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Housing rental market trends in Tasmania - analysis of recent trends and assessment of data quality

Information Paper

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Key points

- The Australian Bureau of Statistics (ABS) publishes detailed data on rental prices, the use of rental accommodation across Tasmania and the income of renting households from the five-yearly Censuses. However, there are no data from the ABS on the rental market that are published on a regular basis, except for an indexed figure of changes in rental prices for Hobart as part of its Consumer Price Index data.
- A number of private sector providers publish estimates of rental price trends in Tasmania and data are also made available by the Tasmanian Government through the Rental Deposit Authority. These data on rental cost trends capture a sufficient portion of the market to be reliable. The differences in sourcing and collating the data make it difficult to compare results across data providers but all sources report very similar trends.
- According to the Real Estate Institute of Tasmania (the REIT), the median rental price for a three bedroom home in Hobart was \$400 for the March quarter 2018, compared with \$330 for the March quarter 2013, a 21.2 per cent increase over that period. Much of this increase has been over the past 12 months.
- Launceston and the North West have not experienced similar rises in the median rental price over the last five years. According to the REIT, the median rent price was \$290 in Launceston and \$270 in the North West Coast for the March quarter 2018, less than 10 per cent above the prices five years earlier (\$280 and \$250 respectively).
- Most local government areas in Greater Hobart are becoming proportionately more expensive to rent in, as a percentage of median weekly household income. Compared to Australia's other capital cities, Greater Hobart is now amongst the least affordable, even less affordable than Sydney according to one recent report. The median rent in Greater Hobart for households seeking rental accommodation is currently an estimated 31 per cent of median weekly household income.
- These estimates of housing affordability do not reflect, for all households currently renting, the proportion of median household income that would be needed to rent accommodation at the median rental price. This is because these affordability estimates do not include rental prices for Housing Tasmania properties, which are, on average, well below rental prices for private properties and account for around 18 per cent of all rented properties in the Greater Hobart area, according to ABS Census data.
- Furthermore, these estimates only capture the rental prices for newly available accommodation, and not the stock of all rental accommodation. When there are significant movements in rental prices for newly available accommodation, these are only reflected in rental prices for existing tenancies when contracts are renewed or when annual price increases are set. There is, therefore, a lag before these price effects work through. In addition, property owners may not pass through the full price increase if they have tenants they value highly.
- The two primary providers of data on the vacancy rate in Hobart are the REIT and SQM Research. The vacancy rate in Hobart has been declining since 2012, and, for both series, is currently at record low levels. According to REIT data, the vacancy rate in Hobart for the

March quarter 2018 was 1.4 per cent. This compares with a vacancy rate of 1.9 per cent in Launceston and 2.8 per cent on the North West Coast for the same quarter. The trend is similar according to SQM Research.

- A number of demand and supply side factors have resulted in decreasing vacancy rates and increasing rental prices in Hobart since around late 2016. These include:
 - high rates of employment growth in the Hobart and South East region;
 - steady population growth in the Hobart region; and
 - increasing house prices.
- There are less data on the supply, prices and availability of properties listed on short-stay accommodation websites in Hobart. The Tasmanian Government is currently consulting with major short-stay accommodation providers, including Airbnb and Expedia (the owners of Stayz and HomeAway), to build a data-sharing agreement. Such an agreement should assist policymakers and other stakeholders in better understanding the effect, if any, of trends in that short-stay accommodation on the long-term rental market in Tasmania.
- In the medium to long-term, market forces are expected to respond to the high yields in the Hobart rental market by increasing supply of rental accommodation and easing pressure on the current rental market. To the extent that this occurs through increased supply from the existing housing stock, this is likely to put further upward pressure on house prices.
- In addition, the State Government is implementing a range of measures, including releasing selected parcels of Crown land for residential development and providing property owners with incentives for renting to low income households. Pressure may also be expected to be eased through the further development of high density student accommodation by the University of Tasmania.

I Background

In response to community concern regarding housing availability in the Greater Hobart region, the Tasmanian Government hosted a Housing Summit on 15 March 2018, comprising key stakeholders in the housing sector. At the Housing Summit, nine key actions were agreed upon, one of which was that the Department of Treasury and Finance would undertake research and consult with relevant peak bodies, stakeholders and NGOs to better understand trends in Hobart's rental market.

The purpose of this research paper is to:

- identify key trends in Hobart's rental market and across Tasmania;
- analyse and evaluate the quality of the data and identify any gaps in the data; and,
- assess how the data can best be used to inform policy, peak bodies and stakeholders.

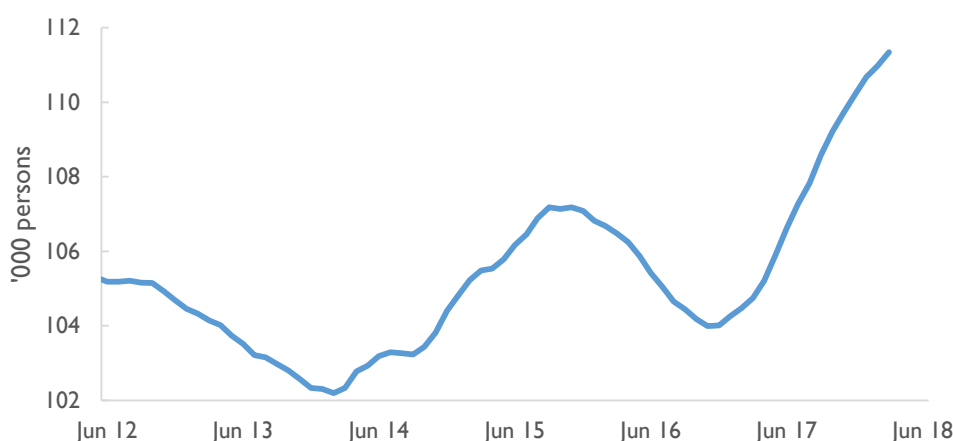
The housing market has shown strong growth in Tasmania throughout 2017 and into 2018, particularly in Hobart where annual housing price growth has been around the highest in the country. At the same time, median rental prices have also been increasing strongly as demand for rental accommodation has been greater than supply. Concerns have been raised around homelessness due to people not being able to find suitable accommodation, particularly for those requiring housing at the lower-priced end of the market.

Both demand and supply side pressures have contributed to housing price growth. While Tasmania's annual population growth is around 0.7 per cent state-wide, it has been closer to one per cent in the Greater Hobart area, the highest it has been since 2010.¹

In addition, total employment in the Hobart area has been increasing strongly and has recorded the strongest growth of the three regions within Tasmania, particularly since November 2016 (Chart 1).

Chart 1: Employment levels in Greater Hobart

'000 persons, twelve month moving average



Source: ABS 6291.0.55.001

¹ ABS 3235.0, Population by Age and Sex, Regions of Australia, 2016.

In the year to December 2017, Tasmania had a total of 1.26 million international and interstate visitors.² Since December 2012, average year-on-year growth in total visitors has been 7.9 per cent. This growth in tourism may be increasing the pressure on the long-term rental accommodation if it has resulted in the diversion of housing stock to short-term accommodation.

The growth in international students has also contributed to the demand for rental accommodation, with the number of onshore international students at the University of Tasmania increasing from just over 3 000 students in 2011 to just over 4 000 students in 2016. In response, some additional supply has been provided by both UTAS and private developers through new high density student accommodation facilities.

The latest Australian Bureau of Statistics figures indicate that Hobart's median house price for the December quarter 2017 had risen 12.6 per cent since the December quarter 2016.³ This house price increase, together with the same factors that have caused this increase, has created pressure on both the availability and prices of long-term rental accommodation.

Over the past decade, the number of dwellings in the Greater Hobart area has been increasing at a greater rate than population growth, with the average number of persons per household remaining relatively unchanged. According to the ABS, between 2006 and 2016, Hobart experienced a 10.8 per cent increase in population and a 14.3 per cent increase in dwellings. Recent data on housing dwellings are even more encouraging, with the number of dwelling approvals in Tasmania growing strongly since mid to late 2017.

Despite this, the demand for rental accommodation has been growing far more quickly than supply. This is reflected in strong increases in rental prices, reports of a shortage of rental accommodation and the high number of people attending inspections. This has led to shorter times between the property being inspected and the property being leased to a tenant. Figures from the REIT indicate that in February 2018, 83.3 per cent of properties in Hobart were let in less than two weeks from being vacant and available, with 40 per cent of those being let within one week.⁴

The following sections report on recent trends in Tasmania's rental housing market and the quality of the data available, together with an assessment of how these data may be used to inform discussion and policy development in this important area.

² Tourism Tasmania, February 2018, 'Tasmanian Tourism Snapshot: Year ending December 2017', <https://tourismtasmania.com.au/__data/assets/pdf_file/0010/62992/2017-Q4-Tasmanian-Tourism-Snapshot-YE-December-2017.pdf>.

³ ABS 6416.0, Residential Property Price Index: Eight Capital Cities, December 2017

⁴ REIT, March 2018, *REIT Tasmanian Property Report: February 2018*.

2 Rental Housing Trends in Tasmania

This chapter discusses market trends for long-term rental accommodation in Tasmania, especially for rental prices and vacancy rates.

2.1 Median rental prices

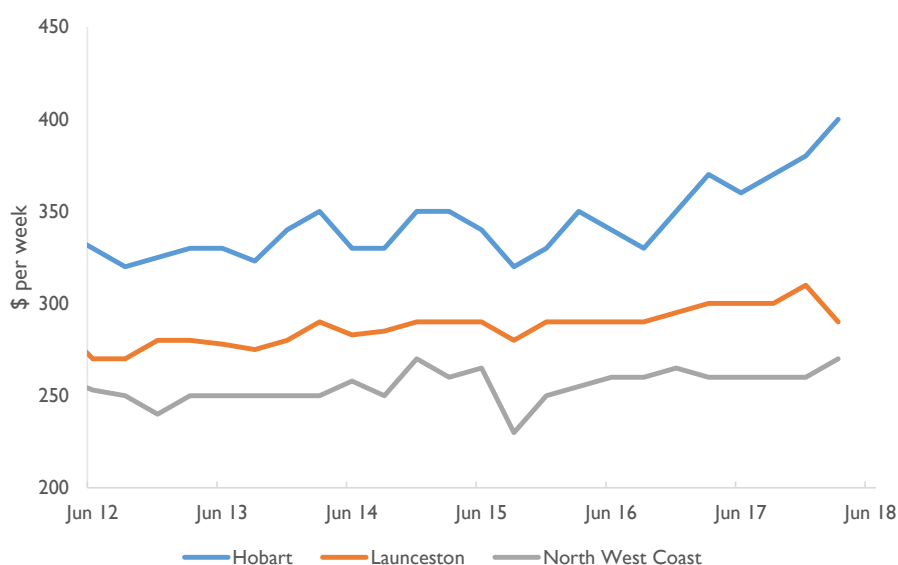
The ABS does not provide data on the rental market for Tasmania or any other jurisdiction in Australia, except for data on rent paid in the week of the five-yearly Census. The data available for median rental prices in Tasmania analysed in this paper are primarily from three sources:

- scraping online rental listing websites for unique listings and collating results;
- survey data from real estate agents who report rental data to their peak body, in Tasmania's case, the REIT; and
- de-identified data published by the Rental Deposit Authority (RDA), a statutory body that holds security bonds for rental accommodation.

