

**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 Hearing Stream 15

**REPLY OF ROBERT HEYES
ON BEHALF OF QUEENSTOWN LAKES DISTRICT COUNCIL**

VISITOR ACCOMMODATION

15 October 2018

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1. INTRODUCTION

1.1 My name is Robert Heyes. I prepared a Statement of Evidence in relation to economic matters and the Visitor Accommodation provisions, appeared at the hearing on 5 September 2018, and have also provided a written response to a Panel question by cover of a Memorandum of Counsel dated 14 September 2018.¹ My qualifications and experience are listed in my evidence dated 23 July 2018.

1.2 This reply evidence covers the following matters:

- (a) Commissioner McLeod's request for information regarding how Airbnb listings that have been converted from long-term rental housing were defined in the study by Wachsmuth (2018) *Airbnb and the Rent Gap: Gentrification Through the Sharing Economy*. For completeness, I have also included definitions used by other researchers referenced in my Evidence in Chief;
- (b) the summary of evidence of Mr Mark Chrisp and the legal submissions for Ms Diana Hartley for BookaBach/BacCare;
- (c) the summary statement of Mr Ben Farrell for MajorDomo et al; and
- (d) Mr Brent Thomas for Airbnb.

2. DEFINING AIRBNB AND LISTINGS THAT HAVE BEEN CONVERTED FROM LONG-TERM RENTAL HOUSING

2.1 In the Wachsmuth (2018) research article: *Airbnb and the Rent Gap: Gentrification Through the Sharing Economy*² referred to in paragraph 12.3 of my evidence in chief, the authors assume whole-unit listings rented more than 60 days per year and available more than 120 days

1 <https://www.qldc.govt.nz/assets/Uploads/QLDC-T15-Scott-S-MoC-re-Visitor-Accommodation.pdf>

2 Wachsmuth et al (2018) Airbnb and the rent gap: gentrification through the sharing economy. Available online at: https://www.researchgate.net/publication/318281320_Airbnb_and_the_Rent_Gap_Gentrification_Through_the_Sharing_Economy

per year are long-term rental housing converted into Airbnb hotels. They explain the choice of this criteria as follows:³

“While in theory a ‘full-time’ Airbnb rental is one for which there is no primary occupant (tenant or owner) living in the unit year-round, in practice it is impossible to verify this status unit by unit. Instead, attempts to estimate Airbnb’s impact on housing markets generally choose an occupancy threshold beyond which a unit is considered unlikely to be occupied by a long-term resident. Inside Airbnb (2017)⁴, for instance, defines ‘frequently rented’ units as those rented on Airbnb for 60 or more days per year, arguing that ‘entire homes or apartments highly available and rented frequently year-round to tourists, probably don’t have the owner present, are illegal, and more importantly, are displacing New Yorkers’. We have used the same occupancy threshold while also setting a threshold of 120 days of annual availability, to filter out highly efficient part-time listings which are, for example, only listed each weekend but are successfully rented most of that time. The listings which meet the 60/120 threshold are available on average 256 nights a year and rented on average 148 nights a year.”

2.2 These same criteria were also used in Wachsmuth et al (2017) *Short-term cities Airbnb’s impact on Canadian housing markets*.⁵

2.3 The analysis in BJH Advisors (2016) *Short changing New York City, the impact of Airbnb on New York City’s housing market*⁶ focuses on a key sub-set of Airbnb ‘impact listings’, which BJH defines as follows:⁷

“Impact listings are units that are most likely to result in the reduction in the supply of residential rental units, and thus compound the challenges in the housing market related to excessively low vacancy rates and rising prices.”

2.4 In order to meet the definition of ‘impact listings’ an Airbnb listing must meet the following three criteria:

3 Wachsmuth et al (2018) page 42

4 Inside Airbnb (2017) *Inside Airbnb: New York City*. Available online at <http://insideairbnb.com/new-york-city/>

5 Wachsmuth et al (2017) *Short-term cities Airbnb’s impact on Canadian housing markets*. Available online at: <http://upgo.lab.mcgill.ca/airbnb/>

6 BJH Advisors (2016) *Short changing New York City, the impact of Airbnb on New York City’s housing market*; available at: http://www.hcc-nyc.org/documents/ShortchangingNYC2016FINALprotected_000.pdf

7 BJH Advisors (2016) page 4.

- (a) they must be an entire apartment/home – defined as unique units listed on Airbnb that allow rental of entire homes or apartments;
- (b) they must be available for regular short-term rental – defined as unique units listed on Airbnb that:
 - (i) are booked for rental periods of fewer than 30 days;
 - (ii) are booked for more than one reservation in a month; and
 - (iii) have at least one non-booked day in a month;
- (c) they must be commercial listings – defined as unique units listed on Airbnb that meet one of two criteria:
 - (i) are listed for at least 3 months per year by hosts that listed more than one unit on Airbnb ('multi-listers'); or
 - (ii) are listed for at least 6 months per year by hosts that listed only one unit on Airbnb.

