

A photograph of a modern living room with a large window overlooking a waterfront city. The room contains a white sofa, a coffee table, and a chair. The view outside shows a harbor with boats and a city skyline.

Australia's Short-Term Rental Report

Host . Travel . Enjoy

Reference

As part of the research process, MadeComfy acquired data from a number of experts and previous studies in the industry. MadeComfy acknowledges the contribution of the following institutions and members:

Accommodation Association of Australia

ACIL Allen Consulting

Airbnb superhosts

Anita, *Airbnb Superhost in Brisbane*

Livia, *Airbnb Superhost in Melbourne*

AirDNA

Australian Bureau of Statistics

Deloitte Access Economics

Domain

Reserve Bank of Australia

Tourism Research Australia

Other references indicated directly

MadeComfy
2A River Street, Birchgrove
New South Wales 2041

Email: askme@madecomfy.com.au

Tel: 1800 526 133

Web: www.madecomfy.com.au

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Glossary of terms

AAA	Accommodation Association of Australia
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
ADR	Average daily rate
	FTE Full-time equivalent. Note that an FTE job may actually comprise the summation of more than one part-time or casual jobs. Hence, the number of people whose employment is affected is likely to be more than the number of FTE jobs.
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GRP	Gross Regional Product
GSP	Gross State Product (State's counterpart of GDP)
LTR	Long-term rentals
NSW	New South Wales
QLD	Queensland
STR	Short-term rentals
UK	United Kingdom
US	United States of America
VIC	Victoria

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Executive summary

Short-term rentals (STR) is sculpting the interface of the country's hospitality industry, through the way tourists, travellers and transient guests select their accommodation.

With the advent of the sharing economy, online booking service platforms like Airbnb and Stayz have become widely used by travellers. They offer a range of options from shared rooms to studio apartments to entire homes. In regional areas where STR have long been widely accepted as a part of the tourism sector, it provides travellers with a comfortable stay where quality accommodation is otherwise limited.

In 2017, STR made up 11.8 percent share of total tourist accommodation in Australia, and the revenue generated from bookings made in regional areas and capital cities were equal.

The objective of this report is to look into the STR phenomenon in Australia and understand the trends across three major cities (Sydney, Melbourne and Brisbane) based on numerous points of comparisons such as seasonality, rental sizes, occupancy and average daily rates in order to provide useful insights to property owners.

This report is constructed with 3 main sections:

- Overview of tourism trends and STR sector in Australia
- Economic contribution of STR sector across Australian states
- Analysis of STR across major cities with case studies of best performing Airbnb listings in respective property type category

We conclude the report with tips from *MadeComfy* for homeowners who would like an extra income from their holiday homes, as well as property investors who would like to further expand their portfolios in 2018.



1. Introduction

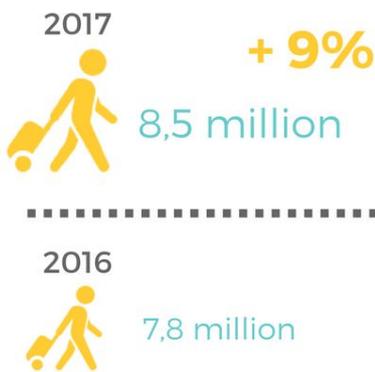
1. Introduction

Tourism trends in Australia

In the recent five years, Australia has seen its number of international visitors increase significantly. The key driver of the growth in international tourism comes from the Asian markets, with majority of travellers coming from China, Japan, and South Korea. In particular, China has seen the strongest growth in travellers at 12 percent in 2017, and is expected to become the largest source of inbound arrivals by the end of 2018. On the other hand, the growth in visitors from traditional main travel markets such as New Zealand and the United Kingdom are increasing at a lower rate of around one percent year on year. A report by Tourism Research Australia forecasts that Australia could welcome over ten million visitors in 2020 which shows a positive outlook for the Australian tourism sector.

Figure 1.1 Increase in total number of international visitors

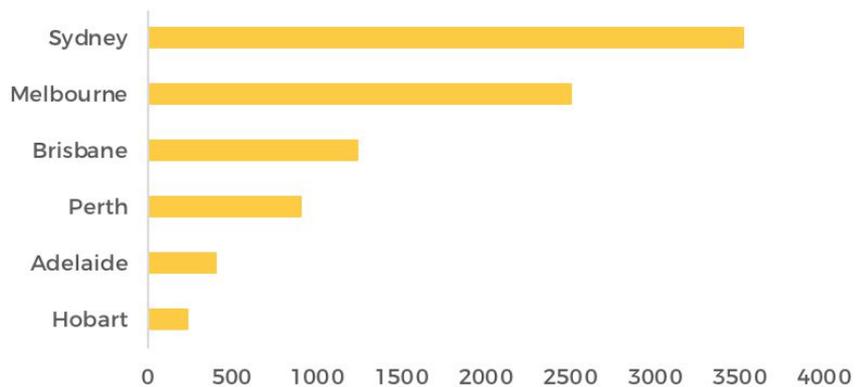
TOTAL INTERNATIONAL VISITORS



Source: Tourism Australia

Figure 1.2 The number of international visitors per Australian city (sept. 2016 – sept. 2017)

Number of visitors ('000)

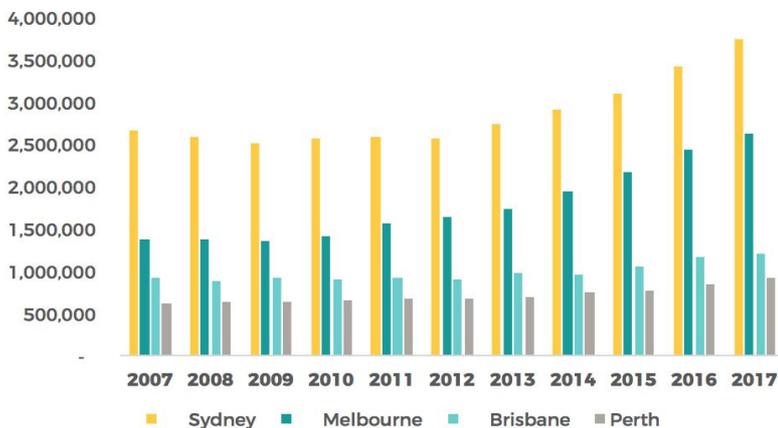


Source: Tourism Research Australia

Undisputedly, Sydney is the country's tourism capital with over 3 million international visitors (Figure 1.2) between 2016 and 2017, well known for its iconic attractions like the Opera House, Harbour Bridge, and outstanding coastlines. The next most visited cities are Melbourne and Brisbane, with over 2 ½ million and 1 million international visitors respectively during the same period.

Figure 1.3 Evolution of the number of international visitors, 2007-2017

Evolution of the number of international visitors



Source: Tourism Research Australia

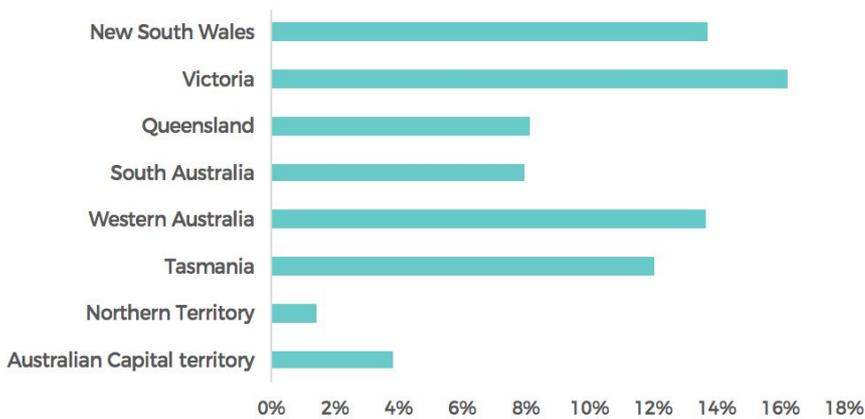
As seen in Figure 1.3, the inbound market gained momentum after the end of the global crisis in 2012. This is supported by the 2015 [Reserve Bank of Australia Report](#) which stated that the significant 6 percent growth in leisure tourism reflected 'recovery in global growth' and depreciation of the Australian dollar.

More distinctively, both Sydney and Melbourne gained popularity and saw a rapid increase in number of international visitors, while Brisbane and Perth maintained their growth at a modest rate.

Overview of short-term rental sector in Australia

The rise of the sharing economy has transformed the STR sector in Australia by providing a wider range of affordable accommodation options to tourists, as opposed to traditional modes of accommodation such as hotels, motels and serviced apartments.

Figure 1.4 STR bookings as a share of the traditional accommodation bookings, 2016



Note: The STR sector is estimated to make up 11.8 percent of the total share of traditional tourist accommodation. Traditional tourist accommodation refers to all establishments that are hotels, motels, and serviced apartments with 15 rooms or more.

Source: ACIL Allen Consulting

In 2016 the state of VIC received the highest share of STR bookings at 16 percent of total bookings, while NSW came in second with 13.7 percent (Figure 1.4).

One of the reasons why NSW had a lower share of STR bookings as compared to VIC, despite its higher number of international visitors and STR listings, is because NSW has a higher proportion of traditional accommodation. As reported by [ABS](#), VIC had 48,038 rooms while NSW provided 75,235 rooms in 2016.

Figure 1.5 Comparison of average nightly price in Airbnb listings and hotels in Sydney, 2016



Note: Traditional accommodation is defined as the totality of hotels, motels and serviced apartments with 15 rooms or more. Central Sydney includes: CBD, Pyrmont, Redfern, Chippendale, Ultimo, Surry Hills and Potts Point.

