Grounded

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Airbnb: from a housing problem to solution

Karl Fitzgerald

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Grounded

Grounded is a not-for-profit organisation established to advocate, incubate and accelerate the development of Community Land Trusts in Australia. We do this by engaging with communities, ethical landholders and government. Grounded produces innovative analysis to the nation's most difficult housing problems.

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Author

Karl Fitzgerald is a land economist with 20 years experience raising awareness about the commodification of property. His work has questioned auction clearance rates (ghost auctions), vacancy rates (speculative vacancies) and critiqued the omnipresent housing supply issue with detailed analysis of the drip feeding of sites in 'master planned communities'. Karl's commitment to deep seated economic justice has played a part in a number of affordable housing tax reforms, including the Vacant Residential Land Tax, the Rezoning Windfall Gains Tax and closing damaging loopholes in Victoria's land tax system. He is passionate about Community Land Trusts as the gold standard in shared equity models. Karl lives in the shire of Hepburn (Victoria).

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Introduction

The rising concern that Short Term Rentals (STRs) are causing detrimental harm to local communities led to this independent analysis of 13 tourism markets across Australia. These are markets where the growth in STRs has had significant local impacts.

The study covers Hepburn Shire, Mornington Peninsula, Byron Bay, Fremantle, Victor Harbor, Hobart, Noosa Heads, Coolum Beach, Port Douglas, the Whitsundays, Warburton, and Apollo Bay.

At current market rates, STR earnings are 80.9% above Long Term Rentals (LTR). Any investor aware of the significantly higher return is bound to prioritise the STR market.

Such a disparity may be playing a role in the exit of investors from the LTR market.

Locals can expect future rental supply to head towards the higher returns in STR. This crimps both affordable rentals and the potential for that housing supply to trickle down to first home buyers.

Housing affordability policy across all levels of government is almost entirely focused on housing supply. This research shows that within tourism areas, new supply is overwhelmingly directed towards the STR market, which is amplifying pressure on the LTR market.

Key findings:

- $584.6m in net profits was enjoyed by STR owners
- The 11,935 STRs delivered an average net profit of $48,980 each p.a
- Net returns were 80.9% higher for STRs over LTRs
- STRs in the Whitsundays were most profitable at $60,125 p.a above LTRs
- 74.2% of new housing supply was directed towards STRs across the 13 locales
- Hepburn Shire, Byron Bay, Apollo Bay and Noosa Heads had more STRs than LTRs
- These localities saw STRs absorb housing supply at a rate of 118%
- The concentration rate of STR was extenuated in Apollo Bay (224%) and Noosa Heads (208%) where STRs were more than twice the LTR supply
- STR owners shared in a median $33.6m in economic rents (super profits) per locale.

Our research shows that these trends are likely to continue if we allow business as usual.

A more structured policy framework is required, as detailed in the Locals First Airbnb Cap 'n Trade system.

Method

Thirteen localities were analysed using Census and AirDNA data to find:

- Active STR listings
- The median STR income
- The median LTR income [1]
- New dwelling supply p.a (ABS Census 10-year average)
- STR supply as a % of total dwelling increase
- Medians were used unless stated otherwise
- Location type selected based on Census consistency between 2011 - 2021
    - ie LGA, SA2 or Urban Centres & Localities.

The impact of this new profit centre in the housing market was ranked according to:

- The share of new housing supply going towards STR
- Extent to which STR outranked LTR
- The economic rents claimed by STR owners.

1 We used the REA's figures except for the Whitsundays, where PRD's market report was utilised.

Mitigating factors:

- Active listings were utilised over total listings, inferring a 25% discount on the listings analysed
- This acted to offset traditional bnb operators (pre Airbnb) from our baseline analysis. We preferred this to estimating how many traditional bed and breakfast operators moved over to STR platforms
- 5% of active listings were discounted from the headline numbers to account for glamping and other non permanent forms of accommodation
- 35% of revenues were deducted as operating costs for both STR and LTR
- Census figures were upscaled according to 10-year dwelling totals to calculate annual supply rates across ownership and rental markets, bringing housing and rental supplies up to mid-2024
- Real estate industry median rents were referenced, which are usually more aggressive than Valuer General data
- AirDNA listings were often less than Airbnb ie Airbnb lists 708 places in Warburton but AirDNA only 143. We went with AirDNA. Similar in Hobart. A recent Shelter Tasmania report found 1258 STR listed properties,[2] AirDNA 981.
- Housing supply measurement needs improvement,[3] with a focus on occupancy permits
- No tax advantages were accounted for in the study.

Economic rents are the ability to charge a price above the cost of production plus a normal return. The differential between LTR and STR earnings is an example of economic rent. Such earnings are seen as a super profit loss from a public interest outcome. The community creates the atmosphere, land and location deliver the beauty, but owners, often from out of town, take the gains. This super profit loss was calculated according to each locality to find the $585m figure.

2 Phibbs and Ely, Monitoring the Impact of Short-Term Rentals on Tasmanian Markets, Aug 2023.

3 Warburton's exceptionally low housing supply over the decade to 2021 was confirmed by council, 14/6/24.

Analysis

STRs are over a decade old in Australia. Their influence on housing supply delivery, rates of return and regional inequity are in high need of further analysis. Airbnb-funded reports by SGS Economics and Urbis muted comparisons of STRs by washing their impact across the entire residential market. Such a method overlooks their influence on the LTR market, where their influence is most felt - at the margin.

