More homes, not more limits

HIA Submission on:

HOB-S11.0 Hobart Visitor Accommodation Specific Area Plan

Contents page

Introduction

HIA does not support amendment HOB-S11.0 to impose restrictions on visitor accommodation. We regard this amendment as a misguided attempt to achieve a worthwhile outcome by means that will be ineffective at best and counterproductive at worst.

Overview of HIA

HIA is Australia's only national industry association exclusively representing the interests of the residential building industry.

HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the development of new housing estates, construction of detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 10 million existing homes.

HIA exists to service the businesses it represents and advocates policies on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population.

Summary

HIA is committed to playing its part in ensuring that all Tasmanians are provided with proper housing. Short Term Rental Accommodation (STRA) has an important role in this. While typically used for visitor and tourism purposes, STRA also provides options for those requiring a temporary home for personal reasons such as medical procedures, people relocating from distant locations, and workers on temporary assignments.

Arbitrary restrictions such as those proposed will have the effect of inhibiting and frustrating the housing and visitor accommodation markets rather than improving them. It will push up the cost of both short and long stay accommodation. Should consumer preference for STRA influence residential housing availability, the only effective response that can be relied on is to enable new housing development to increase overall stock.

Specific matters

Background on the housing crisis

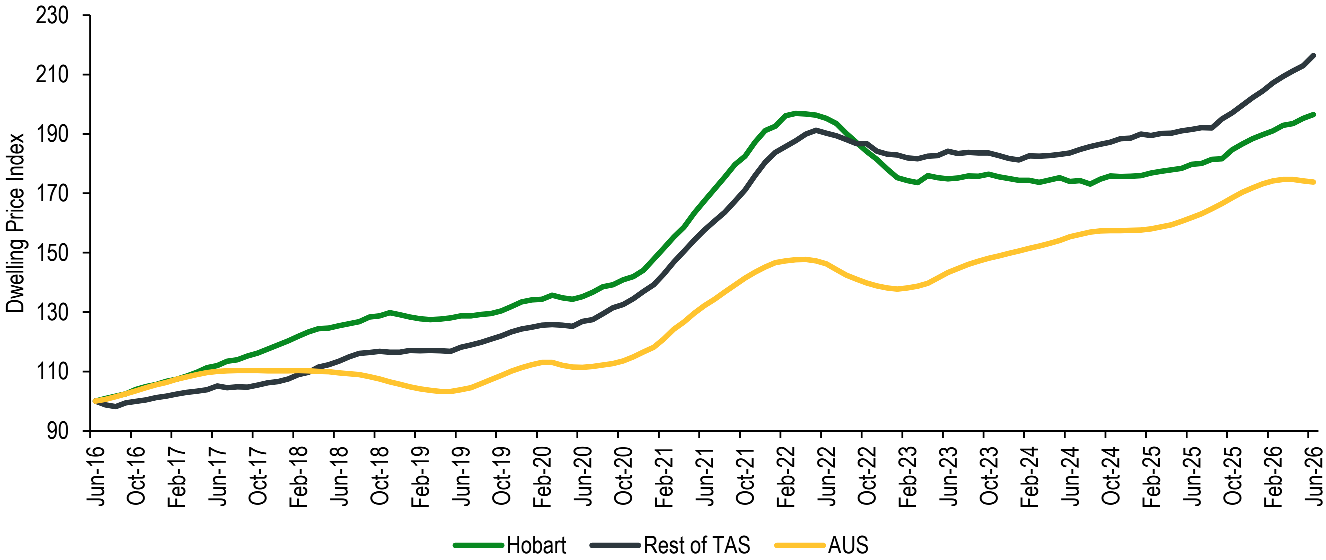
Tasmania, like the rest of the country, is already in the midst of a housing crisis. The data on the subject is conclusive.