Source: Deloitte report

Looking closer into Sydney as an example while investigating on price difference between STR and hotels, we noticed that Airbnb is cheaper than hotel prices, and the disparity is more apparent in Central Sydney or metro areas. However, the difference is low compared to other cities of the world. As on average, Airbnb listings are priced no less than 30 percent cheaper than hotel options.

According to [AAA](#), this is due to having a large number of entire homes available on the platform, while in other cities such as Brisbane, cheaper rooms are shared with the hosts.

Figure 1.6 Regional and capital city shares, 2016



Notably, the \$1,041 million gross revenue from Australian STR comprises of bookings made within capital cities and from the regional area.

Contrary to common belief, the economic contributions of STR from both the capital cities and regional areas are at par with each other at 50 percent of the total amount of revenue generated.

Source: ACIL Allen Consulting

Comparison of major STR operators - Airbnb and Stayz

The two major STR booking services in Australia are Airbnb and Stayz. As shown in Figure 1.6, the revenue generated from capital city versus regional areas differs for both of the operators.

Airbnb appears to be very well received among STR hosts from urban and metropolitan areas, with bookings from the capital city area supplying a significant 69 percent of revenue to Airbnb, and only a sizeable 17 percent to Stayz. In comparison, its major competitor Stayz is seemingly more popular in the regional areas of Australia, with majority of its revenue derived from bookings made within these areas.

The underlying reason for the difference observed in gross share of both operators is the difference in their business focus. Airbnb's business focus lies in growing its community of STR users within the capital city areas, while Stayz has long been present across the regional areas providing STR in locations where quality accommodation is otherwise limited. This highlights the diversity of service offerings within the STR sector in Australia.



2. Economic contribution of the short-term rental sector across Australian states

2. Economic contribution of the short-term rental sector across Australian states

Understanding the macroeconomic impact of STR allows us to grasp to what extent STR sector contributes to the national income and growth of the Australian economy, which translate into an improved standard of living and consumption of goods and services.

Figure 2.1 Overview of performance by state, 2016

Region	Number of nights of accommodation	Revenue (A\$ million)
NSW	2,568,619	435.2
VIC	2,020,784	272.1
QLD	1,262,391	162.8
SA	244,774	40.3
WA	703,105	83.7
TAS	201,922	36.3
NT	27,946	4.7
ACT	61,324	6.1
Australia	7,090,865	1,041.2

Note: Calendar 2016 is estimated by ACIL Allen based on available ABS data.
Source: ACIL ALLEN CONSULTING (2017)

A recent study from ACIL Allen (2017) found that the STR sector across Australia supplied a total of 7.1 million nights of accommodation and generated approximately \$1,041 million worth of revenue in 2016.

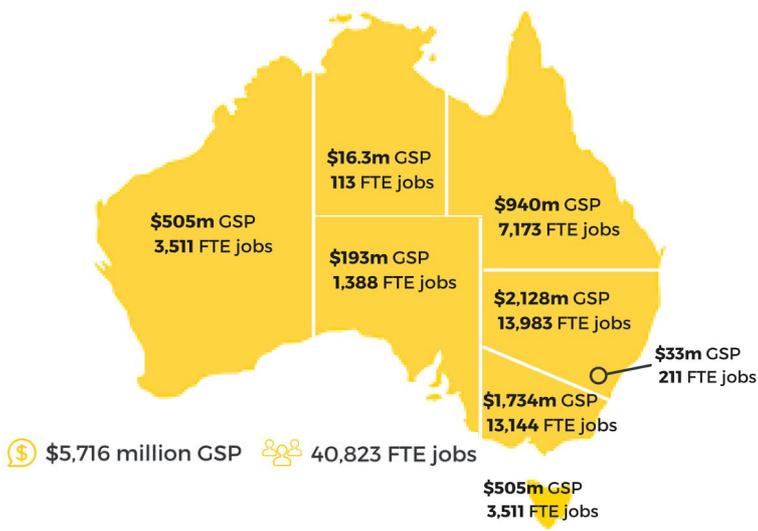
As shown in Figure 2.1, New South Wales STR sector contributed the most to the supply of nights of accommodation and national STR revenue, at 2.57 million nights of accommodation and \$435.2 million respectively.

In contrast, Northern Territory STR contributed marginally, about 27.9 thousand nights of accommodation and \$4.7 million revenue.

GDP contribution and employment supported by the short-term rental sector

In studying the economic contribution of STR across Australian states, we looked at the estimates of GSP (the state counterpart of the nation's GDP), as well as the changes in level of employment supported by the STR sector.

Figure 2.2 GDP contribution to Australian economy, 2016



The total national GDP comprises of \$842 million direct contribution by the STR sector, and \$5,716 million indirect contribution from activity generated through host purchases of intermediate inputs, host's additional expenditure on goods and services in the economy, and visitor spending.

This is equivalent to a 0.34 percent estimated contribution to Australia's gross domestic product (GDP) in 2016.

Figure 2.3 Employment supported by the short-term rental sector across Australian states, 2016

State	Direct STR	Indirect STR		Total STR	
		Lower bound	Upper bound	Lower bound	Upper bound
FTE jobs					
NSW	2,234	7,858	11,750	10,092	13,983
VIC	1,757	7,645	11,387	9,402	13,144
QLD	1,098	4,098	6,075	5,196	7,173
SA	213	791	1,176	1,003	1,388
WA	611	2,012	2,899	2,623	3,511
TAS	176	795	1,124	970	1,300
NT	24	69	89	94	113
ACT	53	118	158	171	211
Australia	6,166	23,386	34,657	29,552	40,823

It is estimated that the STR industry in Australia supported about 40,823 full-time equivalent (FTE) jobs in 2016. To put the figure in perspective, every one million dollars of revenue generated by STR providers translated to the support of an additional 39 FTE jobs elsewhere within the Australian economy.

The following table demonstrates the number of FTE jobs supported by STR across all Australian states:

Note: FTE refers to full time equivalent. In reality, FTE jobs represent the summation of an array of individual jobs or part-time and casual jobs. Consequently the number of people whose employment is supported by STR activities will be greater than the estimated number of FTE jobs. Direct employment is estimated based on the assumption of 1.5 hours of own-supplied labour by STR providers per booking night.

Source: ACIL ALLEN CONSULTING (2017)

The findings reveal that New South Wales is the key driver of the Australian STR economy, responsible for over 37 percent of the total Australian STR contribution in 2016.



3. Short-term rental performance analysis of Sydney

3. STR performance analysis of Sydney

The STR market in Australia is dominated by two major cities: Sydney and Melbourne. However, Brisbane, as the third largest tourist destination in Australia, also shows an increasing demand for STR.

In the following section, a comprehensive discussion about the trends and performance of STR in these three major Australian Eastern seaboard cities are covered.

Sydney, capital city of New South Wales

Figure 3.1 Evolution of number of reservations for Airbnb accommodation and average associated revenue Oct. 2015-Dec. 2017



Note: The number of reservations include all apartment and house listings on Airbnb in Sydney. It excludes other forms of accommodation such as bungalows.

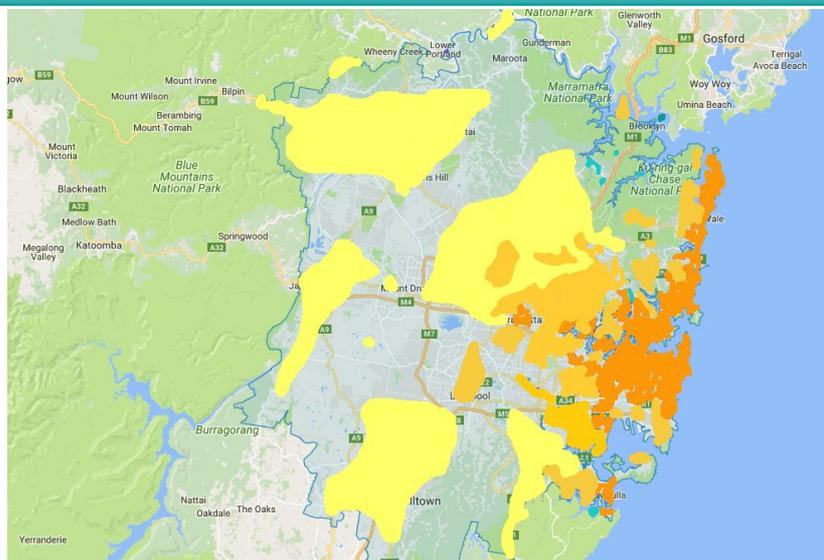
Source: AirDNA.

Even though subject to seasonality, the number of Airbnb reservations has significantly increased those last two years with a record of 41,000 reservations in December 2017, compared to a maximum of 28,000 reservations in December 2016, which is a 46% increase in one year.

This is parallel with increasing supply of Airbnb accommodation as more and more homeowners see a great opportunity for extra revenue in renting out their place while they go on holiday or for achieving greater rental yield with their investment properties.

Looking at the associated revenue we noticed that the popularity of Sydney along with higher average nightly rate enables hosts to benefit from the highest revenue all year long, as compared to Melbourne and Brisbane.