Airbnb’s preferred methodology would have us believe STRs only account for 5.7% of this study’s dwellings.

However, using the analysis of STR to LTR across the 13 markets, we find that STRs account for a median 34.6% of the LTR supply pool.

LGA	Active STR dwellings	Gross Median Rent per STR	Net Rent per STR	Airbnb % of LTR
Hepburn Shire	1,058	$64,400	$41,865	113.3%
Apollo Bay	409	$55,700	$36,205	222.7%
Mornington Peninsula	4,040	$82,800	$53,820	34.6%
Warburton	136	$42,200	$27,430	125.5%
Byron Bay	1,091	$111,000	$72,150	76.2%
Noosa Heads	920	$123,800	$80,470	209.0%
Coolum Beach	305	$66,900	$43,485	18.9%
Mooloolaba	459	$69,200	$44,980	33.6%
Port Douglas - Craiglie	842	$79,400	$51,610	135.5%
Victor Harbor	419	$49,600	$32,240	28.6%
Fremantle	309	$54,700	$35,555	6.3%
Hobart	932	$55,500	$36,075	15.0%
Whitsunday	1,017	$131,500	$85,475	24.5%
Total or median	**11,935**	**$66,900**	**$43,485**	**34.6%**

Table 1

Further, STR investor returns were 80.9% above LTR returns. This is a hefty investment dividend that can only signal future growth in STRs - particularly in tier 1 tourism towns. This can be seen in Figure 1 with the difference between the green and rust bars.

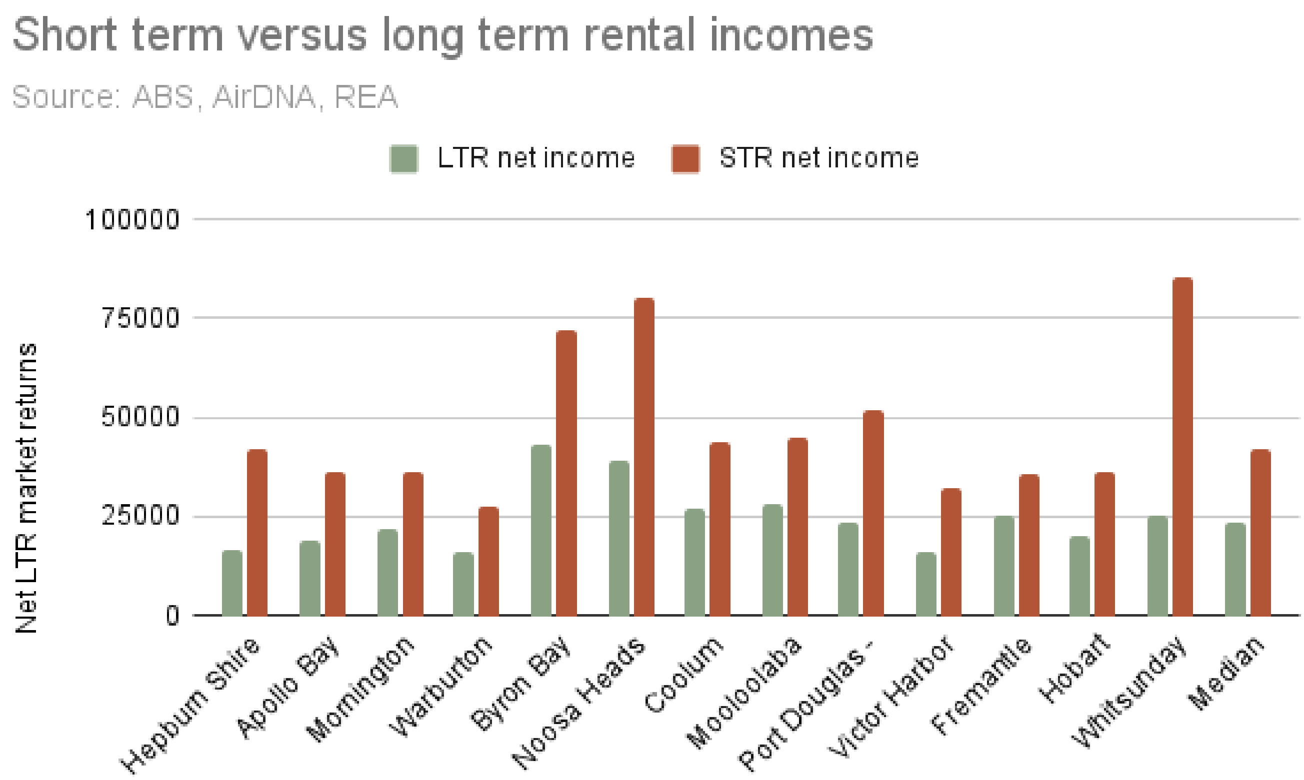


Figure 1

Noosa Heads and the Whitsundays appreciate the largest returns over LTR investors. Fremantle has the lowest disparity, with just a 40.3% differential between net returns.