Over the last decade, dwelling prices in Tasmania have increased rapidly:

- Hobart prices up 7 per cent per year on average
- The rest of the state up by 8 per cent per year
- This is even faster than the national average of 5.7 per cent per year

Dwelling Price Index

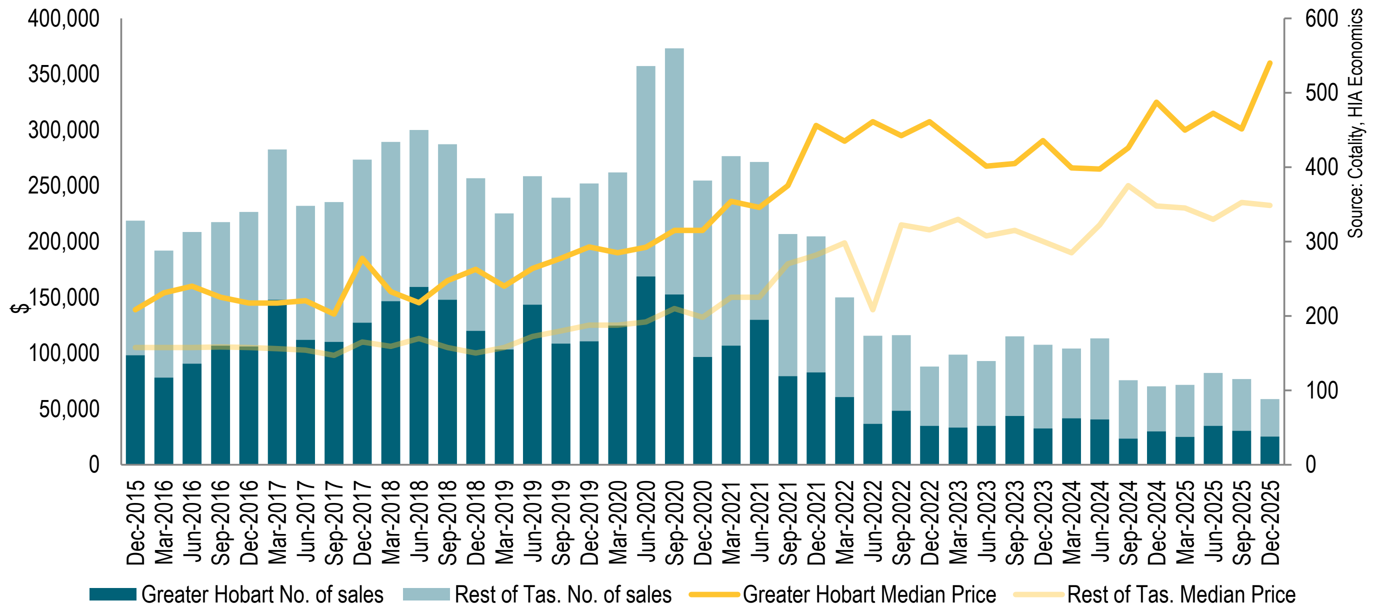
Source: Cotality



A significant part of these dynamics has been the inadequate provision of shovel ready land and infrastructure for housing in Tasmania.

- Lot prices in Tasmania have more than doubled (+130 per cent) over the last decade, in both Hobart and the regions – that's 9 per cent per year
- This is almost double the national average of around a two-thirds increase in lot prices, or 5 per cent per year

Residential Land Sales & Median Lot Value - Tasmania



These increases in dwelling and lot prices have significantly outpaced both consumer inflation and average earnings growth, which each rose by little more than 3% per annum over the same period.
It has produced one of the tightest rental markets in the nation.

In May 2026, the national rental vacancy rate was 1.2 per cent, an incredibly tight rental market when 'equilibrium' is more like 3-5 per cent. Hobart recorded a rental vacancy rate of just 0.6 per cent, or just 161 rental vacancies, a phenomenally tight rental market. In fact, vacancy rates in Hobart have been under 1 per cent for the vast majority of the last decade.

The result is that rents in Hobart have almost doubled over the last decade, increasing at an average annual rate of around 6 per cent for both houses and units. This is much faster than incomes and inflation.

These dynamics have caused significant deterioration in housing affordability and pushed the dream of homeownership further and further away from more and more Tasmanians.

