

# Cost Benefit Analysis of Proposed SAP on STRA

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For: City of Hobart

19 | 03 | 2026

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THE NGAMBRI/NGUNNAWAL/NGARIGO, MUWININA/PALAWA, WURUNDJERI, AND  
GADIGAL PEOPLES.

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# 1. Introduction and Expert Witness Declaration

1. I was instructed by Simmons Wolfhagen Lawyers, on behalf of the City of Hobart, to undertake an economic appraisal of the costs and benefits of the proposed Hobart Visitor Accommodation Specific Area Plan.
2. My name is Ellen Witte, and I am a Director, Principal & Partner at SGS Economics & Planning. I have over 25 years of experience in conducting economic appraisals of investment projects and public policy initiatives. I have extensive experience in housing economics and affordability. I am the main author of the award-winning SGS/National Shelter Rental Affordability Index. Appendix A includes a summary of my CV.

## Declaration

*I have made all the inquiries that I believe are desirable and appropriate and no matters of significance which I regard as relevant have to my knowledge been withheld.*



Ellen Witte

Director, Principal & Partner SGS Economics & Planning

23 February 2026

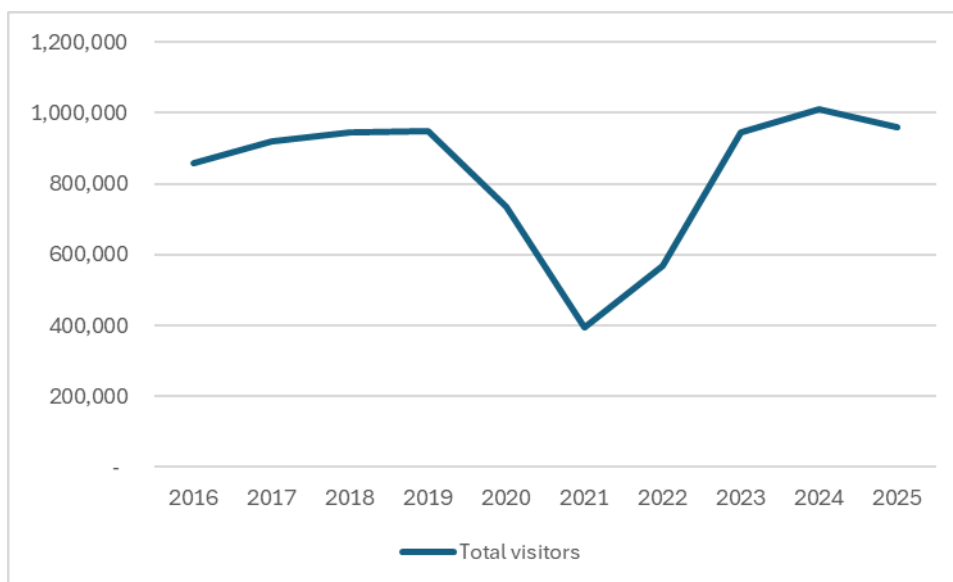
## 2. Background

3. The proposed Visitor Accommodation Specific Area Plan (**SAP**) applies to residential areas in Hobart (general, inner and low density residential) and aims to limit the impact of visitor accommodation on the availability and affordability of housing for long term residents. In effect, it aims to avoid the transition of existing (permanent) residential uses to visitor accommodation and applies to entire dwellings that are not the primary place of residence. It leaves existing permits for visitor accommodation unaffected.
4. The availability and use of visitor accommodation, also referred to as short stay rental accommodation (**STRA**), has increased over the years.

### 2.1 Demand for visitor accommodation

5. Tasmanian Visitor Survey data show that visitation to Hobart has steadily increased over time (Figure 1). From 2016 to 2019<sup>1</sup>, visitation increased from 859,068 to 947,8614 visitors staying in accommodation in Hobart. The pandemic saw visitor numbers drop sharply to 395,710 in 2021. After the pandemic, visitation peaked at 1,008,919 visitors, after which visitation levelled off to 960,651 in 2025.