We note that STR revenue growth has flatlined over the past year, with listings falling in some areas. It is fair to expect that some market shakeout would occur after significant pandemic era growth.

The concern for local communities is that such extreme returns on investment existed above the LTR market with a barely half-full occupancy rate. A 58% occupancy was found across the locations analysed.

As housing supply is the mecca of Federal and state affordability policy, our decision makers must take note that the equivalent of 74.2% of new housing supply was consumed by STRs. Much was taken from existing supply, with the net affect that barely 25% of new supply was making a difference. According to census figures, housing supply increased by 112 homes annually over the decade to 2021. For every 112 homes produced, 83 went to STR. Apollo Bay's average housing supply was 24 in a year, but the growth in STR's p.a was nearly double this at 41.5 homes (173.1%).

LGA	Occupancy	Entire Home as STR	New Supply p.a	STR as % New Supply	Rental Supply increase as % Total Supply increase
Hepburn Shire	45%	95%	143	74.2%	-4.8%
Apollo Bay	45%	95%	24	173.1%	7.2%
Mornington Peninsula	40%	98%	998	40.5%	8.6%
Warburton	43%	93%	1	970.4%	-550.0%
Byron Bay	60%	91%	88	124.2%	20.2%
Noosa Heads	69%	98%	82	111.7%	-8.0%
Coolum Beach	54%	95%	112	27.2%	-8.8%
Mooloolaba	62%	98%	30	155.0%	-16.6%
Port Douglas - Craiglie	58%	98%	37	226.9%	-25.1%
Victor Harbor	47%	98%	139	30.2%	15.6%
Fremantle	84%	90%	579	5.3%	15.5%
Hobart	65%	90%	164	56.9%	-52.2%
Whitsunday	70%	95%	205	49.7%	15.4%
Median	**58%**	**95%**	**112**	**74.2%**	**-4.8%**

Table 2

In the regional Victorian town of Warburton, STR supply grew at nearly 10 times the locality's total housing supply rate. Long term rental supply to total housing supply in this idyllic town went -550% over the decade.

A combination of poor public transport servicing, the resultant low land prices, and proximity to the CBD made this a hotspot for STR interest. As car based transport was typical for STR customers, the region opened up to STR investors, leading to great change in that community.

Hobart suffered in the comparative loss of rental supply, with the share of rental supply as a proportion of total supply falling by 52.2% over the decade to 2021.

Is it a fair outcome for local citizens that this supply trend continues?

