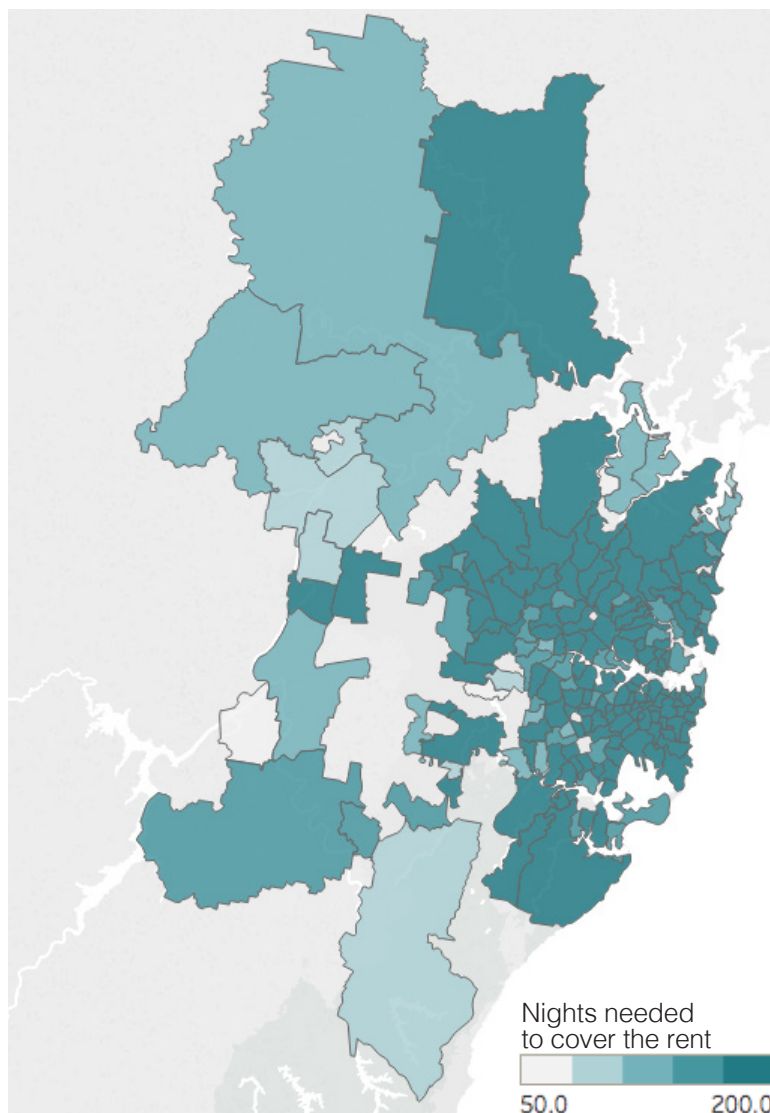
## Covering the rent

We used the AirDNA data to examine whether the incentive existed for a landlord to remove a property from the private rental market and move it to Airbnb.

Our analysis shows that across Sydney, the number of nights listed on Airbnb required to cover the median rent for the same size property in the same postcode is 194 nights each year. Of the 10 most populated airbnb areas in September 2016, the number of days needed to cover the rent was in excess of 150 in every case. There are a few areas with very low Airbnb activity where the number required is below 60 days, but equally there are several areas where the number is well in excess of 365 days.

For both rents and listings income, we haven't taken into account the costs associated. A busy Airbnb listing may come with higher costs than a private rental. Hosts may need to account for a faster rate of wear and tear, as well as having to provide furniture, linen and other necessities.

The full interactive map is available at: <https://tenants.org.au/tu/AirbnbSydney2017>



Post code and suburb	Booked nights needed to replace median rent	Entire home listings
2026 Bondi	187	3,436
2010 Darlinghurst	206	1,717
2011 Woollahooloo	215	1,232
2095 Manly	201	1,051
2031 Randwick/Clovelly	197	905
2034 Coogee	193	729
2000 Sydney CBD	200	707
2021 Paddington	192	626
2024 Bronte/Waverley	180	609
2088 Mosman	158	497

Different property types do find it easier to cover the rent than others. Where we look at the nights needed to cover the rent by the number of bedrooms, it becomes very clear that larger properties find it much easier to cover the rent.