**Figure 1 Total visitors staying at accommodation in Hobart, 2016-2025**



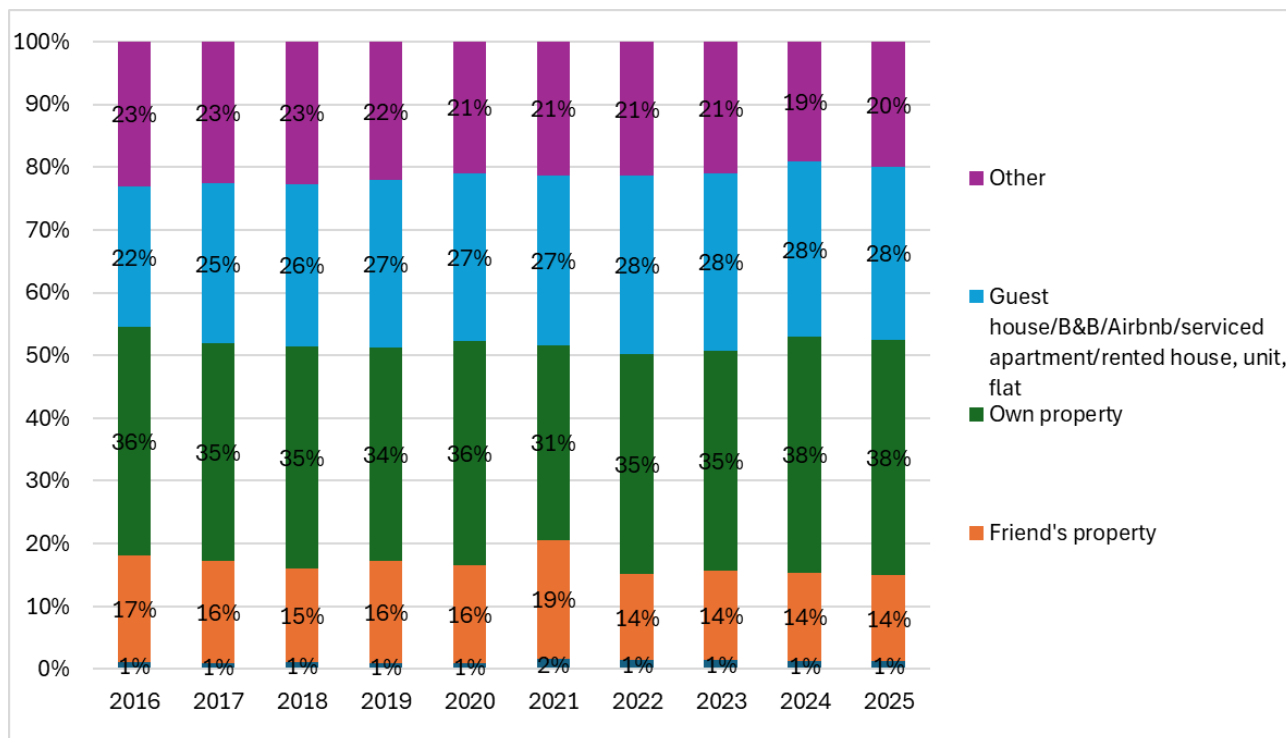
Source: Tasmanian Visitor Survey (2025)

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<sup>1</sup> Year ending June

6. Over time, the share of visitors reporting to stay at guest houses, B&Bs, Airbnb, serviced apartments and rented dwellings has increased from around 22% in 2016 to 28% in 2025 (Figure 2). Note: the definition of some of the categories was revised in 2020 which may have impacted the distribution from 2020 to 2021 (which are also the pandemic years). No changes to category definitions has been reported since 2020, meaning data since 2020 is consistent and comparable. Just over a quarter of visitors (28%) to Hobart stay at Visitor accommodation (including serviced apartments).

**Figure 2 Distribution of accommodation visitors stayed at in Hobart, 2016 to 2025**



Source: Tasmanian Visitor Survey (2025)

## 2.2 Supply of Visitor Accommodation

7. Visitor accommodation (entire dwellings) in Hobart is rated by primary land use as R7 – Short Stay Visitor Accommodation. Across the City there are 435 R7 rated properties in residential zones (Council properties database, 19 November 2025). This represents 76% of all R7 properties in the municipality (569 in total).
8. There are in total 741 accommodation providers in the residential zones of Hobart (includes hotels, sub-rated R7, under investigation and no permit nr), of which there are 293 without a permit nr and which do not qualify as hotel or other accommodation (Rentalscape data, 26 November 2025). Based on this data, approximately 59% of all accommodation (including hotels, sub-rated R7, under investigation and no permit nr) providers in residential zones are R7 rated properties where short stay is the primary use of the property. The proposed SAP will

target properties which primary use would transition to short stay (i.e. R7) and hence the following analysis will mostly focus on the history and increase of these properties.