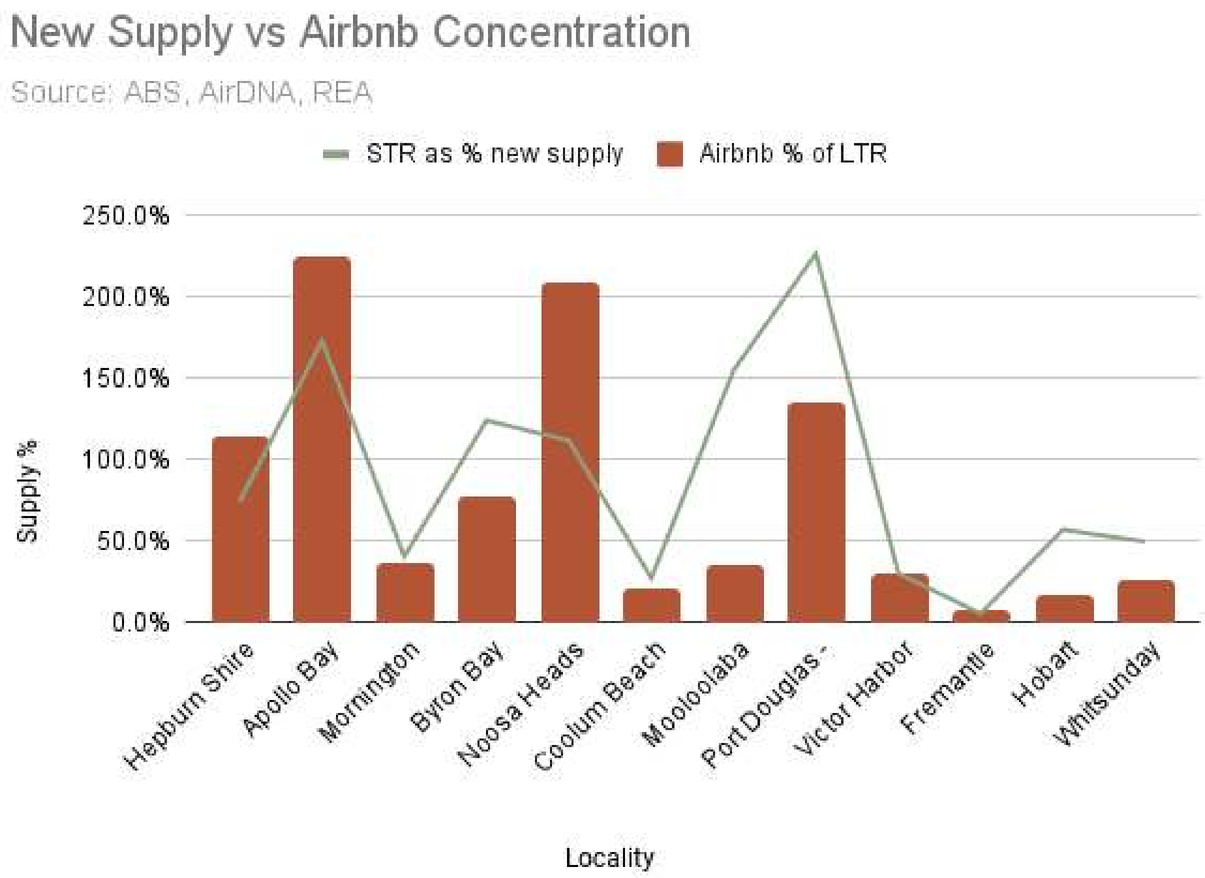


Figure 2 [4]

As reflected in Figure 2, Port Douglas appears to be one of the more difficult locations to find a rental, with STR 135% of rental supply. This is accentuated by the fact that more than twice as much housing supply is going into STRs over more traditional forms of housing (rental or ownership). This signifies the issue will grow there over time, as it will in Byron Bay and Apollo Bay.

The Whitsundays appear to be performing comparatively well. The variance between LTR and STR is somewhat bearable. Only 24.6% of the rental market are STRs. As a share of supply going towards STR, they are comparatively better off than the other locales studied with only 49.7% of total housing supply going to STRs. This informs that at least half of supply is going to LTR or ownership markets. As a comparison across the study, over the last decade a median 74.2% of housing supply has headed towards STRs.

4 Warburton was removed from this graph as an outlier. See rankings.

The Whitsunday Regional Council's STR permitting process may be slowing the stampede. Debate is alive and well in the community with discussions around geographical limitations of STR approvals. Concerns such commercial activities would 'bring party extravaganza to a low-density residential zone people choose for its quiet character' are common.

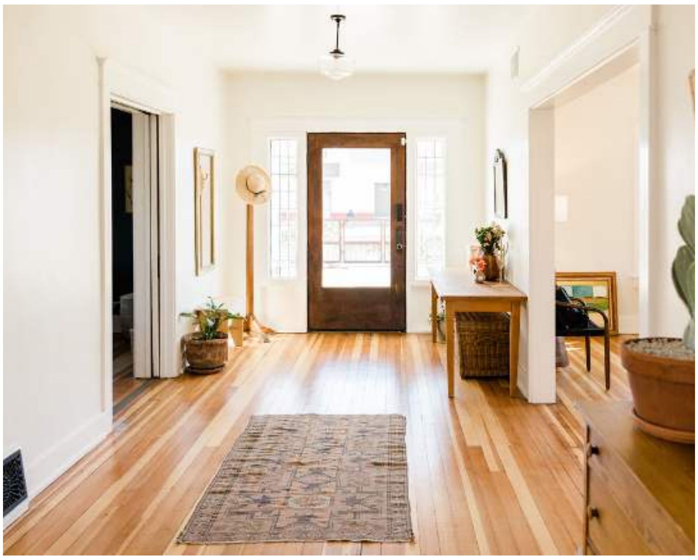
Throughout, the study's trend relationship between LTR supply and total housing supply was -4.84% over the decade. This implies that rental supply was in the negative, with the prevalence of STRs a likely contributor.

Concern at the housing pressures society is facing has seen the ubiquitous housing supply protocol rolled out to incentivise granny flat 'secondary dwellings'. Here caution is required. Such potential supply cannot be left to the market alone. As we have shown, this is likely to lead to granny flat STRs.

For tourism towns, the challenge to house even key workers on good wages is threatening the viability of towns. In 2021, the Colac Otway Shire Council declared a key and essential worker housing crisis. Behind this sits a housing market that has failed so spectacularly that even the core workers who hold a town together can no longer be accommodated.

Society has allowed cheese and wine tourists to surpass the people who help us when our life counts on it.

LTR supply vs total housing supply = -4.84% over the decade



Ranking the impact

By **summing the impact** of the share of new housing supply going towards STR, the extent to which STR outranked LTR and the economic rents claimed by STR owners, we can determine which towns have faced the hardest economic challenges thanks to the accelerated change STRs have brought.

The top 5 towns most needing an STR cap 'n trade system are:

- Warburton
- Apollo Bay
- Port Douglas
- Noosa Heads
- Hepburn Shire

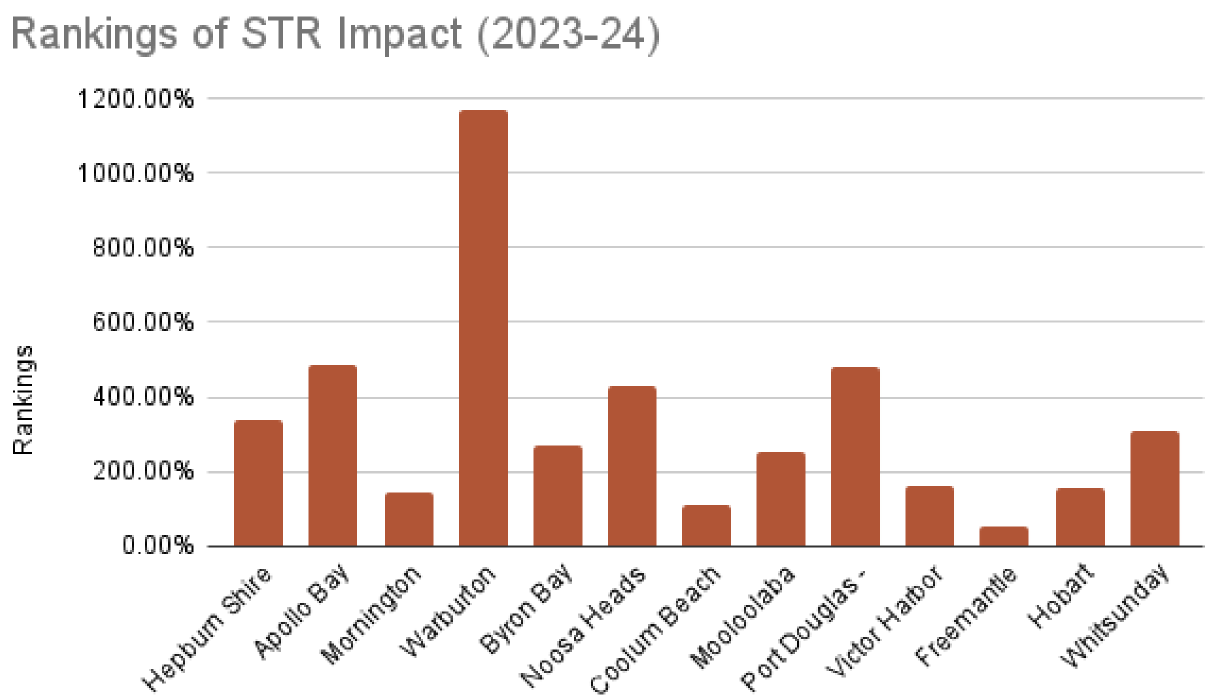


Figure 3

Figure 3 shows how Hepburn Airbnb operators made 1.5 times more than LTR investors. Whilst the equivalent of 74% of new supply was going towards STR, the clear signal is that superior STR returns will attract more investment.

Warburton is a town constrained by fire risk, limiting supply. This amplified the pressure felt from low supply alongside a high transition rate to STR. Investors there, like many other regions, enjoy not only higher returns, but short tenant engagement periods where the exposure to long term damage by risky tenants is minimised.

With fire danger a rising concern in a climate altered future, we have to balance these risks with the impact of long term poverty on our life expectancy. In one of the most important pieces of research in 2024, it was revealed by Guardian journalists that a homeless person faces a shortened life expectancy not of 5 or 10 years - but 30 years. The cost of poverty, particularly due to our runaway property market, is a grind on life expectancy.

The complex role of government is to weigh up these competing pressures at least cost to society. It makes the inefficient use of existing dwellings, whether for STR, land banking or empty nesters living in large homes even more important to address.

The returns on STR are so much higher than LTR that we can expect this story to fester into the future without meaningful government intervention. We expect similar trends are present in the trendy suburbs of our larger cities. Housing as a profit centre hollows out culture, enforcing a more transient society that struggles to connect and create crucial support networks.

This transcribes into greater public responsibility for people for whom the system has failed. Higher expenditure on mental health, domestic violence and homelessness services are set to escalate.

Is it really worth STR owners claiming $48,980 in profits p.a. for the community-wide pressure this applies?

Policy responses

The Victorian government has innovated by proposing a 7.5% levy on STRs. At this point, it doesn't look likely to pass into legislation. In effect, the levy would be passed onto customers. A marginal impact would occur on the land values sitting under the STRs. The likely outcome is that the reform won't deliver a pathway to reasonable rental supply.

Byron Bay's proposed 90-day cap on STR rentals mimics a number of international cities. We feel this cap will still favour larger 'party' sized STRs hired out for weddings and the like. That means the rental supply will be lacking for family-sized homes. It also does little to share the $585m bounty yielded by the STR cohort. It may even incentivise STRs to further increase prices.

A 90 day cap cuts aggressively into the viability of the STR industry, with many sites finding it uneconomical. As explained below, a cap 'n trade system can allow time for the market to re-orientate.

Annual STR fees have been applied in Warrnambool City ($400), Mornington Peninsula Shire ($311), Bass Coast Shire Council ($300), and Frankston City Council ($150). As readers will note, such a minor charge will do little to deter the rampant economic incentives STR owners savour.

The use of geographical boundaries to limit STRs to certain locations are pertinent investigations (e.g. Whitsundays), but one can expect existing landowners in any such declared precinct to be immense winners via the protected development rights.

What is needed is a system that allows market forces to both share the compelling earnings whilst allocating resources efficiently.

Policy responses have lacked nuance so the market can drive change. A clear set of goal posts with firm outcomes are what's urgently required.