The publishers of these data are the RDA, the REIT, rental websites (Domain Group and rent.com.au) and independent research companies (CoreLogic and SQM Research). Limited rental price data for Hobart are also provided by the ABS, not in dollar terms, but in indexed form as part of its measurement of movements in the Consumer Price Index.

Hobart has seen strong rental price growth, compared to the rest of Tasmania. According to the REIT, the median weekly rental price for a three-bedroom house in the Greater Hobart area increased by 8.1 per cent, or \$30 per week between the March quarter 2017 and the March quarter 2018. Over the same period, the median weekly rental price in Launceston decreased by 3.4 per cent, or \$10, while the price increased by 3.9 per cent, or \$10, on the North West Coast (Chart 2).

Chart 2: Median rental price for three-bedroom houses in Tasmanian regions
\$ per week



Source: REIT Property Update, quarterly reports.

The lower rents on the North West Coast is likely due to modest demand as a result of population loss and generally weaker employment prospects. Population levels for the West and North West region fell by 2.8 per cent between June 2016 and June 2017⁵ and employment also decreased by 2.8 per cent over the past year⁶. Given these factors, it is unlikely that the region will see a similar rental price boom to Hobart.

Prices appear to have been modestly increasing in Launceston until a sharp drop was reported for the March quarter 2018; it is unclear whether this represents the start of an easing in prices or a just a statistical outlier arising from the sample of rental properties include in that quarter. The Launceston and North East region has experienced strong employment growth in recent months but this followed a period of subdued labour market conditions, when the region's population declined marginally, by 0.4 per cent between June 2016 and June 2017.⁷ Over the longer term, population growth has been modest in the Launceston and North East region, increasing by only 0.7 per cent between June 2010 and June 2017.⁸ The demand factors that have put pressure on the Greater Hobart rental market have been much weaker in the State's north, which is also reflected in a slower decline in rentals vacancy rates, as discussed below.

Data from the ABS Census of Population and Housing also provides indications of long-term trends over a variety of different regions. Between 2011 and 2016, it appears that rates increased steadily across Tasmania's three major regions. Both the Hobart and Launceston and North East regions experienced less growth in rent costs than across Australia, with the West and North West region only slightly higher. As the Census data includes public and community rental housing (unlike most other sources), the data are less susceptible to the sometimes sudden movements of the private market.

Table 1: Median weekly rent in Tasmanian regions

Region	Median weekly rent (2011 Census)	Median weekly rent (2016 Census)	Change
Hobart	\$235	\$260	+10.6%
Launceston and North East	\$190	\$215	+13.2%
West and North West	\$170	\$200	+17.6%
Australia	\$285	\$335	+17.5%

Source: ABS 2011 and 2016 Census QuickStats.

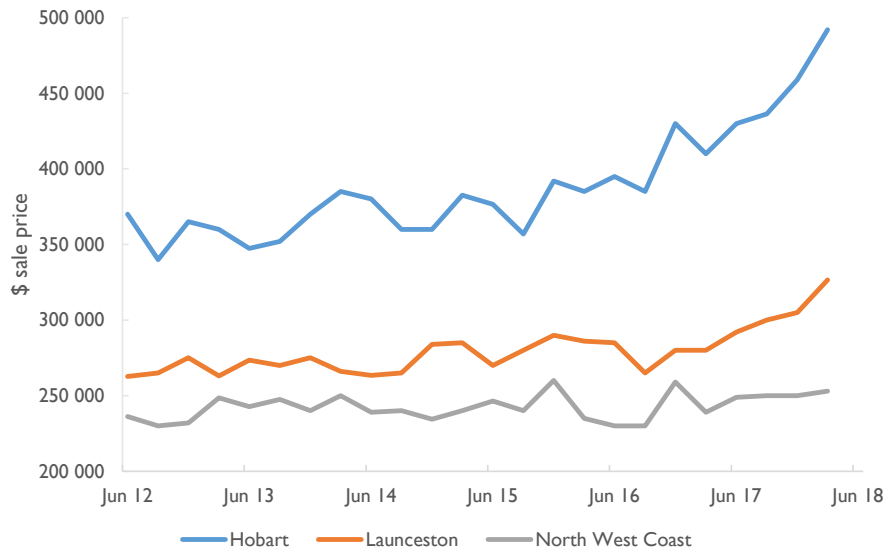
⁵ ABS 3235.0, Population by Age and Sex, Regions of Australia, 2017.

⁶ ABS 6291.0.55.001, Labour Force, Australia, Detailed - Electronic Delivery, March 2018.

⁷ ABS 3235.0, Population by Age and Sex, Regions of Australia, 2017.

⁸ Ibid.

Chart 3: Median sale price for houses in Tasmanian regions

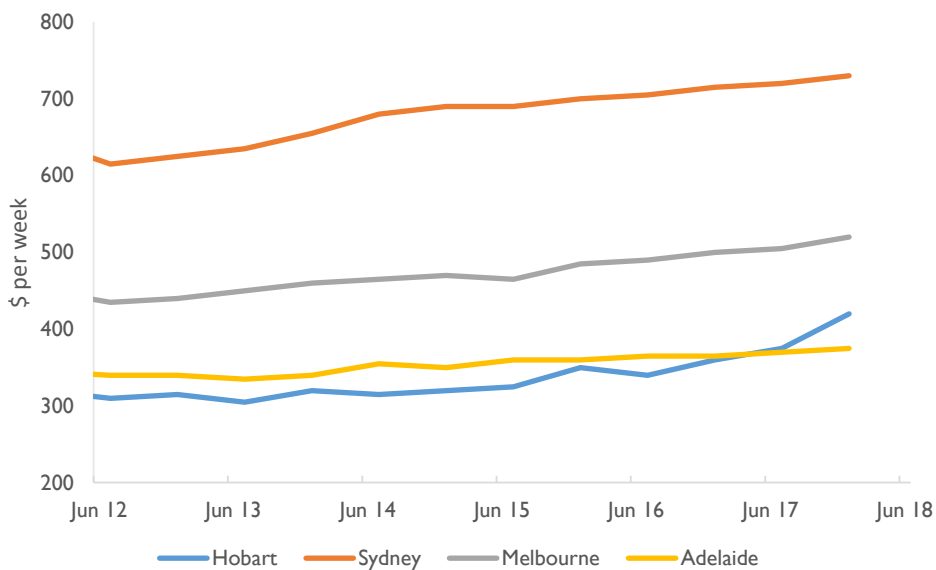


Source: REIT Property Update, quarterly reports.

The levels and movements in three-bedroom rental prices in Hobart, Launceston and the North West are generally similar to the trends in median house prices in these regions (Chart 3), except for recent data for Launceston, where the market for houses appears stronger than the market for rental accommodation. This general similarity is unsurprising as many of the drivers of demand for housing rental are the same as for the purchase of housing. In addition, investor demand for properties for long-term rental accommodation can be an important component of overall housing demand.

On a national basis, median rental prices for a three-bedroom house in Hobart are significantly below equivalent properties in Sydney and Melbourne (Chart 4). Median rental prices in Hobart are now estimated to be above those in Adelaide.

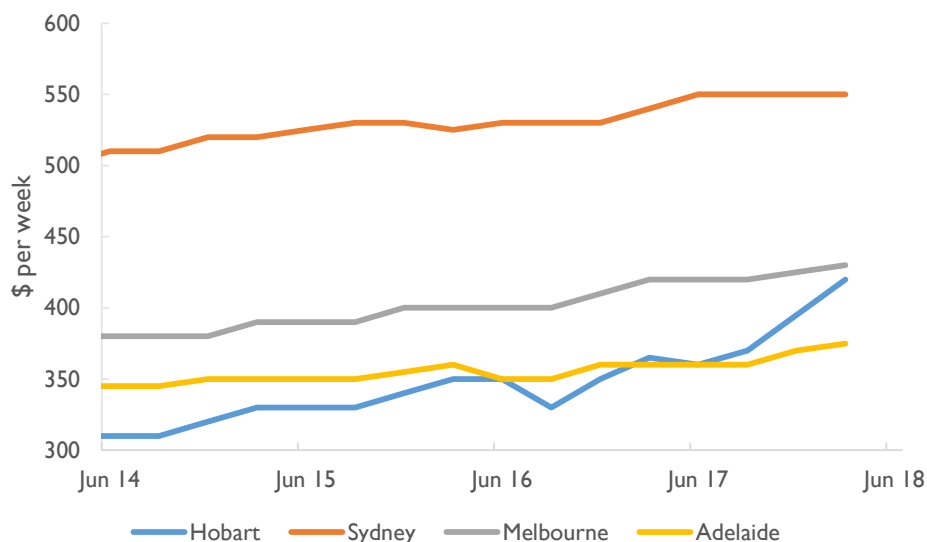
Chart 4: Median rental price for three-bedroom houses: selected capital cities (SQM)
\$ per week



Source: SQM Research.

The rental reports released by the Domain Group show a broadly similar story for Tasmania’s house rental prices for all houses, rather than just three bedroom houses. On its estimates (Chart 5 below), rental prices in Hobart recorded 15.1 per cent year-on-year growth from the March 2017 quarter to the March 2018 quarter.⁹ Hobart’s median rental price as recorded by the Domain Group is currently close to the median rental price in Melbourne.