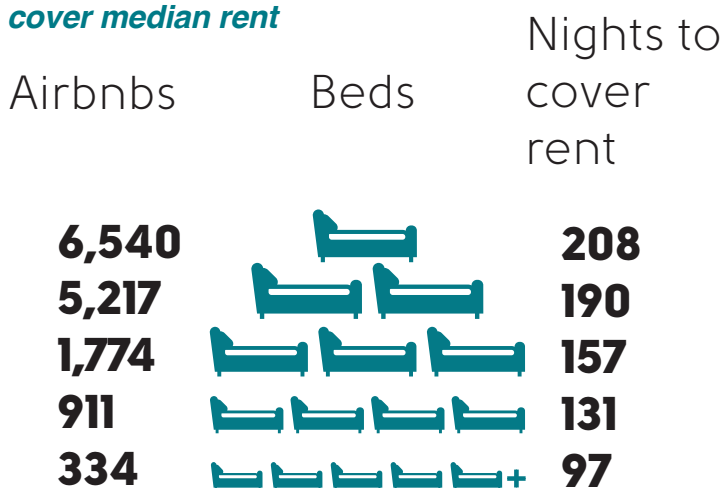
The majority of listings are for dwellings with 2 or less bedrooms. Of the nearly 15,000 entire home listings created that had any activity in the year to September 2016, more than three quarters (11,757) were studios, one bedroom, or two bedroom dwellings.

Of these smaller dwellings, the number of nights needed to cover the rent is significantly higher than for larger bedroom properties. This means that a property owner may well be able to see benefit in utilising Airbnb over residential tenancies in larger houses, though we note the median nights needed are still significant - 93 nights a year even for 5 bedroom properties.

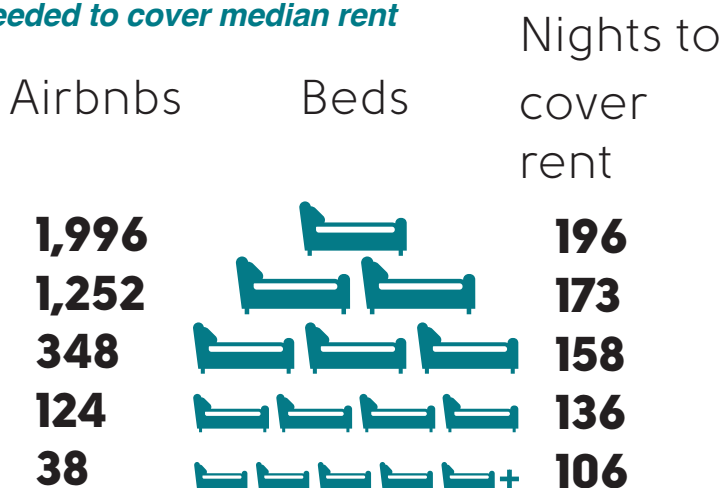
A second strategy may also present itself to an Airbnb investor. With a larger property, an investor can also list individual rooms at the same time as an entire home, so they can be much more flexible with the revenue.

Looking at a bedroom breakdown of those listings which actually are being used for a significant number of nights a year, we can see that part of the reason why these properties are being used more is that they have less of a burden to cover the same level of income as from a residential tenancy. The days needed are still significant, and the numbers of properties that reach even 60 days a year is small.

**Entire home Airbnbs with 1 or more nights booked, by number of bedrooms and nights needed to cover median rent**



**Entire home Airbnbs rented for greater than 60 days in the year, by number of bedrooms and nights needed to cover median rent**



