Byron Bay short-term rental accommodation cap evaluation

Prepared for Airbnb | 21 November 2025

Contents

Tables

Figures

Boxes

Executive summary

Background and context

In September 2024, Byron Shire introduced a 60-day cap for non-hosted short term rental accommodation (STRA) provided in a 12-month period, with some areas exempt from the cap. This cap is in addition to other STRA regulation at the statewide level and replaces a previous 180-day cap introduced in January 2022.

The cap was intended to be a balanced response to Byron Shire's unique housing challenges, with non-hosted STRA in Byron Shire considered as contributing to the lack of affordable and available long-term rental housing.[1] By limiting the capacity of property owners to earn income through providing STRA, the cap sought to incentivise property owners to reallocate housing from STRA to the long-term rental accommodation (LTRA) market.

In this context, Frontier Economics was engaged by Airbnb to perform an independent evaluation of the 60-day cap, examining the impact on the STRA market and LTRA market. This evaluation was to provide a view, 12 months post intervention, as to whether the intervention was achieving the stated goals.

As part of this study, SEC Newgate undertook interviews with business owners in Byron Shire. Almost all businesses interviewed commented on the lack of affordable housing and felt that, if anything, the situation was worsening, with significant natural disasters (floods, fires, cyclones) reducing housing. Staffing challenges remained and none of the businesses interviewed reported any improvement in the availability of casual staff.

To examine the impact of the cap quantitatively, we use data provided by AirDNA on STRA activity, and data provided by NSW Fair Trading on rental activity.[2]

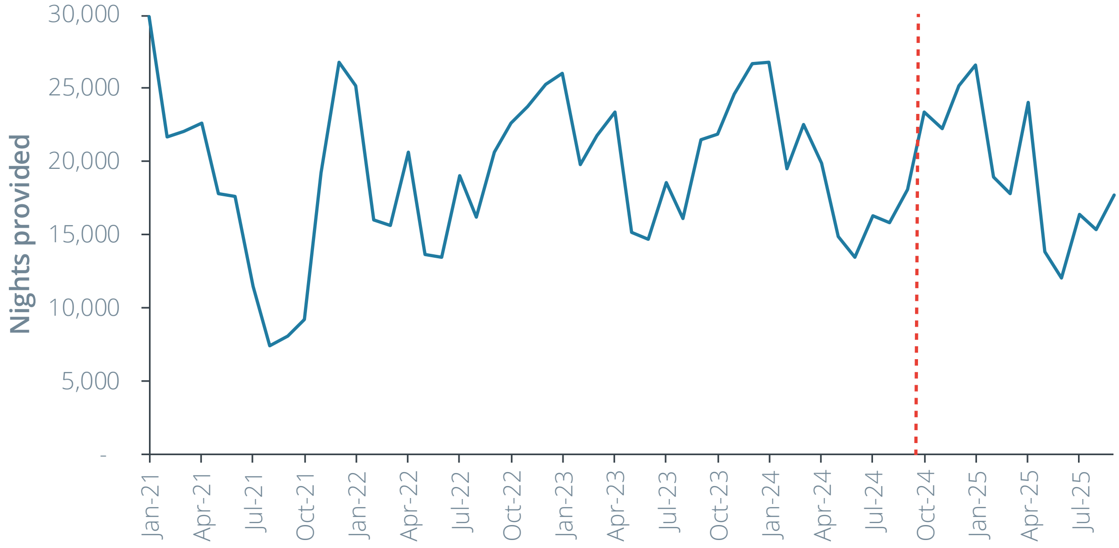
We do not observe any significant impact on the STRA market

While we observed some movement in the number of properties leaving the STRA market, the properties that left were overwhelmingly those that previously sold very few nights of STRA, i.e. they would not have been directly impacted by a 60-day cap. Instead, we see very little impact on STRA activity as measured by the number of nights provided, shown in Figure 1 below.

