BEFORE THE HEARINGS PANEL
FOR THE QUEENSTOWN LAKES PROPOSED DISTRICT PLAN

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the Open Space and Recreation / District Wide Hearing Stream 15

STATEMENT OF EVIDENCE OF ROBERT HEYES ON BEHALF OF QUEENSTOWN LAKES DISTRICT COUNCIL

VISITOR ACCOMMODATION: ECONOMICS

23 July 2018

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1. INTRODUCTION

1.1 My full name is Robert Stephen Heyes.

1.2 I have over 20 years' experience of quantitative economic analysis with expertise in analysing regional economies and labour markets. I have a Masters Degree in Economics from the University of Warwick, UK, and have worked as an economist in the UK, New Zealand and Australia.

1.3 I have been engaged by the Queenstown Lakes District Council (**QLDC or Council**) to provide evidence in relation to the hearing on the visitor accommodation provisions to the Proposed District Plan (**PDP**), notified in Stage 2.

1.4 I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

1.5 The key documents and datasets I have used, or referred to, in forming my view while preparing this brief of evidence are:

(a) QLDC Operative District Plan (**ODP**);
(b) QLDC Proposed District Plan (**PDP**);
(c) Measuring the scale and scope of Airbnb in Queenstown-Lakes District, Infometrics, October 2017;
(d) Economic effects of Airbnb in Queenstown, Deloitte Access Economics, 2018;
(e) Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017 https://www.qldc.govt.nz/planning/other-planning-information/infometrics/;
(f) Monthly Regional Tourism Estimates (**MRTE**), April 2018, Ministry of Business, Innovation and Employment;

(g) Tourism Spending Forecasts 2018–2024, Ministry of Business Innovation and Employment http://www.mbie.govt.nz/info-services/sectors-industries/tourism/tourism-research-data/monthly-regional-tourism-estimates;

(h) Accommodation Survey, March 2018, Statistics NZ http://archive.stats.govt.nz/browse_for_stats/industry_sectors/accommodation/info-releases.aspx;

(i) Airbnb activity data October 2016 to February 2018, AirDNA (extracted from the Airbnb website with additional modelling performed by AirDNA) www.airdna.co;

(j) Rental Bond Data, June 2018, Ministry of Business, Innovation and Employment http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data; and

(k) Housing Market Indicators, March 2018, Ministry of Business, Innovation and Employment http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/housing-market-indicators.

2. EXECUTIVE SUMMARY

2.1 The key conclusions in my evidence are that:

(a) Tourism is a large and fast-growing sector of the Queenstown economy.

(b) In the past few years, residential visitor accommodation (**RVA**) has grown rapidly to become a significant part of the Queenstown Lakes District (**District**) visitor accommodation sector.

(c) The growth in RVA, at a time when growth in the capacity of commercial accommodation has stalled, has arguably helped accommodate continued growth in the number of visitor arrivals.

(d) RVA provides an important source of revenue to hosts and businesses that service the properties involved, such as cleaners.

(e) RVA could potentially be a significant source of rates income if fully enforced.

(f) In early 2018, whole house properties listed on RVA platforms accounted for an estimated 21% of all dwellings in the District. Were these properties to be made available for long-term rental it would undoubtedly put downward pressure on rental prices.

(g) However, the growth of the RVA sector is not necessarily responsible for all these properties being unavailable for long-term rental, as it depends on a complex combination of economic and personal factors. RVA listed properties whose ownership is financially driven and which are available all year round may well have been taken out of the long-term rental market. The financial incentives of short-term letting are certainly greater than long-term renting on a night-by-night basis.

(h) Just over one-third of whole-house RVA properties in the District in 2017 were available all year round making them candidates for long-term rental. This equates to 8% of all dwellings in the District. In the context of strong population growth, the existence of such properties in the RVA listings can be considered detrimental to Queenstown-Lakes District's long-term rental affordability.

(i) However, properties such as holiday homes were probably never part of the long-term rental market (under their current ownership) and are unlikely to become so in future as long as their current owners want to maintain the option of residing there for a few weeks a year.

(j) There is insufficient information to discern which of the RVA listed properties are of the different types, therefore I am unable to accurately quantify the extent to which the growth in RVA is responsible for an increase in long-term rental prices.

(k) An analysis of Airbnb host median incomes and average Airbnb rental prices suggests that restricting RVA to less than 90 nights a year will probably result in long-term rental becoming a more lucrative option for some hosts whose incentives are primarily financial.

(l) The same analysis also demonstrates that restricting RVA to 45 nights a year would enable RVA hosts who are renting their properties at the mean rate of $247 per night to generate annual earnings equivalent to the median income for an Airbnb host in Queenstown-Lakes district in 2017 ($11,0000). This is close to Queenstown Lakes District Council's threshold of 42 nights as recommended in their Section 42A report, which suggests that under this provision, earnings from RVA may be sufficient for hosts who use their properties as holiday homes and others whose motivations for owning their property are not primarily financial.

3. TOURISM IN THE DISTRICT AND THE DISTRICT'S ECONOMY

3.1 Table 1 provides a summary of the statistics used in this section.

35: Queenstown tourism sector size and growth, summary statistics

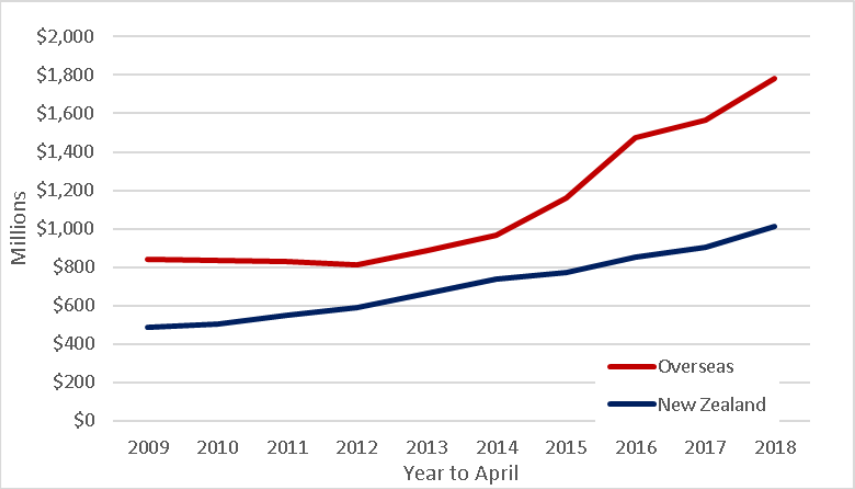
	Queenstown-Lakes District	Queenstown RTO	Wanaka RTO	New Zealand
Tourism spending 2018 ($million)	$2,796	$2,248	$548	$28,519
Growth 2017-18	13%	12%	20%	9%
Growth 2013-18	80%	77%	95%	48%
Overseas tourist numbers 2018	1,280,036	1,168,475	522,264	12,622,007
Growth 2017-18	13%	11%	19%	8%
Growth 2013-18	140%	137%	212%	102%
Overseas tourist spending 2018 ($million)	$1,782	$1,455	$328	$11,689
Growth 2017-18	14%	12%	24%	12%
Growth 2013-18	101%	95%	135%	77%
Domestic tourist spending 2018 ($million)	$1,013	$793	$220	$16,830
Growth 2017-18	12%	11%	15%	6%
Growth 2013-18	52%	52%	55%	33%

Source of tourism spending data: Monthly Regional Tourism Estimates (MRTE), Ministry of Business, Innovation and Employment, 12 months to April; Source of overseas tourist numbers: International Visitor Survey, Statistics NZ, 12 months to March; Queenstown RTO and Wanaka RTO tourist numbers sum more than the Queenstown Lakes District total because some tourists visit both RTOs.; RTO – Regional Tourism Organisation

3.2 Tourism spending in the District is growing much faster than the national average. Tourists spent $2.8 billion in the District in the 12 months to April 2018; 80% higher than five years ago compared with 48% growth across New Zealand as a whole.

3.3 Tourists from overseas are an important part of the District's tourism sector. Spending by overseas tourists comprised 64% of all tourist spending in the District in the 12 months to April 2018 (compared with 41% nationwide). Their spending has been growing faster than both the national average and that of domestic tourists. Spending by overseas tourists in the District doubled (101% growth) in the past 5 years. This compares with nationwide growth of 77%. In the District, spending by domestic tourists grew 52% in the past 5 years (see Figure 1).

Figure 1: Spending by overseas and New Zealand tourists, Queenstown-Lakes District, 12 months to April 2009-2018



Source: Monthly Regional Tourism Estimates (MRTE), Ministry of Business, Innovation and Employment, 12 months to April

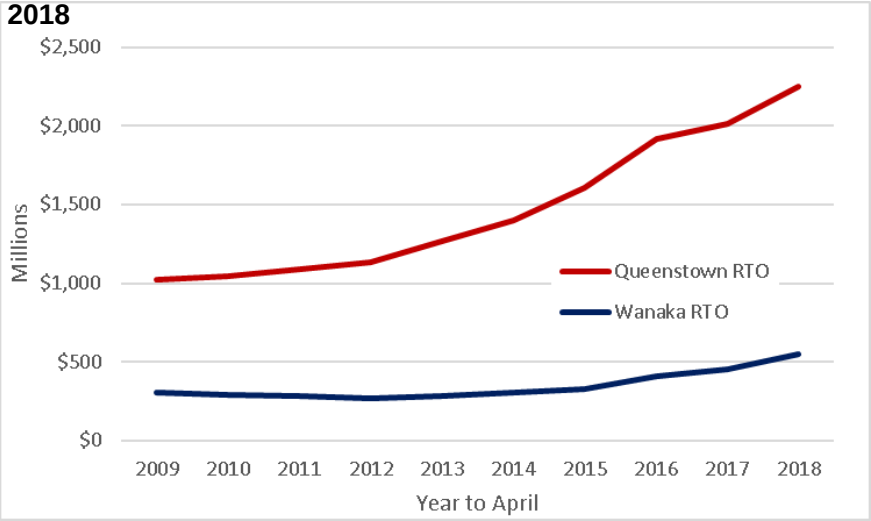
3.4 The biggest contributors to overseas tourist spending in the District are tourists from Australia, China and the United States. Australian tourists contributed 20% of all tourism spending in Queenstown-Lakes District in the 12 months to April 2018, China 9% and the United States 8%. In the past 5 years, China and the United States have closed the gap with Australia. Spending growth by tourists from the United States grew 205% during this time compared with 181% growth by tourists from China and 43% growth by tourists from Australia.