Locals First Airbnb Cap ‘n Trade

Grounded has developed the Locals First Airbnb Cap ‘n Trade to overcome these shortfalls.[5]

The policy centres around:

- The creation of STR licensing permits
- A cap on the number of STR properties per municipality
- A reduction in the number of STR zoning rights per two years
- An auctioning off of the remaining STR zoning rights per two-year licence
- The revenue raised from such development rights be delivered to local councils to fund perpetually affordable housing, such as Community Land Trusts.

This looks like:

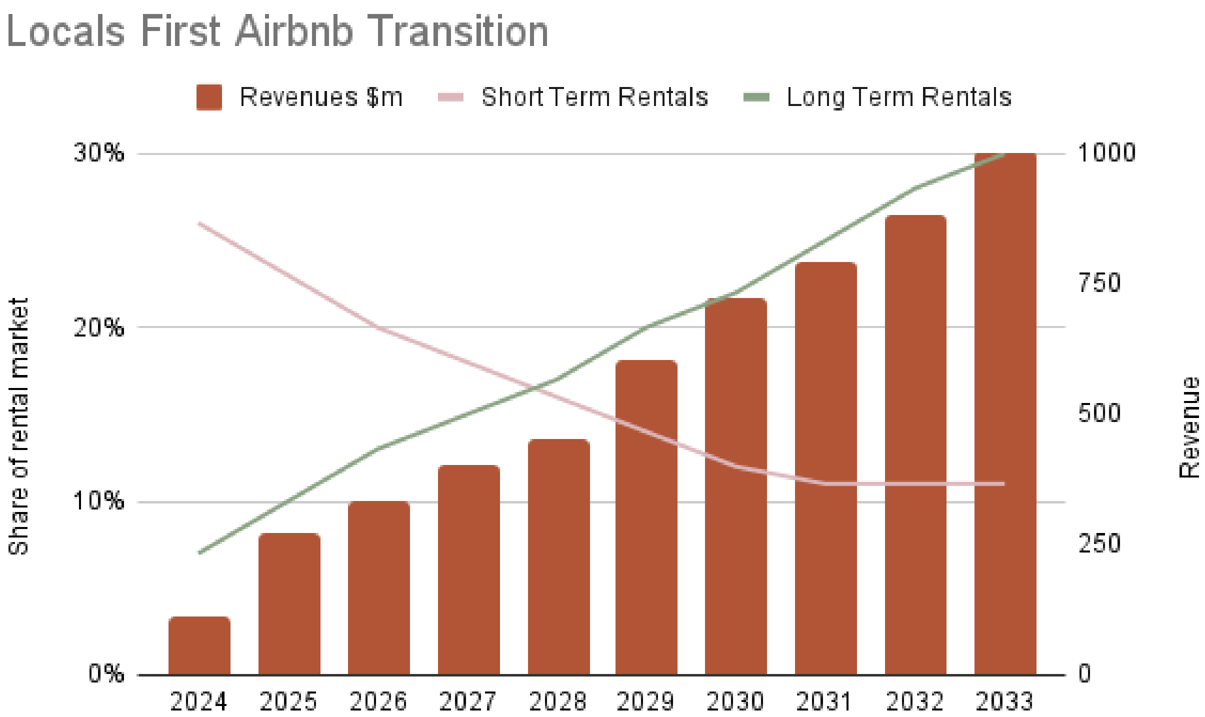


Figure 4

5 Grounded submission to the NSW Short and Long Term Rental Inquiry, 2024.

The Locals First policy would develop a LTR supply objective compared to the present situation. A three-year median LTR supply rate is to be calculated (preferably pre-2012, when Airbnb arrived).

A pathway would then be drawn between the two supply extremes, aiming to return long term rental supply near to where it was circa 2010-12, relative to population growth.

Each state would create a permissible land-use for dedicated STRs that could be used under the appropriate council zone, according to a predetermined density. The WA government has recently made a formal announcement that "short-term rental accommodation is considered a dedicated land use class in planning schemes."

A second layer of oversight would see a licensing system enacted by State Treasury. The licence establishes a Short Term Rental Agreement (STRA) between the state and the STR operator. The NSW Independent Planning Commission recommends such a reform in its Byron Short-Term Rental Accommodation Planning Proposal:

"Defining STRA as a permissible use by specifically listing STRA as a type of 'tourist and visitor accommodation' with the objective of facilitating STRA in well located and serviced areas already zoned for tourism." [6]

Under the system, only dedicated STRs must be licensed. Those renting out a spare room would not require a licence.

STRA zoning would bring a uniform approach to both commercial STR operators and the unregulated Airbnbs that exploit their social licence to derive economic gain from dwellings that were always intended to be residential.

The Locals First policy would share the Airbnb bounty whilst rebalancing rental supply levels back towards long term trends.

6 NSW Independent Planning Commission, Byron Shire STR Accommodation Planning Proposal, 2023

Principles for the STR Cap 'n Trade system would include:

- A two-year implementation window to assist the phase in
- A preference for purpose built STRs that do not remove housing from the market
- Only those investors with the STRA would be permitted to commercially operate
- The statewide, standard fee structure would offer uniformity and certainty for operators, as would the two year timeframe
- This fee would supersede local government STR fees
- Enforcement would be accompanied by significant fines worthy of 25% of annual STR incomes
- The licences could be structured according to dwelling size, to ensure family sized homes are not lost to the STR market
- Some short term letting is acceptable without a licence i.e. a person renting out a home whilst they are on annual holiday for a short period of time.