1 https://www.planning.nsw.gov.au/policy-and-legislation/housing/short-term-rental-accommodation/byron-shire

2 https://www.nsw.gov.au/housing-and-construction/rental-forms-surveys-and-data/rental-bond-data

Figure 1: STRA days provided – Byron Bay



Source: Frontier Economics analysis of AirDNA data

In fact, when we consider the nights provided by properties in the 12-month periods before and after the intervention, there is no perceived reduction in nights provided at the property level. That is, we do not see any direct impact of the cap on the STRA market. The Council's mayor has indicated it will take another year before the policies effects become apparent,[3] which weakens the argument that it will quickly unlock housing supply.

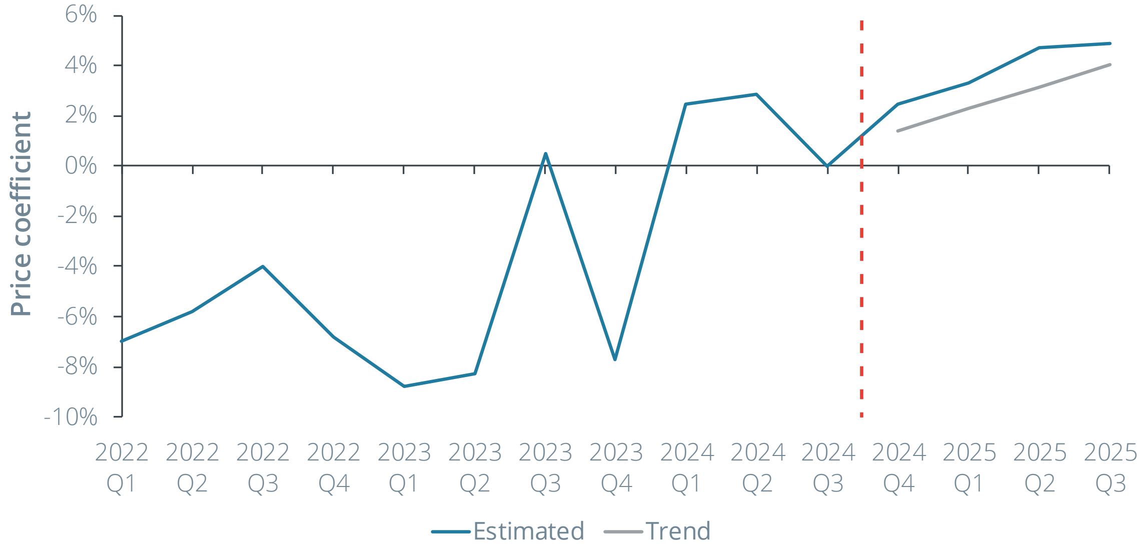
We do not observe any significant impact on the LTRA market

Consistent with a lack of response in the STRA market, we observe no improvement in the LTRA market attributable to the intervention. As shown in Figure 3, the number of rentals (measured by rental bonds held) actually decreased from September 2024, reversing the pre-intervention trend. We note that similar reductions occurred elsewhere, so that we cannot attribute the decline to the intervention.

We similarly observe an increase in weekly rents: the average weekly rent for a house increased from $1,112 to $1,193, or 7%, comparing new leases in the September quarter of 2025 vs the September quarter of 2024. Controlling for property type and bedrooms in Figure 2, weekly rents are estimated to be 5% higher in the September quarter of 2025 compared to the September quarter of 2024, in line with trends.