3.5 Australia, China and the United States are also the biggest contributors to overseas tourist spending in both the Queenstown and Wanaka Regional Tourism Organisations (**RTOs**). In Queenstown, tourists from Australia, China and the United states contributed 20%, 9% and 9% of tourism spending respectively in the 12 months to April 2018. In

Wanaka, they made up 16%, 9% and 7% of tourism spending respectively in the 12 months to April 2018.

3.6 Although Queenstown RTO is the bigger market, both Queenstown and Wanaka RTOs have experienced significant growth in tourism spending. In the 12 months to April 2018, tourists spent $2.25 billion in the Queenstown RTO; 77% more than 5 years ago. In Wanaka RTO, tourists spent $548 million in the 12 months to April 2018; 95% higher than 5 years before (see Figure 2).

Figure 2: Tourist spending, Queenstown and Wanaka RTOs, 2009-2018



Source: Monthly Regional Tourism Estimates (MRTE), Ministry of Business, Innovation and Employment, 12 months to April

3.7 In the Queenstown and Wanaka RTOs, growth in spending by tourists is being driven mainly by tourists from overseas. In the five years to April 2018, spending by overseas tourists in the Queenstown RTO almost doubled to $1.45 billion and spending in the Wanaka RTO grew by 135% to $328 million. In comparison, in the five years to April 2018, spending by New Zealand tourists in the Queenstown RTO grew 52% and spending in the Wanaka RTO grew 55%.

Overseas tourist numbers

3.8 In the 12 months to March 2018, 1.28 million overseas tourists visited the District; 140% more than 5 years earlier. This compares with 102% growth across New Zealand as a whole.

3.9 In the 12 months to March 2018, 1.17 million overseas tourists visited Queenstown RTO; 137% more than 5 years ago. At the same time, 522,000 overseas tourists visited Wanaka RTO; 212% more than 5 years ago.

The outlook for tourist spending

3.10 Based on national forecasts of overseas tourist spending, the outlook for Queenstown-Lakes District is for further strong growth in the next 6 years. Nationwide, between 2018 and 2024, spending by tourists is forecast to grow by 134% with spending from Queenstown-Lakes District's three key countries of origin, Australia, China and the United States, forecast to grow by 115%, 177% and 157% respectively.[1] If past trends are any indication, future growth rates in the District could exceed the national average.

4. THE SCALE AND GROWTH OF RVA IN QUEENSTOWN-LAKES DISTRICT

Assumptions/Background

4.1 The analysis in this section is based principally on data produced by Airbnb about the scale of accommodation booked through its platform in the District in 2017. This is taken as a proxy for all RVA activity because, although some RVA is not booked through the Airbnb platform, Airbnb is by far the most popular and therefore captures the lion's share of activity. This is particularly so for international visitors, as Airbnb is widely used in the international market and is a platform foreign guests are comfortable using.

4.2 Where data produced by Airbnb is unavailable (mainly month-to-month time series data), the analysis uses data produced by AirDNA, a company that 'scrapes' data from the Airbnb website. This data has its limitations, the most important of which is that it does not always accurately distinguish between property listings that are unavailable and listings that are booked. For this reason, the data is used sparingly and is used only to inform indicative trends rather than precise

1 Tourism Spending Forecasts, Ministry of Business Innovation and Employment.

measurements. The limitations will be explained in further retail each time the data is used.

The scale of RVA

4.3 Table 2 provides a summary of the estimates of RVA capacity arrived at in this section. In early 2018, total RVA listings are estimated to be equivalent to 56% of commercial accommodation capacity and 30% of the total number of dwellings in Queenstown-Lakes District. At any given time, some listings are active, and some are inactive. In early 2018, active listings are estimated to have been equivalent to 34% of commercial accommodation capacity and 18% of dwellings. Actual RVA capacity is probably somewhere between the total number of listings and the active number.

Table 2: Queenstown-Lakes District RVA capacity relative to commercial accommodation capacity and the housing stock, February 2018

	Number	% of commercial capacity	% of housing stock
Airbnb guests	203,000	11%	
Airbnb nights booked	198,000	8%	
Total RVA listings	5,900	56%	30%
Of which:			
RVA active listings	3,600	34%	18%

Source of Airbnb guest and nights booked numbers: Airbnb; Source of RVA listing numbers: Infometrics (derived using AirDNA data and listings sourced from the Bookabach and Holiday Homes websites) Source of commercial accommodation capacity numbers: Accommodation Survey February 2018, Statistics NZ, available on the Infoshare tool https://www.stats.govt.nz/tools/stats-infoshare; Source dwelling numbers: Rationale population and dwelling projections for Queenstown-Lakes District Council (2017)

4.4 Since its inception in 2008, Airbnb has become the most popular peer-to-peer platform (globally and in New Zealand) on which hosts can list properties and guests can book them for short-term rental. Based on Airbnb data, in Queenstown-Lakes District in 2017, 71,000 Airbnb bookings were made by 203,000 guests amounting to 198,000 nights booked.[2] This is equivalent to 11% of guest numbers and 8% of nights booked in commercial accommodation.[3]

2 Source: *The Economic Effects of AirBnB in Queenstown*, Deloitte Access Economics (2018) table 2.1.
3 Source commercial accommodation numbers: Accommodation Survey, Statistics NZ, available on the *Infoshare* tool https://www.stats.govt.nz/tools/stats-infoshare

4.5 The data produced by Airbnb does not provide any indication of the number of properties being used for RVA in the District. Instead, I utilise data about Airbnb listings for the period October 2016 to February 2018 produced by AirDNA and listings on the Bookabach and Holiday Homes platforms on 29 September 2017 collected by Infometrics. Listings is a measure of the number of properties that have been registered on the Airbnb platform.

4.6 At any given time, the listings on Airbnb can be active or inactive. Inactive listings cannot take bookings. I interpret the number of active listings as the readily available RVA capacity. I also assume that a number of inactive listings could become active again if economic conditions, or the personal circumstances of the hosts, changed. I therefore interpret inactive listings as latent capacity and the total number of (active and inactive) listings as the maximum potential capacity. Actual capacity probably lies somewhere between the number of active listings and the total number of listings.

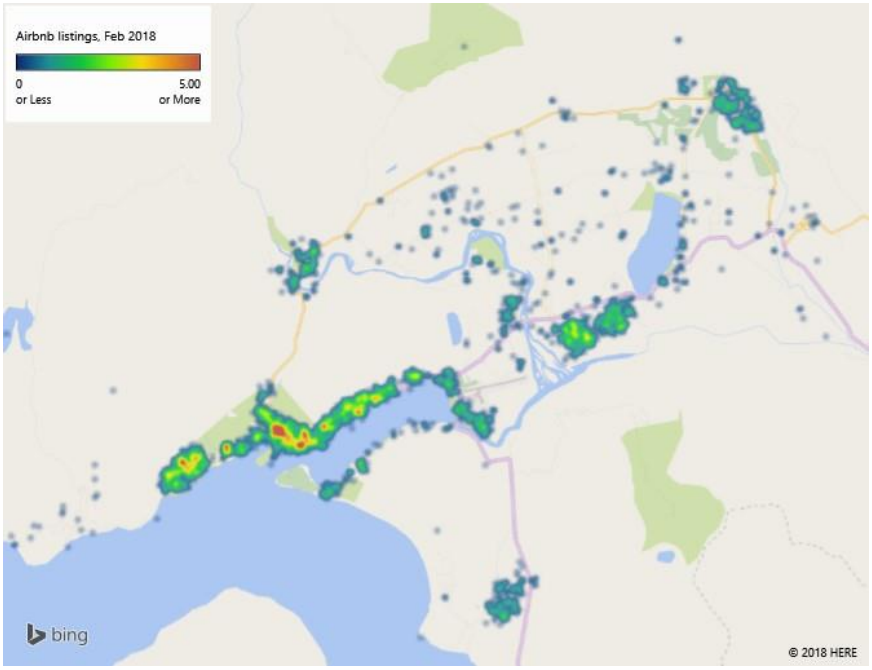
4.7 The number of active and inactive listings is available for the period October 2016 to September 2017. For February 2018, only the total number of listings is available; active and inactive listings for February 2018 have been estimated by taking the trends in active and inactive listings from October 2016 to September 2017, projecting them forward to February 2018 using a simple linear regression and constraining the totals to the (known) total number of listings.

4.8 In February 2018, 4727 properties were listed on Airbnb in the District. This was equivalent to 45% of commercial accommodation capacity and 24% of dwellings.[4] I estimate that around 2,900 (61%) of these were active listings and the remaining 1,800 or so (39%) were inactive. Figure 3 shows the density of listings in downtown Queenstown, along the Frankton arm, Kawarau Falls and out to Lower Shotover, Lake Hayes Estate and Arrowtown. There are also small pockets of listings around Arthurs Point, Jacks Point and (not visible on in Figure 3) Kingston, as well as a smattering within the triangle between Arthurs

4 Source commercial accommodation capacity numbers: Accommodation Survey, Statistics NZ, available on the *Infoshare* tool https://www.stats.govt.nz/tools/stats-infoshare; Source of dwellings numbers: Source: Rationale population and dwelling projections for Queenstown-Lakes District Council (2017).