Figure 3.2 Short-term rental supply density heat map, 2017



High density **Moderate density** **Low density**

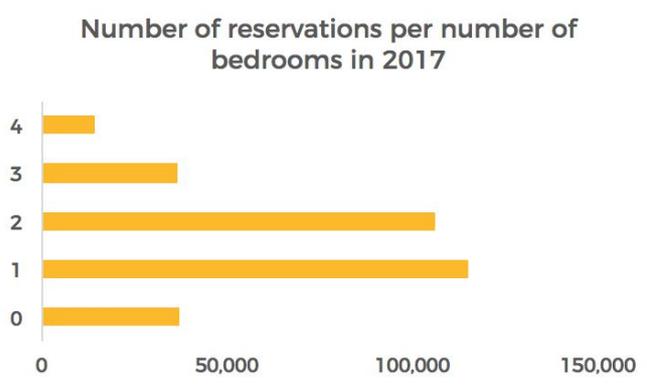
Note: Heat map of Sydney's supply of STR is created by MadeComfy based on available AirDNA 2017 data. The density of STR accommodations is subject to external changes e.g., seasonality, pricing, changes in preference.

The majority of STR listings in Sydney are found along the popular eastern coast, as well as the city centre. Listings in these locations can command between \$200 and up to \$450 per night.

Albeit a sparse amount, there is availability of property listings in the western regions of Sydney, around the iconic Blue Mountains as well as the Royal National Park.

The figure demonstrates that areas with low density of STR supply can still command high average nightly rates if they are located in touristic areas, or if there is a mild level of competition.

Figure 3.3 Most popular size of property



Source: AirDNA

As the city centre remains the most popular area for both Airbnb supply and demand, the most commonly booked accommodation are one or two-bedroom homes, either houses or apartments.

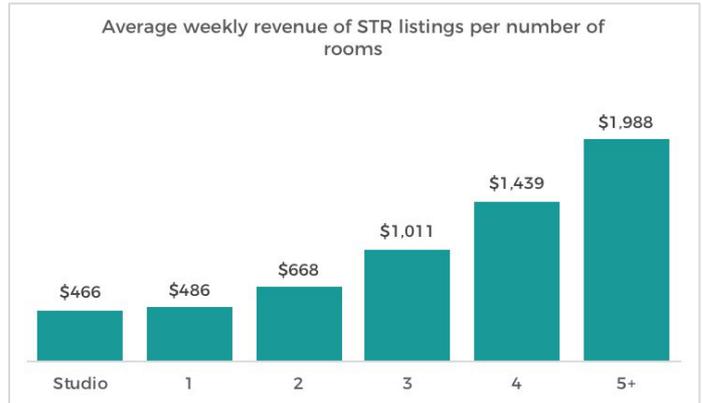
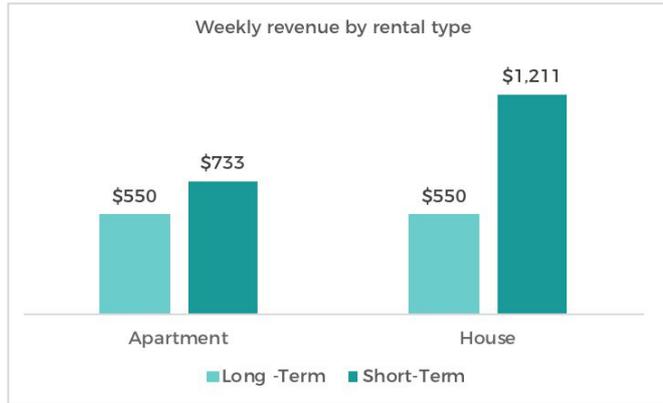
Looking at the evolution of the occupancy rates in Sydney for one-bedroom properties, it appears that Sydney is on average above the eastern coast cities. It is also noticeable that Sydney's occupancy is highly influenced by seasonality, recording exceptional occupancy during the months of February, March and November, when the competition is comparably lower than during the peak summer months, indicating a great opportunity for maximizing STR revenue.

Figure 3.4 Evolution of occupancy – 1-bedroom properties



Source: AirDNA.

Figure 3.5 Analysis of average weekly revenue by rental type and size



Note: Calendar 2017 was tabulated by MadeComfy based on available AirDNA data from May 2016 to December 2017. Graphs only show data for entire homes (apartments and houses). Source: AirDNA and [Domain](#)

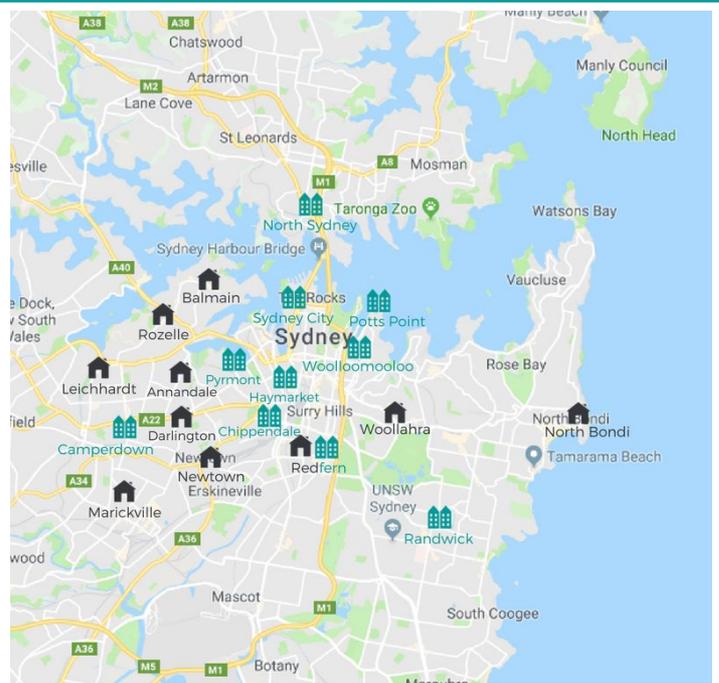
Sydney remains one of the top-rated travellers destinations and as shown in Figure 3.5, the performance of STR in Sydney is significantly better than Long-term rentals (LTR) especially for houses, which is in fact true in all three major cities we studied.

The reason for this is the fact that STR nightly rate increases exponentially with an increase of pax per property or number of rooms per property, whereas this is not the major determinant of LTR pricing.

As shown in the above graph, 5+ bedroom STR accommodation generate about \$1500 revenue per week than the most popular property type, 1-bedroom properties.

This presents an amazing opportunity for house owners in highly sought-after suburbs (next page) to improve their rental returns with STR.

Figure 3.6 Most popular suburbs in Sydney per type of property and seasonality



Winter (Jun-Jul-Aug)

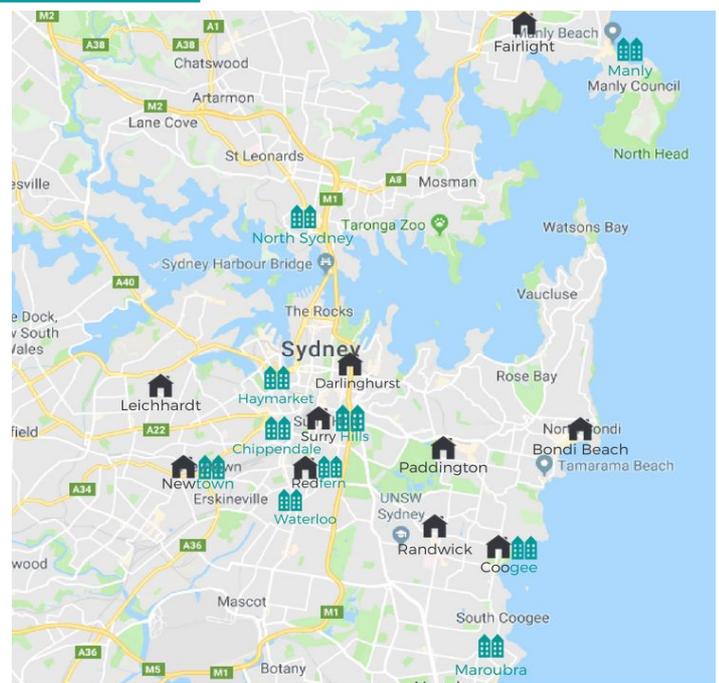
Top 10 most popular suburbs (per occupancy rate)

Houses

Apartments

- 1. Darlington - 72.6%
- 2. Newtown - 69.3%
- 3. Leichhardt - 65.2%
- 4. Rozelle - 64.2%
- 5. Balmain - 62.1%
- 6. Woollahra - 61.5%
- 7. North Bondi - 60%
- 8. Annandale - 59.2%
- 9. Marrickville - 59.1%
- 10. Redfern - 59%

- 1. Chippendale - 78%
- 2. Haymarket - 74%
- 3. Redfern - 73.7%
- 4. North-Sydney - 65.5%
- 5. Sydney City - 64.9%
- 6. Woolloomooloo - 64.5%
- 7. Pyrmont - 63.7%
- 8. Randwick - 63.1%
- 9. Potts Point - 61.5%
- 10. Camperdown - 60.8%



Summer (Dec-Jan-Feb)

Top 10 most popular suburbs (per occupancy rate)

Houses

Apartments

- 1. Surry Hills - 67.7%
- 2. Newtown - 66.7%
- 3. Fairlight - 66.1%
- 4. Coogee - 61.7%
- 5. Randwick - 59.8%
- 6. Redfern - 59.6%
- 7. Leichhardt - 57.8%
- 8. Paddington - 57.5%
- 9. Darlinghurst - 56.7%
- 10. Bondi Beach - 56.2%

- 1. Chippendale - 71.6%
- 2. Redfern - 70.4%
- 3. Haymarket - 66.4%
- 4. North-Sydney - 65.1%
- 5. Maroubra - 64.48%
- 6. Coogee - 64.46%
- 7. Manly - 63.9%
- 8. Newtown - 63.7%
- 9. Surry Hills - 62.3%
- 10. Waterloo - 61.4%

Note: The ranking of the most popular suburbs per type of property and seasonality has been made firstly by selecting the suburbs with the highest number of listings available and secondly by sorting the Top 10 with the occupancy.