9. Visitor accommodation (R-7 rated properties) in residential areas are most prevalent (in absolute terms) in Sandy Bay (147 properties), West Hobart (68 properties), North Hobart (48 properties) and South Hobart (41 properties). In relative terms, as share of all residences in an area, visitor accommodation is most prevalent in Hobart (9%), North Hobart (5%) and Glebe (4%).

**Table 1 Properties in residential zones\* with primary use being R7-short stay by suburb, November 2025**

| Residential zones | R7- Short Stay Visitor Accommodation | Total (residential) | As share of all residential uses |
|-------------------|--------------------------------------|---------------------|----------------------------------|
| Battery Point     | 16                                   | 846                 | 2%                               |
| Dynnyrne          | 14                                   | 587                 | 2%                               |
| Glebe             | 10                                   | 268                 | 4%                               |
| Hobart            | 25                                   | 278                 | 9%                               |
| Lenah Valley      | 18                                   | 2,583               | 1%                               |
| Mount Nelson      | 13                                   | 1,081               | 1%                               |
| Mount Stuart      | 4                                    | 1,019               | 0%                               |
| New Town          | 29                                   | 2,535               | 1%                               |
| North Hobart      | 48                                   | 923                 | 5%                               |
| Sandy Bay         | 147                                  | 4,835               | 3%                               |
| South Hobart      | 41                                   | 2,109               | 2%                               |
| Tolmans Hill      | 2                                    | 227                 | 1%                               |
| West Hobart       | 68                                   | 2,586               | 3%                               |
| West Moonah       |                                      | 1                   | 0%                               |
| TOTAL             | 435                                  | 19,878              | 2%                               |

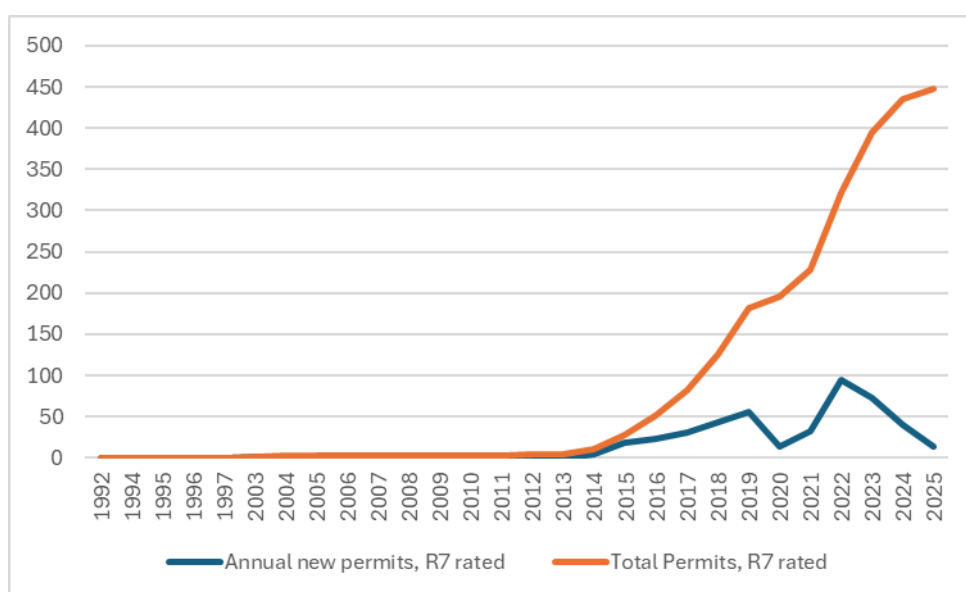
\* General, Inner, Low Density Residential

Source: Council properties database, 19 Nov 2025

10. Visitor accommodation permit data provided by the City of Hobart, provide insight into the prevalence of visitor accommodation over time from 1992 to 2025. The data show a real surge in visitor accommodation from very low levels until 2014/2015, and a steep increase in total permits to 2025. The figure below (Figure 3) shows the total number of permits over time (orange) and the annual increase in number of permits (blue line).