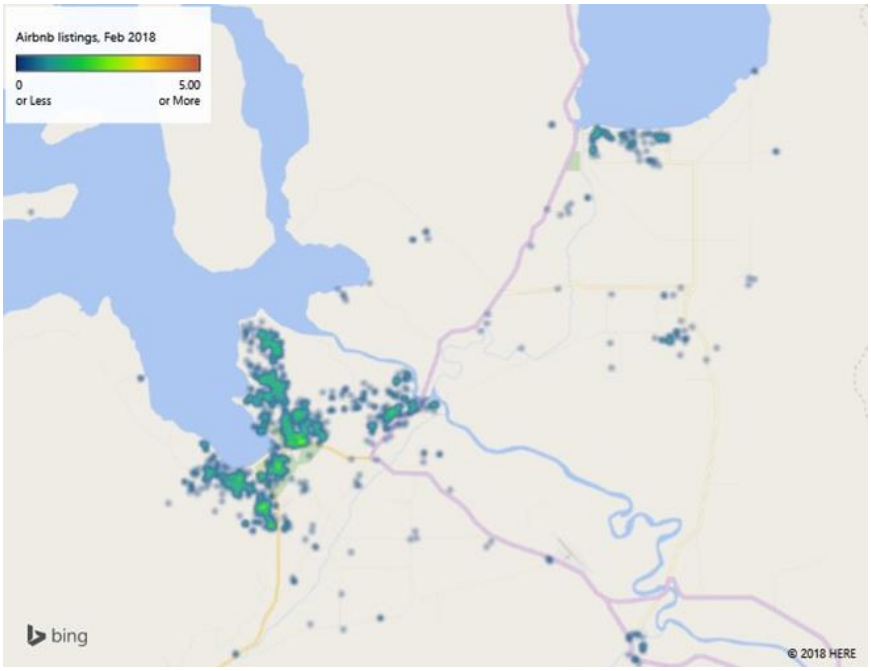
Point, Arrowtown and Lake Hayes. Figure 4 shows the density of listings around Lake Wanaka, Albert Town and Lake Hawea.

Figure 3: Density of Airbnb listings in Queenstown, February 2018



Source: AirDNA

Figure 4: Density of Airbnb listings in Wanaka, February 2018



Source: AirDNA

4.9 Information gathered by Infometrics about the number of listings on the Bookabach and Holiday Homes platforms on 29 September 2017 showed that there were 1193 listings on Bookabach and 1044 on Holiday Homes.

4.10 There is duplication between Bookabach, Holiday Homes and Airbnb with some properties advertised on more than one of these platforms. To arrive at a figure for total RVA capacity, this duplication must be estimated. Based on a very small sample of the District listings on the three websites, Infometrics found a high degree of duplication between whole house listings on Bookabach and Holiday Homes, and less pronounced duplication between Airbnb and the two other platforms. Based on this small sample test, Infometrics estimated that including Bookabach and Holiday Homes increased the number of unique RVA listings in the District by about 25%. Applying this scaling to the February 2018 estimate of listings, I have estimated 5900 unique RVA listings—equivalent to 56% of commercial accommodation capacity and 30% of dwellings. Assuming the proportion of active listings within these additional Bookabach and Holiday Homes listings is the same as the estimated proportion in the Airbnb listings, I estimate that of these 5900 unique listings, 3600 were active and 2300 were inactive.

The growth of RVA

4.11 In 16 months, from October 2016 to February 2018, Airbnb activity is estimated to have grown by anything up to 85%, with much of the growth occurring in Low Density Residential zones[5].

4.12 The data on Airbnb capacity (produced by Airbnb) is for 2017 only and therefore does not provide any indication of the growth of Airbnb activity in the District. Instead, I utilise data about Airbnb listings produced by AirDNA covering the period October 2016 to February 2018.

4.13 Airbnb is a relatively new entrant to what was previously a relatively mature New Zealand RVA market, with two well-established online platforms; Bookabach and Holiday Homes. As such, it is reasonable to

5 All zones referred to in this section are based on the notified Proposed District Plan (PDP).

assume that the bulk of any growth in RVA activity in the past few years will have been on the Airbnb platform. Airbnb activity growth in Queenstown-Lakes District is therefore assumed to be a good proxy for overall RVA growth.

4.14 Over the whole period for which data is available, from October 2016 to February 2018, Airbnb listings in the District grew by 85%, in Queenstown RTO they grew by 80% and in Wanaka RTO 98%. Nationwide, listings grew by 125%.

4.15 Due to the seasonal nature of RVA activity, it is also useful to compare the same month across years:

(a) Airbnb listings increased 42% between February 2017 and February 2018, compared with 61% growth nationwide;
(b) Listings in the Queenstown RTO grew by 40%; and
(c) Listings in the Wanaka RTO grew by 50%.

4.16 Just over half (51%) of the growth in Airbnb listings between October 2016 and 2018 occurred in Low Density Residential zones. A further 10% of the growth occurred in High Density Residential zones. The remaining growth was spread fairly evenly across the other zones (see Table 3).

Table 3: Airbnb listings in Queenstown-Lakes District in the top 15 planning zones, October 2016 and February 2018

Zone	Oct 2016 listings	Feb 2018		Oct 2016 to Feb 2018		Contribution to growth
		Listings #	Density* m^2	%	#	
Low Density Residential	1260	2358	5,739	87%	1098	51%
High Density Residential	294	510	2,028	73%	216	10%
Medium Density Residential	132	233	5,007	77%	101	5%
Township (Operative)	135	232	18,577	72%	97	4%
Special Zone - Shotover Country	93	220	5,415	137%	127	6%
Rural Lifestyle	123	202	177,175	64%	79	4%
Large Lot Residential	80	153	25,876	91%	73	3%
Special Zone - Resort	66	134	75,087	103%	68	3%
Rural Residential	78	124	49,584	59%	46	2%
Rural	53	106	102,644,971	100%	53	2%
Special Zone - Quail Rise	33	63	13,128	91%	30	1%
Rural Visitor	23	59	55,463	157%	36	2%
High Density Residential (Operative)	42	56	5,020	33%	14	1%
Arrowtown RHM Zone	30	45	5,001	50%	15	1%

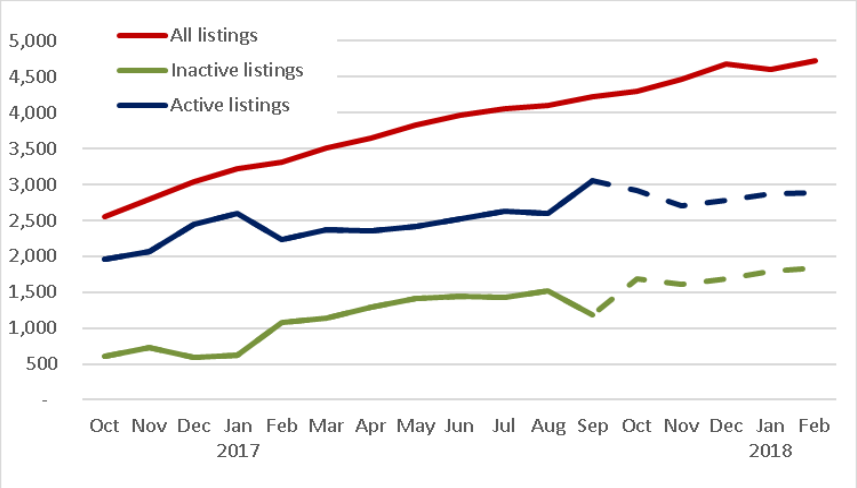
Zone	Oct 2016 listings	Feb 2018		Oct 2016 to Feb 2018		Contribution to growth
		Listings #	Density* m^2	%	#	
Town Centre Queenstown	17	34	4,641	100%	17	1%
Queenstown-Lakes District	2558	4727	2,879,976	85%	2169	100%

Source: AirDNA; *Zone area (m^2) divided by the number of listings in that zone in February 2018; All zones referred to in this table are based on the notified Proposed District Plan (PDP)

4.17 The density of listings is highest in the High Density Residential zone with one listing every 2,028 m^2 followed by the Town Centre Queenstown zone at 4,641 m^2. It is lowest in the Rural zone with one listing every 103 million m^2.

4.18 These growth rates are only a rough approximation of the growth in actual Airbnb capacity because, as noted above, actual capacity includes active listings and some (but probably not all) inactive listings. During the time period for which data is available, inactive listings grew much faster (96%) than active listings (56%) with total listings growing by 65% (see Figure 5). Therefore, the 85% growth estimate for October 2016 to February 2018 should be seen as an upper limit.

Figure 5: Airbnb active and inactive listings, October 2016 to February 2017 (dashed lines denote estimates based on past trends)



Source: AirDNA

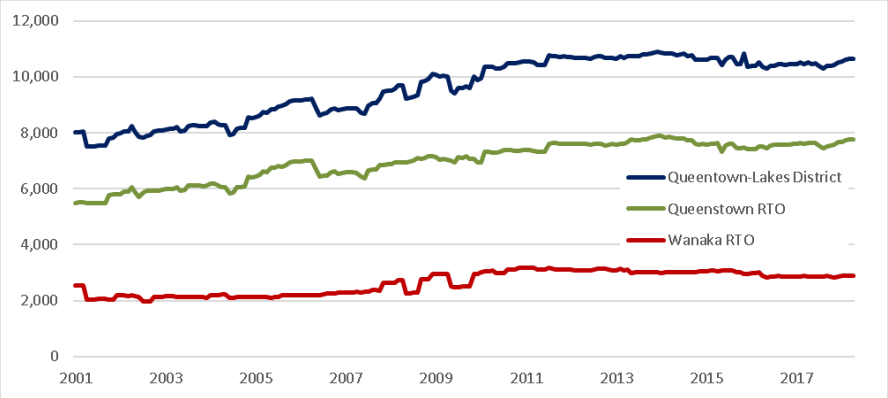
4.19 Growth in Airbnb listings is indicative of growth in the RVA sector as a whole. However, as already mentioned, several other booking platforms exist in New Zealand, and therefore some of the growth in Airbnb listings in the District may simply be the result of Airbnb increasing its market share at the expense of other platforms.