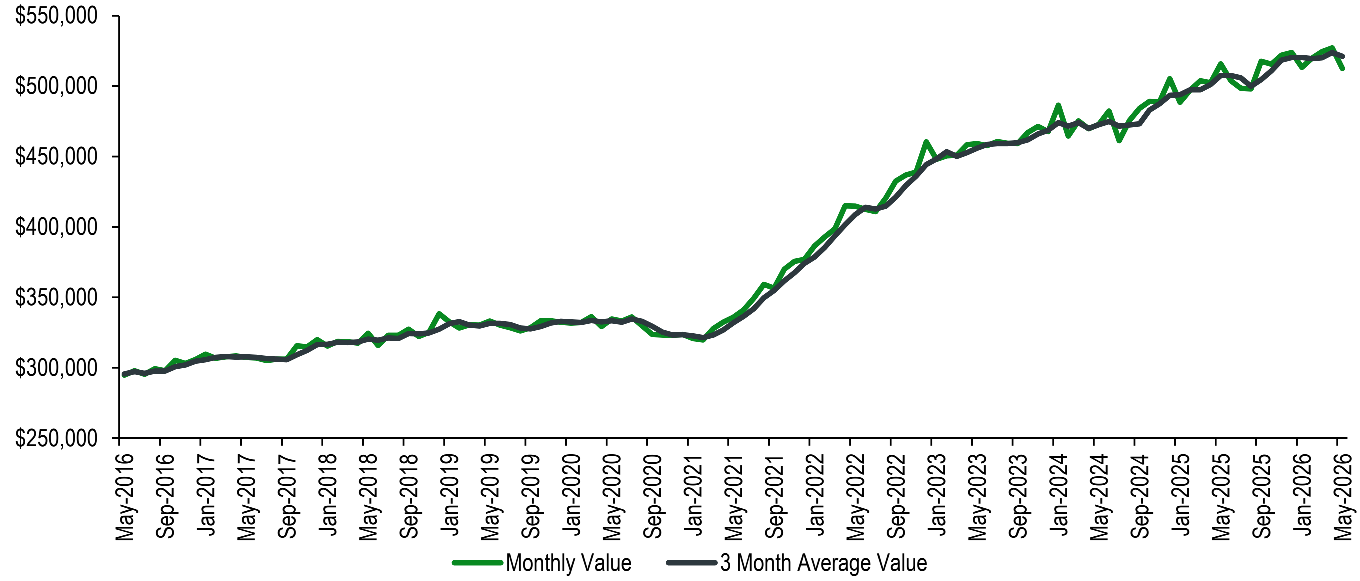
And what has made it even more difficult for home buyers and builders is that the costs of construction have also increased dramatically in recent years.

The average value of a new house approval across Australia has increased by 57.2 per cent since 2019, or 6.7 per cent per year, with similar numbers for Tasmania. Some of this could be related to increasing demand for space and amenity in new housing, but it has also definitely been contributed to by a combination of:

- Skilled trades prices increasing by more than 40 per cent
- House building materials prices also increasing by 40 per cent
- New building regulations further inflating the costs of construction

Average Value of Houses Approved, Australia

Source: ABS



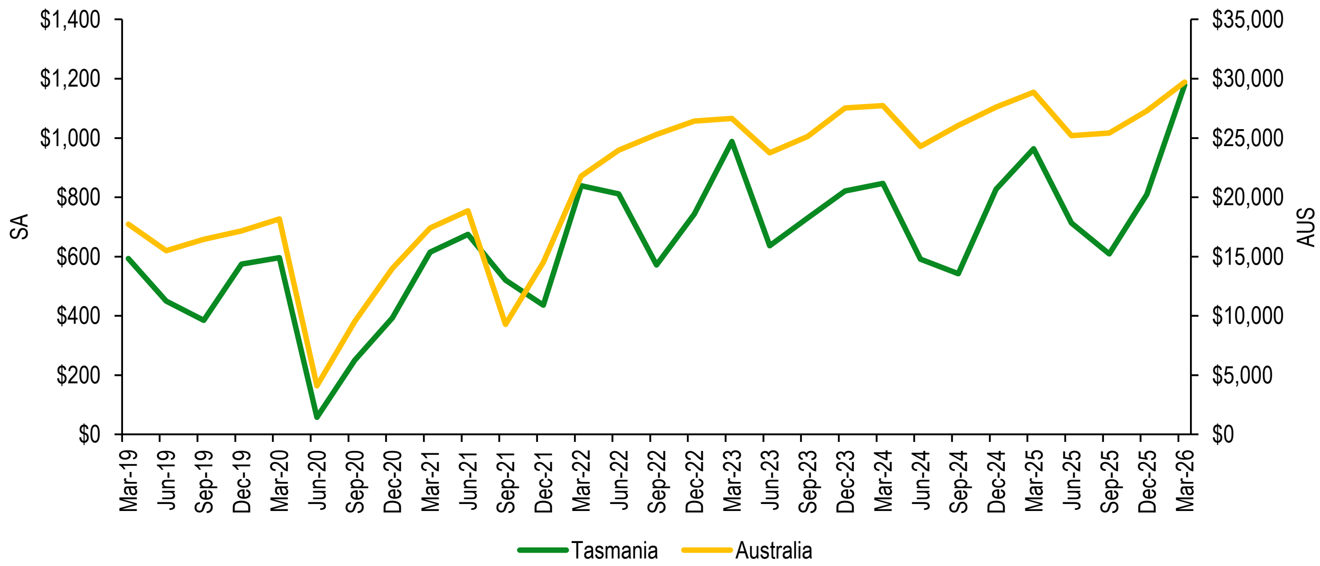
It is also worth noting the return of tourism to Tasmania, especially Hobart, and the potential to damage this important industry with higher costs on accommodation.

