



Department of Planning, Housing and Infrastructure  
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To whom it may concern

Thank you for the opportunity to provide a submission to the *Discussion paper on short - and long-term accommodation: review of regulations and supply in NSW*. The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission notes that housing affordability and more broadly housing support is a significant challenge across Australia, including in local housing markets with minimal exposure to short term rental accommodation (STRA). Many non-hosted properties listed on major platforms are managed as lifestyle properties (located away from major job centres and calibrated as holiday accommodation) and would do little to contribute to more affordable housing if they were returned to the long-term rental market.

As the NSW Government stated on 7 December 2023, despite NSW having the largest population, the largest expected increase in population, the highest rents and the highest medium house prices, NSW is last on the east coast when it comes to housing completions. NSW completed 48,000 new buildings in 2022. This was behind Victoria with 59,000 completions – despite NSW's higher population.

Compared to other factors, assessments of the stock of housing in particular location provides only a partial assessment of how STRA may have impacted housing affordability. Further analysis is necessary to properly understand impacts. This would include analysis to better understand how flows into and out of the short-term accommodation sector impact housing affordability. This should be compared to, and contrasted with, new dwelling completions and population growth to understand the true effect and causes of affordability challenges which may exist in local housing markets.

In evaluating alternative policy strategies, it is imperative to exercise caution, meticulously weighing the tangible effects such measures will have on housing affordability against the costs of proposed reforms. Poor policy outcomes could result if measures were pursued because they were perceived as a solution to the housing affordability challenge, while their actual impact being negligible, or even worse, detrimental to future housing supply and investment.

The Commission also notes that many listed STRA properties are managed by small business operators who have made good faith investments or commercial decisions.

Small businesses in NSW have endured overlapping disasters with drought, bushfires, floods, storms and COVID-19 occurring over the past several years. Businesses in the tourism sector in regional NSW were among the worst affected by the COVID-19 pandemic lockdowns and travel restrictions with recovery slow as a result of COVID rent and tax debt repayments, higher inflation and interest rates and workforce shortages.

The current economic conditions represent a challenging environment for many small businesses. The Commission regularly engages with small business through the monthly [Momentum Survey](#) (survey) and

through customer enquiries and engagement. This intelligence suggests small business confidence remains subdued (at 31 per cent) amidst challenging trading conditions.

### **Housing affordability and supply**

The release of short-term rentals into the private long term rental market may not result in a tangible benefit in either rental affordability or increase the volume of available stock available or affordable to lower income households on account of the type of housing stock and motivation of owners/investors.

Noting the composition of STRA being a mix of lifestyle properties and accommodation in regions which have traditionally had elevated demand for short term accommodation due to their proximity to visitor attractions, unlocking property in the short-term rental market may not have a significant impact on the availability of affordable long term rental property in many locations. To understand this issue further there would be value in assessing the potential relationship between the regions with the highest concentrations of non-hosted short-term rental accommodation and those with the most significant housing affordability challenges.

The discussion paper notes the policy objective to unlock affordable housing. Research indicates that the greatest need is for affordable housing for low-income renters. Lower-income households are currently competing in the private rental market with renters that have greater capacity to choose rentals across the price spectrum. It is also worth noting that the proportion of the population in private rental accommodation has increased over the last 20 years.

For the lowest-income renters, there is currently limited affordable supply to choose from.<sup>1</sup> Estimates suggest there is a current shortfall of 433,000 social housing dwellings and the need for social housing is increasing while the availability is shrinking.<sup>2</sup> According to the University of NSW, the stock of social housing has hardly changed in 25 years accounting for 6 per cent of occupied dwellings in 1996 and 4 per cent in 2021.<sup>3</sup> The priority waitlist for social housing in NSW has grown by 5.3 per cent in the first quarter of 2023-24 with a total of 57,411 families and individuals on the waitlist.<sup>4</sup> Low-income earners are struggling to compete with higher income earners. In 1996, low-income earners accounted for 8 per cent of the market, and now account for 24 per cent,<sup>5</sup> while share of private rental stock that's affordable for low-income renters has fallen from 60 per cent to 13 per cent.<sup>6</sup>

### **Short term rental disincentives**

The Commission encourages further assessment of the impacts of a reduction in short-term rentals to small business to ensure regulatory settings are appropriate for a diversity of business models, sizes and scales in different Local Government Areas. Consideration of strategies implemented in other jurisdictions should consider differences in social and economic environments and regulatory systems. For example, initiatives implemented in New York may not be appropriate for a regional NSW setting. New York benefits from significantly larger population and the annual number of international visitors for 2023 was 13.4 million. Small businesses that operate in the tourism sector are unlikely to be impacted to the same extent by a reduction in short term rentals as small businesses in a small coastal regional town in NSW.