Unfortunately, without time series data on the number of unique listings posted on the other platforms, I am unable to quantify this.

5. RVA BENEFITS: SUPPORTING THE GROWTH IN TOURIST NUMBERS

5.1 Since 2011, growth in the capacity of commercial accommodation in the District has stalled. Having grown from around 8,000 units in 2001 to just over 10,500 in 2011, commercial accommodation capacity has remained between 10,200 and 10,900 since then (see Figure 6). It is the same story for both the Queenstown and Wanaka RTOs. In Wanaka, capacity climbed from a low of just under 2,000 units in 2002 to just under 3,200 in 2011 but has since fallen to just under 2,900. Queenstown, being the larger of the two RTOs in terms of commercial accommodation capacity, mirrors much more closely the district-wide trend. Combined with the ongoing rise in tourist numbers – particularly overseas tourists (see above), this resulted in commercial accommodation occupancy rates in the District rising from 57% in January 2011 to 81% in January 2018. This compares with a rise in nationwide occupancy rates from 49% to 59% during the same period.

Figure 6: Commercial accommodation capacity in Queenstown-Lakes District, January 2001 to April 2018



Source: Accommodation Survey, Statistics NZ, available on the *Infoshare* tool https://www.stats.govt.nz/tools/stats-infoshare

5.2 As the growth in commercial accommodation capacity stalled, growth in RVA began to accelerate to such an extent that in early 2018, total RVA listings were equivalent to 56% of commercial accommodation capacity and active listings were equivalent to an estimated 34%, with actual RVA capacity probably somewhere between the two (see Table 2 and the analysis in section 4).

5.3 Information obtained from QLDC indicates that an additional 446 commercial accommodation units are currently under construction (44 of which are in Wanaka RTO, the rest in Queenstown RTO), 633 units have received resource consent (48 of which are in Wanaka RTO) and 1946 units have lodged resource consents awaiting a decision (21 of which are in Wanaka RTO). If all these units are built, it would amount to an additional 3025 commercial accommodation units, which could increase commercial accommodation capacity by almost a third (29% of commercial accommodation capacity in 2017).[6]

5.4 Assuming the commercial accommodation occupancy rate and the average number of guests per night of the past year prevails,[7] this amounts to just over 1.3 million additional guest nights a year in the District – equivalent to more than double the number of guest nights in Airbnb in 2017. Some of this additional capacity will accommodate the expected growth in the District's tourist numbers, and some guests will always prefer RVA accommodation over commercial accommodation.

5.5 However, all other things remaining equal, as the additional capacity begins to be utilised, it will most likely place downward pressure on occupancy rates and prices in both commercial accommodation and RVA. This would reduce the yields from RVA, which might moderate its continued growth. In addition, if the impact were to depress RVA prices (because visitors have a greater choice of accommodation options available to them), this would also reduce yields from RVA and might moderate the continued growth of RVA. Unfortunately, there is insufficient information on which to base a quantitative forecast of these effects.

6. RVA BENEFITS: RVA GUEST SPENDING PATTERNS

6.1 According to data produced by Airbnb and based on a nationwide survey of people who used their platform to book accommodation, guests of properties listed on Airbnb spent a total of $130.2 million in the District's economy in 2017. Just over one-third (38%) was spent on

6 Source of commercial guest nights data: Accommodation Survey, Statistics NZ, available on the *Infoshare* tool https://www.stats.govt.nz/tools/stats-infoshare

7 Source: IBID; occupancy (64%) and guests per unit night (1.84) are averages of the 12 months to April 2018.

the accommodation itself, 18% was spent in cafes, restaurants and other food services, 17% was spent on leisure activities and 12% was spent on transportation (see Table 4).

6.2 For the hosts themselves, $49 million spent across 198,000[8] nights booked equates to an average of $247 per night booked. Airbnb also say that the median yearly income for Airbnb hosts in Queenstown was $11,000.[9]

Table 4: Tourism spending pattern of Airbnb guests in Queenstown-Lakes District, 2017

Spending category	$million	%
Accommodation	49.0	38%
Food service (restaurants, cafes, bars etc)	23.9	18%
Groceries	8.0	6%
Shopping	10.1	8%
Other leisure activities (entertainment, museums etc)	22.1	17%
Transportation (car rentals, taxis, buses, trains etc)	15.3	12%
Other services	1.9	1%
Total	130.2	100%

Source: *The Economic Effects of Airbnb in Queenstown*, Deloitte Access Economics (2018) table 2.7

6.3 Table 5 compares the spending patterns of Airbnb guests in the District[10] with all other tourists (excluding Airbnb guests) who visited the District.[11] Such a comparison should be treated with caution. The methods used to collect the data on Airbnb guests and all other tourists are quite different. The estimates for all other tourists (excluding Airbnb guests) were calculated by subtracting spending by Airbnb guests from spending by all tourists. The data for all tourists has different spending categories to the data for Airbnb guests. The categories for all tourists have been adjusted to fit the Airbnb categories.

6.4 Differences between the two datasets notwithstanding, it is clear that Airbnb guests in the District spend more on accommodation than other tourists. This could be attributed to the fact that the accommodation options of other tourists include relatively inexpensive ones such as backpackers and campgrounds. Table 5 also suggests that Airbnb

8 Source: The Economic Effects of AirBnB in Queenstown, Deloitte Access Economics (2018) table 2.1.
9 Ibid, page 1.
10 Source: The Economic Effects of AirBnB in Queenstown, Deloitte Access Economics (2018) table 2.7
11 Monthly Regional Tourism Estimates (MRTE), Ministry of Business, Innovation and Employment, 12 months to December 2017.

guests spend relatively less on food services, leisure activities and transportation.

Table 5: Tourism spending pattern of Airbnb guests and all tourists in Queenstown-Lakes District, 2017

Spending category	Airbnb	Non-Airbnb tourists
Accommodation	38%	14%
Food service (restaurants, cafes, bars etc)	18%	10%
Groceries	6%	24%
Shopping	8%	20%
Other leisure activities (entertainment, museums etc)	17%	3%
Transportation (car rentals, taxis, buses, trains etc)	12%	11%
Other services	1%	18%
Total	100%	100%

Source of Airbnb data: *The Economic Effects of Airbnb in Queenstown*, Deloitte Access Economics (2018) table 2.7; Source of tourism spending data: Monthly Regional Tourism Estimates (MRTE), Ministry of Business, Innovation and Employment, 12 months to April

7. RVA BENEFITS: IMPACT ON THE DISTRICT'S ECONOMY AND THE LABOUR MARKET

7.1 The impact of spending by RVA guests benefits not just the hosts but also the services that hosts employ to service the accommodation (ie. cleaners). and (as Airbnb's spending data demonstrates) a range of other local businesses who benefit from RVA guests spending money in the district.

7.2 Taking Airbnb's guest spending data for 2017 and treating it as an injection into the local economy, I estimate that it directly created $35.18 million in GDP (equivalent to 5.5% of the District's tourism sector[12]) and directly supported 748 jobs (equivalent to 5.9% of Queenstown-Lakes District's tourism employment 2017[13]). Some Airbnb guests would have stayed in commercial accommodation had an Airbnb option not been available. Consequently, these figures overstate the net effect of Airbnb. However, without information about guest preferences, this net effect cannot be estimated.

12 Source of Queenstown-Lakes District tourism GDP: Infometrics, Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/; Source of Airbnb GDP impacts: Infometrics, both GDP estimates are in 2010 prices.

13 Source of Queenstown-Lakes District tourism employment: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/; Source of Airbnb employment impacts: Infometrics.

8. RVA BENEFITS: IMPACT ON RATES REVENUE

8.1 Table 6Table 6 shows the rates payable for four 'typical' properties in each of the District's major suburbs. Rates estimates are based on three scenarios:

Suburb	Capital value	Accommodation only	Mixed use*	Residential only
Queenstown	$880,000	$7,411	$5,394	$4,567
Frankton	$800,000	$5,516	$3,685	$2,919
Lake Hayes Estate	$450,000	$3,815	$2,864	$2,393
Wanaka	$510,000	$4,756	$3,215	$2,533
Average		$5,375	$3,790	$3,103

(a) the properties are used only for residential purposes;

(b) they are used mainly for residential purposes but 25% of the year they are rented out as short-term accommodation; and

(c) they are used exclusively for short-term rental accommodation.

8.2 For example, a typical property in Queenstown with a capital value of $880,000 would pay $4,567 in 2017/18 in rates if it were used exclusively as a residential property. If the owners rented out their property for 25% of the year (moving from the Residential only category to Mixed Use), their rates bill would be $5,394 and if they rented the property out for the whole year their rates bill would be $7,411 (Accommodation only).

Table 6: indicative estimates of rates revenue from four typical RVA properties, 2017/18

Suburb	Capital value	Accommodation only	Mixed use*	Residential only
Queenstown	$880,000	$7,411	$5,394	$4,567
Frankton	$800,000	$5,516	$3,685	$2,919
Lake Hayes Estate	$450,000	$3,815	$2,864	$2,393
Wanaka	$510,000	$4,756	$3,215	$2,533
Average		$5,375	$3,790	$3,103

Source: Queenstown-Lakes District Council; *75% residential, 25% accommodation

8.3 Based on my estimate that there are just over 5,900 unique property listings on RVA platforms within the District, and assuming rates

payments that are the average of the four properties in Table 6, if all the RVA listed properties were used exclusively by their owners as their residence, the owners would contribute a total of $18.33 million in rates (see Table 7).

8.4 Suppose that 90% of these property owners decide to rent their properties for 25% of the year and the other 10% remained exclusively residential. Those 90% would pay 'Mixed use' rates and the total rates contribution would rise by $3.65 million to $21.99 million as a result.