Domestic overnight visitor expenditure across Tasmania is up by around two-thirds (+65.2 per cent) in the latest 12-month period of data, compared to 2019. This is even higher than the 61.0 per cent increase nationally over the same period.

Likewise, international visitor expenditure in Tasmania is up by more than half (+54.0 per cent), including a three-quarters increase (+73.8 per cent) in Hobart and Southern Tasmania specifically, driven by holiday makers. Nationally, it is only up by around one-third.

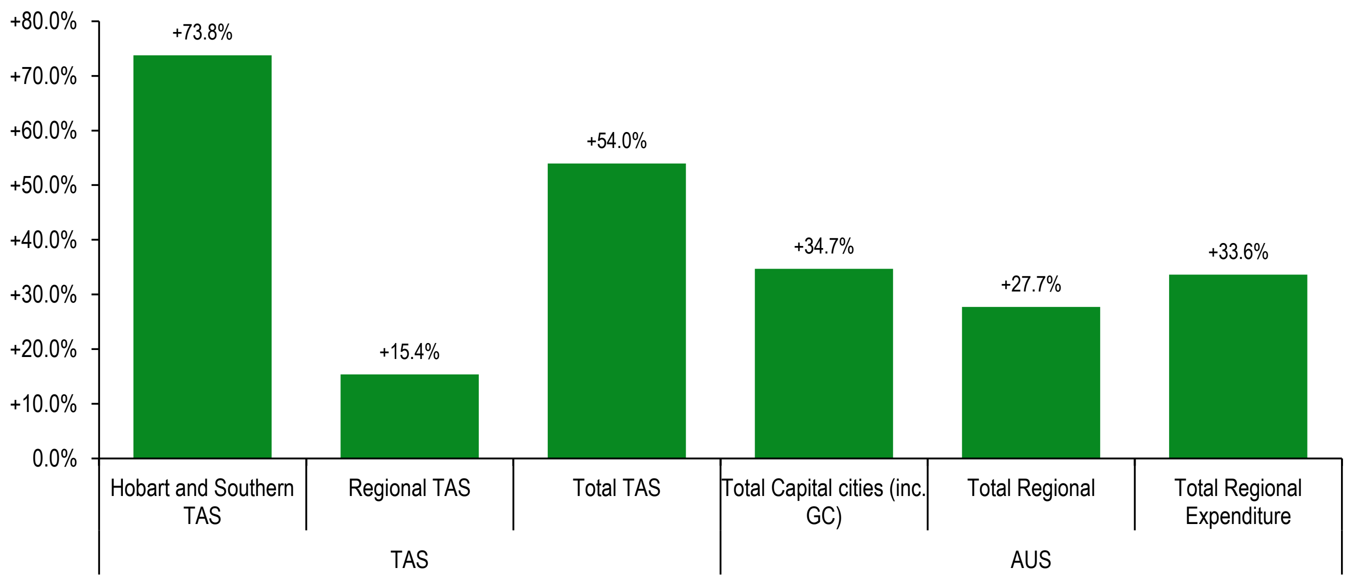
Domestic Overnight Visitor Expenditure ($M), by quarter