The effect of seasonality on Sydney's STR

As shown in the maps and rankings in the previous page, it appears clearly that the most popular suburbs of Sydney are all concentrated around the city center and the coasts.

Of all three cities included for the study, Sydney seems to be the most sensitive to seasonality in terms of occupancy rate and the most impacted listings are the ones located in the eastern suburbs, more specifically the famous beaches such as Bondi and Maroubra. Indeed, they appear in the Top 10 during the summer season, but do not figure in the same list in winter.

However, suburbs such as Redfern and Chippendale are consistently very popular all year long as their locations are more central and they are trendy areas usually appreciated by tourists for bars and restaurants, regardless of the season.

Trends in property type

Looking at the main trends in accordance with the type of properties, seasonality also play its role. During the winter months, the most popular houses tend to be concentrated in the inner-western suburbs, while it shifts toward the eastern suburbs during the summer months. Interestingly however, less movement in demand is observed among apartments under an influence of seasonality.

Listings oversupply and its negative effect

As for the occupancy rates, it is interesting to note that on average, the occupancy rates are higher in winter than in summer, for both property types. This can be explained by the fact that the supply of listings is much higher in summer as an increasing number of homeowners rent out their places while they go on holiday, which causes oversupply of listings. As an example, occupancy rate of apartments in Chippendale drop from 78 percent in winter to 71.6 percent in summer, while remaining in first position in both cases.

Sydney apartments : lording it through the seasons

All year long, apartments tend to have a higher occupancy rate in Sydney; 66 percent on average for apartments against 62 percent for houses, both seasons combined. This gap can most likely be explained by the fact that the most popular type of accommodation in Sydney are 1-bedroom properties in metro areas, which are less likely to be impacted by seasonality.

Case Study - Sydney



Performance

(Weekly)	Long-term	Short-term 
Gross income	\$900	\$1466
Management Fee/Handling Cost	\$45 (5%)	\$293 (20%)
Net Income	\$855	\$1173

Additional Net Income Achieved with STR: \$318 per week

The highest earning Airbnb studio in Darlinghurst out of 124 active studio listings (source: AirDNA Jan 2018).



One king-size bed



Professionally managed by MadeComfy

“Sydney centre loft, New-York style”

★★★★★ 57

Fun and funky New York-style loft apartment in a small boutique complex. Located in the heart of cosmopolitan Darlinghurst. Fabulous city view from shared rooftop.

Reasons for success - Management tips



Photography

As highlighted in its title, this apartment has a unique style and character. STR guests are always on the lookout for quirky, interesting spaces that pop with vibrancy and life. It is important that it reflects that way in the photos. Lighting, wide angle shots, close ups of the designer furniture all lend a hand to a welcoming and stylish space that looks more spacious than it actually is.



Guest experience

The guest-experience team at MadeComfy handles all guest enquiries 24/7 from booking to check out. This is an important element of STR as bookings come from different time zones, and guests may have requests at any time during their stay. Luxury linen, towels and amenities are also provided in the property to ensure a five-star experience.



Pricing

MadeComfy's dynamic pricing model played a crucial role in achieving great rental revenue in competitive areas like Surry Hills. It looks at various factors such as demand and supply when determining right nightly rate for the property. For example, prices were lowered by 10-20 percent at the start of the week to capture the attention of business travellers and then increased 40+ percent on weekends as well as during high demand times of the year.

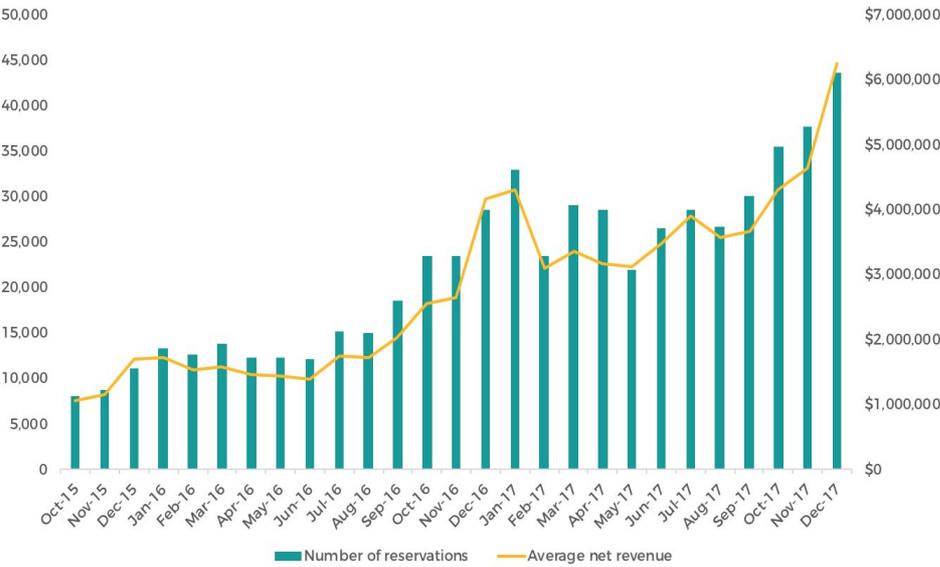


4. Short-term rental performance analysis of Melbourne

4. STR performance analysis of Melbourne

Melbourne, capital city of Victoria

Figure 4.1 Evolution of number of reservations for Airbnb accommodation and average associated revenue Oct. 2015-Dec. 2017

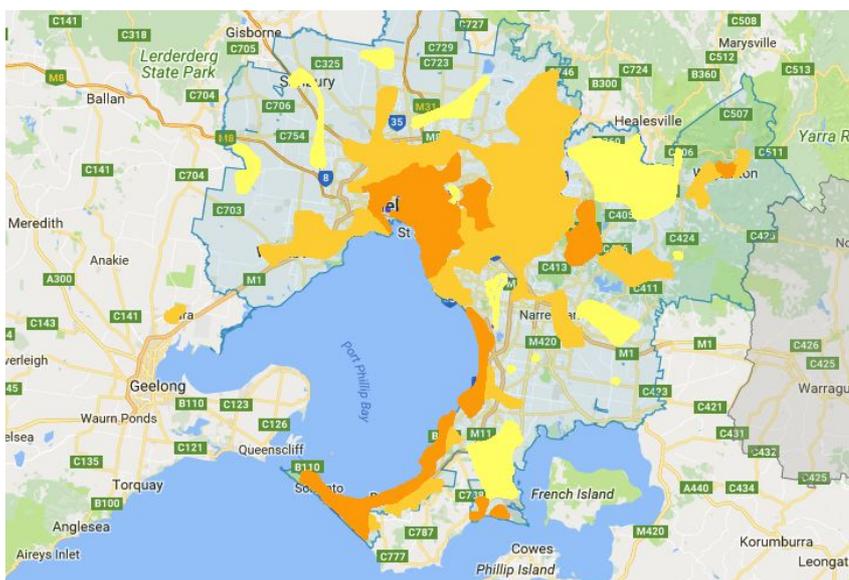


Note: The number of reservations include all apartment and houses (“house” instead of “houses”) listings on Airbnb in Melbourne. It excludes other forms of accommodation such as bungalows.
Source: AirDNA

As observed in the introduction of this report in Figure 1.2, the capital city of Victoria is the second most attractive city for tourism after Sydney.

We notice that Melbourne shows an outstanding performance evolution of number of reservations over the last two years, reaching almost 44,000 reservations in December 2017, which overpasses Sydney for the same month. Regarding the associated revenue, we notice that Melbourne hosts generate slightly less than Sydney hosts as accommodation rates are lower on average.

Figure 4.2 Short-term rental supply density heat map, 2017



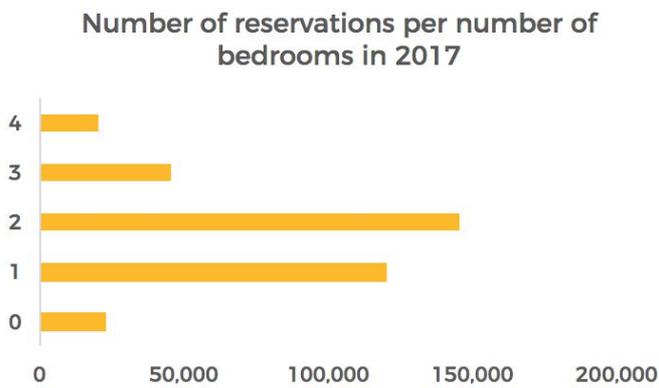
High density **Moderate density** **Low density**

Note: Heat map of Melbourne’s supply of STR is created by MadeComfy based on available AirDNA 2017 data. The density of STR accommodations is subject to external changes e.g. seasonality, pricing, changes in preference.

In response to the high demand for STR in the central and southern regions, there is a high density of listings in these tourist locations. The rental prices are typically high yet competitive, ranging between \$150 and \$270 per night. However, this value remains a lot lower than that observed in Sydney.

It seems that the STR supply in Melbourne is less spread out as compared to Sydney and Brisbane. This is possibly because Melbourne inner city suburbs are easily accessible within a 10km radius, and have a smaller net of touristic suburbs, as opposed to the other two capital cities.