11. The highest number of permits provided in a year was 2022, the first year after the pandemic when 94 new permits were approved. The second highest year was 2023 with 73 permits approved. During the pandemic there was a drop in number of new permits to only 14 in 2020.
12. The number of new application and approvals has levelled off over 2024 and 2025. This may be a sign that the market is saturated and also coincides with visitor numbers having levelled off. On average, the number of permits (R-7 rated properties in residential zones) increased by 23% per annum over the last five years, and 6% per annum over the last three years.

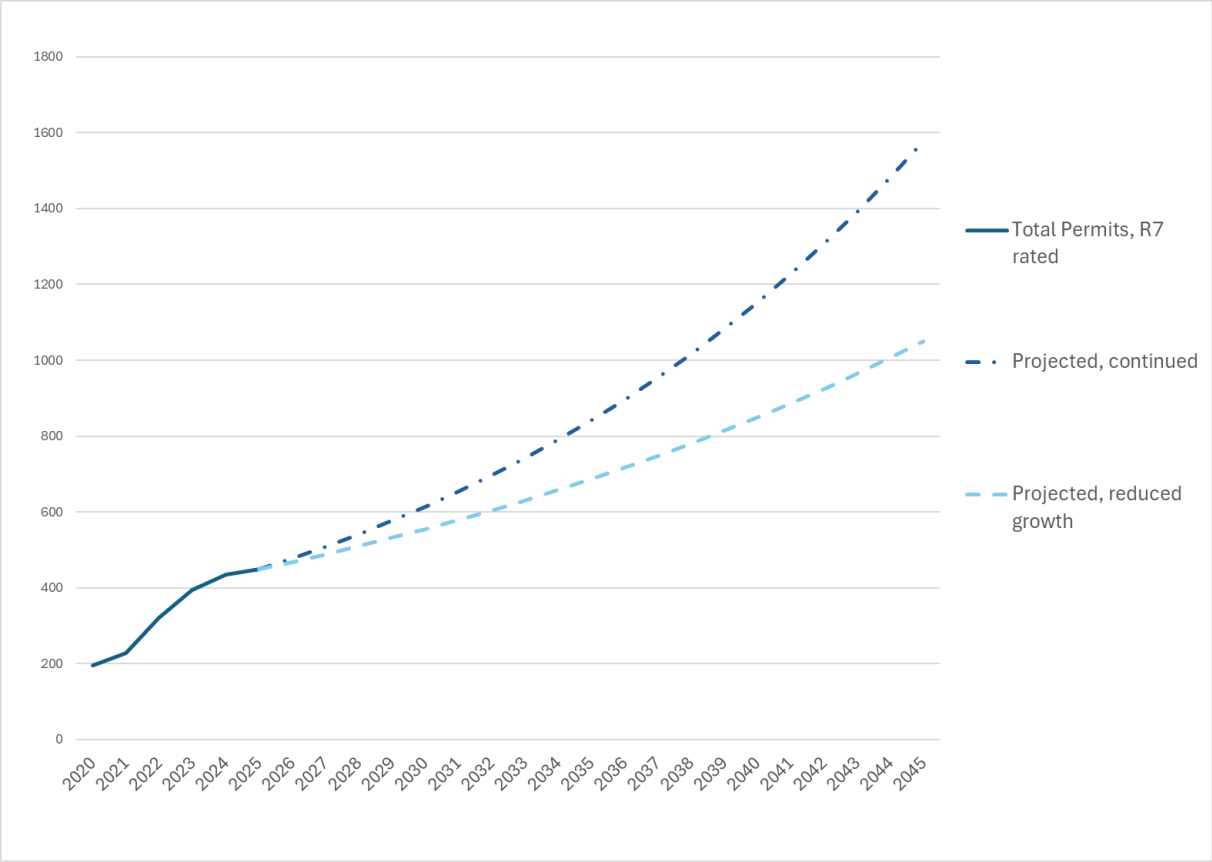
**Figure 3 Visitor accommodation permits in residential zones, R-7 rated properties, 1992-2025**



Source: Visitor Accommodation Permits, City of Hobart 1992 to 2025, November 2025

13. Assuming the increase in permits in residential zones would continue to increase by 6% per annum if the SAP was not introduced, there would be an extra 1,130 visitor accommodation properties in twenty years time (Figure 4). This would triple the current total. If the annual increase is assumed to drop by a third to 4% per annum, there would be another 603 properties converted into visitor accommodation (R-7 rated). This would represent more than a double the current total.