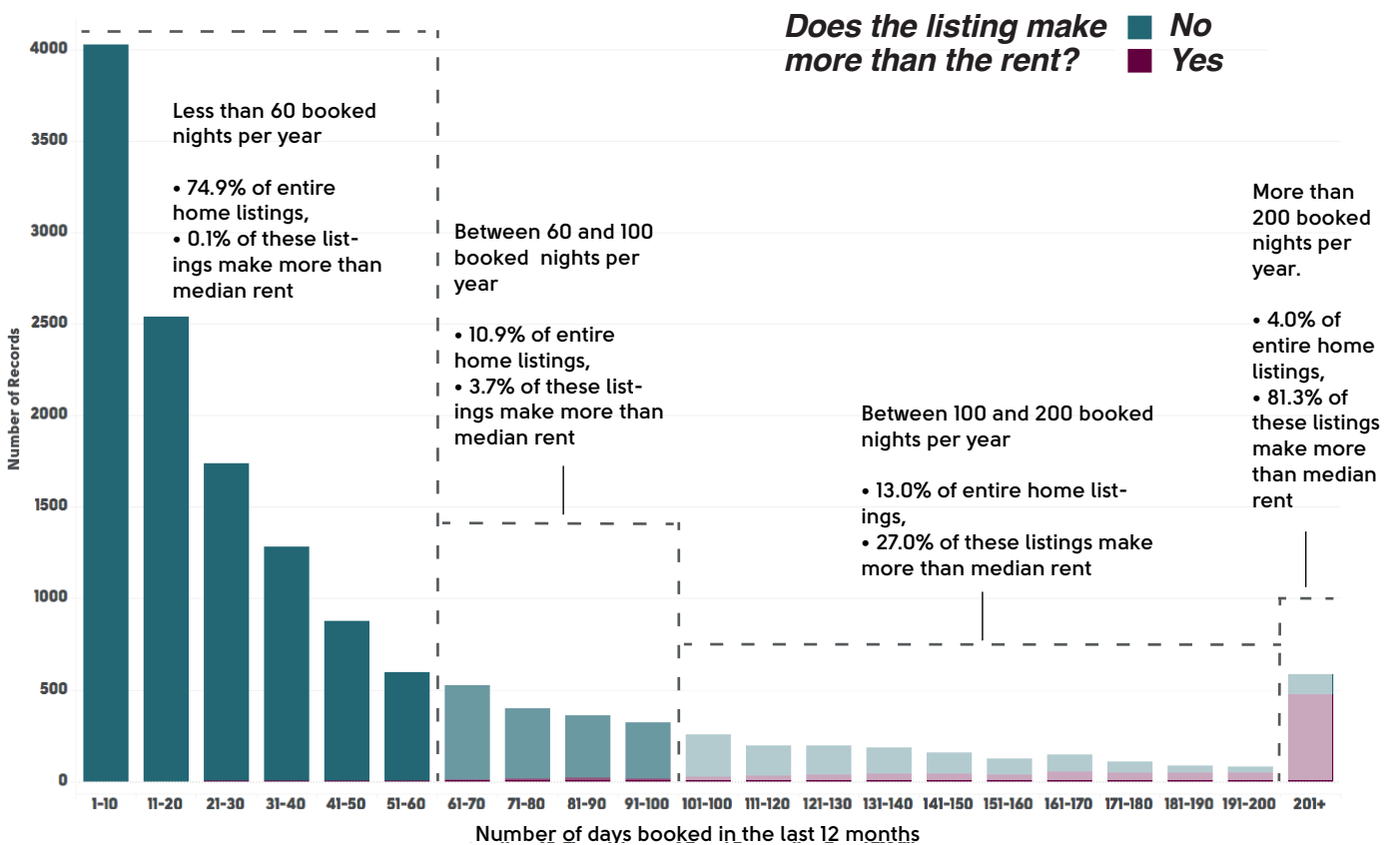
It's not easy covering the rent with Airbnb. Indeed most people just aren't trying.

When we look at how many days a year it would take to cover the rent, we can see that the vast majority of listings have been booked for less than 60 nights in the year. In fact more than a quarter of listings that had any activity in the year were booked for 10 nights or less.

Very few properties with 60 or less booked nights actually made more than the median rent for that property size in that postcode. It is much easier to do with larger properties as the price can vary.

It is not until we get to more than 100 booked nights a year that a significant proportion of properties are making more than median rent. This suggests that there is a cohort of hosts using the platform commercially, but the vast majority of users are not.

***“It’s not easy covering the rent with Airbnb. Indeed most people just aren’t trying.”***



# Are rents rising because of airbnb?

In trying to work out whether the presence of Airbnb has had an impact on rents, we first looked to see if it has had an impact on supply of housing.

First we have taken the active listings from the previous pages 6-7 and compared their growth to the vacancy rate for all of Sydney for the period August 2014 to August 2016, and for the postcode areas with greatest density of Airbnb.