[3] See https://www.abc.net.au/news/2025-09-23/60-day-caps-in-byron-bay-results-uncertain-after-one-year/105799696

Figure 2: Rent trends by quarter – Byron Bay



Source: Frontier Economics analysis of NSW Fair Trading data

Note: The estimated price coefficients represent differences in rents relative to the base quarter: 2024 Q3

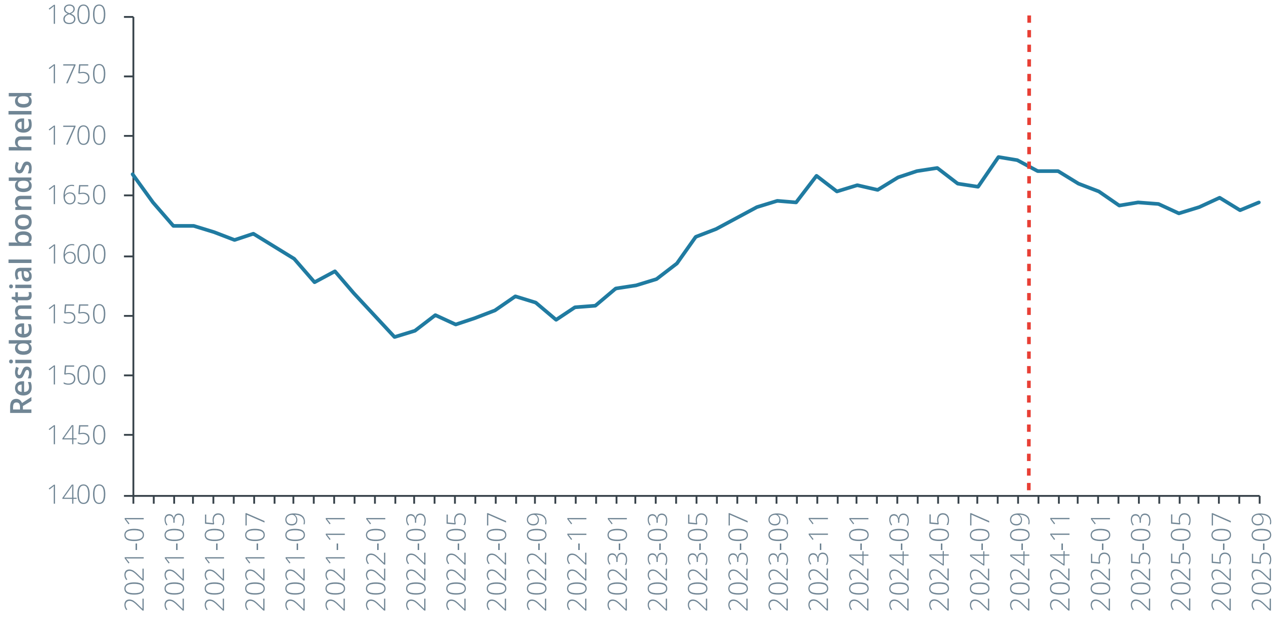
Intervention goals have not been realised and appear implausible

Our analysis of the LTRA market after the implementation of the 60-day rental cap in the Byron Shire implies that, one year after implementation, the 60-day cap is ineffective in achieving its stated goal of increasing long-term rental availability and affordability.

While the 60-day cap was stated to deliver an additional 1,500 residences to the LTRA market[4], data indicates that this outcome is unattainable. Achieving 1,500 conversions from would not be possible with the understanding that only 11% of properties provide STRA, whereas previous assumptions were around 30%.

[4] See Table 4.9 of https://www.ipcn.nsw.gov.au/sites/default/files/pac/projects/2022/12/byron-shire-short-term-rental-pp/documents-provided-by-byron-astra-on-16-february-2023/urbis--economic-impact-assessment-stra-in-byron-shire-2022.pdf

Figure 3: Byron Bay rental bonds held



Source: Frontier Economics analysis of NSW Fair Trading data

Note: The vertical axis does not start at zero.

1 Background and context

Byron Bay has long been a popular destination for its lifestyle appeal, drawing a wide mix of potential residents. However, limited new housing development, coupled with rising demand, has brought about elevated rental and property prices. Meanwhile, tourism has surged over the past decade, much of it accommodated through Short-Term Rental Accommodation (STRA).

