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From left, Michael Heaney, Neighbours Not Strangers convener Trish Burt, and Stamford on Kent residential block chairman Michael Mangan. Picture: James Croucher" />

THE AUSTRALIAN

# Airbnb tackles backlash among residential neighbours

SAMANTHA HUTCHINSON THE AUSTRALIAN 12:00AM December 17, 2016

Chris Lehane had his work cut out for him. The strategic Mr Fix-It for accommodation giant Airbnb arrived in Sydney this week in the middle of a heatwave and at the start of a holiday season in which tempers are expected to flare between residents and tourists using the accommodation platform.

But the head of global policy for Airbnb came prepared. Lehane had recently unveiled a gentler, more collaborative approach to working with city officials in New York, London, Amsterdam and New Orleans. In Sydney, too, his tone was similarly co-operative.

“It’s pretty straight forward,” he told a collection of media and policymakers assembled around the table in Airbnb’s inner-Sydney office. “Allow people to use their primary home however they want to use it and then figure out what sort of light-touch regulatory frameworks ... you want around how you want to deal with the secondary homes.”

Lehane was addressing the claim that Airbnb is now big business. Far from its humble beginning as the occasional room in an established home, the platform is now commonly used by commercial landlords operating strings of properties. While the former Bill Clinton aide is cognisant of the challenges for city planners, he believes homeowners should be free to do as they please with their primary residences, while property investments and secondary properties should be more closely regulated.

He also spoke in support of the right of councils to cap the number of nights a year an entire home or apartment could be rented out, and Airbnb’s new willingness to share data with authorities.

GRAPHIC: Inside Airbnb

But when it came to the more contentious claims that Airbnb and other short-term rental providers were disturbing neighbourhoods, pushing traditional renters out of the city and lifting property prices, he was more equivocal. “Part of that is up to the government to balance,” he said. “How much is it benefiting from a tourist economy versus making sure you’re not impacting long-term house markets?”

If Lehane had come to blow the company’s trumpet, it soon became clear he had also come to put out the fires among residents reacting to an expanding passing parade of tourists flocking to homes in the suburbs for their holidays.

Sydney resident Michael Heaney knows the feeling all too well. The violinist lives with his wife and young son in a penthouse at the top of Sydney's Maestri Towers. He has faced dwindling security in the building, queues for the lift, overcrowded foyers and carparks and excessive noise as neighbour after neighbour in the up-market tower put their apartments up for short-term rentals.

In the end, up to 204 of the 384 apartments were in play. "I wanted to live in an inner-city apartment, not a hotel," Heaney says. "But this new state of affairs means the one thing can be both."

This experience is becoming increasingly common as the digital revolution in short-term accommodation reverberates around the world. Online rental platforms are converting established houses and apartments into marketable commodities for owners, in some cases delivering serious incomes.

Welcome to the new world of the shared economy. Allowed to flourish under relatively benign policy settings, Airbnb has amassed 87,000 listings across Australia and more than 3.5 million users since its launch here in 2008. Local competitor Stayz. com.au, a division of Fairfax Media, rents out entire homes and has more than 40,000 listings, including beachfront homes charging thousands of dollars a night. Meanwhile, upstarts including HomeAway and FlipKey are making significant inroads.

For property owners prepared to get on board, the pay-off can be substantial. Bondi resident Vanessa Vartto and husband Jason can net almost $5500 a week letting out their three-bedrom oceanfront apartment on Airbnb, which is enough for the young couple to cover mortgage repayments, rental on their Paddington home and then some.

Melbourne couple Laura Walters and husband Alex are also using the platform to shore up financial security. With a young son and another one on the way, they have shaved 10 per cent off their mortgage during the past two years by decamping every month to in-laws so they can rent out their South Melbourne apartment. They tipped the proceeds into renovating the apartment and used the uplift in value as equity to buy a second home in Geelong.

The Geelong move means they will now be able to net about $60,000 a year in income through Airbnb, paying off their 30-year mortgage in half the time.

"We originally saw it as a way to make a bit of extra cash to do bits and pieces around the home, but it's become a lot more than that," investment manager Walters tells Inquirer. "If you're prepared to approach it like a business, it becomes this revenue stream that makes a huge difference."