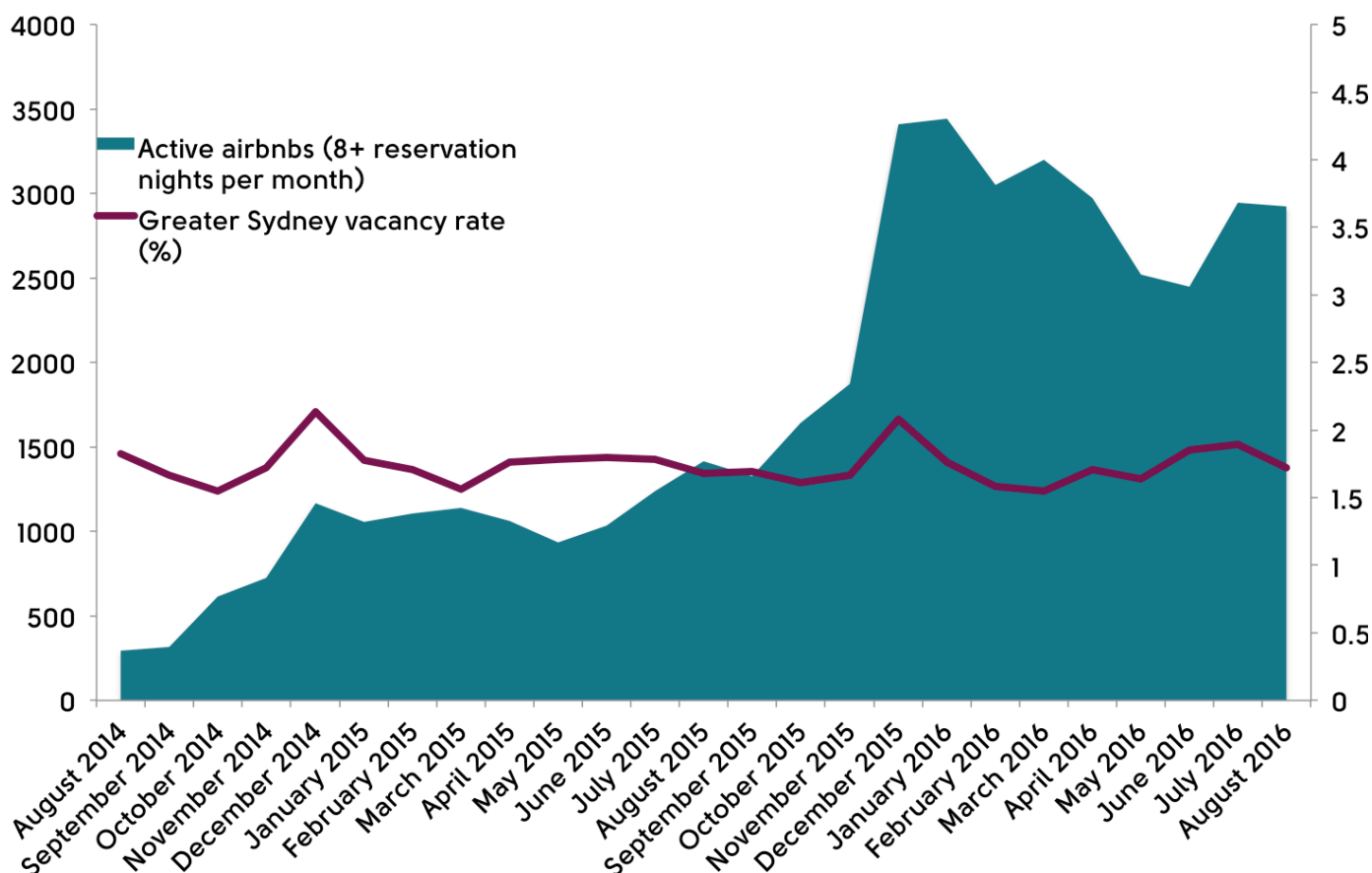
The vacancy rate measures the number of properties currently available to rent at any one time. It is generally recognised as one of the key indicators of the health of a tenancy

market. In a balanced rental market we believe we should be looking for at least a 5% vacancy rate.<sup>1</sup>

If landlords were taking rentals off the market for Airbnb we should see a drop in the vacancy rate. In these numbers, we are looking for a negative correlation – that is, when the listing numbers go up, the vacancy rate goes down.

For all of Sydney there was no discernible effect on the vacancy rate. In fact there is a very weak positive