8.5 Now suppose that some property owners decided to rent their property out to short-term guests for the whole year. Those property owners would pay commercial rates. Table 7 shows the impact on rates revenue if either 30%, 50% or 80% of owners chose this option and the remaining owners continued to use property exclusively as their own residence. For example, if half of the property owners took up this option, rates revenue for QLDC would rise by $6.71 million to $25.05 million.

Table 7: scenario estimates of total rates revenue from RVA properties, 2017/18

Usage	Scenario	Additional rates**	Total rates
Residential	100%		$18,334,541
Mixed use*	90%	$3,651,187	$21,985,728
Accommodation	30%	$4,026,717	$22,361,258
Accommodation	50%	$6,711,195	$25,045,736
Accommodation	80%	$10,737,912	$29,072,453

Source: Infometrics; *75% residential, 25% accommodation; ** additional to rates paid as residential

9. THE QUEENSTOWN-LAKES DISTRICT PROPERTY MARKET

Affordability of property

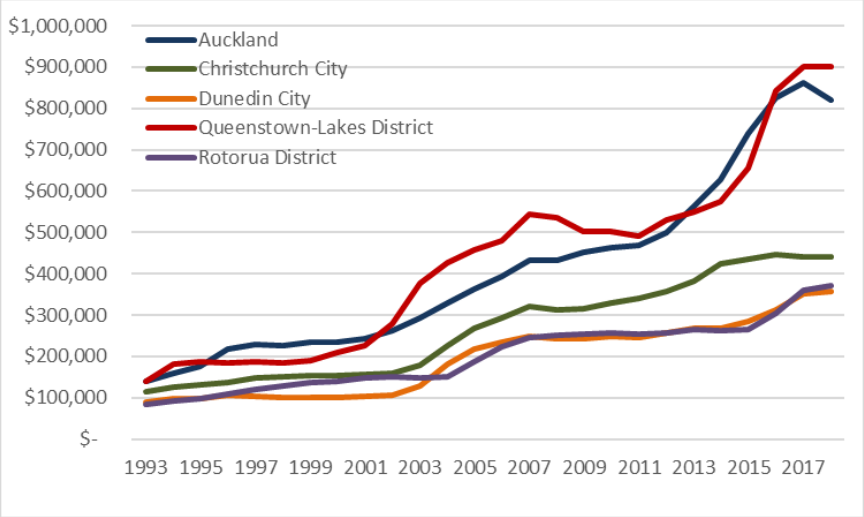
9.1 Queenstown-Lakes District is recognised as having some of the least affordable housing in New Zealand[14]. Since 2014, growth in house

14 Source: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017; https://www.qldc.govt.nz/planning/other-planning-information/infometrics/

prices and rents has accelerated, earnings have not kept pace and affordability has suffered as a result.

9.2 Between 2014 and 2017, the median house price in the District grew by an annual average 16.2% compared with an annual average of 2.7% between 2009 and 2014. Figure 5 shows the extent to which District house price growth has accelerated compared with two of the South Island's other major centres (Dunedin City and Christchurch City), another tourist hotspot (Rotorua District), and another region synonymous with house price inflation (Auckland).

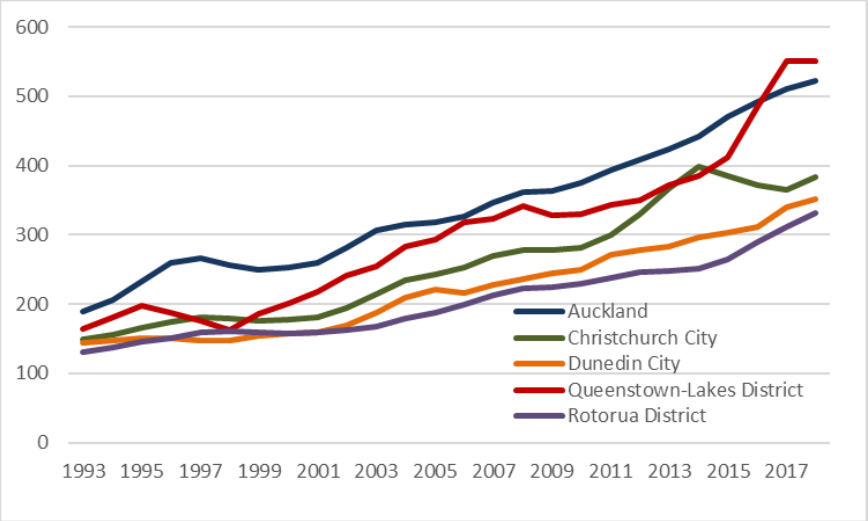
Figure 7: Median house price 1993–2018



Source: Housing Data, Ministry of Business, Innovation and Employment

9.3 In 2015, growth in the mean rental price in the District also began to accelerate. Between 2015 and 2017, the average annual growth in the mean rent was 15.7%, compared with 3.9% between 2009 and 2015. Aside from Christchurch City, mean rents have also grown in comparable regions and districts but the District's acceleration has been exceptional, driving the district's mean rent higher than Auckland's in 2017 (see Figure 8).

Figure 8: Mean rent, 1993–2018



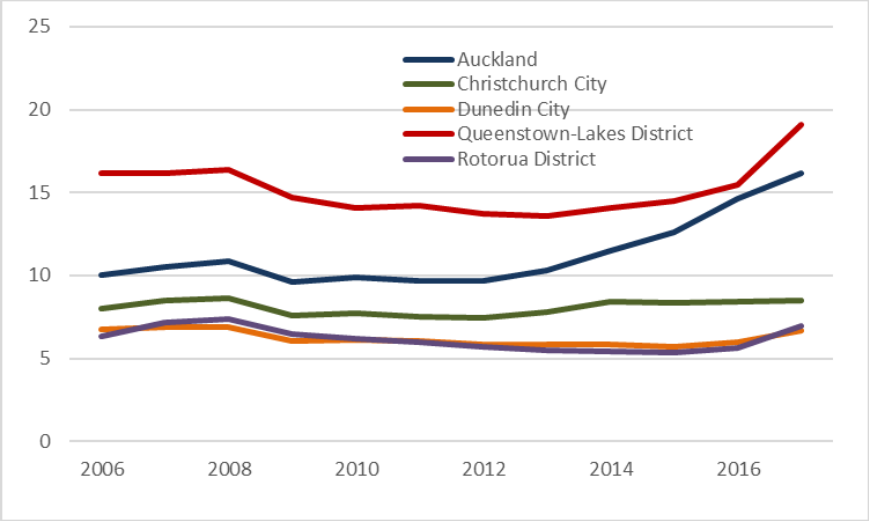
Source: Housing Data, Ministry of Business, Innovation and Employment; the chart shows the geometric mean rent) (rather than the mean rent) because it adjusts better both to changes in the characteristics of the housing stock over time and differences between Queenstown-Lakes District and comparable districts

9.4 Affordability of both property ownership and property rental has deteriorated in the District, but affordability of ownership has deteriorated more because property prices have grown faster than rents. In 2017, the average house value in the District was 19 times greater than average annual earnings; this ratio grew by 35% between 2014 and 2017. The average weekly rent meanwhile, was equal to half of average weekly earnings in 2017 but this ratio grew by 20% between 2014 and 2017.[15]

9.5 The District's affordability has also deteriorated relative to comparable regions and districts; most notably Auckland. The District's housing and rental affordability has been worse than Auckland's for some time, but in the past few years the gap has widened (see Figure 9 and Figure 10).

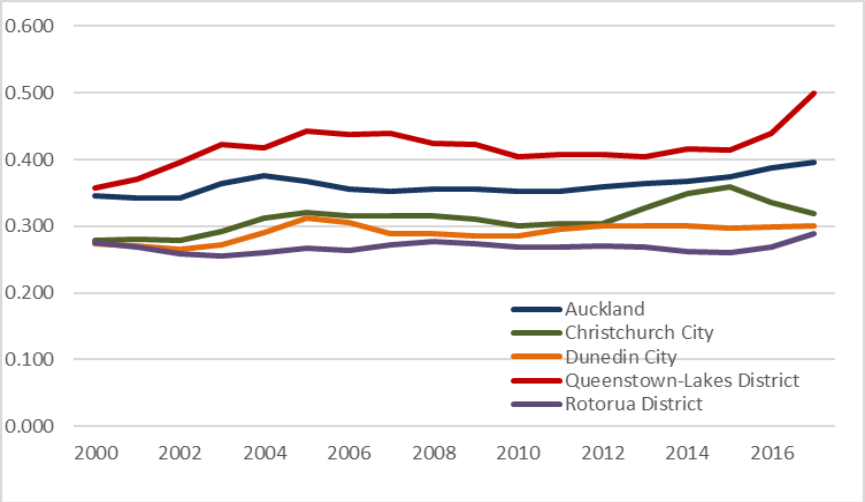
15 Source: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/

Figure 9: housing affordability—average property values relative to average annual earnings, 2006–2017



Source: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/

Figure 10: Rental affordability—mean weekly rent relative to average weekly earnings



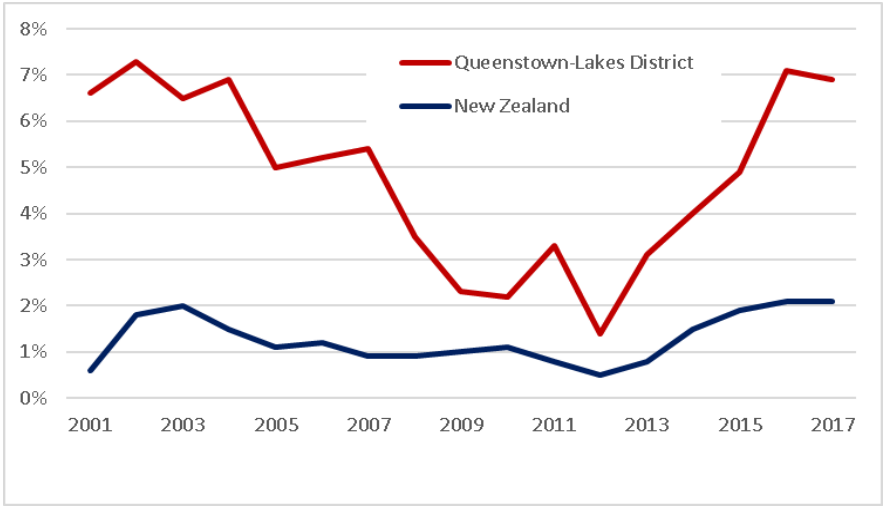
Source: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/

Demand pressures

9.6 Demand pressures from population growth are also evident in the District. Over the past 15 or so years, the rate of population growth has outstripped the nationwide population growth rate. In 2012, the gap was relatively small, however since then, population growth in the district has accelerated to such an extent that in 2017, the District's

population grew by 7%, which was 5 percentage points above the national average (see Figure 11)[16].