Source:TRA



International Visitor Expenditure, Year Ending Mar-2026 vs 2019

Source:TRA



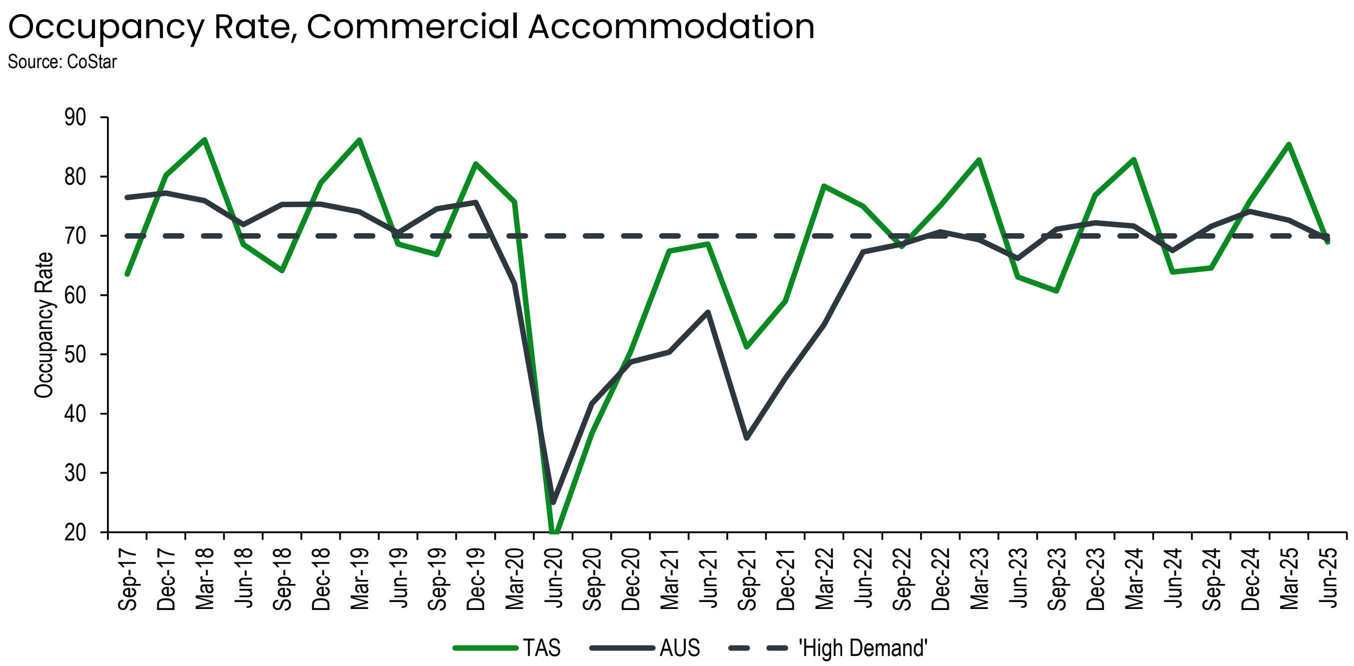
Air traffic data reveals a similar trend:

- Nationally, domestic air passenger numbers are consistent with their 2019 levels (-1.1 per cent) but are up by 7.0 per cent in Hobart (2.9 million passengers) and 5.8 per cent in Launceston (1.5 million passengers)

- International air passenger numbers into Hobart went from zero before April 2021, to more than 20,000 in the most recent 12 months

The result is that commercial accommodation in Tasmania in the last year has been operating at occupancy rates of close to 75 per cent (70 per cent is considered 'high demand'), even higher in the 'Hobart and the South' and 'Launceston and the North' regions. This is despite Tasmania's commercial accommodation stock expanding by around one-fifth since 2019.

There is clearly strong demand for accommodation in Tasmania.



Housing supply

Given the above context, HIA is opposed to arbitrary restrictions that will further inflate the cost of housing and reduce its supply, including that of STRA. We believe that providing for Australia's accommodation needs requires maximising housing supply, not just in terms of quantity but also in terms of type – making sure there is sufficient range of housing types and tenures, including STRA. This is the way to address Tasmania's housing challenge.