This trend has played out amid a wider housing crisis, drawing significant attention from policymakers. To understand the context of how the Byron Shire council came to implement a 60-day cap, and what the intended policy outcome would be, we explore:

- The background of the housing crisis in Byron Bay, including how STRA fits into the mix,
- The emergence of STRA regulation globally,
- How the Byron Shire developed its own STRA regulation, and
- What previous analysis tells us about the impacts of STRA regulation by understanding how successful they were in achieving their stated objectives, and in particular, the effectiveness of night caps.

1.1 The housing crisis in Byron Bay

Byron Bay has long been a location with high rents and property prices, driven by the well documented allure of the region. The Byron Shire is also a popular location for holiday homes, resulting in a significant share of high value properties in the region sitting unoccupied for large portions of the year. This dynamic has meant short term letting of holiday homes and apartments has always been prevalent to support tourism in the region, traditionally these owners would lease out through property managers, and now modern platforms such as Airbnb are used. In recent years, some observers have qualitatively attributed increases in rent to the rising numbers of STRA.

High housing costs place pressure on key workers, and employees in sectors necessary to support the tourism sector that are competing for a small stock of available dwellings. Byron Bay consistently records higher rates of rental stress and poorer housing affordability than other regional areas. In 2011, before the rise of STRA platforms in Australia, rates of rental stress were 65%[5] higher in the Byron Shire than the NSW average. In 2021, rental stress remained 41% more prevalent in the Byron Shire, with over half of rental households spending more than 30% of income on rent.[6]

Over the past decade, demand pressures have only increased as an influx of sea changers and remote workers have combined with strong tourism growth. Together, these forces have exacerbated housing affordability challenges within an already constrained local housing market.

Housing market outcomes

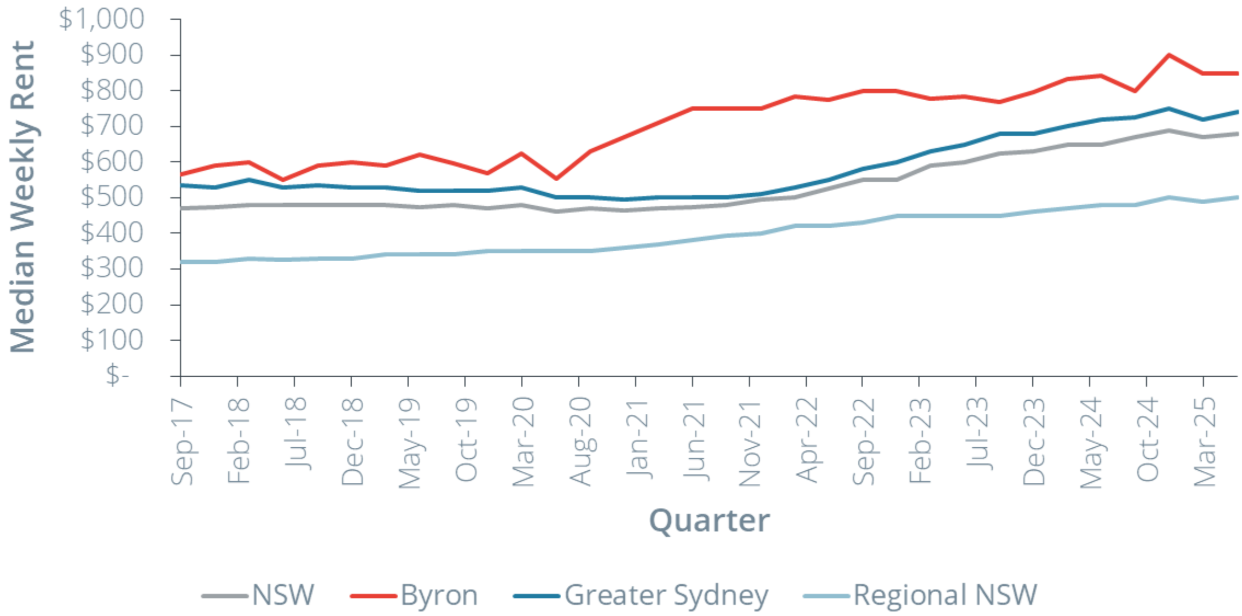
Byron Bay has long seen rents above those of other areas in NSW, with Figure 4 showing that median rents within Bryon have been consistently above those in Greater Sydney. A range of factors have contributed to these elevated values, originating from both the supply and demand side of the market.