Figure 4 Projected number of short stay properties in residential zones (R-7 rated), 2025-2045

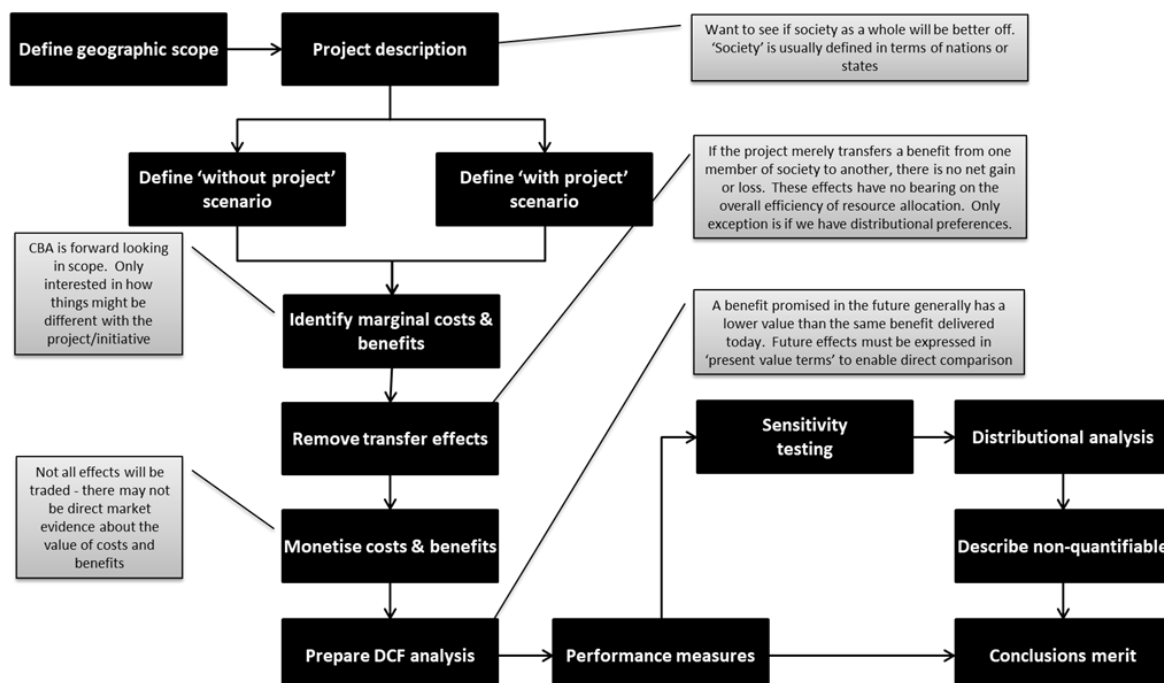


Source: SGS (2026)

### 3. Cost Benefit Analysis

14. A Cost Benefit Analysis (**CBA**) was completed to understand the relative costs and benefits of introducing the Visitor Accommodation SAP in residential areas in Hobart.
15. CBA is a best practice economic evaluation approach to assess the merit of public policy and/or investment projects on its overall outcomes to society.
16. A comprehensive CBA analyses the social, economic and environmental costs and benefits of a policy decision or investment compared to the base case (business as usual). A CBA is undertaken from a society wide perspective and considers all impacts on welfare, whether priced or unpriced in a market.
17. The CBA is an effective tool to assess the merit of a proposed policy or investment. A CBA:
  - Recognises that the world is not static. That is, without an intervention, certain community costs and benefits arise (.e. the cost of doing nothing to manage the risks)
  - It takes a society wide perspective
  - It includes the gamut of economic, social and community costs and benefits.
18. The methodology adopted by CBA is summarised in Figure 1.

**Figure 1: Cost benefit Analysis Framework**



19. The methodology first involves defining and describing the project option (proposed policy), business as usual and study area. The Business as Usual case and the Project Case are developed to describe the consequences with and without the intervention. For these options, a range of costs and benefits are identified and quantified. These costs and benefits are then compared utilising discounted cash flow analysis (**DCF**).
20. DCF involves comparing all the costs and benefits over time, with future costs and benefits discounted (converted) to today's dollar values. The DCF produces performance measures which allow the project option to be considered in terms of the scale of benefits generated in comparison the costs. The key performance measures are: Net Present Value (**NPV**), Benefit to Cost Ratio (**BCR**) and return on investment (**Rol**).
21. Further analysis is performed to test the sensitivity and equity of the results (i.e. - who benefits and who bears the cost?). Costs and benefits that could not be monetised are then considered and combined with the quantified performance measures, before a final conclusion on the preferred option is given.