Figure 11: Estimated resident population annual growth, Queenstown-Lakes District and New Zealand, 2001 to 2017



Source: Queenstown-Lakes District Regional Economic Profile, Infometrics, 2017, https://www.qldc.govt.nz/planning/other-planning-information/infometrics/

9.7 In 2017, almost all the population growth was the result of migration (people moving to the District from overseas and people moving there from elsewhere in New Zealand). Clearly, housing and rental affordability has not been dissuading many people from moving to the District, although it might have impacted on the size and location of the property they were able to buy or rent when they arrived.

Characteristics of the housing stock

9.8 The housing stock in the District has some unique characteristics. Due to its popularity as a tourist destination, a high proportion of dwellings are unoccupied holiday homes, and a high proportion of households live in long-term rental accommodation. In recent years, growth in the number of dwellings has not quite kept pace with population growth, and there is evidence that in the past few years the stock of rental properties has not grown.

16 Subnational estimates between census years are obtained by updating the most recent usually resident census estimate for subsequent births, deaths, and net migration. The Queenstown-Lakes District usually resident census estimate may not accurately reflect the resident population because seasonal workers, working holiday makers and other members of the transient population decide whether they consider themselves part of the usually resident population when completing their census form.

9.9 In 2013, the District had the fifth highest proportion of unoccupied dwellings (28%), behind other popular tourist destinations: Thames-Coromandel District (49%), Mackenzie District (44%), Ruapehu District (34%) and Taupo District (32%).[17] Popular holiday destinations encourage people residing overseas and elsewhere in New Zealand to buy holiday homes there.

9.10 Just over 4000 households were living in rented private accommodation in the District in 2013. This was equivalent to 40% of all households in the District compared with 35% nationwide. So, households in the District are more likely to live in rented accommodation than the national average. The number of households living in rented private accommodation in the District in 2013 was 27% higher than in 2006 – well above the nationwide growth rate of 13%.[18]

Supply constraints

9.11 In 2018, there were an estimated 19,700 dwellings in the District. Between 2013 and 2018, the number of dwellings grew by an estimated 25%.[19] This compares with resident population growth of 28% over the same 5-year period.[20]

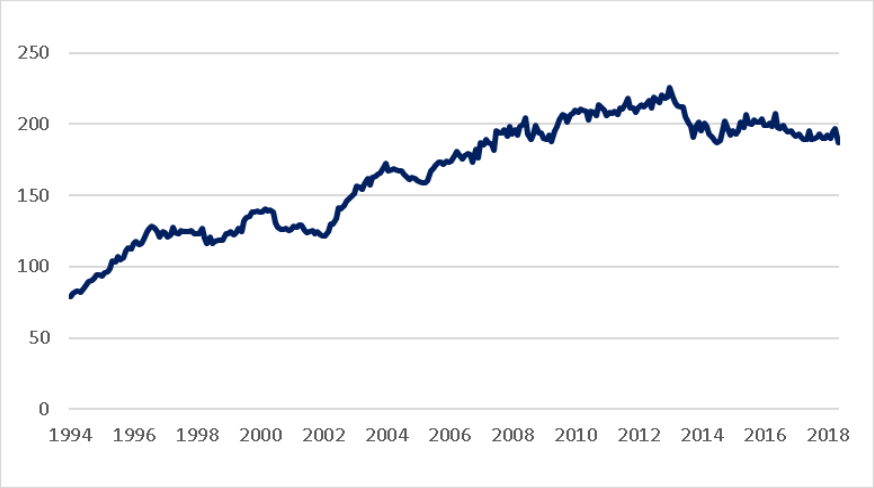
9.12 I am unaware of any information about the number of long-term rental properties in the District, post 2013. However, data on the number of bond lodgements is a useful proxy because the number of available rental properties will, to some extent, be reflected in the number of bond lodgements. Bond lodgement numbers may also reflect changes in tenancy periods and the demand for rental accommodation, so a cautious interpretation of this data is warranted.

9.13 Bond lodgements have declined very slightly in recent years, the average annual change from 2015 to 2017 was -3.5%[21] (see Figure 12) which reflects nationwide trends. This follows steady growth from 2002

17 Source: 2013 Census of population and dwellings, Statistics NZ.
18 Source: Census of population and dwellings 2013 and 2006, Statistics NZ, Tenure of household, for households in occupied private dwellings.
19 Source: Rationale population and dwelling projections for Queenstown-Lakes District Council (2017).
20 IBID.
21 Source: Rental Bond Data, Ministry of Business, Innovation and Employment; compares monthly bond lodgements totalled for 2017 and 2015.

to 2014. This suggests that growth in the size of the long-term rental housing stock has been constrained in recent years.

Figure 12: Bond lodgement numbers for rental properties in Queenstown-Lakes District, 12-month rolling average, 1993-2018



Source: Rental Bond Data, Ministry of Business, Innovation and Employment

10. COSTS: THE IMPACT OF RVA ON THE PROPERTY MARKET

Summary

10.1 Changes in (long-term) rental prices and property purchase prices result from the interaction between the supply and demand for housing. The size and makeup of the population is a fundamental driver of demand; different types of households will require different types of properties, with decisions about house size, location and whether to rent or purchase driven by a complex set of economic and personal factors, one of the most important of which is affordability. Supply is similarly complex because it must respond to the housing needs of different types of households.

10.2 A number of conclusions have been drawn from the analysis so far that go some way to answering why property prices and long-term rental prices in the District have accelerated upwards in recent years:

(a) Growth in the number of dwellings in the District has not kept pace with growth in the resident population, which continues apace despite housing affordability pressures. This alone

would have put upward pressure on property prices and rental prices.

(b) The demand for holiday homes in the District places constraints on the stock of properties available to residents. This will also put upward pressure on prices.

(c) Bond lodgement data indicates that in recent years the stock of rental properties has not grown in size. This will have put upward pressure on rental prices.

(d) Finally, it is worth noting that with a higher than average proportion of the District's households living in rented accommodation, increases in rental prices are impacting on a relatively large proportion of the District's residents compared with other districts whose rental sectors are smaller.

10.3 Determining the extent to which growth in the RVA sector has constrained the supply of long-term rental properties, and caused an increase in long-term rental prices in Queenstown-Lakes District, requires information about the number of properties that have been withdrawn from the District's long-term rental market and placed on short-term rental platforms, and the relationship that exists between the supply of long-term rental properties and rental prices in the District. There is insufficient information about both to carry out a full analysis, however a partial analysis is possible.

10.4 In early 2018, following rapid growth in the RVA sector, whole house properties listed on RVA platforms accounted for an estimated 21% of all dwellings in the District. If these properties were made available for long-term rental it would undoubtedly put downward pressure on rental prices. However, the growth of the RVA sector is not necessarily responsible for all these properties being unavailable for long-term rental.

10.5 Part of the growth in the RVA sector could well have been the result of some property owners switching their properties out of the long-term rental market and into short-term rental to take advantage of growing visitor numbers and realise greater yields, via RVA platforms. A comparison of yields in the long-term rental market and short-term RVA rental yields shows that short-term rental yields are greater by some

margin (see paragraphs 10.14 to 10.17). This change in the number of properties available for rent would have happened over the course of just a few years and the construction of new properties would not have been able to keep pace. Therefore, the supply of long-term rental properties would have been constrained which, in an environment of accelerating population growth, would have contributed to the increase in long-term rental prices.

10.6 However, part of the growth in RVA listings could be owners of holiday homes who, prior to listing their property on RVA platforms, might have left their property empty when they were not using it. Such properties were never part of the long-term rental stock (under their current ownership) and have therefore not constrained the supply of rental properties.

10.7 There is insufficient information to determine exactly how many RVA listed properties have been taken out of the long-term rental stock because the personal circumstances and desires of the owners are unknown. However, availability is a key factor and I have examined data on the availability of properties listed on Airbnb to arrive at an estimate. I estimate that just under 1,500 properties in the District listed on RVA platforms in early 2018, or 8% of all dwellings, are available for rent year-round, making them genuine candidates for long-term rental.

10.8 Based on an analysis of property yields, I estimate that any constraint on RVA rentals of less than 90 days a year would make long-term rental more attractive for some hosts whose motivation is primarily financial. Furthermore, if constraints on the letting of RVA properties were around 45 nights a year, a RVA host whose property is rented at the mean rental rate of $247 per night could generate annual earnings equivalent to the median income for an Airbnb host in Queenstown-Lakes district in 2017 ($11,0000). This is close to Queenstown Lakes District Council's threshold of 42 nights as recommended in their Section 42A report[22], which suggests that under this provision, earnings from RVA may be sufficient for hosts who use their properties

22 Section 42A report of Amy Bowbyes on behalf of Queenstown Lakes District Council, Visitor Accommodation, 23 July 2018.

as holiday homes and others whose motivations for owning their property are not primarily financial.