5 https://www.abs.gov.au/census/find-census-data/quickstats/2011/LGA11350

6 https://www.abs.gov.au/census/find-census-data/quickstats/2021/LGA11350

On the supply side, low dwelling commencements may push up rents. Whilst on the demand side, the influx of new residents around the pandemic, the desirability of the region for those looking to retire and increasing pressures from tourists have sent prices upwards.

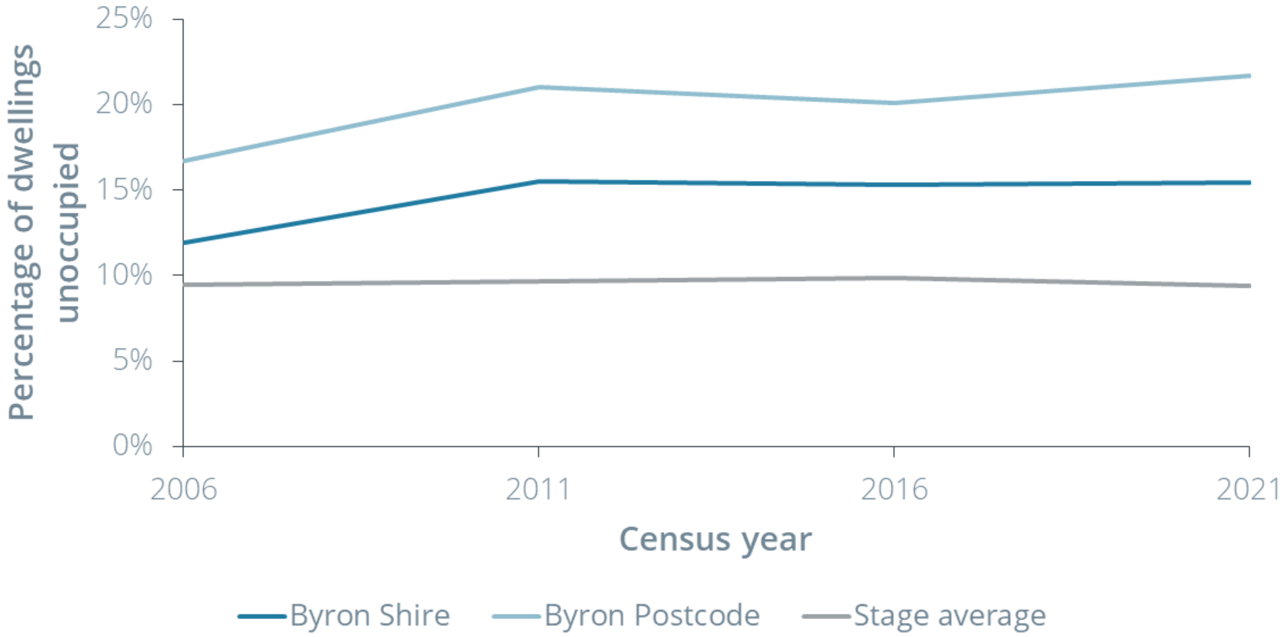
Figure 4: Byron Bay rent growth



Source: Frontier Economics analysis of NSW Department of Communities and Justice data.

Whilst the prices of these homes may have risen, the Byron Shire has a very high proportion of properties that are vacant on census night. As shown in Figure 6 the level of unoccupied dwellings in both the Byron Bay suburb and the Byron Shire Local Government Area (LGA) are well above the New South Wales average. This likely reflects the area's high concentration of holiday homes, many of which are also used for short-term rental accommodation. However, the absence of a clear upward trend in unoccupied dwellings over time weakens the argument that STRA is substantially reducing the stock of permanent housing.