Figure 4.3 Most popular size of property



Source: AirDNA.

Figure 4.4 Evolution of occupancy – 2-bedroom properties



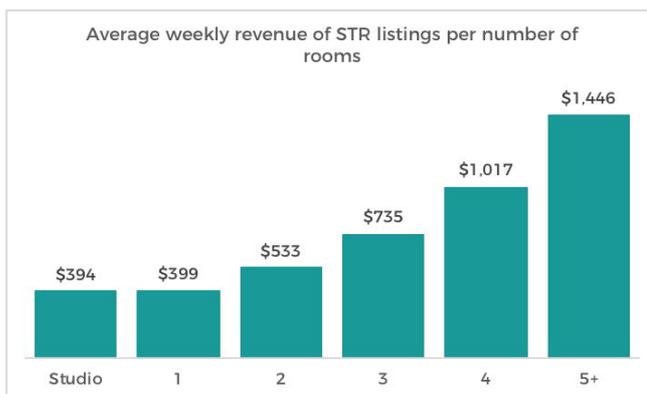
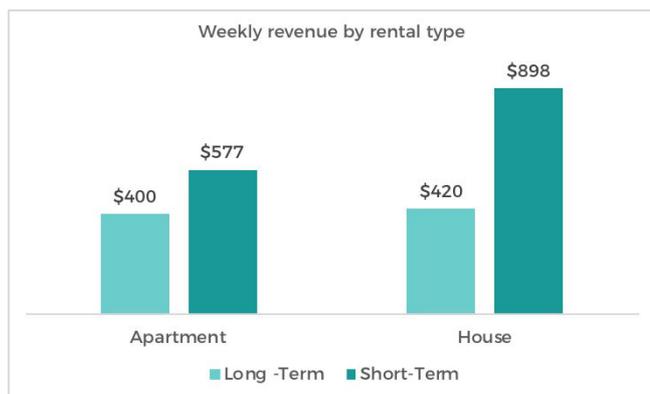
Source: AirDNA.

In Melbourne, the most popular size of STR listings are 2-bedroom properties, followed by one-bedroom. Similar to Sydney, the high concentration of listings in the centre of Melbourne explains why one and two bedroom properties are the most popular sizes.

Looking at the evolution of the occupancy rates in Melbourne for the most popular size of property (2-bedroom), it is noticeable that its occupancy rates on average are slightly lower than the eastern coast cities average, but this is potentially a consequence of the fact that Melbourne has seen the highest increase in the number of listings over the period.

In Melbourne, the three summer months show the best occupancy rates of the year, due to having various major events during the period, attracting large number of visitors.

Figure 4.5 Analysis of average weekly revenue by rental type and size



Note: Calendar 2017 was tabulated by MadeComfy based on available AirDNA data from May 2016 to December 2017. Graphs only show data for entire homes (apartments and houses). Source: AirDNA

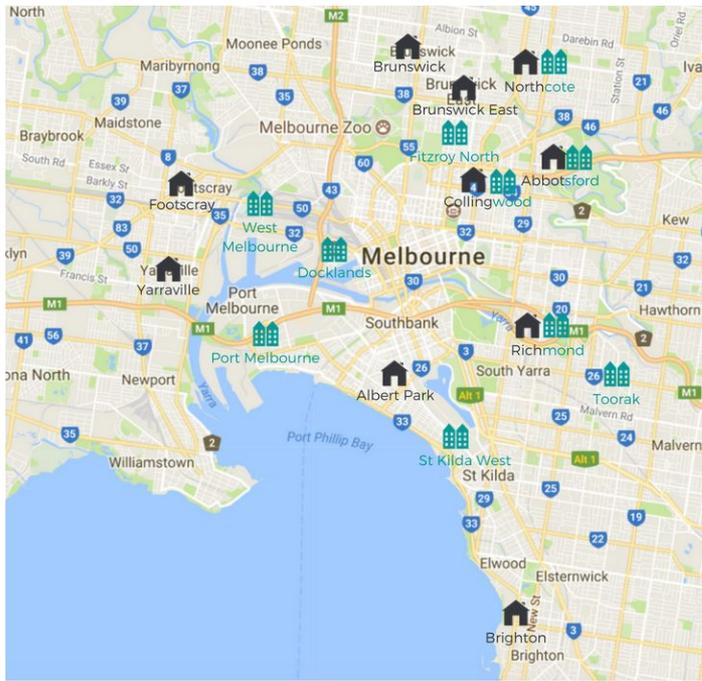
As observed in the rental performance across all three capital cities, the average weekly revenue for STR houses is always significantly higher, and that of LTR houses and apartments tend to be similar to each other.

Like Sydney, it was found that the average weekly revenue progressively increases with rental size, and that the highest revenue is derived from 5+ bedroom accommodation as these tend to be houses.

Although 2-bedroom accommodation received the most number of bookings (Figure 4.3), 5+ bedroom STR generate on average \$900 more revenue per week than the former.

This shows that if pricing is set with respect to variables of STR, for example supply and demand, STR presents a financially rewarding opportunity for properties of all types and sizes especially in suburbs where occupancy rates are consistent throughout the year (p.23).

Figure 4.6 Most popular suburbs in Melbourne per type of property and seasonality



Winter (June - July - August)

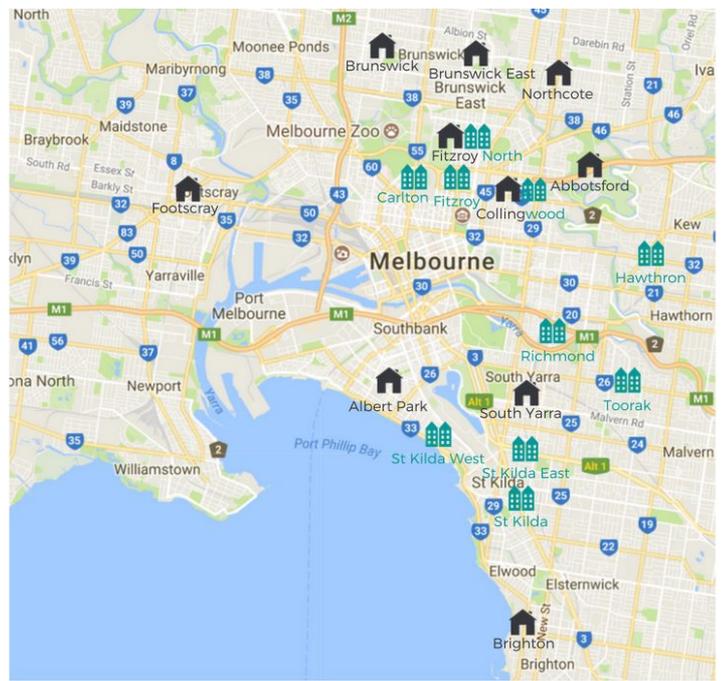
Top 10 most popular suburbs (per occupancy rate)

Houses

1. Brunswick - 71.8%
2. Northcote - 67.6%
3. Yarraville - 64.8%
4. Collingwood - 60%
5. Brunswick East - 59.1%
6. Abbotsford - 58%
7. Brighton - 56%
8. Albert Park - 55.9%
9. Footscray - 55.8%
10. Richmond - 55.2%

Apartments

1. Northcote - 72.3%
2. Richmond - 68%
3. Docklands - 66.5%
4. Collingwood - 64.4%
5. St Kilda West - 64.3%
6. West Melbourne - 64.3%
7. Toorak - 62.7%
8. Fitzroy North - 62%
9. Abbotsford - 61.8%
10. Port Melbourne - 61.5%



Summer (Dec - Jan - Feb)

Top 10 most popular suburbs (per occupancy rate)

Houses

1. Brunswick - 78.4%
2. Northcote - 74.1%
3. Collingwood - 73%
4. Abbotsford - 73.8%
5. Footscray - 67.5%
6. South Yarra - 66%
7. Albert Park - 64.5%
8. Brunswick East - 64.3%
9. Brighton - 63.9%
10. North Fitzroy - 63.2%

Apartments

1. St Kilda East - 75%
2. Fitzroy North - 70%
3. Fitzroy - 69.8%
4. Toorak - 68.3%
5. St Kilda West - 68.1%
6. Richmond - 67.7%
7. Hawthorn - 67.1%
8. St Kilda - 66.9%
9. Carlton - 66.3%
10. Collingwood - 66.2%

Note: The ranking of the most popular suburbs per type of property and seasonality has been made firstly by selecting the suburbs with the highest number of listings available and secondly by sorting the Top 10 with the occupancy.

Concentration of STR listings in the city centre

In Melbourne, we observed that the most popular suburbs in terms of occupancy rate, regardless of the type of property or seasonality are concentrated, in a “croissant” shape around the eastern side of the city centre. We also notice a lower impact of seasonality compared to Sydney, as the top suburbs remain almost the same in summer and in winter.

The effect of seasonality on Melbourne’s STR

It is interesting to observe that Melbourne shows relatively consistent occupancy throughout the year except in the summer months with sharper increase than other cities mentioned, rising from 62.6 percent on average in winter to 68.3 percent in summer. For example, Brunswick as the most popular suburb for houses all year long, increases its occupancy rate from 71.8 percent in winter to 78.4 percent in summer.

The boost of occupancy rate during the summer months is attributed to the multiple sporting and cultural events mentioned earlier.

Trends in property type

Similar to Sydney, however, the occupancy rates on average are always slightly higher for apartments than for houses, which can most likely be explained by the fact that the most popular type of accommodation in Melbourne are 2-bedroom properties, which tend to be apartments.