How will the licence work?

The licence is structured so that each STR dwelling has to pay a licensing fee, over a two-year term. The fee could be paid annually or monthly via the municipal rating process.

Revenues from the sale of STRAs could be claimed by the state government. However, with the impact of rate capping alongside the prevalence of vertical-fiscal imbalance, local councils should receive the revenue. This is particularly so when the housing market now even fails middle class citizens, inferring the localisation of basic survival needs.

To ensure the public receives a fair share from the privilege of STRs operating a commercial practice overlooking the neighbours backyard, the licensing fee would be cross-checked between the auction process and a fixed percentage charge on the current Capital Improved Value of that site.

There must be suitable oversight of the licensing auctioning process, with regular audits.[7] A baseline reserve value per licence should be declared.

The zoning provided would prioritise new dwelling supply into STR. Existing dwellings should be discouraged from entering this market. An appropriate incentive charging a higher licence fee of some 25% could be utilised for existing dwellings. This would increase by 50% for STRs in pre-existing dwellings within 1km of a town centre.

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7 R Millar, State Drops $3bn on Pokies, The Age, 2011.

The use of commercial buildings could be incentivised in the work-from-home world we now live in. Commercial STR operators producing new dwellings at a commercial location therefore would pay the standard rate.

The Federal government could also prioritise local communities by:

- Reducing the CGT discount to 25% for STR properties
- Removing the CGT exemption for small businesses with STR holdings
- Disallowing SMSF borrowings for the purchase of STRs
- Curbing accelerated depreciation for STRs.

How would the Cap 'n Trade aspect of the policy work?

As the STRA zoning right is auctioned off as a two-year licence, the number of licences would reduce by 10% biennially.

Due to their increasing scarcity, the value of a licence would increase over time. The licence value would likely lift until the net outcome for STR operators was closer to those of LTR returns. The opportunity cost would be comparatively similar at the completion of the transition.

By this point, the market allocation of stock will occur more efficiently across both markets, delivering greater balance based on needed community-wide outcomes.

The Feds could help by reducing the CGT discount to 25% for STR properties. SMSF borrowings could be curtailed.

The market will value the licence as the difference between net STR and LTR returns. As the licensing fee increases in value, marginal STR businesses will soon exit the market. Regardless of whether this stock returns to the ownership or rental market, important supply is being added to assist locals.

The Cap 'n Trade aspect would deliver a direct pathway back to an historical LTR supply rate. This would be targeted and measurable. Further growth in STRs would not come at the expense of either renters or first home buyers.

The criticism may be that those STRs that exit this market may sell to owner occupiers. This is stock that adds to the supply, enabling filtering to occur such that the rental market frees up as some move up the property ladder.

Over time as the market rebalances, a clear signal is given to investors that the returns on STR will be moderated. It may end up that renting out spare bedrooms will be more profitable, returning the STR model back to where it began.

It may end up that renting out spare bedrooms will be more profitable, returning the STR model back to where it began.

How Airbnb could assist the affordability crisis

Ideally, the Locals First Cap ‘n Trade revenue stream would be best allocated towards Community Land Trusts (CLTs). These are perpetually affordable developments built under a for-purpose model, driven by the community. They are shared equity ventures that have the capacity to maintain any public subsidy and use it to expand the base of affordable housing across both ownership and rental. This ensures CLTs are a notable form of shared equity that can self-fund further affordable housing opportunities.

The big advantage of a CLT is that a resident only has to borrow for the house, not the land. That infers a $50,000 deposit rather than a $200,000 requirement. This also saves on interest payments for land, saving residents thousands.

If Noosa Heads’ Locals First licensing revenue of $19m was dedicated towards a CLT, forty new affordable dwellings could be funded - each year. With resale prices locked to income growth, the CLT model ensures perpetual affordability occurs. Once project debts are paid down, rental income streams can go towards funding more affordable homes.

The principle of prioritising for-purpose supply is that less sprawl is required per affordable outcome. Inclusionary zoning is voluntary (if at all) in most states. A nearby example in Hepburn Shire’s Daylesford sees four tiny, 1 bedroom lots (with no carport) promised in return for 100 lots starting at $750,000.[8] To deliver 40 affordable lots, such a project requires a lot more sprawl, damaging arable farmland and waterways. The Noosa Heads example above shows how more affordability could be delivered with less sprawl.

The link between two of society's biggest issues - Airbnbs burrowing into local housing markets and absorbing supply, with the ability of Community Land Trusts to provide affordable housing and affordable rentals into the future - is a key policy outcome. Profits from Airbnb can be moderated and sent towards affordable outcomes with long-lasting impacts.

As the market shakeout occurs with the Cap ‘n Trade system applying pressure to marginal STR operators, more affordable housing is funded as the population slowly grows.

Once affordability outcomes have stabilised the right to shelter, new STR licences could be created according to the population growth rate.

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8 The Village, Daylesford.