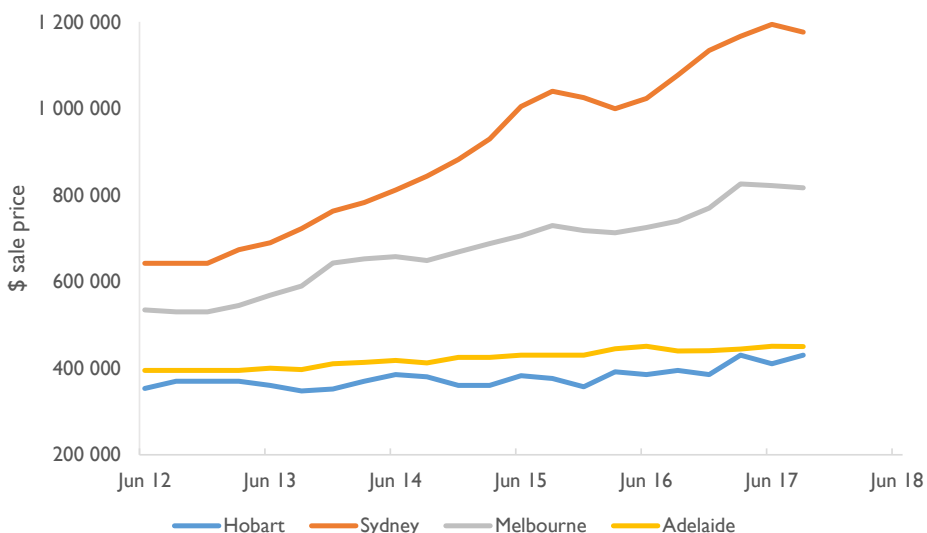
Chart 5: Median rental price for houses: selected capital cities (Domain)
\$ per week



Source: Domain Group Rental Report, March 2018

For these capital cities as has been the case within Tasmania, the overall trends in the housing rental market are similar to the trends in the market for house purchases (Chart 6).

Chart 6: Median sale price for houses: selected capital cities
Sale price, \$

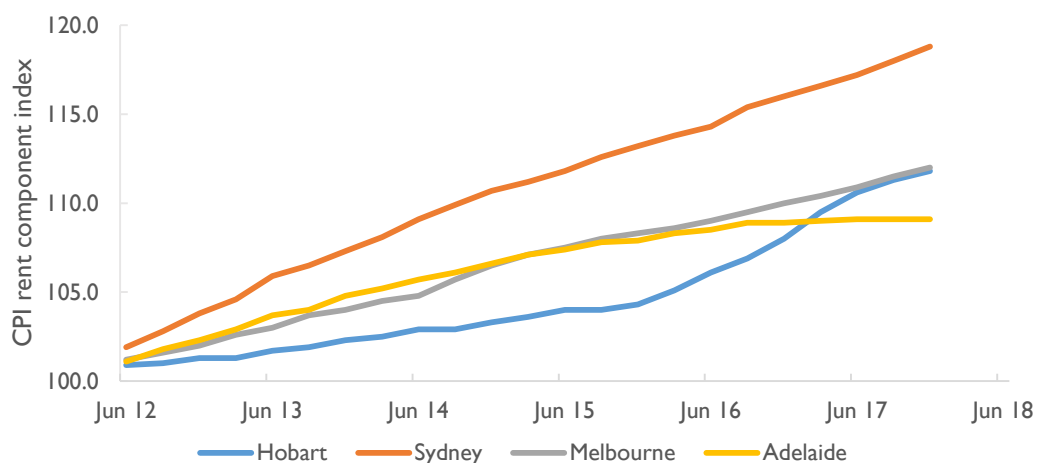


Source: REIT Property Update, quarterly reports.

⁹ Domain Group, April 2018, ‘Domain Rental Report: March 2018’, <<https://www.domain.com.au/group/market-updates-series/11178/>>.

The rent component of the ABS Consumer Price Index data offers a perspective on indexed growth of rent prices in Hobart and other capital cities (Chart 7).

Chart 7: Indexed rent component of Consumer Price Index: selected capital cities
Index: 2011-12 = 100



Source: ABS 6416.0, Consumer Price Index

While Hobart experienced relatively steady rental price growth between June 2012 and December 2015, at a rate that was below those in Sydney, Melbourne and Adelaide, from that point on Hobart rental prices increased sharply. According to the ABS, rental prices in Hobart since 2012 have increased at the same average rate as in Melbourne.

Reports of accommodation shortages and rental price increases have increased in Tasmania as the spare capacity is wound down. Gross rental yields for investors are still high, given the relatively low median house prices in Hobart, averaging 5.0 per cent across Hobart according to CoreLogic.¹⁰ This is high compared to other capital cities; currently only Darwin has higher yields at 5.8 per cent. The other capital cities have an average rental yield of between 2.9 and 4.5 per cent. Gross rental yields do not take into account other costs of investment housing, such as borrowing costs, maintenance costs or transfer costs. The investment opportunities in Tasmania are being noticed interstate as interstate buyers accounted for 23 per cent of sales in the March quarter 2018, compared to just 12 per cent in the December quarter 2012.¹¹

2.2 Vacancy rates

The 2016 Census of Population and Housing reported that there were 24 819 rented properties in the Greater Hobart area.¹² These properties can be split into three major categories:

- 10 703 (or 43.1 per cent) rented through real estate agents;

¹⁰ CoreLogic, April 2018, *Quarterly Rental Review: March Quarter 2018*.

¹¹ REIT, May 2018, *REIT Quarterly Property Report: March 2018*; REIT, February 2013, *REIT Quarterly Property Report: December 2012*.

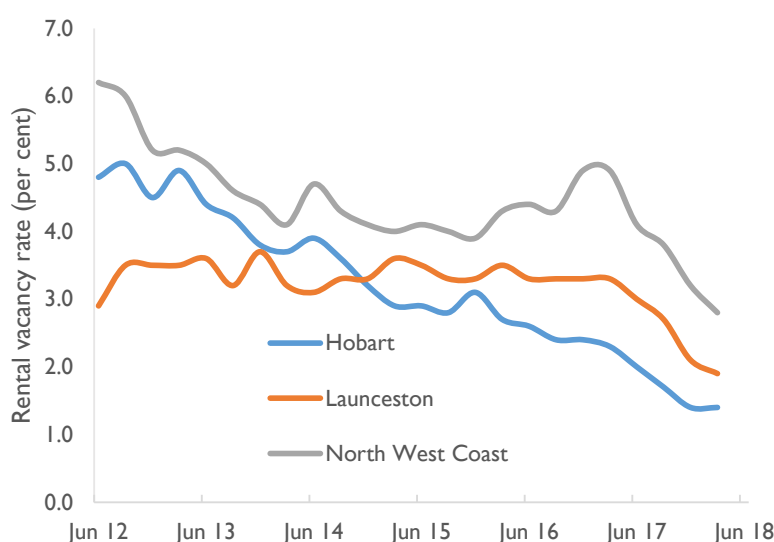
¹² 2016 Census of Population and Housing LLDD Landlord Type by GCCSA. The Greater Hobart Capital City Statistical Area is identical to the Hobart at the Statistical Area, Level 4 geography classification. It stretches from Dunalley in the east, Brighton in the north, New Norfolk in the west, to Oyster Cove in the south. An image visualising the area covered is available in Appendix 2.

- 5 875 (or 23.7 per cent) rented through persons not in the same household (including private rental, but not including rentals provided by parents or other relatives); and
- 5 320 (or 21.4 per cent) rented through Housing Tasmania or a housing co-operative, community organisation or church group.

The two primary providers of vacancy rate data for Tasmania are SQM Research and the REIT. The most commonly quoted figures in the Tasmanian media appear to be from SQM Research. This may be because SQM Research releases its data at no cost. Unlike the REIT, it also publishes vacancy rate data for each postcode and city across Australia, allowing the opportunity to compare Tasmanian vacancy rates with those interstate.

Chart 8: Vacancy rates in Tasmanian regions

Per cent, June quarter 2012 to March quarter 2018



Source: REIT Property Update, quarterly reports.

Since early 2015, the vacancy rate has been lower in the Greater Hobart area than in Launceston and the North West Coast according to figures from the REIT. In all regions, there has been a general decline in rental vacancy rates, with the rate of decline quite similar more recently. Over the past five years, the decline has been strongest in the Greater Hobart area and weakest in Launceston.

Until very recently, the vacancy rate had been steadily falling in Hobart. It appears that, until 2017, this decline in the vacancy rate was not putting significant pressure on housing rental prices. That is, demand had been increasing but sufficient demand was being met from properties that were, or became, vacant such that supply was broadly matching demand.

More recently, demand has been significantly above available supply, as illustrated by reports of over 100 households inspecting a rental property in Hobart and one prominent real estate property manager in Hobart recently having over one hundred households on his waiting list for properties they wish to rent, with not one property available of the type they seek.