Figure 5: Trends in unoccupied properties



Source: Frontier Economics analysis of ABS data.

With the benefit of the STRA registration database the understanding of how many properties are on the short-term rental market has improved. In the Economic Impact Statement prepared for the planning proposal[7], URBIS framed the crisis as an escalating problem, with 3,860 STRA listings (25% of dwellings) in 2017, rising to 5,249 in 2019 (35% of all dwellings). However, the most recent data from the property register implies only 11% of dwellings are registered as STRA, with the number of non-hosted dwellings likely being lower than this. Data on nights provided by STRA implies that this is not entirely driven by properties leaving the short-term market, and that this is being driven by better data. This implies that the penetration of STRA in the Byron Shire is significantly lower than the 25-35% previously estimated by Council.[8]

Rise in tourism

Byron Bay has long been a popular tourism destination, with demand fuelled by the outstanding natural amenities of the region. This demand has been growing in recent times with Figure 6 showing that in the years before COVID saw average annual visitor nights increase by over 20%. Other indicators of visitation to the region such as patronage at Ballina airport also imply much more visitation to the region.

[7] https://www.ipcn.nsw.gov.au/sites/default/files/pac/projects/2022/12/byron-shire-short-term-rental-pp/documents-provided-by-council/stra-planning-proposal-appendix-2-economic-impact-assessment-urbis-2021.pdf

[8] https://apps.planningportal.nsw.gov.au/prweb/PRRestService/DocMgmt/v1/PublicDocuments/DATA-WORKATTACH-FILE%20PEC-DPE-EP-WORK%20PP-2021-3351!20220825T132938.318%20GMT, Page 3

Figure 6: Tourism numbers in the Byron Shire

Source: Byron Bay Shire Council, Tourism Monitor, *https://www.byron.nsw.gov.au/files/assets/public/v/1/hptrim/economic-development-liaison-major-public-interest-or-controversy-tourism-councils-advocacy-alliance-2018/e2024-125970-byron-shire-tourism-monitor-ye-june-24-official-tourism-data-final.pdf*

To meet this rise in tourism there is a need to provide more short-term accommodation. Byron Shire Councils audits of accommodation demonstrate that holiday houses and apartments have always been a foundation of mid to high tier accommodation in the Byron Shire, with over a third of bed spaces being provided by holiday houses and apartments in 2008.[9] In the decade since, as short term rentals have grown, over 6000 additional beds have been provided, whilst only 200 additional beds have been provided by traditional hotel and motels.[10] This makes it clear how crucial short-term rentals have been to facilitate the tourism boom in the Byron Shire. It is also worth noting that Airbnb launched in Australia in 2012. Prior to 2012, holiday houses and private/home stays were managed by individuals and/or property management companies.

1.2 Emergence of STRA regulation

With the well documented proliferation of STRA through platforms such as Airbnb, there has been increasing public scrutiny on its effects, leading to regulation. This debate was first sparked in tourism destinations, such as Byron Bay, where the functional reduction in housing supply was poorly received by residents. Around the world, various approaches have been taken to curb the risk of STRA, with some policy interventions being poorly developed, and potentially counterproductive to their aims. These options include:

- Caps on the number of nights dwellings can be used for non-hosted STR,
- Bans on STRA,
- Permitting schemes for properties to be offered as STRA,

[9] Byron Shire Council, Accommodation Audit 2019. Table 3 within the Council's "Sustainable Visitation Strategy 2020-2030", https://www.destinationbyron.com.au/wp-content/uploads/2019/09/Sustainable-Visitation-Strategy-2020-2030-Community-Solutions-Panel-Briefing-Book-V15-web-spreads-1.pdf

[10] Ibid.

- Placing a levy on non-hosted STRA bookings, to reduce the incentive to offer properties on the short-term market. The proceeds of these policies are often used to fund housing initiatives.