10.9 The extent to which growth in the RVA sector has put upward pressure on property purchase prices depends on the extent to which RVA revenue has enabled or encouraged property owners to maintain possession of properties rather than sell them - thus constraining the supply of properties for purchase. Unfortunately, there is insufficient information to determine the scale of this. In addition, among those properties that have been sold in recent years, it is also possible that the potential for property owners to generate revenue from RVA and RVA-induced increases in long-term rental prices are feeding into both vendors' and buyers' property valuations. Given that property valuations are determined by a wide range of other factors, all of which would need to be controlled for, there is insufficient information to determine the extent of this.

Availability of whole house listings

10.10 In section 4, I estimated that in early 2018, there were 5,900 RVA listings in the District, equivalent to 30% of all dwellings. Analysis of AirDNA data for the same point in time shows that 70% of properties listed on Airbnb were whole houses (as opposed to rooms within occupied houses). Applying this proportion to all RVA listings means around 4,100 of the 5,900 listings were whole houses. This is equivalent to 21% of all dwellings in the District.[23]

10.11 To better understand the likelihood that some of these properties were taken from the long-term rental market, I used the AirDNA data to look at the amount of time that whole-house properties listed on Airbnb in the District in 2017 were available across the whole of the year. The results are in Table 8: 36% of whole house properties listed on Airbnb in the District in 2017 were available for at least 90% of the year.[24] Assuming that a typical long-term fixed tenancy period in the District is

23 Source of dwelling numbers: Rationale population and dwelling projections for Queenstown-Lakes District Council (2017).

24 This calculation includes any property with a listing in any month in 2017. Each property in the AirDNA data has an availability percentage calculated for each month. Availability across the whole of 2017 is calculated as the average availability of the 12 months from January to December 2017. Some properties were not listed in every month of 2017. Consequently, their availability in the missing months is left blank and is not included in the average availability calculation.

12 months, then arguably these properties are viable for use in the long-term rental market. I have set my threshold at 90% of the year rather than 100% to allow for properties having been unavailable for a few weeks a year for regular maintenance. Thirty-six per cent of whole house RVA properties (estimated in paragraph 10.10), this amounts to just under 1,500 RVA properties or 8% of the total number of dwellings in the District.[25]

Table 8: availability of all properties listed on Airbnb in Queenstown-Lakes District, 2017

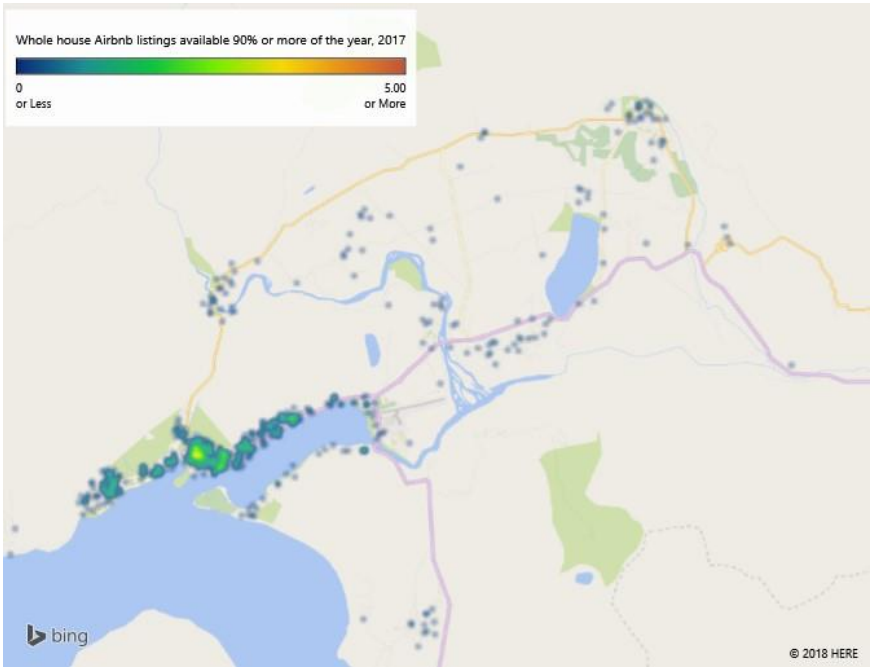
Availability	% of all listings
90-100%	36%
80-89%	13%
70-79%	8%
50-69%	11%
1-49%	26%
0%	5%
Total	100%

Source: AirDNA

10.12 In Figure 13 I have mapped the location of those Airbnb listings that were available for 90% or more of the year in 2017 in Queenstown and surrounding suburbs. Figure 14 is a copy of Figure 3. It allows a comparison with the density of all listings in February 2018. Figure 13 looks much sparcer than Figure 14, which is unsurpirsing because it includes fewer listings. The concentrations of listings, particularly in Lake Hayes Estate, but also Arrowtown and Jacks Point evident in Figure 14 are not as apparent in Figure 13—properties available for 90% or more of the time tend to be concentrated much more in downtown Queenstown.

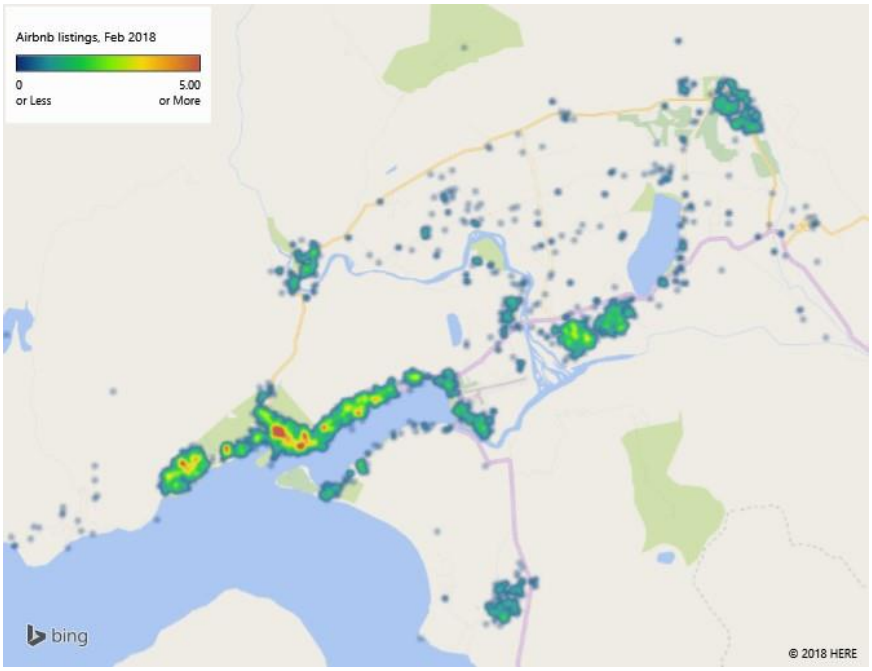
25 Source of dwelling numbers: Rationale population and dwelling projections for Queenstown-Lakes District Council (2017).

Figure 13: Density of Airbnb whole house listings available for 90% of the year in Queenstown, 2017



Source: AirDNA

Figure 14: Density of all Airbnb listings in Queenstown, February 2018

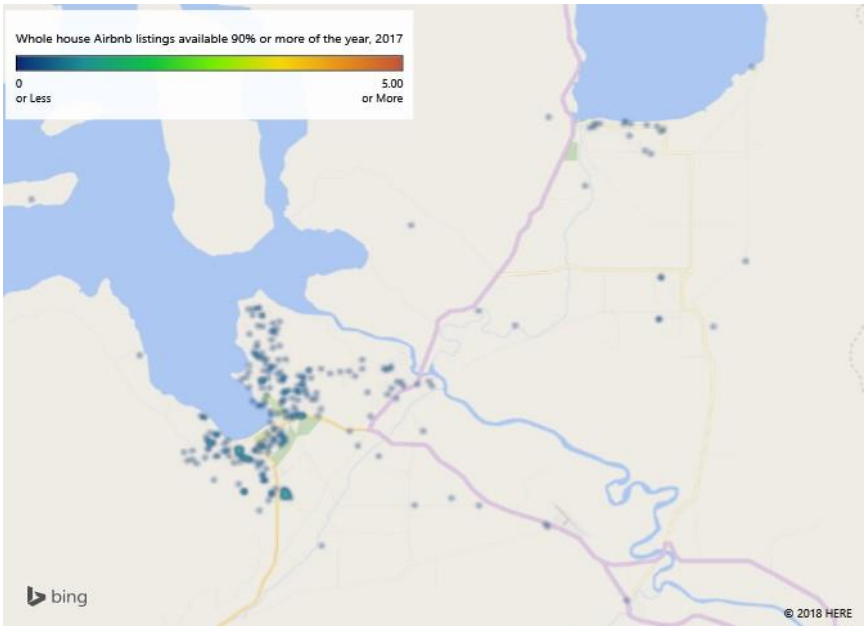


Source: AirDNA

10.13 There is less evidence of a more centralised concentration of listings available for 90% or more of the year in downtown Wanaka (see Figure 15 and Figure 16) perhaps because all listings are more concentrated

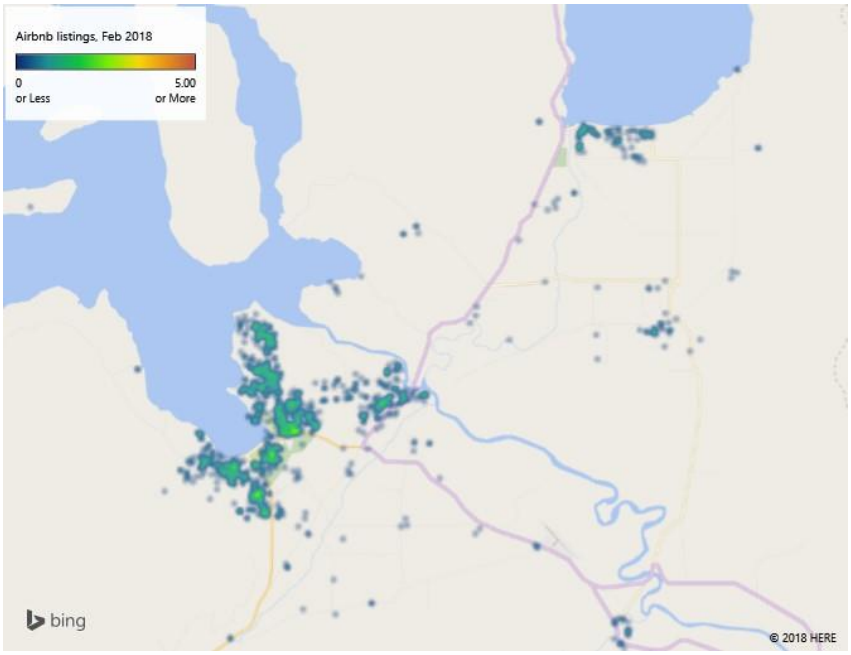
in central Wanaka rather than spread across several suburbs as they are in Queenstown.