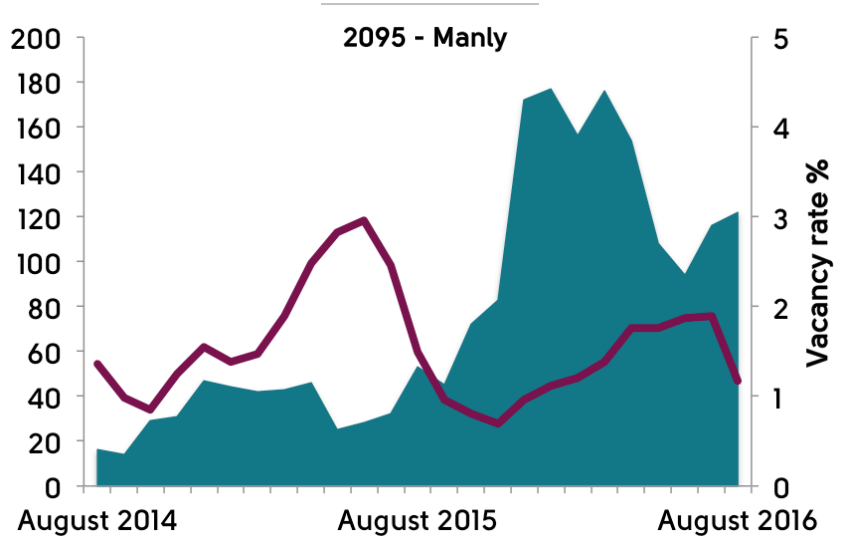
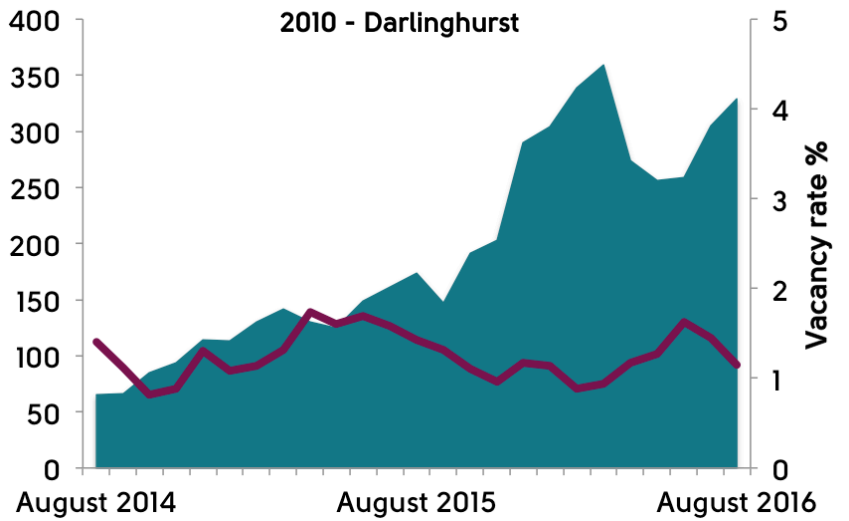
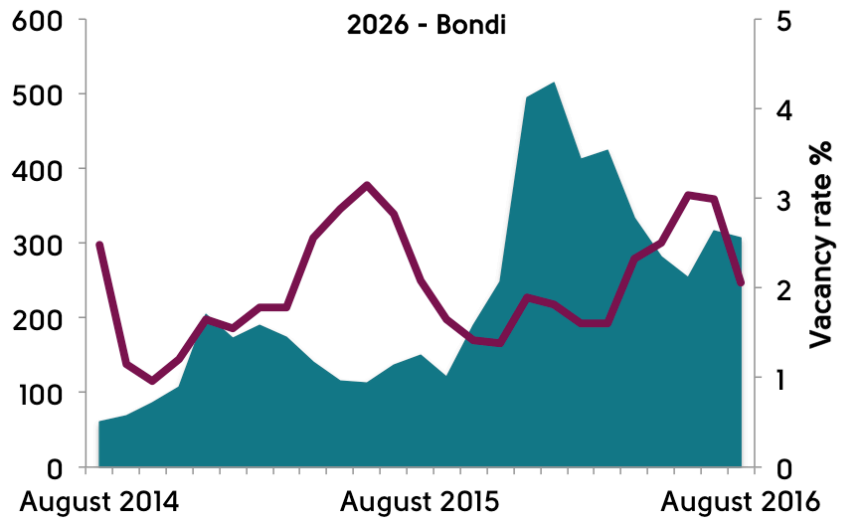
<sup>1</sup> Eric S. Belsky (1992) Rental vacancy rates: A policy primer, Housing Policy Debate, 3:3, 793-813, DOI: 10.1080/10511482.1992.9521110



relationship. However, given how few active listings operate, and how concentrated Airbnb in Sydney is to the central and coastal areas this probably isn't so surprising.