### **3.1 Conceptual framing**

22. I have considered the economic merits of the proposed prohibition of STRA in Hobart on a per dwelling basis. That is, I have defined and analysed the costs and benefits of switching a dwelling that would otherwise be used for STRA under current conditions to permanent rental or owner occupancy under the proposed SAP.
23. Considering impacts on a per dwelling basis avoids the need to make speculative assumptions about the number of dwellings affected by the prohibition going forward.
24. My analysis addresses costs and benefits assuming the markets for both permanent occupancy and visitor accommodation have achieved equilibrium. This means that in the Base Case – where a dwelling is withdrawn from permanent occupancy and dedicated to STRA as permissible under current regulations – the housing market will adjust to provide a replacement dwelling to meet the projected demand for housing in the Greater Hobart, albeit that through the vacancy chain effect this replacement dwelling will be in a greenfield suburb.
25. Likewise, the market for supply of visitor accommodation is assumed to adjust to the non-availability of a STRA dwelling in a residential zone by providing replacement accommodation in newly constructed hotels or (serviced) apartments geared to short stays. This is because the market will adjust to accommodate (additional) demand, especially when occupancy levels in the accommodation sector are solid.
26. The effect of this framing is that, after an adjustment period during which the relevant markets work towards equilibrium, the Hobart region will have the same quantity of housing under the Project Case as it would under the Base Case, although the locational mix will be different. And the Hobart region will have the same quantity of visitor accommodation under both the Base and Project Cases, although a greater proportion of visitors will be staying in conventional hotel and serviced apartment accommodation and in STRA provided in non-residential zones.
27. In practice there will be additional impacts of the proposed SAP during the transition towards equilibrium. One of these will be a temporary heightened shortage of short-term rental

accommodation during this period most likely leading to temporary higher accommodation fees and additional rental stress for low and moderate income households.

28. Likewise, it could be hypothesised that it will take some time before replacement visitor accommodation is produced by the market following the introduction of the SAP. During this time the region might forego a certain amount of visitor spending and the associated value added which would be shared between tourism linked workers and business owners.
29. At equilibrium, therefore, I expect the Project Case (introduction of SAP) would have the following costs and benefits versus the Base Case (current regulations):
  - **Costs**
    - The *capital cost of replacing a foregone STRA unit* with new hotel or serviced apartment accommodation.
  - **Benefits**
    - The *gain in housing utility* arising from the superior access to jobs and opportunities for the dwelling retained as permanent rental, compared to an otherwise similar dwelling located in growth area suburb in the Hobart region;
    - *Avoided nuisance* for households who would otherwise neighbour an STRA unit;
    - *Avoided transport externalities* (emissions, accidents, noise etc), arising from the switching of households from less accessible greenfield housing to locations with superior access to jobs and opportunities, and;
    - *Avoided development cost for replacement rental dwellings* in greenfield locations; this includes building materials and labour, land and infrastructure costs.

### 3.2 Quantification and monetisation of costs and benefits

30. Costs - The capital cost of replacing a foregone STRA unit with a new hotel or serviced apartment accommodation. The average construction costs of a hotel room in Hobart is \$193,900, with costs ranging between \$149,700 and \$241,000 including allowances for preliminaries, profit and overheads, according to Rawlinson's Australian Construction Handbook 2025.
31. The number of rooms involved with short stay is assumed to be 1.5 rooms on average. For each additional STRA forgone under the Project Scenario, it is assumed 1.5 hotel room (or a single STRA unit in a non-residential zone) is developed.
32. Benefits – The gain in housing utility. Rental housing that is close to jobs, services and transport attracts higher rents as it reflects a greater value to renters. The improved housing utility for each household living in a dwelling not being converted to STRA under the Project Scenario is expressed as rent premium compared to outer growth suburbs in Greater Hobart. The three-year average rent differential (2022-2025) is \$151 per dwelling per week, or \$7,876 per annum.