But just as advocates wax lyrical about the convenient new income stream unlocking value in their homes, critics and disgruntled neighbours are mobilising against the practice. Quality of life is not their only complaint. Their strata levies are also suffering. Heaney calculates that at its peak, residents at Maestri Towers were subsidising short-term rentals to the tune of about $170,000 a year.

His penthouse strata fees peaked at $22,000 a year in 2010 before he and a dozen residents wrested control of the body corporate, changed the strata rules to prohibit short-term rentals and dumped the building managers. Today, strata fees are 15 per cent lower than that 2010 figure, against an industry average that has risen 15 per cent in the same amount of time.

"You can make all these rules to make sure guests don't make noise so that they don't disturb other residents, but they're still wearing down the building every time they drag their suitcase across the foyer or use the lifts," Heaney tells Inquirer.

Heavy traffic throughout the building from such short-term rentals shaved 25 per cent off the life expectancy of the tower's lifts, and also forced residents to replace 20 floors of foyer tiling when the practice was stamped out.

The data hasn't been tested across the industry, but Heaney's calculations have found support throughout other resident networks fed up with short-term rentals, including the Owners Corporation Network, which represents strata owners Australia-wide. The group is calling for tenancies of fewer than three months to be stamped out in residential buildings, while also raising awareness of the safety implications associated with short-term rentals.

"Hotels are equipped with maps, sirens and extra exit signs to assist strangers to escape the building safely in the event of an emergency ... What will happen when you have a high-rise building with 1000 extra occupants who don't know the building, trying to escape a raging fire?" chief executive Karen Stiles says.

The impact of their calls is forcing policymakers over the wall to give the issue another look.

New York in 2010 outlawed renting out entire homes or apartments for stays of less than 30 days, and tightened the rules in June by levelling fines of $US7500 for breaches of these rules.

Berlin established an international high-water mark in May when it outlawed short-term rentals of entire apartments in a move to curb ballooning rents and concerns short-term rentals were sucking stock out of the market for renters, and driving house prices higher.

It is now illegal in Berlin for residents to let out more than 50 per cent of their flat on a short-term basis without a permit. Rents rose 56 per cent in Berlin between 2009 and 2014.

Against the tide of international concern, Airbnb kicked off an about-turn in June when it announced it would work with New York City officials and share data to boost enforcement.

It followed last week's announcement Airbnb would take responsibility for the enforcement of caps in London and Amsterdam, limiting the number of nights entire homes can be let out each year to 90 days in London and 60 days in Amsterdam.

The move coincided with an agreement struck with New Orleans city officials in which it committed to sharing host data with the city, and agreed that its hosts must operate with a permit. The company also agreed to ban almost all listings in the city's historic French Quarter and set a 90-day annual cap for hosts who rent out entire homes.

"Airbnb recognised that it would have to change the way they were interacting with cities and change the way things were going for them across the country," Ryan Berni, a New Orleans deputy mayor who negotiated the regulations with Airbnb, told *The New York Times*.

And as the platform's annual high season approaches in Australia, all eyes are on the company to see if it adopts the same conciliatory approach over here.

To be fair, there is a lot at stake. As of this month, more than 3.5 million Australians had an Airbnb account; according to the company, that is a 200 per cent rise on this time last year. Sydney now sits firmly within the top-five users of the platform worldwide and Melbourne is quickly advancing up the ranks into its top 15 worldwide.

Already a slew of rulings has tipped the scales in favour of the short-term rental market. A Victorian Civil Administration Tribunal ruled that tenants renting out their entire home on Airbnb were not subletting and were not in breach of their rental contract.

Another Victorian ruling in July, in the Supreme Court, found owners corporations such as body corporates could not make rules to ban short-stay operators.

But voices such as Heaney's are growing louder, as are those of well-co-ordinated lobbies including the hotels industry, which argue that the boom in short-term rentals is putting Australia's hotel room sector and investment prospects at risk.

Regulation is under the microscope in NSW, where the state's Planning Minister Rob Stokes is midway through a six-month review of the rules governing short-term letting.

The review follows on from a government committee on the issue that attracted 212 submissions; more than a quarter came from residents wearied by the impacts of short-term letting near their homes.

Stokes isn't prepared to comment on which way legislation will go, but tells Inquirer the incidence of party houses is a primary concern he intends to address early next year.