Figure 15: Density of Airbnb whole house listings available for 90% of the year in Wanaka, 2017



Source: AirDNA

Figure 16: Density of all Airbnb listings in Wanaka, February 2018



Source: AirDNA

Property yields

10.14 A second consideration is the earnings that RVA properties yield relative to earnings from a long-term rental. Data produced by Airbnb suggests that hosts in the District's Airbnb market received $49 million from 198,000 nights booked in 2017.[26] This equates to average earnings of $247 a night. The mean weekly rent in the District was $564 in 2017,[27] which if I assume occupancy of 48 weeks out of the 52 in a year equates to $74.17 earnings per night. These two earnings figures are not strictly comparable: ideally the two measures would be adjusted for differences in the rental and Airbnb housing stock. For instance, if long-term rental properties tend to be larger than Airbnb whole house properties, this would artificially inflate earnings from rental properties.

10.15 However, even if the information were available to make the necessary adjustments to produce comparable measures, it is unlikely to change the result: that the per-night earnings of Airbnb properties are much higher than those of long term rental properties. On average, an Airbnb property would need to be occupied for just less than a third of a year to make as much revenue as a rental property that was occupied for 48 weeks a year. The proportion is higher when Airbnb properties' additional costs (such as cleaners) are taken into account.

10.16 What this means is that, for those property owners who are seeking to maximise their yields, constraints on the extent to which a property may be used for RVA of anything up to 90 nights a year may result in long-term rentals yielding greater revenue than short-term RVA rentals. Such a policy might then result in a number of RVA listed properties being released back into the long-term rental market.

10.17 Airbnb report that the median income for an Airbnb host in Queenstown-Lakes district was $11,000 in 2017 – equivalent to 6.3 weeks of rental or 45 nights a year based on an average rate of $247 per night.[28] This supports the conclusion that, for a sizable number of hosts, RVA makes a contribution to meeting the ongoing costs of

26 Source: The Economic Effects of AirBnB in Queenstown, Deloitte Access Economics (2018) table 2.7.
27 Source: Rental Bond Data, Ministry of Business, Innovation and Employment; this is an average of the mean rent across the twelve months from January to December 2017.
28 Source: The Economic Effects of Airbnb in Queenstown, Deloitte Access Economics (2018) p1, table 2.1 and table 2.7.

property ownership, but financial considerations are secondary to other priorities such as having a holiday home available as and when they need it. It also suggests that a RVA host whose property is rented at the mean rental rate of $247 per night could generate median annual earnings of $11,0000 if constraints on the letting of RVA properties were above 45 nights a year. This is close to Queenstown-Lakes District Council's threshold of 42 nights as recommended in their Section 42A report[29], which suggests that under this provision, earnings from RVA may be sufficient for hosts who use their properties as holiday homes and others whose motivations for owning their property are not primarily financial.

11. IMPACT ON QUEENSTOWN-LAKES DISTRICT RESIDENTS

11.1 I am unaware of any information about residents' attitudes towards RVA hosts or their guests in the Queenstown-Lakes District. Tourism Industry Aotearoa surveys New Zealanders about their perceptions of international visitors. The 2018 report provides evidence that residents of Otago are more concerned than the national average about the impact that tourism is having. 55% of Otago residents said that there is too much pressure from international tourists compared with 39% across New Zealand as a whole. This is relevant to the RVA sector only to the extent that it has been supporting recent growth in tourist numbers in the District.

12. OTHER STUDIES ON THE IMPACT OF AIRBNB ON HOUSING MARKETS

12.1 I am not aware of any literature on the impact of Airbnb rentals on the housing market in New Zealand. However, several overseas studies have attempted to examine the impact of Airbnb in major cities by distinguishing between commercial and casual Airbnb use to identify which properties are constraining the supply of rental housing. Definitions of 'commercial' use vary but tend to focus on whole house listings, properties that are available most of the year and hosts who list multiple properties. The criteria for commercial properties used in these analyses may not be applicable to Queenstown-Lakes District

29 Section 42A report of Amy Bowbyes on behalf of Queenstown Lakes District Council, Visitor Accommodation, 23 July 2018.

because they have been developed for cities in which the prevalence of holiday home ownership is probably not as high as in the District.

12.2 New York City, the third-largest Airbnb market in the world, and also one of the oldest, has been the subject of two major studies; BJH Advisors (2016)[30] used AirDNA data from 2015. They found that more than 30 per cent of listings in New York City were commercial and 16 per cent of all listings were classified as 'Impact Listings', i.e. units that are most likely to result in the reduction in the supply of residential long-term rental units. The researchers estimated that if all Impact Listings were made available on the rental market, the number of units citywide would increase by 10 per cent. The impact would be even greater for some neighbourhoods such as West Village/Greenwich Village/Soho and Chelsea/Hell's Kitchen.

12.3 Wachsmuth (2017)[31] studied AirDNA data from 2014 to 2017 for the whole New York City metro region. The researchers found that 12% of Airbnb hosts in New York City are commercial operators and these commercial operators earned 28% of New York's Airbnb revenue.

12.4 Wachsmuth (2017) also carried out a similar study for Canada's three largest cities: Montreal, Toronto and Vancouver.[32] Using data from 2014 to 2017, the researchers found that Airbnb has removed as many as 13,700 units of housing from rental markets in these three cities. In some areas, particularly in downtown Montreal, this represents more than two percent of the total housing stock.

12.5 Barron at al (2018) is the first study to show that Airbnb's impact on house prices and rents is a causal relationship, not just a correlation. The study looked at one hundred ZIP codes in the United States that have the highest number of Airbnb listings. From the years 2012 to 2016, it was found that a 10% increase in Airbnb rentals led to a 0.42% increase in rent prices and a 0.76% increase in house prices in these ZIP codes.[33]

30 Analysis of Airbnb's impact on New York City's housing market, BJH Advisors , 2016.
31 Airbnb and the Rent Gap: Gentrification Through the Sharing Economy, Wachsmuth and Weisler, 2018.
32 Short-term cities Airbnb's impact on Canadian housing markets, Prof. David Wachsmuth, Danielle Kerrigan, David Chaney, and Andrea Shillolo, 2017.
33 The Sharing Economy and Housing Affordability: Evidence from Airbnb, Kyle Barron, Edward Kung and Davide Proserpio, 2018.

12.6 Policy makers across the globe including, Barcelona, New York, Reykjavik, Amsterdam, Paris, New Orleans, Sana Monica and Berlin have become increasingly concerned about the sharp growth in Airbnb listings, the distortions it could be having on local property markets and commercial accommodation providers, and the ability of local government to enforce regulations.[34] In Aspen, for example, where residential properties have historically have made up 40 percent or more of the total tourist bed base, tracking compliance with lodging and sales taxes has been difficult, to date. City of Aspen officials are now considering requiring that all short-term rental listings include the host property's town license number.

13. LOOKING FORWARD

13.1 The outlook for the District's RVA sector will depend on several factors including overall growth in visitor numbers, growth in the capacity of the commercial accommodation sector and the RVA sector's response to any changes in the Council's policy and regulations. The RVA sector is a relatively mature market in New Zealand, but the entry of Airbnb has created a new growth phase. Therefore, the outlook will also depend on how fast this new growth phase matures, the impact that growth in RVA capacity has on RVA rental prices relative to alternative sources of property yields (such as long-term rental), how long it takes for the initial growth phase to dissipate, and the extent to which the RVA sector will then take on the growth characteristics of the broader tourism sector.

13.2 Earlier in this evidence, I noted that nationwide, between 2018 and 2024, spending by tourists from the District's three key countries of origin, Australia, China and the United States, is forecast to grow by 115%, 177% and 157% respectively.[35] Data produced by Airbnb shows that in 2017 these three countries also made up 28%, 14% and 14% of Airbnb guests in the District respectively – more than half of all guests (Table 9). To the extent that the national spending forecasts relate to

34 See https://www.cntraveler.com/galleries/2016-06-22/places-with-strict-airbnb-laws for examples of policy responses in these cities.
35 Tourism Spending Forecasts, Ministry of Business Innovation and Employment.

the District, this suggests that three of the Airbnb sector's key guest markets could experience significant growth in the near term.

Table 9: Guest origin for Airbnb trips in Queenstown-Lakes District, 2017

Country of origin	Guest numbers	%
Australia	56,000	28%
New Zealand	40,000	20%
US	28,000	14%
China	28,000	14%
UK	9500	5%
Singapore	8200	4%
Hong Kong	3600	2%
Malaysia	3400	2%
Germany	3200	2%
Canada	2700	1%
Other	20,400	10%
Total	203,000	100%

Source: *The Economic Effects of Airbnb in Queenstown*, Deloitte Access Economics (2018) table 2.3

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