With this, the reputation of Airbnb could be restored. Short stays help people enjoy unique, high-value holidays. This policy helps visitors not only connect with local communities, but provides a revenue base to fund tourism's biggest problem: outpricing the local workforce required to create the destination in the first place.

Revenue Potential

Municipalities such as the Mornington Peninsula see $147m likely leave their shire to the benefit of STR operators. Noosa Heads sees $74m leave its local economy and Byron Bay a conservative $79m.

A better way is possible.

Table 3 depicts how the net median differential income per location is multiplied by the number of STRs to calculate the economic loss to the community. Differential income is the comparison between net rents across both STR and LTR markets. This accounts for net investor returns in LTR as a baseline, implying that the 'super profit loss' to a community could raise additional revenue.

At the midpoint in this Cap 'n Trade transition, the 13 localities could be raising $143m from STR operators.

Cash-strapped councils such as Hepburn Shire could be raising $24m from their rating base with half again in STRA licensing. STR operators would be paying $12,565 in the Locals First fee, whilst receiving $38,305 in net revenues.

In the Whitsundays, the $101m rating base could be supplanted by $31m in STRA licensing. STR operators there would pay $30,063 in a Locals First fee for the privilege of earning $69,063.

This new revenue base could allow a partial tax shift off ratepayers and onto STR operators.

Instead of earning some 81% more than LTR's, STR operators would still be doing quite well in earning half this differential. Ideally it would go further so that the net differential between STR and LTR tightens up.

LGA	Active STR Dwell-ings	Median STR Income p.a	Super Profit Loss	Net LTR Market Returns	Net Different-ial rents	Locals First Licensing Revenue	Locals First Licen-sing Fee per STR
Hepburn Shire	1,058	64,400	44,300,438	16,731	25,129	13,297,010	12,565
Apollo Bay	409	55,700	14,789,743	18,996	17,209	3,515,020	8,605
Mornington Peninsula	4040	55,875	146,740,462	21,970	14,349	28,986,986	7,174
Warburton	136	42,200	3,726,366	15,886	11,544	784,126	5,772
Byron Bay	1,091	111,000	78,686,790	43,095	29,055	15,843,692	14,528
Noosa Heads	920	123,800	74,000,212	38,870	41,600	19,127,680	20,800
Coolum Beach	305	66,900	13,260,751	27,040	16,445	2,507,451	8,223
Mooloolaba	459	69,200	20,639,073	27,885	17,095	3,922,020	8,548
Port Douglas - Craiglie	842	79,400	43,440,137	23,660	27,950	11,762,758	13,975
Victor Harbor	419	49,600	13,506,948	16,224	16,016	3,354,952	8,008
Fremantle	309	54,700	10,977,606	25,350	10,205	1,575,397	5,103
Hobart	932	55,500	33,620,096	19,942	16,133	7,517,575	8,067
Whitsunday	1,017	131,500	88,885,338	25,350	60,125	30,558,531	30,063
Total or median	**11,935**	**64,400**	**584,573,958**	**23,660**	**17,095**	**142,753,198**	**8,548**

Table 3

Conclusion

STRs, alongside Build to Rent, are further concentrations of housing opportunities to the detriment of those without market power. This power can be seen most dramatically in the rollout of land supply in master planned communities, where drip feeding techniques enabled by poor public oversight exist alongside incredible developer insight (algorithms).

It is urgent that government recognise that housing investment will head towards the market with the greatest rate of return. That includes STR. This is compounded when the market is largely unregulated.

Future research must include improved data sources, the need to identify how many LTR operators switch to the STR market, the percentage of STR's locally owned and how many STR sites are being flipped as a going concern.

Local councils must see this as a core part of their management of local communities. As we have demonstrated, they could find a useful revenue source under the Locals First system.

Best practices would see communities determining what an appropriate concentration of STRs in their region would be. An audit of median STR rents versus LTR rents is also necessary. Developing a data scraping tool into Airtable could be a valuable local governance apparatus to ensure oversight occurs, tracking the data presented in this report.

The 81% higher return for STR over LTR investment suggests the movement towards precarity will continue for locals. The global STR phenomenon is pushing the towns we love to a breaking point. Deep thought must be given to why our economic system encourages us to treat some of the nation's most cherished towns in this manner.

The closure of kindergartens and primary schools due to key worker shortages, alongside cash-strapped councils selling public land are byproducts of the failure of our public finance system. If we chose to, we could tax property-based wealth whilst simultaneously solving problems derived from Airbnb concentrations.

It is a testament to the profits inherent in the STR product that the equivalent of 74.3% of new housing supply has been directed towards the tourism industry over a decade. The battle for affordable houses to rent or buy is a huge challenge for locals. It is imperative they understand the economic forces working against them. It is not simply bad luck.

With effective policy, we could change this.

The Airbnb Cap ‘n Trade policy provides clear pathways for STRs, housing supply and rentals to rebalance towards long term stability. Better than that, it can also fund perpetually affordable housing via the Community Land Trust model, closing the loop between problem and solution. By engaging in this process, Airbnb operators could in effect rescue their social licence.

We look forward to a future where both rental and ownership prices more closely align to the reality of wage growth. To get there we must recognise that affordable housing is the frontier to our freedoms.

We risk losing the charm of our nation’s most cherished towns