Another interesting finding here is that, the suburb rankings do not change much for both property types in accordance to seasonality as compared to Sydney, where there is a large movement of suburbs in rankings between winter and summer. Brunswick, Northcote, Collingwood, Brighton, Abbotsford and Albert Park are the most popular suburbs for houses and Fitzroy, Collingwood, Richmond, Toorak and St Kilda are the most popular areas for apartments all year long.

This can be explained by the fact that the above mentioned suburbs are touristic areas offering bars, restaurants, cafes and shops, which could be the main reasons for tourists to visit Melbourne all year long.

Case Study - Melbourne



Performance

(Weekly)	Long-term	Short-term self-managed
Gross income	\$2500	\$3000
Management Fee/Handling Cost	\$125 (5%)	\$200 (6.6%)*
Net Income	\$2375	\$2800

Additional Net Income Achieved with Airbnb: \$425 per week

* close estimation

The highest earning 3-bedroom Airbnb listing in Albert Park out of 176 active listings in the same area (source: AirDNA Jan 2018)



Three-bedroom



Privately managed by a Superhost

“Luxury Victorian Terrace House”

★★★★★ 55

Newly renovated charming 2-storey in Victorian Terrace in quiet, leafy village of Middle Park. Close to cafes, restaurants and public transport. Just a short tram ride to city, short walk to beach and Albert Park, home of Melbourne's Grand-Prix.

Reasons for success - Management tips



Location

This unique and beautiful Victorian-style house is located in a quiet area only minutes away from the centre of Melbourne; an ideal location for groups and family travellers as it enables them to reach all the attractions of the city very easily.



Amenities & furnishing

The furnishing of the house has been well thought out to make guests feel comfortable at home during their stay. The entire house was refurnished two years ago with modern installations and appliances such as Sonos sound system and several flat TV screens. Finally, the host provides qualitative bathroom and kitchen amenities.



Pricing

The owner of this listing views pricing as an important factor of success. In order to make sure each stay is a successful experience, the owner prefers not to engage in a race to the bottom price, in order not to attract the wrong type of guests (i.e. younger groups) and increase chances for a smooth experience with no damages.

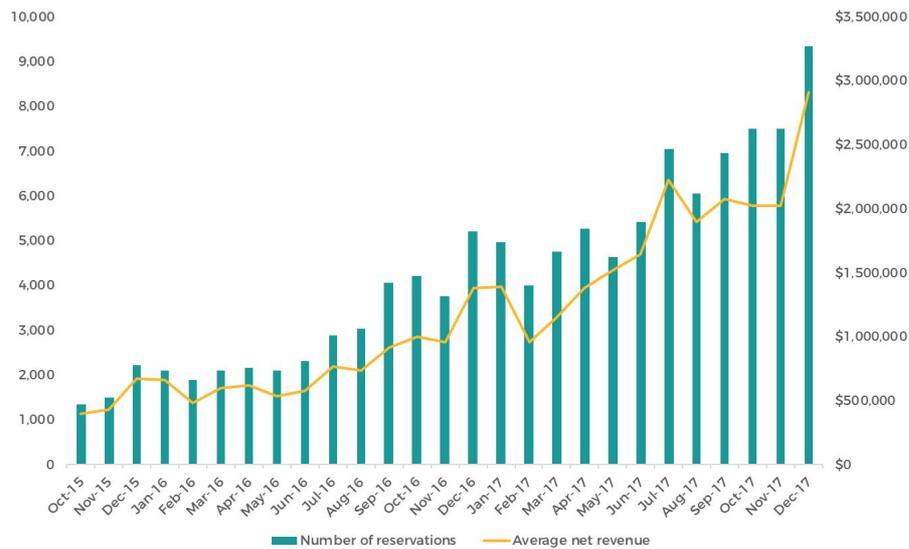


5. Short-term rental performance analysis of Brisbane

5. STR performance analysis of Brisbane

Brisbane, capital city of Queensland

Figure 5.1 Evolution of number of reservations for Airbnb accommodation and average associated revenue Oct. 2015-Dec 2017

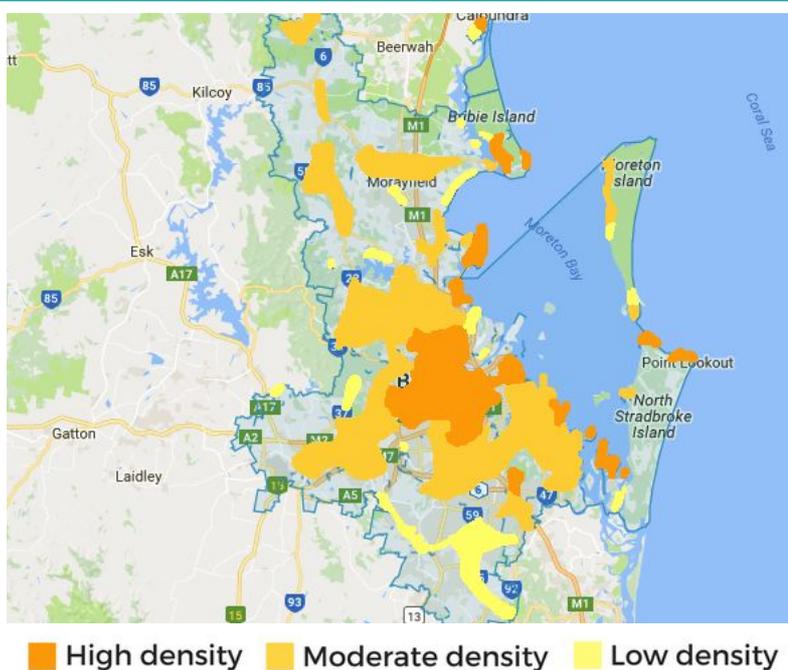


Note: The number of reservations include all apartment and house listings on Airbnb in Brisbane. It excludes other forms of accommodation such as bungalows.

Source: AirDNA.

Although Brisbane's STR demand is yet to be at par with Sydney and Melbourne, there has been a huge increase in popularity of Airbnb over the last two years with an impressive number of reservations in December 2017, reaching 9,400. As suggested by [Deloitte Report](#), and by the observation of the associated revenue, Airbnb has been the lower cost accommodation option, allowing cost saving for guests who might otherwise have stayed in traditional accommodation. Along with lower supply of traditional accommodation in comparison to the other two main cities, this can possibly be the main reason for the exponential growth of STR in Brisbane.

Figure 5.2 Short-term rental supply density heat map, 2017

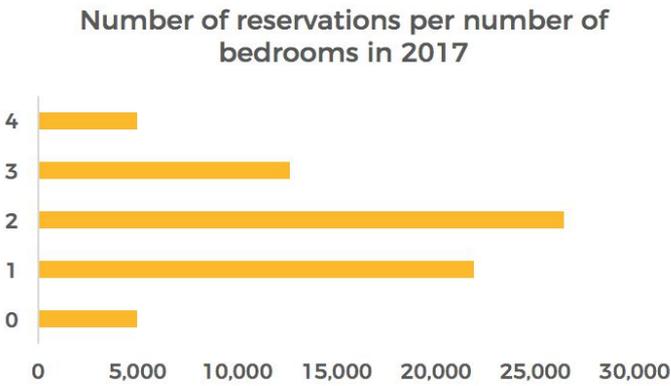


Note: Heat map of Sydney's supply of STR is created by MadeComfy based on available AirDNA 2017 data. The density of STR accommodation is subject to external changes e.g. seasonality, pricing, changes in preference.

The supply of short-term rentals is fairly spread out across Brisbane, with East Brisbane having the highest density of STR listings and the average daily rate ranges from \$60 to \$210 per night.

Regions that are farther from the city central such as North Brisbane, West Brisbane, and the Redlands show lower STR demand and subsequently a lower supply of STR listings.

Figure 5.3 Most popular size of property



Source: AirDNA.

Figure 5.4 Evolution of occupancy – 2-bedroom properties

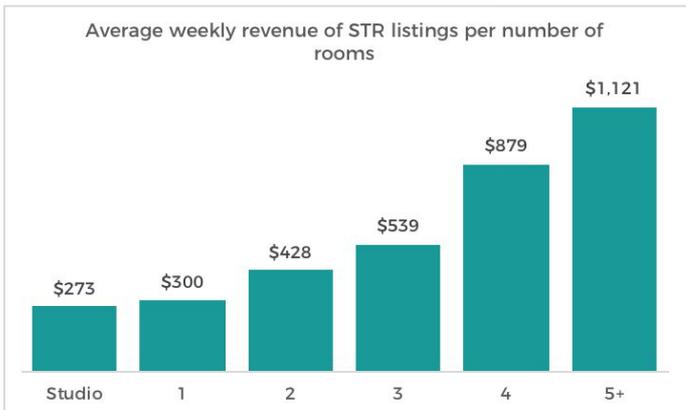
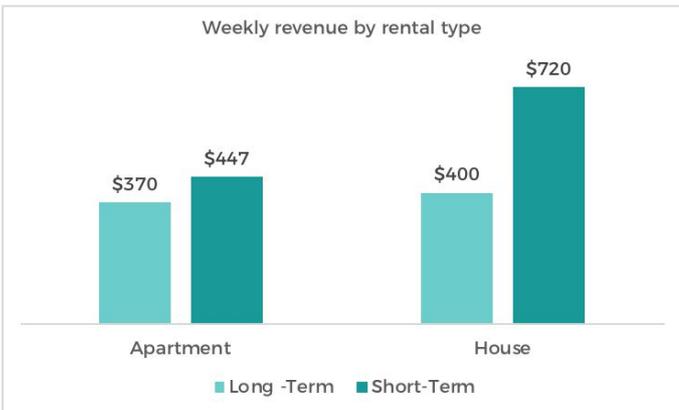


Source: AirDNA.