We will assess how these regulations have developed within other jurisdictions, namely how policy has developed in NSW, regulation within the rest of Australia, and international interventions.

Box 1: Key Insights

Australian jurisdictions have only recently started to implement consequential reforms to regulate STRA. These have included:

- Localised day caps,
- Levies, and
- Council approval schemes on new STR.

Only the New South Wales day caps have been critically evaluated, with research showing the impact on the long-term rental market is minimal, and that broad brush caps are not an effective policy for jurisdictions to implement STRA reform that will meaningfully impact long term rental markets.

Internationally, examples we have assessed are for policies including caps, and near bans of STRA. The effects of the policies are as follows:

- Post implementation appraisal of bans have suggested minimal effect on housing affordability, and issues with compliance arise where demand persists but there are no alternative options for short term accommodation.
- In jurisdictions where there are caps, there may appear to be a minimal reduction in rental prices, all else being equal, but this outweighed by the effect of changes in the housing stock. In addition, there is no strong evidence of STRA caps driving an immediate increase in supply on the long-term market.

Source: Frontier Economics

1.2.1 New South Wales

The NSW government has implemented short term rental regulation in two stages, first in response to a 2016 parliamentary inquiry and second when the NSW planning department consulted on a regulatory framework in 2019.

- The first phase involved relatively minor interventions, with key outcomes being to implement a code of conduct to mitigate complaints, allowing strata schemes to ban STRA, and implementing minimum fire safety standards.
- The next stage in 2019 involved much more consequential reforms. Which introduced a 180-day cap on non-hosted STRA in Greater Sydney and allowing regional councils to implement a cap as low as 180-days, with exceptions for bookings longer than 21 days.

The second stages 180-day cap was the first instance of substantial intervention into the STRA sector in Australia, coming into force on the 1st of November 2021. Box 2 outlines the effectiveness of the cap, and highlights reasons that future changes to STRA regulations may be necessary.

Box 2: Appraisal of the 180-day cap

The NSW government implemented its 180-day cap on non-hosted short-term rentals within Greater Sydney, Ballina, Byron Bay and sections of Clarence Valley and Muswellbrook. This policy has been in force for nearly four years; however, assessments of its effectiveness remain limited. The NSW Department of Planning, Housing and Infrastructure's 2024 discussion paper[11] it is made clear that applying a cap of 180-days will not be effective in all locations.

Source: Frontier Economics analysis

More recently in 2024, the NSW government tabled a discussion paper to guide future regulation of the short-term rental sector.[12] This paper received over 400 submissions, but decisions around the next steps of short-term rental regulation in NSW are yet to be made. In the paper, the following points were raised as those that guide the thinking of department:

- The department raised concerns around the effectiveness of caps on short term rentals. They raised that numerous councils have requested a lowering of day caps, but these have not been implemented, with the state government raising the following issues around the use of caps:
  - There is insufficient evidence to suggest a cap restriction is beneficial for the long-term rental market. Noting that day caps may end up with greater underuse of the housing stock, with the reduction in supply of accommodation raising prices, and preventing the desired number of properties from leaving the short-term rental market.
  - It is not seen that a universal cap applied on STRA would be effective across all regions and broadly affects types of housing that may not be well suited to long term housing. Implementing a scheme of localised caps will add to the administrative burden for both governments and participants and will add to regulatory uncertainty as the future changes, putting investments at risk.
- Alternatively, a levy was presented as a potential solution to move properties to the long-term market. The vision is that this would apply broadly to all types of dwellings that have the potential to move to the long-term market, these include non-hosted short-term accommodation, holiday homes and vacant properties.