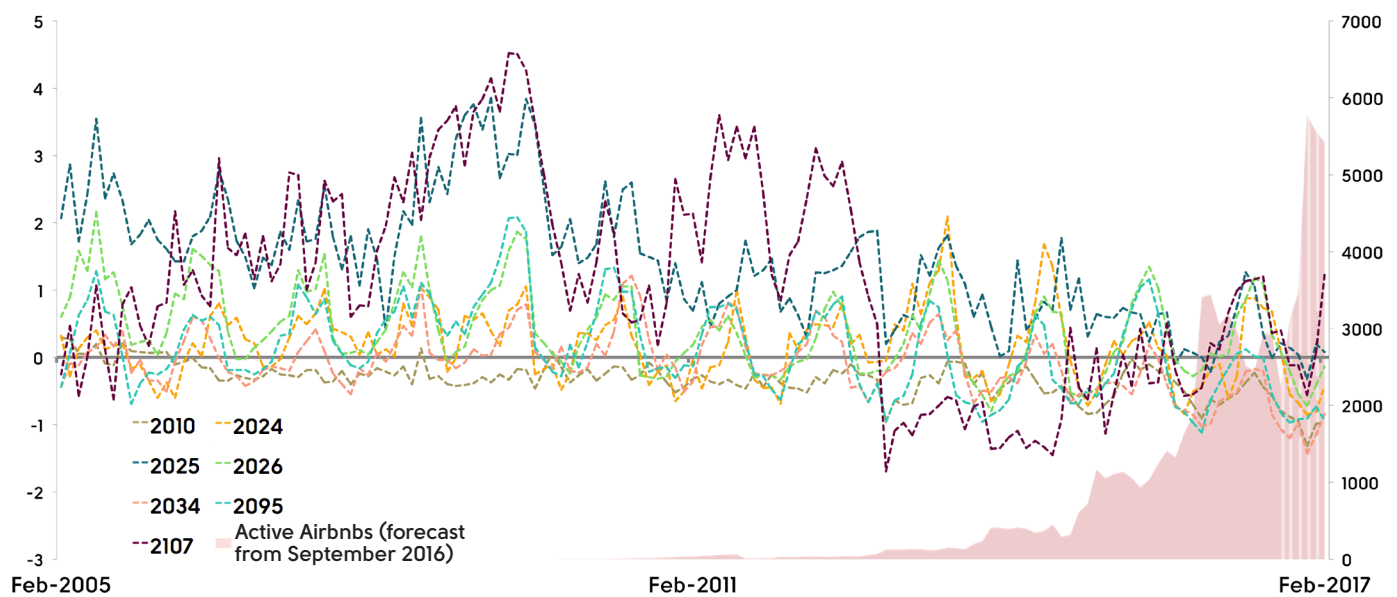
Looking at the three previously identified areas, we start to get a better picture. For both Bondi and Manly, we can see a definite seasonal effect on their vacancy rate with winter peaks and summer troughs. While active listings do follow the reverse of this seasonal effect, there appears to be very little impact on the vacancy rate. Manly had the strongest negative correlation, but this was still very weak at  $r = -0.26$ . Other correlations were between 0.1 and -0.1.

■ Active airbnbs (8+ reservation nights per month)  
— Postcode vacancy rate (%)





## Selected postcode vacancy rates compared to the Greater Sydney area (Greater Sydney = 0).



The vacancy rate appeared not to have been affected by Airbnb listings but when we look at the longer trends we can see that compared to all of Sydney, these areas have become increasingly tight over the last 12 years.

For some areas this may be due to a growing rental demand as house prices take owner occupation out of reach, but supply of rental properties hasn't been able to keep up.

### The rent is getting higher, but how much?

Finally, we look at the actual prices. The rent in Sydney continues to rise, but given our observations so far, does Airbnb appear to have had an impact on the rent? We examined the top 10 postcodes by the number of airbnb listing for each of 1, 2 and 3 bedroom entire home properties. The 1, 2 and 3 bedroom listings in these 13 postcode areas account for 9951, or about a third, of all entire home listings on Airbnb across Sydney.

We compared those postcodes for the average increases in median rent for

Sydney over the year to September 2016, and additionally the periods 2006-2011 and 2011-2016. We found no link between particularly high numbers of Airbnb listings and rises in rent.

Some of these areas did rise faster than the average across Sydney in the last year. However, a significant number rose much more slowly than the average across Sydney, suggesting that Airbnb and other short stay accommodation have not had a significant or consistent effect on rents in the area.

Additionally, some areas saw rents rise comparatively faster in the period 2006-2011 than in the period 2011-2016. Given the very small number of Airbnb listings active in this period, this throws further doubt upon the specific impact of Airbnb may have had on rents in the current period.

Particularly when combined with the low correlation to vacancy rates, it seems unlikely that the prices of new rents went up in these areas more than they might have in the absence of Airbnb.