3. COMMENTS ON INFORMATION PROVIDED AT THE HEARING

- 3.1** Mr Farrell filed a summary of evidence for MajorDomo Ltd, Touch of Spice Ltd and NZSIR Luxury Rental Homes Ltd in relation to the proposed amendments affecting Residential Visitor Accommodation (**RVA**) activities.
- 3.2** At paragraph 3 he states there is a lack of credible or certain evidence demonstrating that the proposed amendments will result in a discernible benefit to housing supply and affordability issues in the District.
- 3.3** Based on my analysis of property yields⁸ the proposed 42 night per year limit on RVA activities will, in most circumstances, make long-term rental a more lucrative option for people seeking to purchase an investment property in the District. Therefore, following

⁸ Statement of Evidence of Robert Heyes on behalf of QLDC, Visitor Accommodation: Economics, 23 July 2018, paragraph 10.17.

implementation of the proposed limits, in all likelihood properties put up for sale in the District that might otherwise have been purchased by investors in short-term rental properties, will instead be purchased either by owner occupiers or investors in long-term rental homes. While, the precise impacts on housing affordability are difficult to forecast, given the influence of other factors on both the supply and demand for housing in the District, the proposal will ameliorate any further deterioration in housing affordability as a consequence of RVA activity.

- 3.4** I have been provided with legal submissions filed by Ms Hartley for Bookabach Ltd and Bachcare in relation to the proposed amendments affecting RVA activities.
- 3.5** Ms Hartley submits in her paragraph 4 that I support the 90 nights a year threshold for permitted RVA activities. This is incorrect. I have provided analysis⁹ of the potential impacts that a restriction of RVA activities to 90 nights and 45 nights a year could have on the revenues generated from an RVA property. However, I do not draw any conclusions as to which restriction is preferable.
- 3.6** Mr Chrisp has filed a summary of evidence for Bookabach Ltd and Bachcare in relation to the proposed amendments affecting RVA activities.
- 3.7** Mr Crisp states in his paragraph 10 that, based on the extensive list of non-RMA activities set out in my response to questions of the Panel, included in paragraph 10.9 of the Council's Memorandum dated 14 September 2018, there are many other solutions to address the issue at hand, and which are far more likely to be effective in achieving the desired outcomes.
- 3.8** In the memorandum, I note that there are existing initiatives within New Zealand that exist outside the RMA and that may have an influence on housing and long-term rental affordability and the availability of affordable housing. However, I do not provide any analysis of their

9 Statement of Evidence of Robert Heyes on behalf of QLDC, Visitor Accommodation: Economics, 23 July 2018, paragraphs 10.16 and 10.17.

effectiveness in achieving Council's desired outcomes and nor does Mr Crisp as far as I am aware. In my view, some of the initiatives listed in the memorandum complement the proposed RVA restrictions but they are not alternatives to the proposed RVA restrictions. For example, the proposed RVA restrictions will support initiatives such as Special Housing Areas by ensuring that properties built on land recommended for new housing are used for residential purposes rather than visitor accommodation.

3.9 Mr Thomas has filed a summary of evidence for Airbnb in relation to the proposed amendments affecting RVA activities.

3.10 Mr Thomas states in his paragraph 2 that Council is unable to quantify the effect RVA is having on long-term rental availability and housing affordability. Ms Hartley makes a similar statement in paragraph 4 of her legal submissions, as does Mr Crisp in paragraph 10 of his summary of evidence. My opinion is that, while the precise effects cannot be quantified, the growth of RVA, driven by growth in Airbnb, can be considered to have exacerbated the deterioration of rental affordability in the District in recent years and is likely to continue to do so in the short-term at least (if left unchecked).¹⁰

3.11 In paragraph 3 of his summary of evidence, Mr Thomas acknowledges my assessment that growth in the RVA sector is not necessarily the reason for all the properties listed on RVA platforms being unavailable for long-term rental. Mr Thomas agrees with my statement that the reasons why properties are listed on RVA platforms depends on a complex combination of economic and personal factors. These are accurate representations of points I made in my statement of evidence. However, it is important to consider them alongside the analysis I have provided that suggests there are a number of properties listed on Airbnb that would be viable for use in the long-term rental market¹¹ and, based on my analysis,¹² only a relatively small number of these properties needed to have been taken from the long-term rental market

10 Rebuttal evidence of Robert Heyes on behalf of QLDC, Visitor Accommodation: Economics, 22 August 2018, paragraph 3.9(g).

11 Statement of Evidence of Robert Heyes on behalf of QLDC, Visitor Accommodation: Economics, 23 July 2018, paragraphs 10.10 and 10.11.

12 Rebuttal evidence of Robert Heyes on behalf of QLDC, Visitor Accommodation: Economics, 22 August 2018, paragraph 3.9,

for them to have had an impact on long-term rental availability and affordability.

3.12 In paragraph 4 of his summary Mr Thomas also states that the AirDNA data I have relied upon is unreliable. I note that I used Airbnb data to the greatest extent possible.¹³ In using data sourced from AirDNA where no Airbnb data has been made available, I join a host of researchers from around the world who have used AirDNA data as their principal data source for investigating the impacts of Airbnb. Mr Thomas also states that the AirDNA data over inflates the rental figures. This does not change my conclusions because only a relatively small number of Airbnb listed properties needed to have been taken from the long-term rental market for them to have had an impact on long-term rental availability and affordability.¹⁴



Robert Heyes

15 October 2018

13 *ibid*, paragraphs 3.7 and 3.8.

14 *ibid*, paragraph 3.9.