Minister for Better Regulation Victor Dominello, who is partially responsible for the reform process, has indicated regulation could be strengthened. "This issue has generated a range of competing interests and our job is to navigate an outcome," he says.

Already, the hotels industry says serious missteps have been made in the reform program.

"The inquiry recommendations are based on some fundamental mistakes," Tourism

Accommodation Australia chief executive Carol Giuseppi says.

“These operators hide behind the ‘sharing’ notion to disguise what is quite plainly a $US30 billion enterprise that increasingly provides a platform for commercial property investors.

“What started out as air mattresses in a lounge room has morphed into a massive and disruptive commercial business that is stripping cities of housing stock for long-term renters.”

More tellingly, a submission from NSW Premier Mike Baird and his cabinet to the inquiry made no mention of the impact of the practice on rental availability or affordability. Critics of short-term rentals argue its real threat is far more sinister than party houses causing residents to lose sleep or vague insurance guidelines that leave strata bodies liable.

A report compiled by the City and County of San Francisco’s office of the controller found that although short-term rental platforms had boosted the city’s hotel tax revenue and visitor spending, the practice also had the potential to take conventional rental stock out of the market for good. Why lease to long-term tenants when you can make exponentially more with short-term rentals?

Economists have calculated that for every apartment taken out of the market for full-time short-term rental, the city would lose $US250,000 to $US300,000 ($340,000-$400,000) a year, exceeding the annual total economic benefit from visitor spending, host income and hotel tax.

At its worst, there is evidence that short-term rental platforms are spawning a new class of professional landlords who are squeezing genuine permanent renters out of the inner city.

A 2014 report by the New York Attorney-General found one Airbnb host in Manhattan was making more than $US6.8m a year on 272 listings. The report also estimated the city was owed about $US33m in unpaid hotel taxes from undeclared short-term rentals.

Australian economist Saul Eslake believes our cities could suffer the same effects. Rental stock hasn’t increased at the same pace as demand, he says, so every apartment taken out of the rental market for full-time short-term letting is likely to contribute to a rental squeeze.

Affordability issues in Sydney and Melbourne mean more home buyers are renting for longer. If more landlords buy investment properties specifically for short-term tenants, existing tenants will face higher prices.

“I have no evidence in either way, but I believe the possibility of renting out houses and apartments via something like Airbnb may be encouraging some people to think about property investment in a different way from how they did in the past, and it could be increasing demand for housing as an investment,” Eslake tells Inquirer.

“And landlords buying apartments to rent out to tourists is no doubt adding to the pressure that renters face; it's an exacerbating factor in terms of affordability — but precisely by how much, I have no idea. It's something that someone needs to seriously look at."

A glance at listings in Sydney's Bondi Beach reveals an average nightly rate of $333 for a private home or apartment with two bedrooms or a weekly rate of $2333. This compares to an average across the suburb of $1000 a week.

The same startling disparity is evident across other popular destinations. Two-bedroom apartments in St Kilda average $217 a night on the platform or $1519 a week, compared with a weekly average on the rental market of $515.

But a six-month total reveals the serious inroads short-term rental could make on a mortgage compared with conventional tenants. In Bondi, an apartment let every day for six months with Airbnb would generate $60,824, compared with $26,071. In St Kilda, the difference blows out to three times as much, with an Airbnb rental generating $39,602 compared with $13,426 on the average rental.

Full occupancy every day for six months may not be realistic, but three-quarter occupancy still puts homeowners using Airbnb substantially ahead.

Airbnb's Lehane is aware of concerns that the premiums available on the platform could compel landlords to make a permanent switch to short-term rentals, leaving genuine residents priced out of the inner city. He says the concerns have prompted other jurisdictions to act decisively.

"What they're trying to optimise for is people who are engaged in commercial activity not taking long-term housing to short term … And that's what I would just do in a place like Bondi," he said.



## FROM THE HOMEPAGE

### Bill Shorten 'not a fit PM'

DENNIS SHANAHAN, PAUL KELLY

Malcolm Turnbull has launched a twin offensive against Bill Shorten and the ALP.

### 'Righteous anger' can fight ALP

DENNIS SHANAHAN

Malcolm Turnbull is aiming to peg back what he sees as an unfair political advantage enjoyed by Bill Shorten and Labor.