## Increases in median rents in Airbnb hotspots

	2015-2016		2006-2011		2011-2016	
	Increase in new rents	Compared to sydney average	Increase in new rents	Compared to sydney average	Increase in new rents	Compared to sydney average
<b>1 bedrooms</b>						
<b>Sydney Average</b>	6.8%		7.6%		4.0%	
2107 - Avalon-Bilgola	12.2%	5.4%	4.5%	-3.1%	5.9%	1.9%
2026 - Bondi	10.0%	3.2%	10.0%	2.4%	4.4%	0.4%
2030 - Vaucluse-Watsons Bay	-10.4%	-17.2%	-	-	-	-
2024 - Bronte-Waverley	14.6%	7.8%	10.6%	3.0%	5.0%	1.0%
2023 - Bellevue Hill	0.0%	-6.8%	7.4%	-0.2%	1.6%	-2.4%
2095 - Manly	8.6%	1.8%	7.3%	-0.3%	5.3%	1.3%
2034 - Coogee	4.2%	-2.7%	8.1%	0.5%	3.0%	-1.0%
2025 - Woollahra	7.3%	0.5%	10.6%	3.1%	1.7%	-2.3%
2010 - Darlinghurst-Surry Hills	4.8%	-2.1%	7.9%	0.4%	3.2%	-0.8%
2029 - Rose Bay	8.9%	2.1%	9.3%	1.7%	3.1%	-0.9%
<b>2 bedrooms</b>						
<b>Sydney average</b>	2.0%		10.0%		3.6%	
2107 - Avalon-Bilgola	-0.9%	-2.9%	5.2%	-4.8%	4.6%	1.0%
2026 - Bondi	6.6%	4.6%	11.6%	1.6%	4.2%	0.6%
2024 - Bronte-Waverley	4.6%	2.6%	5.9%	-4.1%	4.7%	1.2%
2095 - Manly	14.3%	12.2%	9.0%	-1.0%	5.4%	1.8%
2010 - Darlinghurst-Surry Hills	3.8%	1.7%	8.9%	-1.1%	3.2%	-0.3%
2025 - Woollahra	0.0%	-2.0%	10.5%	0.5%	1.9%	-1.7%
2021 - Paddington	1.4%	-0.6%	9.3%	-0.7%	2.5%	-1.0%
2028 - Double Bay	3.7%	1.7%	7.6%	-2.4%	4.1%	0.6%
2027 - Edgecliff-Point Piper	3.3%	1.3%	10.6%	0.6%	0.7%	-2.9%
2034 - Coogee	4.8%	2.8%	9.7%	-0.3%	3.6%	0.1%
<b>3 bedrooms</b>						
<b>Sydney average</b>	1.1%		10.0%		3.1%	
2024 - Bronte-Waverley	-7.1%	-8.2%	8.9%	-1.1%	0.0%	-3.1%
2026 - Bondi	15.8%	14.7%	7.2%	-2.8%	7.0%	3.9%
2107 - Avalon-Bilgola	6.9%	5.9%	5.7%	-4.3%	4.3%	1.2%
2025 - Woollahra	-25.9%	-27.0%	6.7%	-3.3%	-2.0%	-5.1%
2010 - Darlinghurst-Surry Hills	0.1%	-1.0%	9.0%	-1.0%	3.5%	0.4%
2031 - Randwick-Clovelly	-1.1%	-2.2%	10.1%	0.1%	3.5%	0.3%
2034 - Coogee	3.7%	2.7%	10.9%	0.9%	2.1%	-1.0%
2095 - Manly	8.3%	7.3%	6.8%	-3.2%	6.8%	3.7%
2041 - Balmain-Birchgrove	-3.7%	-4.8%	6.8%	-3.2%	9.8%	6.7%
2029 - Rose Bay	50.0%	48.9%	14.5%	4.5%	6.8%	3.7%

Postcodes chosen are sorted by most active Airbnb areas for each bedroom size property. Each increase figure shows the percentage increase in the price of new rents in the area over the relevant period. The increase is expressed as a yearly average for 5 year periods. The second column in each period shows the difference between the Greater Sydney average for the property type and the particular postcode.

# Conclusions and recommendations

We acknowledge the impact the growth in short term letting has had on communities in other parts of the world, but from our investigation the same does not appear to be true here.

In asking why this might be, we offer two observations.

The first may be obvious - even if Australia is the 'most penetrated' market, there is actually not yet so much activity on Airbnb that would impact the private rental market. This may change, and if it does then it means now is a good time to establish a sensible regulatory regime. It means we can prevent the impact on communities that other cities have reported.