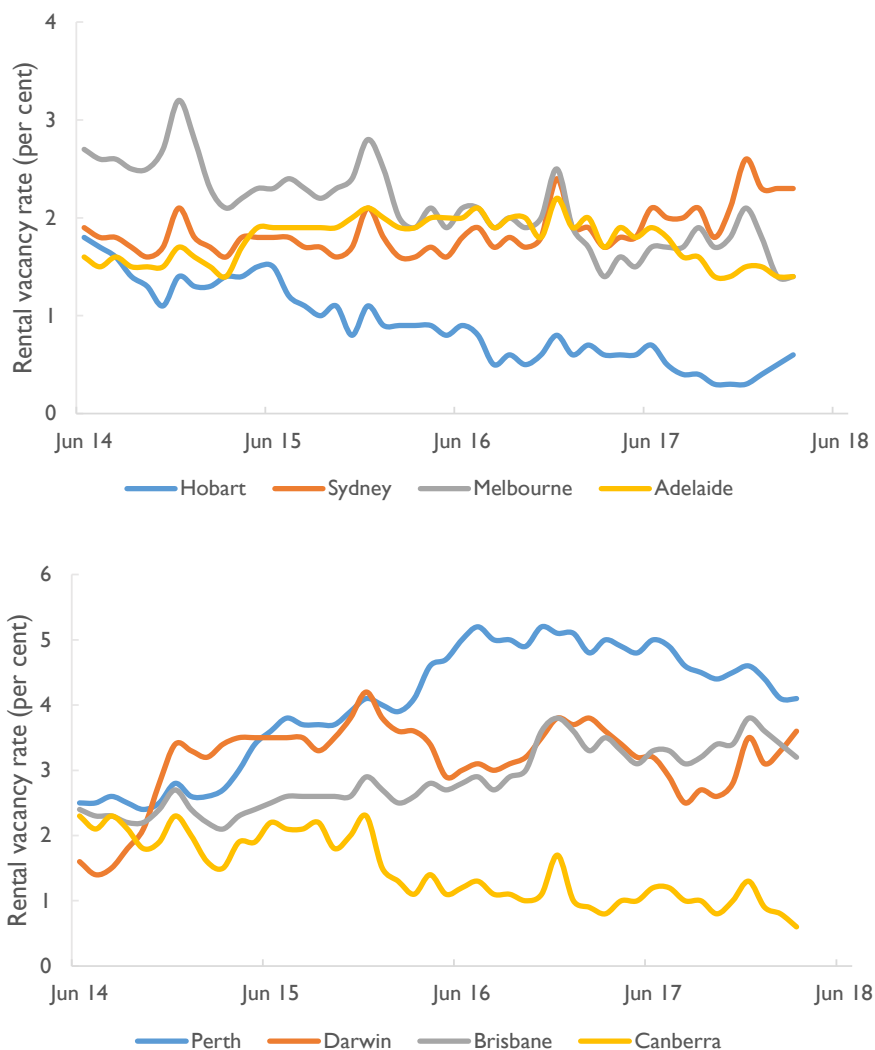
The effect of this excess demand has been the very sharp increases in price, which will affect most existing tenants, and not just new tenants. This is because property owners know there are suitable households looking for properties to rent at high rental prices, and would generally seek to increase rents to their existing tenants accordingly. Under the *Residential Tenancy Act 1997*, it is unlikely that

the Residential Tenancy Commissioner would determine that a rent increase under a residential tenancy agreement is unreasonable, and therefore be disallowed, if the rent is set at the market rate.

Data from SQM Research indicate that Canberra is the only city to be experiencing an acute rental vacancy shortage to the same extent as Hobart (Chart 9). Cities such as Sydney and Melbourne have experienced much higher population growth and employment growth than Hobart, and greater increases in average household income. This has been reflected in a very buoyant residential property market in recent years, with very large increases in house prices.

Despite these market conditions, the housing rental vacancy rates in Sydney and Melbourne have been higher than they currently are in Tasmania. It is therefore not possible to attribute the very low vacancy rates in Hobart solely to more buoyant market conditions. Further, detailed analysis would be needed to identify the reasons for the exceptionally low rental vacancy rates in Hobart, which may include investigating trends in the completion of new dwellings and in the short stay accommodation market.

Chart 9: Vacancy rates in capital cities across Australia
Per cent, June quarter 2014 to March quarter 2018



Source: SQM Research

2.3 Affordability of rental accommodation

Estimates of the affordability for rental accommodation across Australia need to be treated with some caution.

Firstly, the estimates of rental prices are for new tenancies and do not reflect the prices paid by tenants under existing rental agreements. When there are significant movements in rental prices for newly available accommodation, these may only be reflected in rental prices for existing tenancies when contracts are renewed or when annual price increases are set. There will therefore always be some delay between movements in rental prices faced by new tenants and 'catch up' rental increases imposed by property owners on existing tenants.

In addition, property owners may not pass through the full increase if they have tenants they value highly, which may be because they have signed a long term agreement or they undertake minor repairs and maintenance or maintain the garden.

Secondly, several estimates of rental housing affordability use income data for all households in a specified area, or all renting households, and then use data on rental prices when rental bonds are lodged or advertised rental prices. These estimates typically include income from households in public housing, but not the rental prices for public housing as these properties are not advertised and, for organisations such as Housing Tasmania, there are no bonds to be lodged with the relevant bond authority (the Rental Deposit Authority in Tasmania). Tenants of properties owned by Housing Tasmania but managed by community housing providers are required to pay bonds, although these bonds are below the level set for privately provided rental accommodation. As rental prices in public housing and community housing are significantly below market rates, this introduces a bias in the results.

This is a more significant issue for Hobart than for some other capital cities such as Sydney and Melbourne as, for Hobart, public housing accounts for a greater share of all rented accommodation. According to the 2016 Census, public housing accounted for around 18 per cent of all rental properties in the Greater Hobart area, compared with around 12 per cent for Sydney and only 7.5 per cent for Melbourne. Shelter Tasmania has suggested that Census data for public housing in Tasmania may be overstated, as the recent transfer of management of some Housing Tasmania properties to community housing organisations (while Housing Tasmania remains the owner) has resulted in some tenants reporting that they were in public housing rather than community housing.

For these two reasons, average and median rental prices in the greater Hobart area from ABS Census data, which capture all renting households, are significantly lower than the estimates of rental prices from data from rental deposit authorities and from advertised rental prices.

Estimates of rental accommodation affordability therefore provide a guide to the costs that households face in securing new privately provided rental accommodation, but they do not necessarily reflect rental affordability trends for the broader housing rental market.

Hobart compared with other capital cities

While rental prices in Greater Hobart have not reached the peaks of other cities such as Sydney or Canberra, as a proportion of median household income the median rental price is relatively high. Using rental price data from CoreLogic, the median rental price in the March quarter 2018 for newly available accommodation, as a share of median income of all households, was estimated to be the second highest of any capital city in the country at 30.8 per cent, behind only Sydney. While the other

smaller capitals (Darwin and Canberra) have higher median weekly rents than Hobart, the median household income in these cities is boosted by the relatively high incomes from the large public sectors in these areas and also, for Darwin, high incomes from the resource industries.

This is a significant change from almost five years earlier, when the proportion in Hobart was the fifth highest, behind Darwin, Perth and Adelaide as well as Sydney (Tables 2 and 3). The increase in the proportion was greater in Hobart than in any other capital city (almost three percentage points).

Compared to Australia, in the June quarter 2013 the median rental price as a proportion of median income in Hobart was below the equivalent national proportion by almost one percentage point. By the March quarter 2018, the proportion was higher in Hobart than nationally by almost two percentage points. This illustrates the extent to which housing rental prices have risen by more than incomes in Hobart in recent years, compared to other capital cities and for Australia as a whole.

Table 2: Median weekly rent for new rental properties as a proportion of median household income (June quarter 2013), Greater Capital City Statistical Areas.

City	Proportion rent/income (%)	Median weekly rent	Estimated median household income
Sydney	32.0	\$499	\$1 562
Darwin	31.3	\$629	\$2 010
Perth	30.0	\$499	\$1 663
Adelaide	28.2	\$340	\$1 207
Hobart	28.1	\$325	\$1 155
Brisbane	26.8	\$395	\$1 473
Melbourne	25.7	\$370	\$1 441
Canberra	24.2	\$509	\$2 108
Australia	29.0	\$390	\$1 343

Source: CoreLogic; ABS 2011 Census QuickStats;

Table 3: Median weekly rent for new rental properties as a proportion of median household income (March quarter 2018), Greater Capital City Statistical Areas.

City	Proportion rent/income (%)	Median weekly rent	Estimated median household income	Change in proportion (% points)
Sydney	32.6	\$582	\$1 783	0.7
Hobart	30.8	\$410	\$1 331	2.7
Adelaide	28.6	\$374	\$1 309	0.4
Brisbane	27.6	\$436	\$1 580	0.8
Melbourne	27.1	\$442	\$1 628	1.5
Canberra	25.0	\$528	\$2 112	0.8
Perth	22.7	\$377	\$1 659	-7.3
Darwin	20.8	\$474	\$2 279	-10.5
Australia	28.9	\$427	\$1 476	-0.1

Source: CoreLogic; ABS 2016 Census QuickStats; ABS 6302.0, Average Weekly Earnings.

The May 2018 *Rental Affordability Index* from SGS Economics and Planning described the Greater Hobart area as the least affordable capital city to rent in the December quarter 2017, attributed to relatively low incomes for renting households and relatively high median rents.¹³ An allocation of 60 per cent or more of a household's income to rent a newly available property at the median rent price is considered extremely unaffordable; between 38 and 60 per cent is considered severely unaffordable; between 30 and 38 per cent is considered unaffordable; and between 25 and 30 per cent is considered moderately unaffordable.

According to the May 2018 *Rental Affordability Index*, renting households in Greater Hobart on the median income would need to allocate around 29 per cent of their income to rent a newly available property at the median rent price. Areas such as Hobart, Sandy Bay, West, South and North Hobart, Kingston, Margate and Sorell were assessed as unaffordable.

While Greater Hobart was described as the least affordable capital city, the report notes that interstate comparisons of rental should be interpreted with caution as its data sources differ across geographical areas. Each state has a specific methodology relating to the availability of data.

The *Rental Affordability Index* uses income data from all households in the Greater Hobart area yet its estimates of rental prices exclude public housing, and potentially some community housing. While the same approach is also used for other capital cities, this may be a larger issue for Greater Hobart as a relatively large percentage of all rental housing is accounted for by public and community housing. Furthermore, the study covers the entire Greater Hobart area but there were insufficient data on rental prices for some areas, including part of the Clarence municipality.

The May 2018 *Rental Affordability Index* also analysed rental affordability on a cohort level across Australia. Greater Hobart was considered to be extremely unaffordable for a single person on benefits, with this cohort needing to allocate 68 per cent of their income to rent a newly available

¹³ SGS Economics and Planning, 2018, *Rental Affordability Index: Key Findings. May 2018 Release*. <https://www.sgsep.com.au/application/files/2215/2661/5595/RAI_May_2018_-_Press_Quality.pdf>.

property at the median rent price. Renting in Greater Hobart was considered severely unaffordable for a single pensioner and a single part-time worker parent on benefits (requiring 44 and 42 per cent of income respectively); and unaffordable for a pensioner couple (requiring 32 per cent of income).

Comparisons across Tasmania

Across the Greater Hobart and South East Tasmanian local government areas, the median rent for a newly available three bedroom house, as a proportion of gross median household income, ranges between 25.2 and 33.4 per cent.

Table 4: Proportion of median household income spent on median weekly rent, Hobart and South East LGAs.