33. Average rents are for 1 to 4 bedroom dwellings, rental bonds data (as collected for the SGS Rental Affordability Index) for postcodes 7011, 7016, 7019 and 7030 (in Glenorchy, Clarence and Brighton, base case), and 7000, 7004, 7005, 7007 and 7008 (all in Hobart, Project case).
34. Benefits - Avoided nuisance for adjacent households. There is anecdotal evidence of short stay accommodation generating nuisance, reduced social cohesion and reduced safety. High incidences of short stay accommodation can break down the neighbourhood's ability to ensure people's perception of safety and belonging often seen in neighbourhoods with low or very low levels of STRA. In these areas, neighbours may check in on each other and take pride in keeping the neighbourhood liveable. It is an area of ongoing study and not easily quantified and expressed in monetary values. Therefore, no monetary cost value was attributed to this impact in the CBA, and a summary of findings is provided below to enable at least a qualitative consideration of this cost.
35. A survey among residents and STRA hosts in Byron Bay (2018) with high levels of STRA found that most residents agreed that STRA leads to increased noise levels (70% agrees), reduced lifestyle for (permanent) residents (69%), overuse of public facilities (60%) and increased levels of anti-social behaviour (54%) (Journal of Sustainable Tourism, 2022).
36. A survey in Portugal among residents (the survey was conducted in Porto in June 2023), with a response rate of 109 residents, found that 24.8% of residents reported that the increase in visitors staying in STRA had resulted in exacerbated levels of conflict with tourists (Urban Science, 2024). Noise, pollution and litter and cultural differences were most cited as sources of conflict.
37. In Victoria, VCAT may make an order of compensation to residents in the same building where it has been demonstrated that the STRA has caused loss of amenity due to noise, anti-social behaviour, creating health, safety and security risk in common areas and/or obstructing the use of common property (*Owners Corporations Act 2006 (Vic)*, Section 169E Loss of amenity compensation order). The maximum amount payable for each affected occupier is \$2,000 per breach. The fine can be seen as a monetary approximation of the amenity loss. If it was assumed that issues occurred on average with 24.8% of the properties, and conservatively assuming involving only one incident, and on average two neighbours affected, the annual cost would be around \$992 per annum. Because research in this area is still limited, this cost has not been included in the analysis.
38. Benefits - Avoided transport externalities (emissions, accidents, noise etc). Under the Project Case, the residents of the dwelling live close to jobs and services, compared to the Base Case, whereas the transition of the dwelling to STRA displaces a household ultimately to the outer areas of Greater Hobart. The Project Case therefore results in lower travel to work kilometres by car, and a related avoidance of transport externalities (emissions, accidents, noise, etc) and this is estimated to accrue to \$186 per dwelling per annum.

39. The estimate is based on the ATAP Guidelines (Infrastructure and Transport Ministers (2024))<sup>2</sup> which prescribe that transport externalities for travel by car are valued at \$26.36 per 1,000 km. The average estimated avoided distance per travel to work trip is thirteen kilometres<sup>3</sup>.
40. Benefits - Avoided development cost for a replacement rental dwelling in a greenfield location. Under the Project Case, a rental household can remain living in the City, avoiding the need - directly or indirectly – to develop a new dwelling. The avoided cost of development is estimated to be \$453,442 on average<sup>4</sup>.

### 3.3 Findings

41. When using these incremental costs and benefits on a per dwelling basis to inform the Discounted Cash Flow analysis and assuming the remaining economic life of the dwelling to be forty years, the Net Present Value of the SAP is **\$298,530**. It represents a Benefit to Cost Ratio of **1:2.11** which means for each dollar cost to society, the SAP returns \$2.11 in benefits back to society. The benefits of the SAP will outweigh the costs of the SAP.
42. Sensitivity testing of the results shows the outcome of the CBA is robust. Even with substantial (unexpected) changes in inflation, increases in development cost of replacement STRA and/or decreases in avoided development costs, the BCR remains well above 1:1.5.
43. In terms of equity, renting households are overall benefitting from the proposed STRA SAP, as do tourism providers and property owners in non-residential zones in Hobart. The owners of residential properties who would have considered transitioning their investment property to STRA are likely disadvantaged when the returns of STRA outperform the returns from long term rental. This is not a net cost in the CBA rather a transfer effect between STRA owners in the Hobart residential zones and tourist accommodation owners in the non-residential zones.
44. The introduction of the SAP is projected to generate total benefits in the order of **\$180 million to \$337 million** over the 603 to 1,130 properties that would be prevented from being converted into visitor accommodation over twenty years.