The second is less obvious. Australia has some of the weakest tenancy laws in the world, with landlords facing little to constrain their ability to maximise rents and capital gains, and directly subsidised by government in a number of ways<sup>1</sup>. Compare this to New York with its million-strong cohort of rent controlled homes<sup>2</sup>, or San Francisco and Europe with sensible restrictions on evictions. A landlord in Sydney may not perceive the same benefit in removing the property from the private rental sector in order to utilise Airbnb as would a landlord in those other areas.

<sup>1</sup> *Tenants' Guide to Tax Reform*, TUNSW, 2016. <https://files.tenants.org.au/policy/Tax-Reform-Guide-2016>

<sup>2</sup> *Rent Stabilization in New York City* Furman Centre 2012, <http://furmancenter.org/research/publication/rent-stabilization-in-new-york-city>

Criticism of Airbnb exposes some of the issues facing tenants in Sydney and NSW generally - lack of security for residential tenants, no practical cap on rising rents and limited ability to remain and set down roots in communities.

It is worth noting in passing that lower income renters in Sydney's private market have mostly already been moved out of the areas where Airbnb is located. The almost total absence of Airbnb, and particularly more commercially run Airbnbs, in the west of Sydney points to a continued concentration of property wealth in the hands of the people who already have access to properties in high-demand areas – whether they are owned or rented.

***“Australia has some of the weakest tenancy laws in the world, with landlords facing little to constrain their ability to maximise rents.”***

## **We support:**

### **1. Further study into tenant evictions in Sydney and NSW generally.**

These studies should particularly include an examination of tenants who are being evicted for changing use of the premises to short term lettings. We simply do not know the reasons tenancies are ended in NSW apart from anecdotal evidence and occasional surveys.

### **2. Further study into the long term impact of Airbnb on the way Sydney houses itself.**

We particularly encourage academia to negotiate the release of data directly from Airbnb themselves.

### **3. Ensure planning laws at least limit the use of short term lets above 60 nights per year.**

We are satisfied from the data presented here and previously that commercial operators that may cause an issue for the supply of private rents operate well above a 60 night per year level. We do not believe those using Airbnb or other sites a handful of nights a year are having any meaningful impact on housing supply or skewing local markets.

### **4. The amendment of no grounds terminations to a list of reasonable grounds for termination in the Residential Tenancies Act 2010.**

This will prevent landlords from evicting tenants to vacillate between short term lettings and residential tenancy lettings, and allow an examination of the reasons given by the landlord.

### **5. A tenure neutral approach to regulation of short-term lettings.**

Tenants experience significant extra hurdles to enjoy their homes in the same way owner occupiers do. If Airbnb is accepted as a legitimate use of premises for occasional personal use, then there should be no restriction placed upon a tenant by landlords or strata corporations on tenants use of Airbnb which is not equally applied to owner-occupiers.

***“Now is a good time to establish a sensible regulatory regime. It means we can prevent the impact on communities that other cities have reported.”***

## A note on Methodology

### Sources

We used a variety of sources for this report. Data concerning Airbnb's listings in Sydney is based on AirDNA property listings to the end of September 2016. AirDNA is a third-party firm that provides data and analytics on Airbnb listings and bookings. AirDNA is the only source of information for short-term rental data which includes occupancy rates and revenue data.

We have also utilised data from InsideAirbnb, an explicitly activist project examining the publicly available data from Airbnb website.

It is important to note that occupancy rates are modeled from direct observations of the listings<sup>1,2</sup>. We do not consider this to be an issue for the purposes of this report.

Both of these sources create their data through 'scrapes' of the Airbnb website, pulling down information about the listings in an unauthorised manner.

<sup>1</sup> <https://www.airdna.co/methodology>

<sup>2</sup> <http://insideairbnb.com/about.html>

Airbnb disputes the accuracy of the information derived from scrapes, but does not generally make data publicly available. Airbnb has since made an offer to provide data but this was not able to be included in this report.

Information regarding private rental rates and bonds held by the Rental Bond Board are taken from the Rent and Sales Report published by Family and Community Services. This records the number of bonds held, which is an undercount of private renters as not all renters pay a bond. Rents recorded on the bond lodgment are the most accurate measure of the rent paid by tenants at the beginning of their tenancy.

Information about vacancy rates in Sydney were obtained from SQM Research Pty Ltd at: <http://www.sqmresearch.com.au/vacancy.php>.

Department of Planning and Environment (2014), 2014 New South Wales State and Local Government Area population and household projections. Sydney, NSW.

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