Even though the STR offer in Brisbane is more spread out than in Sydney and Melbourne, the most popular type of properties in Brisbane are 2-bedroom homes, either houses or apartments. Airbnb recorded over 25,000 reservations between January and December 2017.

Looking at the evolution of the occupancy rates in Brisbane for the most popular size of property (two-bedroom), it is noticeable that overall, Brisbane is less affected by seasonality than Sydney and even Melbourne, as its occupancy rates are quite constant throughout the year. This can be explained by its unique climate: with relatively warm and sunny seasons throughout the year, the city stays attractive all year long. Its high seasons are December, January and July during school holidays.

Figure 5.5 Analysis of average weekly revenue by rental type and size

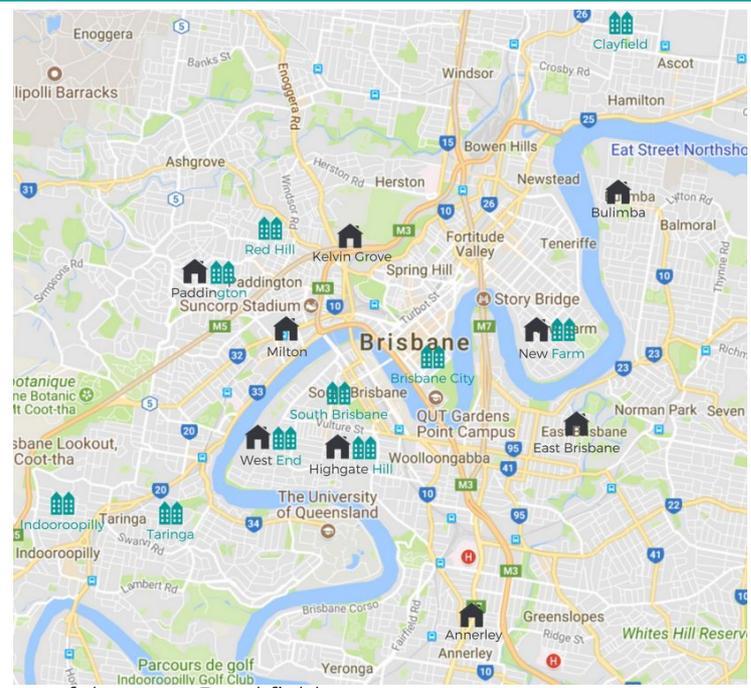


Note: Calendar 2017 was tabulated by MadeComfy based on available AirDNA data from May 2016 to December 2017. Graphs only show data for entire homes.
Source: AirDNA.

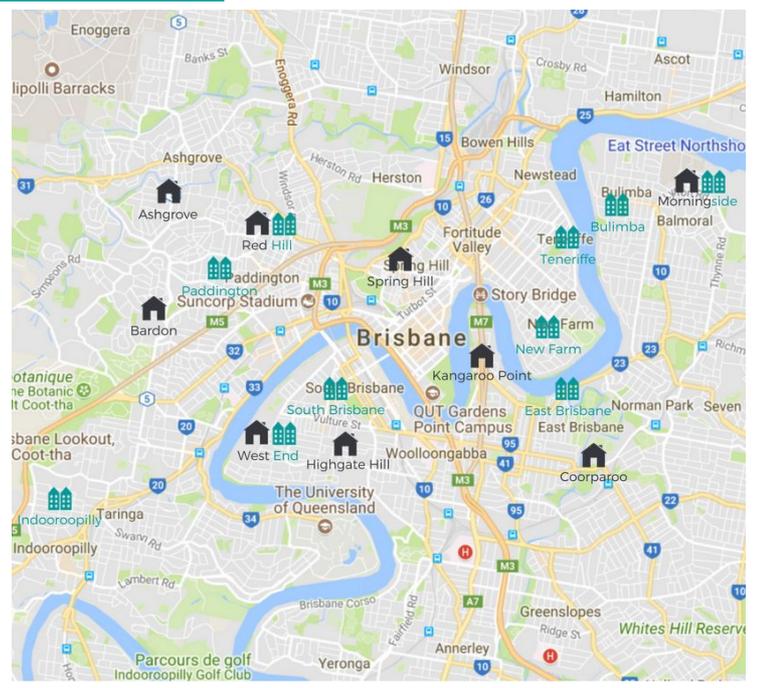
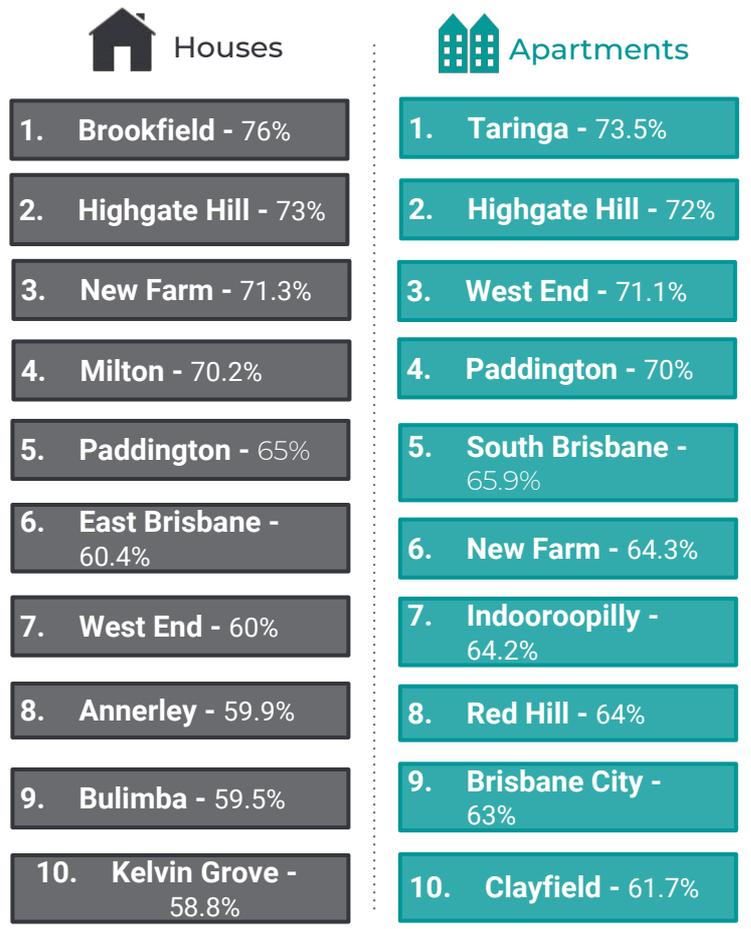
As compared to Melbourne and Sydney, the average weekly revenue of STR apartments in Brisbane is the closest to that of LTR, as shown in Figure 5.5. This can be explained by the fact that STR listings in Brisbane are much more spread out than in Sydney and Melbourne that the nightly rates tend to be lower than the latter where there is a concentration of STR near the city centre.

There seems to be greater rental revenue gained for 4+ bedroom properties as the increase in revenue is much higher in rate than 3-bedrooms or smaller. This is likely because large villas of 4+ bedrooms in Brisbane usually offer great amenities such as large outdoor areas and pools justifying the high-end price.

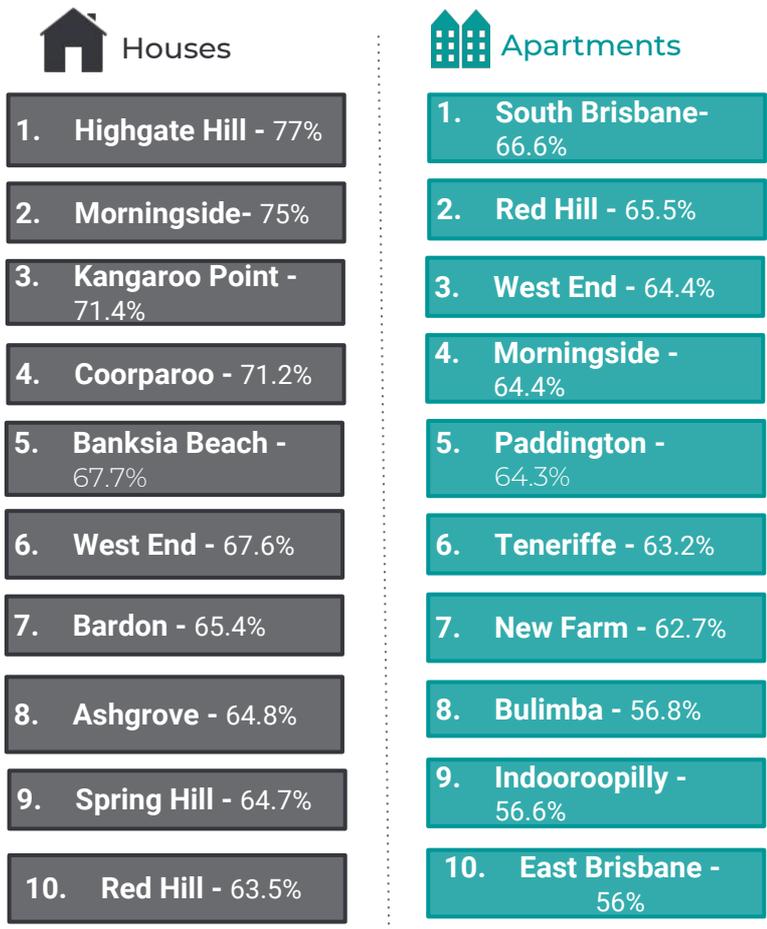
Figure 5.6 Most popular suburbs in Brisbane per type of property and seasonality



out of the map: Brookfield
 Winter (June - July - August)
 Top 10 most popular suburbs (per occupancy rate)



out of the map: Banksia Beach
 Summer (Dec - Jan - Feb)
 Top 10 most popular suburbs (per occupancy rate)



Note: The ranking of the most popular suburbs per type of property and seasonality has been made firstly by selecting the suburbs with the highest number of listings available and secondly by sorting the Top 10 with the occupancy.