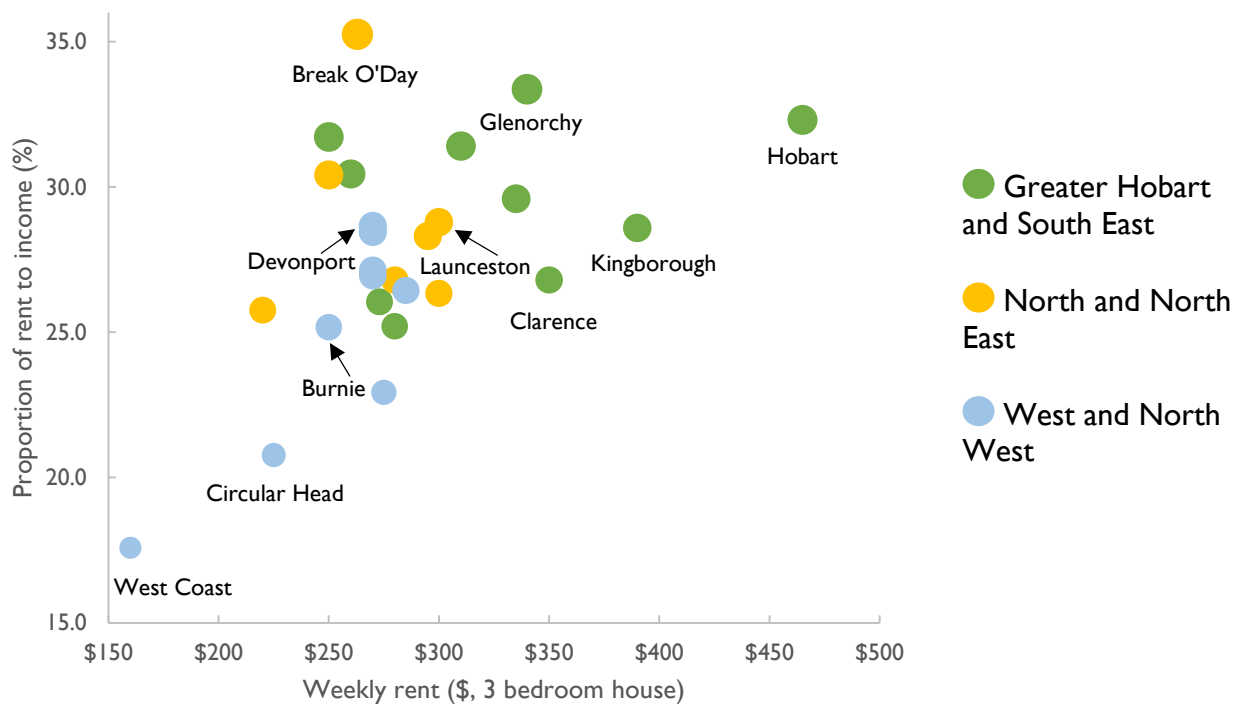
LGA	Proportion rent/income (%)	Median weekly rent (3 bedroom house)	Median household income per week
Glenorchy City	33.4	\$340	\$1 019
Hobart City	32.3	\$465	\$1 439
Tasman	31.7	\$250	\$788
Huon Valley	31.4	\$310	\$987
Glamorgan/Spring Bay	30.4	\$260	\$854
Sorell	29.6	\$335	\$1 132
Kingborough	28.6	\$390	\$1 364
Derwent Valley	27.1	\$270	\$998
Clarence City	26.8	\$350	\$1 306
Southern Midlands	26.0	\$273	\$1 048
Brighton	25.2	\$280	\$1 111
Central Highlands*	-	-	-

* data not available due to small sample size of bonds lodged.

Source: Tenants' Union of Tasmania; ABS 2016 Census QuickStats.

The Hobart municipality is currently experiencing by far the highest rental prices (\$75 or 19 per cent higher than Kingborough) but its higher median income brings the proportion of median income to median rent in line with other Greater Hobart and South East Tasmanian LGAs (Table 4). Glenorchy emerges as the LGA where the median rent is greatest, as a share of median income, while the lowest shares are in Brighton and the Southern Midlands.

Chart 10: Proportion of median household income spent on weekly rent, Tasmanian LGAs
 \$ per week, 3 bedroom houses



Source: Tenants' Union of Tasmania; ABS 2016 Census QuickStats.

Across Tasmania, three distinct trends are evident as Chart 10 shows. For Greater Hobart and the South East, rents tend to be high and in some LGAs they represent a high proportion of median income. For the North and North East, rents are not particularly high but households have lower incomes such that for some LGAs the median rent is a large share of income, particularly in the Break O'Day LGA at 35.3 per cent. A major factor in this is likely to be the high median age (54) and high number of people who own their homes outright (50.4 per cent), suggesting that a large retiree population accounts for the relatively low median household income for the area (\$746 per week, just over one half of Hobart's median household income).¹⁴

Broadly, for Greater Hobart and the South East, and the North and North East, the range in the share of median income required to pay the median rent across LGAs in those regions is quite similar. By contrast, rents are generally lower again in the North and North West, particularly in the West Coast. Incomes are generally not correspondingly lower, with the effect that there are more LGAs, including Burnie, where the median rent is a relatively small share of median income. The median rent in Burnie is comparable to rents in the more rural LGAs in other regions of the State. For the North and North West, the overall average share of income is allocated to rent is lower than for the other two regions.

Anglicare Australia produces an annual *Rental Affordability Snapshot* publication which details housing affordability by region for a variety of low-income earning family structures (eg students on Youth Allowance, people receiving the old age or disability support pension, single parents on government

¹⁴ ABS 2016 Census of Population and Housing, *QuickStats, Break O'Day (M) LGA*.

benefits). Rent is considered by Anglicare Australia to be 'affordable' if it accounts for less than 30 per cent of household income.

In its *Rental Affordability Snapshot 2018*, Anglicare Australia reported that Southern Tasmania was an unaffordable place to rent for a variety of low-income earning households, and that affordability had decreased compared to 2017, despite a slight increase in the number of houses advertised as available for rent.¹⁵ The number of affordable rental dwellings for minimum wage earners across Tasmania decreased by 23 per cent (from 279 to 214 on the measured weekend). In Southern Tasmania, Anglicare Australia found that there were no affordable rental dwellings for young people on Youth Allowance, single adults on Newstart Allowance or single parents receiving only the Newstart Allowance or the Parenting Payment.

¹⁵ Anglicare Australia, April 2018, *Anglicare Australia Rental Affordability Snapshot 2018*.

3 Assessment of data sources

This chapter assesses the data sources used in the previous chapter.

3.1 Australian Bureau of Statistics

The Australian Bureau of Statistics publishes rental data in two forms. Firstly, it records total rent paid per household as part of the Census data collected every five years. The most recent data are for August 2016. Secondly, it records rental costs as a component of its Consumer Price Index publication.

The data collected as part of the Census provide a thorough data set on rents paid at that time. The median rent figures reported are significantly below the corresponding figures from other sources. However, because the ABS does not use advertised prices of new listings or new bonds being lodged, but instead relies on all rents paid during the week of the Census, the data reflect the stock of all rental prices paid in that week and they cannot capture the very recent market movements at Census time.

As the majority of leases are renewed on an annual basis, there is always a lag between rental price changes for new tenancies, and the changes in prices for existing tenants. Property owners with sitting tenants therefore cannot respond immediately to market trends. Additionally, where tenants have been in place for some time and are valued by the property owners, the owners may choose to not increase rents, or increase them by less than the market trends.

The ABS data from each Census also provide no guide to rental price movements after the Census week, and so will be outdated relatively quickly. They nonetheless provide the most comprehensive data on rental prices paid as they are taken from the entire population and are not sample based.

The data also provide a snapshot of the number of residences used for rental accommodation and the income of the households that rent. They do not, however, provide any guide to rental vacancy rates as the Census does not include data on whether unoccupied dwellings are being advertised for rent.

The data collected as part of the Consumer Price Index publication are published in indexed form. The data are used to determine the growth of rental costs as part of the total basket of goods in calculating the Consumer Price Index for capital cities across Australia. This calculation is based on data provided to the ABS by real estate agents, State housing authorities and Centrelink.

It provides a useful indicator to compare growth in rental costs over time across Australia, but this applies to capital cities only. Also, as the data are only published in indexed form, it is difficult to compare these data with data from other sources.

3.2 Real Estate Institute of Tasmania

The REIT is an industry group representing 174 real estate agents throughout Tasmania.¹⁶ It publishes its quarterly *Property Report* which contains a variety of statistics on the Tasmanian housing market, including median rental costs and vacancy rates across a range of areas. The REIT has wide-ranging

¹⁶ As at 4 May 2018.

membership from Tasmania's real estate industry, covering over 95 per cent¹⁷ of real estate professionals in Tasmania. Median rental costs are published for:

- Greater Hobart;
- Launceston; and
- the North West Coast.

Within Hobart, vacancy rates are also reported for Inner Hobart, Middle Hobart and Outer Hobart. A list of the suburbs in each Hobart classification is in Appendix I.

The REIT also reports on the time residential properties are advertised on the open market. Again, these data are sourced from its members, and are presented in categories of up to 1 week, between 1 and 2 weeks, and over 2 weeks.

The data in the REIT's quarterly report is sourced from a monthly survey of members, where members submit reports on the details of properties under their agency's management (whether the properties are vacant, rent prices, sale prices, etc.). Members are not required to contribute to the survey, but a substantial portion appear to do so (for example, 82.2 per cent for the month of February 2018). The total number of let and unlet properties from the survey are tallied to calculate the vacancy rate. These data do not cover private rentals or rentals by non-members of the REIT. One advantage of sourcing data using this method is that it provides updates on weekly rent data where tenants have remained in place, whereas other methods require the house to be vacated and advertised, or have a new bond lodged in respect of them.

The REIT does not claim that the median rent figures it publishes apply to the entire housing rental market, which includes rentals not managed by its members. However, it is likely that the REIT's figures are sufficiently representative of both the Hobart and Tasmanian rental housing markets for properties that are rented through real estate agents due to the high proportion of real estate agents that are members of the REIT.

Data are published both monthly (in the Tasmanian Property Report publication) and quarterly (in the Tasmanian Quarterly Property Report). The statistics from the quarterly publication may be more useful for analysing long-term trends as the data are the average of the monthly data in that quarter, and so contain some inherent smoothing, where monthly data may be subject to month to month volatility.

The Tenants' Union of Tasmania has advised that it uses the REIT quarterly vacancy rates to understand long-term trends in Hobart's rental housing market. It commented that while the rate itself may not be accurate due to the lack of data on privately-managed properties, and community and public housing, it provides a consistent base for analysis.