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<sup>1</sup> [AHURI-Final-Report-416-Affordable-private-rental-supply-and-demand-short-term-disruption.pdf](#), 85

<sup>2</sup> [The housing and homelessness crisis in NSW explained in nine charts \(unsw.edu.au\)](#)

<sup>3</sup> [The housing and homelessness crisis in NSW explained in nine charts \(unsw.edu.au\)](#)

<sup>4</sup> [NSW lags behind other states on investment in housing as social housing waitlist climbs to worst in the country - Community Housing Industry Association NSW](#)

<sup>5</sup> [AHURI-Final-Report-416-Affordable-private-rental-supply-and-demand-short-term-disruption.pdf](#), 5

<sup>6</sup> Ibid, 5

## **Better understanding of costs and benefits**

The discussion paper acknowledges that there will be impacts to the tourism sector. The Commission encourages more detailed and specific assessment of the costs and benefits as it is essential to understand how businesses in the tourism sector will be impacted in regional communities. An analysis of business impacts, particularly those affecting smaller enterprises, is crucial to assessing the merits of new regulatory proposals. An understanding of those impacts is also important to the initial phases of the policy development process to meeting policy objectives while minimising unnecessary impacts. The Commission encourages thorough analysis focusing on smaller enterprises. As noted in the *NSW Government Guide to Better Regulation*, all new regulatory proposals should consider the impacts on small business.

## **Small business consultation process**

There are approximately 850,000 small businesses in NSW, including approximately 35,000 small businesses in the accommodation and food services sector, comprising cafes, restaurants and takeaway food services.<sup>7</sup> Future consultations should explore second-round effects on these industries (such as impact on demand for their services) and solicit their feedback on proposed measures.

Changes in the operating environment can disproportionately affect small businesses due to their limited capacity to hedge against fluctuations. There are significant barriers to effectively engaging small business perspectives during consultation processes. Direct engagement ensures that region specific impacts will be identified. A comprehensive Business Impact Assessment should be undertaken to estimate the cost of this change to small business, measuring both the social and economic impacts.

## **Revenue measures**

Imposing charges (caps, registration etc) that disincentivise short-term uses on the assumption that property owners will convert short-term rentals into long-term rentals may not have the desired effect of unlocking affordable housing supply to the long-term rental market.

Property owners who offer short term rental accommodation on a commercial basis as an income strategy may opt for liquidating stock rather than converting to long-term rentals. Short-term rentals are typically concentrated in areas that have tourism appeal. Like Byron Bay, the Gold Coast had a significant concentration of short-term rentals and owners are already converting properties from short term to long term rentals because the rising cost of living has reduced demand, resulting in a decline in occupancy rates.<sup>8</sup>

## **Urgent action required to address housing affordability challenges**

While the Commission encourages caution, the Commission acknowledges the urgent need for new policy measures to address housing affordability challenges. The Commission has heard from small businesses expressing difficulties finding staff due to increasing challenges in finding suitable accommodation. The lack of available housing is not only a barrier to the sustainability of these businesses, in certain locations it presents a real and immediate threat to their survival.

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<sup>7</sup> This division comprises of units providing short-term accommodation for visitors and/or meals, snacks, and beverages for consumption by customers both on and off-site.  
<https://www.abs.gov.au/statistics/classifications/australian-and-new-zealand-standard-industrial-classification-anzsic/2006-revision-2-0/detailed-classification/h>

<sup>8</sup> [Airbnb hosts revert to long-term rentals as rising costs of living hits bookings - ABC News](#)

However, the Commission maintains the best solutions are those which focus on ways to contribute new and more affordable dwellings into the housing stock. Further to this there are a number of inherent risks to regional economies and small business operators by measures targeted at STRA.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer [REDACTED], at either [megan.bennett@smallbusiness.nsw.gov.au](mailto:megan.bennett@smallbusiness.nsw.gov.au) [REDACTED]

Yours sincerely

Chris Lamont  
**Commissioner**  
**NSW Small Business Commission**

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