The effect of seasonality on Brisbane's STR

Compared to Sydney and Melbourne, Brisbane has the most spread-out popular suburbs and faces the lowest impact of seasonality. As mentioned earlier, this can be explained by the city's climate, which is subject to less drastic changes between summer and winter, hence consistently attractive for visitors all year long, especially in July when interstate travellers are seeking the sun during the winter school holidays.

Year-long top-ranking suburbs

Even though the majority of the attractive suburbs are located at a close distance to the heart of the city, there are also a few top suburbs that are located farther such as the Brookfield area, which offers some stunning villas at a reasonable 14-km distance from the city centre or Banksia Beach on the way to Moreton Island, which is one of the popular attractions near Brisbane.

The most central suburbs such as South Brisbane, Highgate Hill, West End and New Farm remain among the most popular all year long regardless of the season and of the property type. West End stands out as a safe bet for STR being in the Top 10 of the rankings all year long and for both types of properties.

Domination of Brisbane's house rentals

Regarding the occupancy rates, we observe that unlike Sydney and Melbourne, houses have slightly higher occupancy rates all year long over apartments: 67.1 percent against 64.5 percent respectively and difference is larger during the summer month. This could be due to the fact that Brisbane's nightly rate for houses is lower even near the metro areas, in comparison to the two other cities mentioned, resulting in less fluctuation of occupancy caused by seasonality.

Case Study - Brisbane



Performance

(Weekly)	Long-term	Short-term self-managed
Gross income	\$1500	\$2500
Management Fee/Handling Cost	\$75 (5%)	\$475 (19%)
Net Income	\$1425	\$2025

Additional Net Income Achieved with Airbnb: \$600 per week

The highest earning 4-bedroom Airbnb listing in West End out of 99 active listings in the same area (source: AirDNA Jan 2018)

 Four-bedroom

 Privately managed by a Superhost

“Zen in West End”

★★★★★ 19

Zen is the yin to West End’s yang. While West End beckons you to explore, the Zen space invites you to stay in and relax. Every room has been individually designed and styled, with a luxurious, organic warmth.

Reasons for success - Management tips



Renovating & styling

The owner renovated the property with large group holiday stays in mind, creating ample private space. Additionally, she made sure to find the right balance between beautiful luxurious furnishings and easy to clean items that still look fresh but guests aren't afraid to touch and use.

Travellers love to experience architecturally interesting houses and guests love the opportunity to stay in an original pre-1920s Queenslander. The host always shares the history of the renovation of the house and guests give a review about how much they love it.



Local tips

The host provides a lot of local information so that guests can maximize the experience and amazing location. Hosts are the best advocates for Brisbane and love to send guests off to many local events, cafes and bars. The host also promotes local products (including the linens, toiletries, tea and coffee to highlight the shopping opportunities in the area.



Guest experience

The host always makes sure the house is spotless when guests arrive. Besides, she makes every guest feel valued and special with some fresh flowers on the dining table and some milk, biscuits and a bottle of wine, so that on arrival, they can just sit down and relax with a beverage and snack.



6. Summary

6. Summary

This report investigated the performance of STR across different Australian states and major cities of the eastern coastline namely Sydney, Melbourne and Brisbane.

Our core findings

Some of the core findings include:

- **Increasing demand and performance of STR across major states**
STR demand has more than doubled over the last two years across Sydney, Melbourne and Brisbane; the best STR performing states in terms of revenue generated are NSW, VIC and QLD in this order.
- **Healthy economic contribution from STR sector**
The growing STR sector contributed over \$1 billion revenue to the Australian economy in 2016 and supported more than 40,823 FTE jobs during the same year.
- **High revenue generating potential of STR houses**
STR houses present the most opportunity for generating maximum weekly revenue in comparison to LTR,
- **Sydney as top performing city for STR in Australia**
Although Sydney is most susceptible to changes in seasonality, it remains the top tourist destination in Australia and has the largest supply and demand of STR,
- **Average nightly rate of STR in Sydney is comparable to hotels**
As a result of the high proportion of listings of entire homes in Sydney, the average nightly rate of STR in Sydney is closest to that of hotels, as compared to the other major cities,
- **Melbourne has centralised STR listings and surge of demand in summer**
Melbourne has the least spread-out offer of STR listings as the main attractions of the city are located in the centre and is the most successful for STR during the summer, when internationally renowned sporting events occur.
- **Brisbane is least impacted by seasonality and has highest room rentals**
With a warm climate all year long, Brisbane is the least impacted by seasonality for STR and shows a lower weekly revenue for STR apartments as a result of higher proportion of room rental as opposed to home rental.

Implications for the future

While the majority of Australians have embraced the sharing economy and have been riding along the face of the Airbnb wave, there are still concerns such as disturbance to neighboring residents and uncertainty in regard to the identity of STR guests.

Though Fair Trading NSW [announced](#) in July 2017 that all by-laws that restrict STR like Airbnb in apartment blocks were invalid, some strata bodies seek to enforce informal community rules in an effort to control short-term letting of apartments within their managed buildings. This has undoubtedly caused confusion among property owners and STR guests.

However, with comprehensive guest management, these setbacks can be avoided. A thorough checking of the guest profile on Airbnb prior to accepting the booking as well as implementation of strict house rules are ways to limit these disturbing behaviours. Discussions with strata management and compliance with the government's short-term rental regulations are necessary for reinforcement of safety issues.

Therefore, the future outlook of the STR sector in Australia still remains highly positive. The demand for STR is projected to continue growing exponentially, with an estimate of 10 million visitors to Australia in 2020. To facilitate the expansion of this rising sector, the state government is to provide clearer direction by the end of 2018 which will be a positive step toward sustainable STR that benefits macro- and microeconomics.





APPENDIX
Short-term rental tips by
MadeComfy

MADECOMFY SHORT-TERM RENTAL TIPS

Tips for successful short-term rentals

MAKE YOUR SHORT-TERM RENTAL SUCCESSFUL

- **Choosing the right location:**

The city centre is always a safe choice of location, as it is the least subject to seasonality and it is close to the main attractions of the city, attracting both tourists and business travellers. However, due to the higher supply in city centres, often the competition also tends to be higher. Some attractive areas to also consider are suburbs far from CBD, but close to tourist attractions, such as the Blue Mountains, Royal National Park in Sydney and Banks Beach in Brisbane.

- **Smart pricing:**

With STR, the price charged per night is not the only factor to take into account in maximising rental return. It is more important to look at net returns per week, month and year, taking occupancy in mind. 70 percent occupancy rate at nightly rate of \$100 is better than 90 percent occupancy rate at \$60 for example. Indeed, STR pricing, just like hotels, is very sensitive to the supply and the demand, hence should be adjusted on a daily basis, unlike long-term rentals where the rate is flat for the time of leasing.

For example, you should make sure to maximise the pricing when the demand in your area becomes higher: holiday season, special events, public holidays, etc.

- **Housekeeping & Guest experience**

Cleaning for STR is different from domestic cleaning; it has to be high standard. We suggest stimulating the five senses of your guests - nice scent in the house, crisp bedding and well-matching soft furnishing can go a long way,

The major factor of a great guest experience is timely communication. It is essential to be as responsive as possible to all potential guest enquiries, from booking confirmation to the check-out. The best practice also is to leave a welcome package for your guests, including a booklet to explain the ins and outs of your property.

- **Furnishing & styling:**

One of the most important things investment property owners tend to overlook is furnishing and styling of their property. Careful planning and knowing how to professionally spruce up your home can help turn your property into an irresistible and marketable home. This would help to maximise occupancy and returns, and unlock higher yields.



BEST TIMES OF THE YEAR FOR SHORT-TERM RENTAL OF YOUR PLACE

- **High vs. low season:** Seasonal areas such as beach locations during summertime can present high average nightly rates over the peak period. However, the occupancy rate can drop as a result of the significant supply increase. Therefore pricing management is very important over this time. Contrary to popular belief, shoulder periods and even low season do present a fantastic opportunity due to low supply over those times.
- **Special events:** Anywhere in the vicinity of the CBD is good and consistent all year round in terms of pricing and occupancy. Peak periods for renting are always fantastic opportunities to significantly increase rates whenever a special event is on: Mardi Gras, Vivid in Sydney, New Year's Eve, sporting events such as Australian Open in Melbourne.
- **Weekends and School Holidays:** Weekends usually show higher demand so having as many weekends open for STR will always be beneficial. School holidays are always a fantastic time, as renting periods tend to be longer. Airbnb has opened up a wonderful opportunity for families to not have to spend weeks on end under the same roof but provides proximity to loved ones in both suburban and inner city locations.



To learn more about MadeComfy short-term rentals property management service, get in touch with our team!



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