3.3 SQM Research

SQM Research is an independent property advisory and forecasting research house which specialises in providing property related advice, research and data.

¹⁷ REIT, 'Who's who in real estate'. <<http://reit.com.au/consumer-guide/whos-who-in-real-estate/>>.

SQM Research data defines the Greater Hobart area as equivalent to the Greater Hobart Capital City Statistical Area used by the ABS. To do this, it matches the postcodes found in online listings with a list of postcodes within the Greater Hobart GCCSA.

On its website, SQM Research provides some information on how it calculates the vacancy rate:

“The Rental Vacancies component is based on all monitored and unique online listings for the period of a calendar month. The series starts off in January 2005.

All listings are taken from online monitoring of major listings sites. Only those properties with unique addresses or a unique listing id are used. Those advertisements with no addresses are excluded from the series. Any addresses repeated between sites are de-duped.

Only those listings that have been advertised for three weeks or more (and are still currently advertised as at the time of collation) are used.”¹⁸

To determine the total housing rental stock, SQM Research states:

“For years 2001, 2006 and 2011 we use the number of total established dwellings (as a base) by postcode as determined by the ABS census, and multiply this by the percentage of renters for each postcode also provided in the census. With the 2016 Census update, we have used the number of renters as counted plus a proportion of renters multiplied by occupant not stated nor applicable. Years and months in between census points are interpolated. This provides an estimated available total stock for rent.

The numerator is then divided into the denominator, which provides a vacancy rate percentage.”¹⁹

In Greater Hobart, for example, the 2016 Census stated that there were 24 819 properties recorded as being rented. There were 2 092 properties without a tenure type, so SQM Research assumes that some proportion of these must be rented. It has interpolated the results following the 2016 Census in line with established dwelling growth rates.

The SQM Research data capture more of the rental market than other data providers as they include properties where the owners have engaged listing service companies such as Real Private or Zero Commission. These companies charge a flat fee for photography services and listing the property across major property listing sites such as realestate.com.au, domain.com.au, rent.com.au and others, acting as an intermediary while allowing the property owner to retain control over the leasing and maintenance of the property. The method used by SQM Research to calculate the vacancy rates include listings from these listing service companies, whereas the method employed by the REIT (for example) would not. These listings cover a small portion of online rental property listings, estimated at less than five per cent.

By only counting listings which have been advertised for three weeks or more, the rental vacancy rate may be underestimated by SQM Research. In a market such as Hobart where current vacancy rates are exceptionally low and competition between tenants is strong, some properties may be on the market for less than three weeks. These properties that are rented on the open market are not being counted in the data published by SQM Research, and thus causing an underestimation of the

¹⁸ SQM Research, March 2018, ‘Residential Vacancy Rates - City: Hobart’.

<http://sqmresearch.com.au/graph_vacancy.php?region=tas%3A%3AHobart&type=c&t=1>.

¹⁹ Ibid.

total vacancy rate. Rent.com.au reported that the average time advertised online (as of March 2018) for rental properties in Hobart is 13.1 days for apartments and 15.2 days for houses.²⁰

The current average duration of properties being available for rent is the lowest of all capital cities and is comparable only with Canberra (13.2 days for apartments and 18.1 days for houses). Of the five major capital cities, rates range between 17.8 days (apartments in Melbourne) and 36.4 days (apartments in Perth). The current duration in Hobart has increased from a low in September 2017, when the rate was 11.9 days for apartments, and 12.8 days for houses.²¹

However, SQM Research has stated that it considers three weeks as appropriate as a property may be advertised when the tenants have put their notice in to advise that they are vacating but are still leasing the property. This allows for the possibility of a brief period where the property is vacant with no tenant inside while it is still being advertised. SQM Research advised that they have experimented with using different time periods (eg one week, two weeks, six weeks), but found that three weeks provided a stable, robust data source.

To source median rent prices, SQM Research scrapes online listings of rental properties across major property listing websites and aggregates the results to determine the median rent for an area. It publishes these figures weekly in the graphs on its website, as well as in a monthly media release along with the change on the previous week, a rolling month per cent change and a twelve month per cent change. This is likely to capture trends quickly as they change, as the data are continuously updated and the new data are current as they include rental prices for properties when they are advertised, and not after the property is rented out or a bond is lodged.

There are some shortcomings with the SQM Research data on rental prices. It uses advertised prices and not actual prices agreed between property owners and tenants. In a very buoyant market, as is the case currently in Hobart, this may not be a major issue as property owners are likely to receive the asking price. However, when the rental market is subdued, and particularly if there is a high vacancy rate, property owners may accept a lower price than advertised. As a result, the SQM Research data may understate price movements in the housing rental market.

The Tasmanian Council of Social Service (TasCOSS) has expressed concerns about SQM Research's sampling methodology in that it does not include results from advertising on Gumtree. TasCOSS stated that it understands Gumtree is a significant platform for rental advertising in Tasmania.

3.4 Rental Deposit Authority

The Rental Deposit Authority is a statutory authority under the Tasmanian Government, administered by the Department of Justice, which holds all residential tenancy security deposits. Under section 48M of the *Residential Tenancy Act 1997*, one of its functions is to collect data on the residential tenancy market in Tasmania.

Each month, the RDA publicly releases a de-identified set of data relating to the bonds lodged by tenants. These data include the:

²⁰ Rent.com.au, 3 April 2018, 'Rental Snapshot: March 2018', <<https://www.rent.com.au/blog/rental-snapshot-march-2018>>.

²¹ Rent.com.au, 30 September 2017, 'Rental Snapshot: September 2017', <<https://www.rent.com.au/blog/rental-snapshot-september-2017>>.

- suburb;
- postcode;
- bond amount;
- weekly rent;
- bond lodgement date;
- bond activation date;
- number of bedrooms;
- dwelling type (eg unit or house); and
- length of tenancy

for each property with a bond lodged against it.

These data are used by the Tenants' Union of Tasmania in its quarterly *Tasmanian Rents* publication, which provides a variety of statistics on the Tasmanian rental market. It includes breakdowns of median rent prices by region; local government area and number of bedrooms, as well as providing quarterly and yearly changes over these localities. Additionally, it publishes a 'median rent index', which considers the breakdown of the number of bedrooms in properties across Tasmania and weights rental prices accordingly. Beginning in its publication that covers the March quarter 2018, the *Tasmanian Rents* publication will include data on the regions of Greater Hobart, Greater Launceston, and the North West Coast. This will allow for some comparisons to be made between data provided by the Rental Deposit Authority and data provided by other sources.

The RDA data do not include rental arrangements where a bond is not lodged with the RDA. This may occur if a property owner does not require a bond, such as when family members are the tenants, or in cases where a property owner acts unlawfully by not lodging a bond it collects from the tenant with the RDA.

Another gap in the RDA data set is that it only captures weekly rent at the time a bond is lodged. If a property owner increases or decreases the rent while the same tenants remain in the property, this will not be captured in the data currently collected by the Rental Deposit Authority. This means that in times of significant price change, there is likely to be some lag in the data compared to that sourced from online listings or real estate agent rolls.

Currently, it is not possible to obtain reports on the total number of bonds lodged with the RDA, or changes in the total number, due to the way the RDA data are recorded. If a new database system is developed and this information can be made available, this would provide a very useful guide to trends in the rental accommodation market, including whether it is expanding or contracting and in which areas.

3.5 CoreLogic

CoreLogic is a worldwide provider of consumer, financial and property information. In Australia, it is primarily known as a provider of property information and analytics. CoreLogic's housing market figures are often quoted in the media, generally in the context of house prices and sales figures. While

CoreLogic does collect data on rental properties, it does not collect data on such a wide range of categories as it does for real estate sales.

CoreLogic provides data over a wide range of areas under the Australian Statistical Geography Standard, corresponding with the areas that the ABS provides data for. Any data covering the Greater Hobart area refers to the Greater Hobart Capital City Statistical Area.

Similarly to SQM Research, CoreLogic collects its data on rental properties, prices and length of advertising time from a mixture of industry, public and government sources. CoreLogic does not publish a vacancy rate. CoreLogic collates median rent and rental yield data over a wide range of localities, in line with the Australian Statistical Geography Standard, to allow comparisons with ABS data. It publishes some of these in its quarterly rental review, available for \$29, including data at a Greater Capital City Statistical Area level, as well as at the Statistical Area, Level 4.

The majority of data produced by CoreLogic are not freely available, due to the significant resources invested in collecting the data and the commercial value of the data collected. Its publications range from a \$29 quarterly rental review to a \$291.50/month 'RP Data Professional' package, providing a wide range of data aimed at real estate professionals. Also relevant is the 'Market Trends' data set, providing monthly aggregated property market statistics at various levels as requested by the purchaser. As the purchaser specifies what data are sought, the prices are quoted on a per buyer basis.

3.6 Domain Group

The Domain Group publishes the quarterly Domain House Price Report on its website. This includes data from the eight capital cities on:

- house and unit sale prices;
- house and unit rent prices; and
- house and unit rental yields.

The Report also includes quarterly and year-on-year growth rates. The data are gathered from the Domain Group's own rental and sale listings, as domain.com.au is one of the largest real estate websites in Australia, together with realestate.com.au from which the REIT data are obtained.

An analysis comparing the amount of listings on realestate.com.au and domain.com.au was conducted by Finder in March 2017. It found, across a sample of fifteen suburbs (one city suburb and one regional suburb from each state and territory except the ACT) that realestate.com.au had more listings in twelve of the fifteen suburbs, although in most cases only slightly more.²² It is unlikely that the difference in the amount of listings are likely to create any substantial differences in median cost data published by the Domain Group and published by the Real Estate Institute of Australia. It appears that the data reported by the Domain Group provide comparable results to data from CoreLogic and other reports sourced using data scraping methods.

²² Finder AU, 22 March 2017, 'Domain vs realestate.com.au: Full comparison', <<https://www.finder.com.au/domain-vs-realestate-com-au>>.

3.7 Rent.com.au

Rent.com.au publish a monthly rental snapshot, which over the eight capital cities measures median rents for houses and apartments, including price per room; and average advertising time for houses and apartments. This information is published at no price in its blog.