We consider it essential to recognise that provision of housing is ultimately a market phenomenon, not a policy one. Whatever the role of government policy or regulation, the final on-ground provision of housing will be determined by the decisions of individual consumers, developers and builders. Regulation and policy makes a contribution only in as much as it contributes to and enhances the effectiveness of the housing market. Any policy attempt to fundamentally re-invent or re-direct the market will ultimately have the effect of depressing it.

This basic principle applies to the role of visitor accommodation as much as it does to home ownership.

The 'first order effect' of restrictions on visitor accommodation may be to see some properties become available for long-term accommodation. The second order effects will negate this benefit: fewer short-term rentals, and demand continuing to grow, will see the rent on these properties continue to rise, attracting landlords back out of the long-term accommodation market. The end result being increased costs for consumers and households in both short and long stay accommodation.

Restriction of short stay accommodation does not increase housing supply. This is just another cost on housing, that will reduce the supply of homes further and exacerbate the problem.

Visitor accommodation is a commercial activity, and as such is a product of markets far more than of government policy. To the maximum extent achievable, the market should be left to determine the best mix of visitor accommodation types. If the market preference swings away from larger singular types such as hotels or resorts toward individual dwellings, this choice should be respected and accommodated as much as possible. If this results in a reduction of available residential housing stock, the most effective response is to construct replacement residential housing stock.

HIA has long advocated for metropolitan and regional strategies to identify a rolling minimum of 15-25 year forward land supply to meet long term demand and, within this long term strategy land supply, for governments to work with industry to ensure adequate land with development approval to meet short term demand (e.g. 5 year supply). Part of this land supply will include infill development in existing town and urban areas. We are opposed to urban growth boundaries (UGB) as a means of managing urban land supplies, as they are essentially an artificial constraint which hinders effective supply of housing and contributes to its expense.

These same basic principles apply to the provision of housing for visitor accommodation. Arbitrary restrictions such as those proposed in the SAP will end up depressing the visitor accommodation market more than improving it, increasing the cost of both short and long term accommodation.

Supporting arguments

We find the analysis provided by SGS to be unpersuasive. We regard it as incomplete and not taking into account the comprehensive analysis provided by University of Queensland[1], which drew on extensive international research, particularly the modelling carried out by Almagro and Dominguez-Iino[2]. This study concluded that STRAs had minimal impact on rental accommodation.

The study found no clear alignment between the suburbs where rent increases have been the highest and the percentage of dwellings devoted to STRA. Its analysis concluded that a 1 per cent increase in total STRA listings would lead to a 0.02 per cent increase in rents (on average), and that this was consistent with findings for other jurisdictions around the world, which have experienced typical increases in rents in the range of 0.02 per cent – 0.05 per cent resulting from a 1 per cent increase in total STRA listings.

Significantly, the study concluded that dwelling stocks are a major contributor in explaining rent prices. It found a contribution expected on average to range in the region of a 0.10 per cent to 0.20 per cent reduction on rent prices resulting from an increase in the total dwelling stocks of 1 per cent. It was the view of the authors of this report that the most beneficial measures to support the rental market all relate to measures designed to support increasing housing supply.

Planning policy changes

There has been a fundamental change in circumstances in the form of the current proposed reforms to the State Planning Provisions to allow substantially greater multi-unit residential development. SGS's assessment is based on the conclusion that new housing required to be constructed to replace those transferred to STR would be in outer-urban growth corridor locations, with associated costs such as transport. We recognise that, up to this point, this would be a reasonable conclusion based on the history of housing development in Tasmania. However, the new multi-dwelling provisions propose to allow considerably more replacement housing to be developed, in terms of both quantity and choice. We regard this as having the effect of superseding the analysis by SGS. We submit that previous assumptions about cost and location of new housing can no longer be relied on.

Conclusion

We consider Amendment HOB S11.0 to be misguided. It relies on evidence and supporting studies that are inadequate and have been superseded by recent changes to state planning policy. Its effect in practice will be to frustrate and inhibit the visitor accommodation industry, increasing the cost of both short and long term accommodation.

[1] Bond, S., Rambaldi, A., Corcoran, J., Sigler, T. and Zou, F. (2022) *A Review of the Impacts of Short-term Rental Accommodation in Queensland*. The University of Queensland

[2] Almagro, M. and T. Dominguez-Iino (2022), *Location Sorting and Endogenous Amenities: Evidence from Amsterdam*, Working Paper, Becker Friedman Institute, University of Chicago.