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<sup>2</sup> Infrastructure and Transport Ministers (2024), Australian Transport Assessment and Planning Guidelines, PV5 Environmental parameter values (Chapter 5.1)

<sup>3</sup> The postcodes used for the housing utility benefit were also used to estimate the travel distances.

<sup>4</sup> Based on recent sales data in selected postcodes and excluding GST (10%) and allowance for developer's margin (18%).

# Appendix A: CV



**Ellen Witte, Principal & Partner SGS**

BSocSc(Geo), MA International Eco and Geo (Hons)

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Ellen has worked across Australia and internationally. Ellen is one of the firm's leads in housing policy and analysis. She leads SGS's award-winning Rental Affordability Index. Ellen is a popular public speaker and media commentator.

Ellen has over 25 years of experience in consultancy. She has extensive experience in governance, social, environmental and economic impact assessments, financial feasibility studies, cost benefit analyses and strategic assessments of facilities and land use projects.

Ellen has undertaken a number of economic appraisal and financial feasibility studies for development projects for local government, state government and private parties. She is an experienced project director and has successfully led various multidisciplinary teams.

Ellen lives and works in Tasmania and understand the economic and social context very well.

Her areas of expertise include:

- Cost Benefit Analysis
- Business cases and feasibility studies
- Economic impact studies
- Housing studies
- Strategic planning
- Precinct planning

Previous experience includes:

- CBA Permeability and Sustainability Requirements, Port Philip Council (2025)

- CBA Elevating Environmentally Sustainable Development Requirements in Planning Schemes, Municipal Association of Victoria (2023)
- Social Return on Investment Tasmanian community paediatric services, Department of health (2024)
- Traralgon retarding basin and bypass CBA and business case, Latrobe City Council (2025)
- Tasmanian Jack Jumpers Social Return on Investment, Jack Jumpers (2025)
- Business Case and CBA Tasmania's Next Iconic Walk, Parks Tasmania (2022)
- Huon Valley Land Use and Development Strategy (LUDS) (2024)
- West Tamar Growth Strategy (2025)
- Tasman Structure Plan and Economic Development Strategy (2025)
- Orford Housing Demand and Supply Study (2022 & 2024)



# Appendix B: Results CBA

## Discounted Cash Flow Analysis

### Discounted values

#### Costs

Capital cost of replacing a foregone STRA unit

269,909

#### TOTAL

269,909

#### Benefits

Benefit 1 gain in housing utility

112,350

Benefit 2 Avoided nuisance

0

Benefit 3 Avoided transport externalities

2,647

Benefit 4 Avoided construction cost for replacement rental dwelling

453,442

#### TOTAL

568,439

### Headline results

NPV

298,530

BCR

2.11



# Appendix C: Data Sources

ABS (2021), Census data

Albuquerque, H.; Quintela, J.A.; Marques, J. The Impact of Short-Term Rental Accommodation in Urban Tourism: A Comparative Analysis of Tourists' and Residents' Perspectives. *Urban Sci.* 2024, 8, 83.

Infrastructure and Transport Ministers (2024), Australian Transport Assessment and Planning Guidelines. PV5 Environmental parameter values.

City of Hobart (19 November 2025), Council properties database - Properties by Zone and Landuse, 2025

City of Hobart (November 2025), Visitor Accommodation Permits 1992 to 2025

Consumer Affairs Victoria (2026), Short stay accommodation - laws to prevent unruly parties

*Owners Corporations Act 2006* (Victoria) - SECT 169E Loss of amenity compensation order

Rawlinsons (2025), Rawlinsons Australian Construction Handbook 2025

Realestate.com.au for property values in Greater Hobart suburbs

Sabine Muschter, Rodney W. Caldicott, Tania von der Heidt & Deborah Che (2022) Third-party impacts of short-term rental accommodation: a community survey to inform government responses, *Journal of Sustainable Tourism*, 30:5, 1102-1121, DOI: 10.1080/09669582.2020.1860067

SGS (2025), Rental affordability index, rent 2022-2025

Tasmanian Visitor Survey (11 December 2025), Total number of visitors to Hobart City, 2016-2025

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