As with the Domain Group, it uses its own listings as the source for its data. The data are likely to differ slightly from providers which scrape all major real estate websites for data (such as CoreLogic and SQM Research), but the sample size is likely to be sufficiently large to provide useful data.

3.8 Comparison table

The sharp rise of median rental costs in Hobart since late 2016 can be observed across a variety of different data sources.

Table 5: Median weekly rent in Greater Hobart, comparison of data sources

	Median rent (2016)	Median rent (2017)	Change in rent
REIT December quarter 2016 December quarter 2017	\$350	\$380	+8.6%
Domain Group December quarter 2016 December quarter 2017	\$350	\$395	+12.9%
Rental Deposit Authority* December quarter 2016 December quarter 2017	\$330	\$363	+9.8%
SQM Research December 2016 December 2017	\$352	\$382	+8.5%

* 3 bedroom houses only, Southern Tasmania region.

While there is some differentiation between providers, owing to different samples being used to calculate the median rent, all sources above indicate a sharp rise in the median rental cost over the course of 2017.

4 Identified data gaps and options

4.1 Short-stay accommodation data

There are currently limited data on properties listed as short-stay accommodation in Hobart and Tasmania generally. The two major companies in the short-stay accommodation market are Airbnb and Expedia. The number of entire homes in Hobart listed on Airbnb increased from 250 to 876 in the eighteen months to January 2018.²³ No such data are available for sites under the Expedia umbrella, though there would be some duplication as property owners can list their properties on multiple short-stay accommodation websites.

It is rare that Airbnb provides data in specific areas due to the commercially sensitive nature of such data. This has led to other data sources attempting to fill these gaps, such as Inside Airbnb. Inside Airbnb is an online, non-commercial tool founded by Mr Murray Cox, an independent digital analyst, to examine Airbnb listings in cities and regions across the world. Inside Airbnb uses data scraped from the Airbnb website to determine the location, price, availability, ownership and occupancy rates of Airbnb listings in a given area.

Its method of scraping listings is algorithm-driven, although some of its data are estimated using a model (such as estimated host income; estimated bookings and estimated length of stay). These estimates are made from survey or publicly available data and then generalised.

According to the Inside Airbnb data, in February 2018, there were 4 459 Airbnb listings in Tasmania, of which 3 400 (or 76.3 per cent) were entire homes or apartments.²⁴ Inside Airbnb estimated that of the 3 400 entire homes, 2 083 (or 61.3 per cent) were in the Hobart and South East region. Airbnb has disputed some of the data reported by Inside Airbnb. Inside Airbnb does not analyse any other short-stay accommodation sites such as Stayz and HomeAway owned by Expedia.

The data-sharing arrangements currently being negotiated between the Tasmanian Government and major short-stay accommodation providers aim to fill this gap. Information made available under this agreement could enable the Tasmanian Government to undertake analysis on the amount of housing being used in Tasmania for short-stay accommodation and to assess what effect, if any, the growth in short-stay accommodation is having on the longer-term rental housing market in Tasmania.

In this respect, it would be particularly useful if data are available on new properties that are used for short stay accommodation and the previous use of short stay accommodation properties, such as for longer term rentals or as a principal place of residence.

4.2 Vacancy rate data

Both sources of vacancy rate data mentioned in this report (the REIT and SQM Research) do not include all rental properties. The REIT does not take into account non-agent rentals, while SQM Research relies on properties listed as being available for rent on major listings websites. This means that there are likely to be gaps where properties are advertised for rent on user-listed sites such as

²³ As reported in Ecclestone, R et al, 21 February 2018, 'Insight Three: A blueprint for improving housing outcomes in Tasmania', <http://www.utas.edu.au/_data/assets/pdf_file/0009/1074609/Insight-Three-Housing-Web-Version.pdf>.

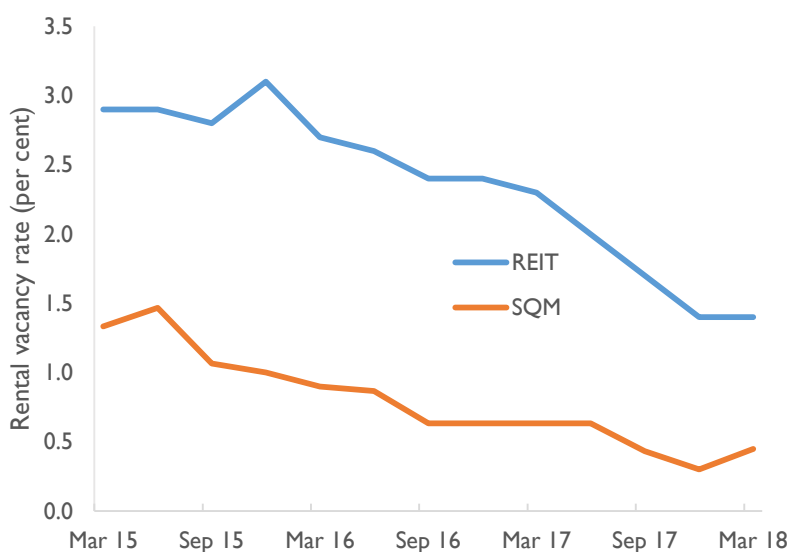
²⁴ Inside Airbnb, April 2018, 'Inside Airbnb: Tasmania' <<http://insideairbnb.com/tasmania/>>.

Gumtree or are privately advertised. The REIT does not collect data on community or public housing. It is likely that SQM Research's data sourcing methods also capture very few of these properties.

The estimates of the rental vacancy rate differ between the REIT and SQM Research, primarily due to the differing methods of calculation. REIT estimates the share of properties managed by its members that are vacant, while SQM Research estimates the share of all rental properties that are vacant. However, the trends are very consistent (Chart 9), including an end to the decline in the rate in late 2017.

It is possible that one reason why SQM Research estimates of the vacancy rate are lower is that the estimate includes public and community housing yet these properties tend not to be advertised, and therefore it may not be known if they are, or are about to become, vacant.

Chart 11: Rental vacancy rates for Hobart, the REIT and SQM Research
Per cent



Source: SQM Research, REIT Property Update, quarterly reports.

As REIT data are from its own members, while SQM Research uses digital data from broader sources, the extent of REIT membership among all real estate agencies can be important. In Tasmania, where 95 per cent of real estate professionals are employed by agencies that are members of the REIT this is likely to have slightly less of an effect than in some other states where the coverage of members is not as broad. The Real Estate Institute of Western Australia, for example, covers only 90 per cent²⁵ of real estate professionals, and the Real Estate Institute of Queensland only 80 per cent.²⁶ SQM Research has stated that, in its experience, the gap also widens between members and non-members in regional areas. Measuring the effect of this in Tasmania is difficult, owing to a lack of data on the location of non-member real estate agencies. Given the broad coverage of real estate professionals in the REIT, it is likely that any such effect would be negligible.

While there are differences in the vacancy rates as estimated by REIT and SQM Research, both series provide useful data to analyse trends over the long term as they share a similar pattern. While little research has been conducted on vacancy rates of privately advertised and managed rental properties,

²⁵ Real Estate Institute of Western Australia, 'About us'. <<https://reiwa.com.au/about-us/>>.

²⁶ Real Estate Institute of Queensland, February 2013, 'Why REIQ agencies are different'. <<http://blog.reiq.com/2013/02/why-reiq-agencies-are-different/>>.

there is no *a priori* reason why the vacancy rate for these properties would be significantly different from other rental properties. The costs of including these properties in vacancy rate estimates are likely to exceed the benefits. This is because it would be costly and an increased sample is unlikely to provide significantly more accurate data on vacancy rates than the samples already used by both organisations.

The Department of Health and Human Services reported that, for 2016-17, the vacancy rate for public housing in Tasmania was 1.5 per cent.²⁷ It is unclear whether there is any merit in including these properties in any summary estimate of the vacancy rate as the two rental markets are quite separate, with the drivers of demand and supply of public housing demand quite different from the commercial housing rental market.

Stakeholders have raised concerns around the lack of data on room vacancies in shared housing. This may be because some of these rooms may not be advertised on major listings websites, but instead through more informal methods such as privately advertised notices and word of mouth.

4.3 Housing supply data

The primary source of data for total housing supply across Australia, the Census of Population and Housing, is updated only every five years. Significant resources would be required to update these data more frequently and it is unlikely that very reliable estimates can be obtained for intercensal years.

Data such as on dwelling completions may provide some indication of movements in total housing supply, including the conversion of a large house to several units which is becoming quite common in heavily urbanised areas, but there may not be data on the destruction of houses, which tends to be less common.

For the total supply of rental housing, the ABS again provides data from the Census. These data are detailed but only for every five years and they cover occupied rental dwellings and not on vacant properties.

Shelter Tasmania notes the potential for the RDA to provide better data on rental housing supply in its proposed new information management system. Unless the RDA were able to provide data on a regular basis on the number of bonds lodged, it may not be possible to provide a reliable guide to the total number of rental dwellings occupied, and trends over time and in different areas. These data too, however, would not capture vacant properties available for rent, and therefore total supply.

4.4 Rental cost trend data

The table below displays current rental housing market indicators, and displays the differences between data publishers. These differences are due to the differing methods of sourcing and calculating the data. This presents difficulties when comparing housing trends across different data sources.

²⁷ Department of Health and Human Services, 2017, *Department of Health and Human Services Annual Report - 2016-17*, page 45.

Table 6: Reported rental yields, median rents and median house prices by data provider for Hobart.

	Median rent - Hobart*	Median house price - Hobart	Rental yield - Hobart
CoreLogic March quarter 2018	\$410	\$444 613	5.0%
REIT March quarter 2018	\$400	\$492 000	4.2%
Domain Group March quarter 2018	\$420	\$450 349	5.2%
Rent.com.au March 2018	\$450	-	-
Rental Deposit Authority December quarter 2017	\$395	-	-
SQM Research March 2018	\$408	\$484 500	4.5% [†]

* houses only, where data available.

[†] Estimated, houses only.

These results are broadly similar between data providers. The primary gap in any data is for the rental prices for properties that are not rented through real estate agents or on the open market and the tenant has been there for one or more years, so that the bond lodged in respect of the property does not reflect current rents.

A common issue with rental price data is the difficulty in estimating these data for properties not rented through real estate agents. Any data which extrapolates data solely from properties rented through real estate agents may not reflect the overall average or median for all types of rental properties. This is particularly important in Hobart, which has the lowest percentage of properties rented through real estate agents for all capital cities at 43 per cent.²⁸ The rate of properties rented through real estate agents in Sydney, Melbourne and Brisbane, for comparison, is between 66 and 71 per cent. The share in other capital cities ranges between 47 and 54 per cent.

