

The Rental Housing Crisis

The crisis in rental housing is due to a severe lack of availability with historically low vacancy levels. This has been caused in part by investors seeking the higher returns and switching from long term rental to more lucrative short-term leasing such as AirBnB.

Long-term vacancy rates around 3% are considered healthy with a balance between renters and landlords. Vacancy rates below 2%, as we are experiencing across Australia, signify high rental demand. A vacancy rate above 4% indicates low demand and that there is more stock available than required.¹² Rental vacancy rates across our region are very low. (Table 1)

Table 1 Vacant Dwellings 9,10,12,13,14

<i>Current Vacant Dwellings</i>	Aldinga SA2	City of Onkaparinga	Greater Adelaide
Rented properties	1,509	15,402	152,198
Vacant Rentals	24	258	1,309
Current Vacancy Rate %	1.59%	1.68%	0.86%
Air BnB Listed Dwellings	252	564	2,972
Total Vacant Dwellings (Lng+AirBnB)	276	822	4,281

The effect on the supply of long-term rental housing by the short-term rental and holiday market, as it has grown over the last decade, is often overlooked in housing discussions. Table 1 compares the number of vacant properties and those listed on Air BnB. It is important to remember that Air BnB is only one short-term rental platform.

Advocates of short-term rental properties often misrepresent the impact by stating the number of properties is only a small percentage of the total rental pool, Table 2, 1st Row. It is more appropriate when addressing the rental crisis to represent them as a percentage of vacant properties, Table 2, 2nd Row.

Table 2 Air BnB as a percentage of rental properties

Air BnB % (ABnB/Total Rental Properties)	16.70%	3.66%	1.95%
AirbNB % (AirBnB/Total Vacant Dwellings)	91.3%	68.6%	69.4%

Table 2 (previous page) shows that a significant percentage of vacant houses that could be a home, are instead reserved for holidays. By encouraging landlords of short-term rentals to switch to long term rentals, homes would become immediately available and help a family in crisis now.

Tables 3 and 4 show the difference that would be made to the Rental Vacancy Rate if 25% or 50% of Air BnB properties were offered as long-term rental homes instead.

Table 3 Change to Vacancy Rate if 25% of AirBnB in a region became a long-term rental.

<i>Switch 25 % Airbnb to Long term</i>	Aldinga SA2	City of Onkaparinga	Greater Adelaide
Vacant Rentals	87	399	2052
Air BnB Listed Dwellings	189	423	2229
Vacancy Rate if 25%Airbnb become long term	5.77%	2.59%	1.35%

Table 4 Change to Vacancy Rate if 50% of AirBnB in a region became a long-term rental

<i>Switch 50 % Airbnb to Long term</i>	Aldinga SA2	City of Onkaparinga	Greater Adelaide
Vacant Rentals	150	540	2795
Air BnB Listed Dwellings	126	282	1486
Vacancy Rate if 50%Airbnb become long term	9.94%	3.51%	1.84%

Short-term rental advocates argue as to the economic benefits brought by the service they provide. The counter argument to this is to consider an equivalent number of families living in these homes year-round contributing not just economically but becoming part of these communities for a lifetime. The economic benefits to the state would additionally be felt in a reduction in demand for crisis services and other social support services associated with the rental crisis we are currently experiencing.

Ways to achieve this change

The desire of landlords for greater financial returns has been the main driver of the switch from long-term to short-term rentals over the last decade. To reverse the rental housing crisis, it is important to address the financial incentive directly. Here are a number of ways that this could be done.

Council Rates: (both together)

- Increase council rates of short-term rentals to commercial hotel rates. Rates should be set on the use of the building not its shape.
- Discount rates for landlords offering long-term leases.
 - e.g., 1 year - 10% off, 2 years - 15% off, 3 years – 20% off.

State:

- Set limits on number of days a property can be used for short-term rentals.
- Consider a land tax to replace stamp duty to increase the ongoing costs on vacant properties.
- Increase safety compliance on short-term rentals to commercial hotel standards. Safety should be based on use, not the shape of the building.

Conclusion

There is a lack of availability of affordable rental properties across the country. Short-term rental properties significantly reduce the amount of vacant rental stock in an area and rental vacancy rates could be shifted significantly by a small percentage of short-term rentals becoming homes.

While incorporating more social and affordable housing into future developments will help in the future, families cannot live in their cars for years waiting. Encouraging landlords to switch to long-term leases as a priority will reduce the number of families in difficulty right now.

References:

All figures provided correct at time of publication (Oct 2023). Sources provided below.

Construction

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