The Rental Deposit Authority has the potential to provide the best data in several areas, including up-to-date rental prices for all rental properties if this can be obtained annually from all property owners who have properties for which bonds are lodged.

For some uses, such as detailed analysis of rental housing affordability, the best data are from the censuses run by the ABS. They include data on actual rents paid and actual incomes for each household, and so they provide a snapshot of the share of income allocated to rent for the entire population. This is much richer data set than just median estimates of rental prices and income.

²⁸ 2016 Census of Population and Housing LLDD Landlord Type by GCCSA.

If the primary interest is the availability and prices of rental accommodation for households seeking to enter the market, however, the ABS data are of less value. Data from providers such as the REIT and SQM Research that relate to recently advertised and let properties are more useful.

Shelter Tasmania has proposed that reports on trends in Tasmania's rental market, such as this report are produced on an annual (or otherwise regular) basis, in order to establish rental cost and rental affordability trends over the longer term and analyse how the rental market responds to various initiatives.

4.5 Market demand data

Stakeholders have raised issues around the lack of data on the demand for particular types of housing or demand from low income households including those relying on Australian Government social security payments. This can be challenging as there may not be market information that reflects this demand. It may be that survey instruments, such as market research, are more suitable for measuring underlying demand.

5 Concluding comments

There are a number of factors, both supply and demand side, which have contributed to a decreasing vacancy rate and increasing rental costs, especially in Hobart, since around late 2016. With vacancy rates at historical lows and median weekly rents and yields at high levels, it may be expected that market forces will encourage new supply of long-term rental accommodation so that the market adjusts over time.

This supply could be from the purchase of existing houses that were previously principal places of residence. In this case, this would put further upward pressure on house prices. If the financial incentives are sufficiently strong, some extra supply could also be from making available disused 'granny flats' or other areas of existing houses.

The returns to longer term accommodation have been increasing. It is possible that the returns to short stay accommodation may decrease in response to the large increase in supply. Approximately 2500 new hotel rooms for Hobart were completed in the last year or are under construction or under consideration. As a result, for some properties currently used for short stay accommodation, letting them on a long-term basis may become more attractive.

Total supply can also increase through investment in the conversion of large houses to smaller units and in new dwellings. The value of residential building approvals in Tasmania is showing sturdy growth, which suggests that some supply-side response has commenced, though this may not necessarily be for properties made available for long-term rent.

When house prices in Tasmania are significantly below mainland prices, this tends to attract interstate migration to Tasmania, with a relatively large share of house purchases being interstate buyers. This drives up house prices in Tasmania and once a new higher level is set, interstate demand tends to ease. At a future stage in the housing market cycle, with fewer interstate purchasers of houses as a principal place of residence, there may be more opportunity for investors to purchase houses for long-term rental accommodation.

Even if supply for long-term rentals increases, this may ease availability but it may not necessarily put significant downward pressure on rental prices, given the very strong demand for long-term rental accommodation.

Governments can also influence trends in the rental housing market. The Tasmanian Government has recently announced a range of measures to encourage an increase in the housing supply, including:

- providing a three year land tax exemption for newly built housing made available for rent;
- granting a 50 per cent discount on stamp duty to seniors selling their existing home and purchasing established homes up to a value of \$400 000;
- granting a 50 per cent discount on stamp duty to first home buyers for purchases of established homes up to \$400 000;
- providing a one year land tax exemption for short-term accommodation converted to long-term rental housing in the Greater Hobart area;
- payments of \$10 000 to \$13 000 to property owners make properties available to rent to low income households;

- extending the \$20 000 First Home Builders Grant through the 2018-19 financial year;
- proceeding with the Affordable Housing Action Plan which will provide an additional 1 500 new affordable homes for Tasmanians;
- making new accommodation options available for emergency housing; and
- releasing Government-owned land for residential development in conjunction with legislation to accelerate zoning changes.

The actions of other levels of government also influence Tasmania's rental housing market. For example, the Australian Government provides Commonwealth Rent Assistance to eligible people who rent in the private rental market or community housing. It also operated the National Rental Affordability Scheme, designed to increase the supply of new and affordable rental dwellings across Australia by providing an annual financial incentive for up to ten years.

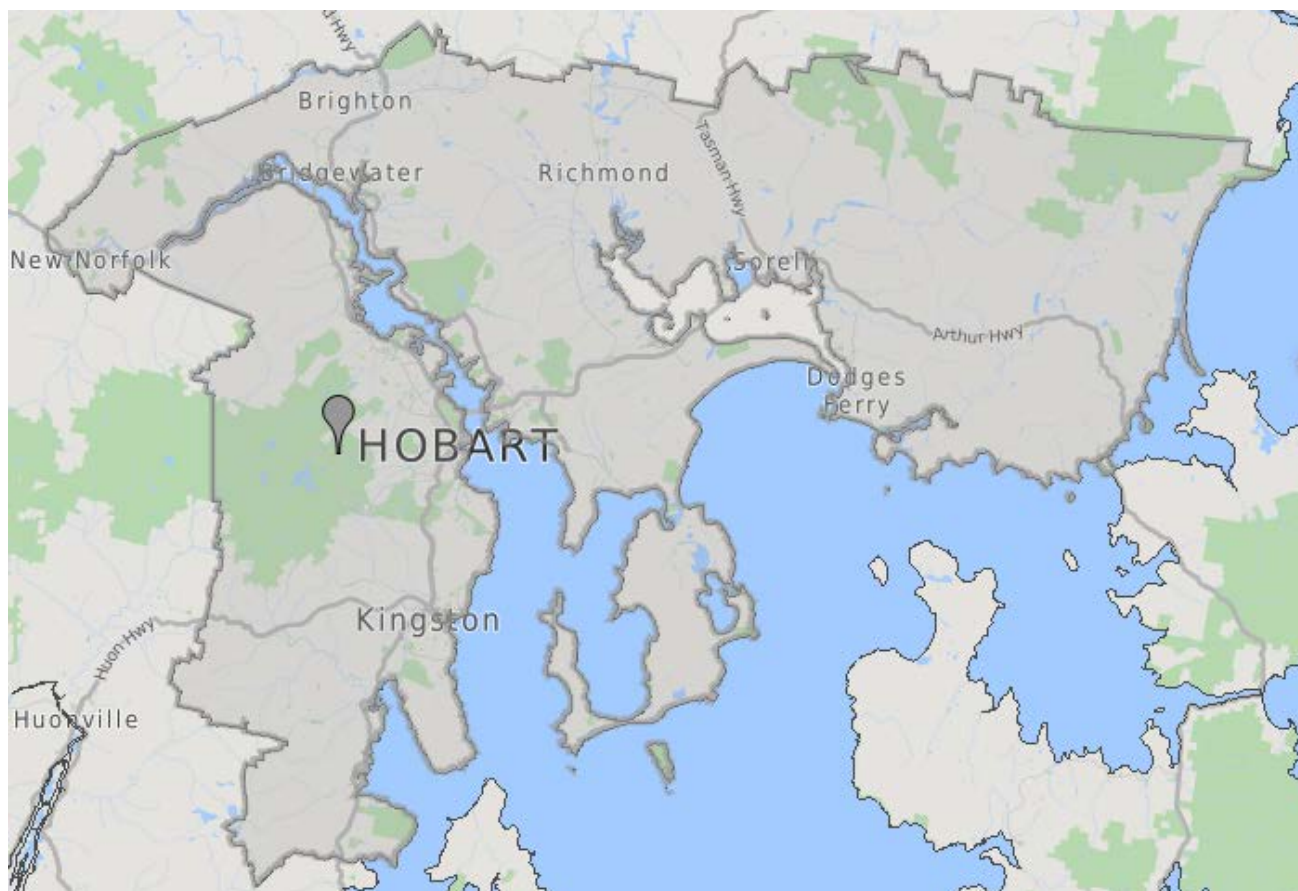
Councils, too, as local planning authorities, can also influence the type, style and extent of new housing in their municipality through their planning schemes and in their decisions on development applications. Their policies and decisions affect the supply of new dwellings, which impacts on the rental accommodation market.

6 Appendices

6.1 Appendix I: Hobart suburb classification by REIT

INNER HOBART	MIDDLE HOBART		OUTER HOBART
Battery Point 7004	Austins Ferry 7011	Howrah 7018	Blackmans Bay 7052
Cascades 7004	Acton Park 7170	Lauderdale 7021	Bonnet Hill 7053
City 7000	Bellerive 7018	Lindisfarne 7015	Browns River 7050
Dynnyrne 7005	Berriedale 7011	Lutana 7009	Clarendon Vale 7019
Glebe 7000	Bridgewater 7030	Montagu Bay 7018	Fern Tree 7054
Lenah Valley 7008	Chigwell 7011	Montrose 7010	Firthside 7050
Mount Nelson 7007	Claremont 7011	Moonah 7009	Huntingfield 7055
Mount Stuart 7000	Compton Downs	Old Beach 7017	Kingston 7050
New Town 7008	Derwent Park 7009	Otago Bay 7017	Kingston Beach 7050
North Hobart 7000	Dowsings Point	Rose Bay 7015	Margate 7054
Sandy Bay 7005	East Risdon 7017	Rosetta 7010	Mornington 7018
South Hobart 7004	Flagstaff Gully 7015	Rosny 7018	Oakdowns 7019
Taroona 7053	Florence Heights	Seven Mile Beach 7017	Risdon Vale 7016
Tolmans Hill 7052	Gagebrook 7030	Springfield 7009	Rokeby 7019
Wapping 7000	Geilston Bay 7015	Tranmere 7018	Warrane 7018
West Hobart 7000	Glenorchy 7010	West Moonah 7009	
	Goodwood 7010	Windermere 7011	

6.2 Appendix 2: Map of Greater Hobart, Greater Capital City Statistical Area



6.3 Appendix 3: List of stakeholders consulted

- The Real Estate Institute of Tasmania
- The Tasmanian Council of Social Service
- Shelter Tasmania
- Local Government Association of Tasmania
- Housing Tasmania
- Tenants' Union of Tasmania
- Rental Deposit Authority
- CoreLogic
- SQM Research
- Colony 47