1.2.2 Other Australian states

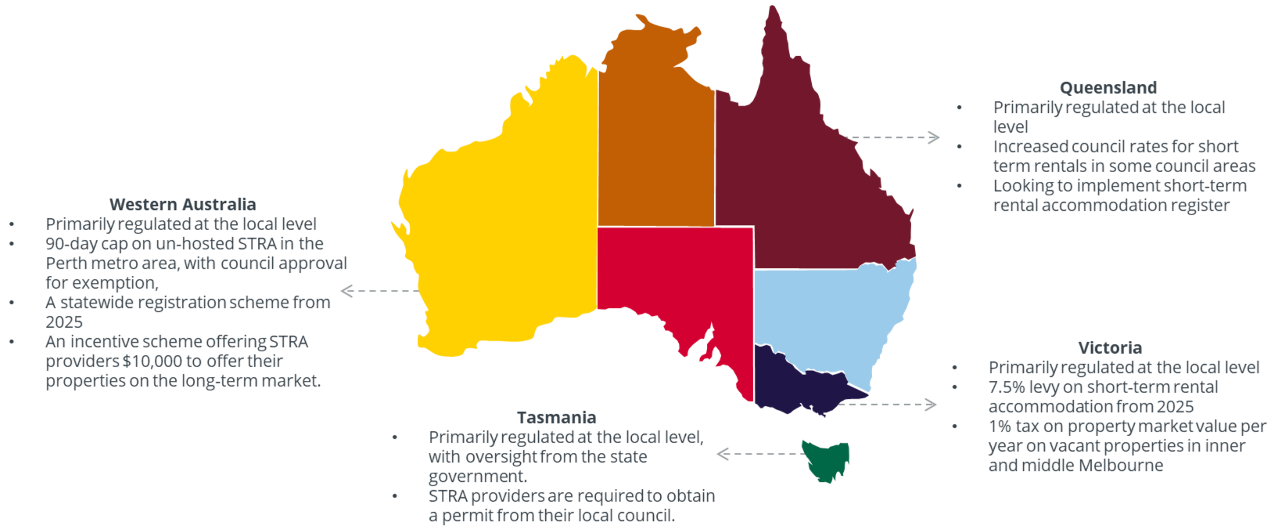
Different states have adopted diverse approaches to regulating short term rental accommodation. Figure 7 provides an overview of the different approaches to regulating short term rental accommodation across Australia, in general we see that most regulation occurs at the Statewide level with some LGAs creating additional regulation. Some jurisdictions have

11 https://shared-drupal-s3fs.s3.ap-southeast-2.amazonaws.com/master-test/fapub_pdf/Discussion+paper+on+short+and+long-term+rental+accommodation+-+NSW+DPHI+(1).pdf

12 https://shared-drupal-s3fs.s3.ap-southeast-2.amazonaws.com/master-test/fapub_pdf/Discussion+paper+on+short+and+long-term+rental+accommodation+-+NSW+DPHI+(1).pdf

registration schemes to improve transparency in the sector. This transparency can be used to inform future policy that is backed by evidence.

Figure 7: STRA regulation in Australia



Source: Frontier Economics

Within specific jurisdictions we see the following policies:

- **Queensland** has refrained from applying any statewide legislation after commissioning University of Queensland reviews into both the effectiveness of night caps, and intervention options for Queensland. However, some local councils have implemented their own policies, including:
  - *Additional council rates* being applied to short term rental accommodation by councils,
  - *Council* approval *system,* in Noosa and the Whitsundays, where the council must approve the use of a dwelling for short term accommodation.[13]
- **Victoria** has implemented a statewide 7.5% levy on short term rental accommodation which is to be used to provide additional social and affordable housing. This aims to shift properties onto long term markets, and to mitigate the perceived effects of STRs by funding affordable housing.[14] Aside from this statewide levy, the Victorian government has left other regulations down to councils. With this policy being relatively nascent, there is little evidence as to how this scheme effects housing outcomes.
- **Western Australia** has implemented a range of policies on STRA, these include:
  - *An incentive scheme* for the providers of short-term rentals to offer their properties on the long-term rental market. This takes the form of a $10,000 subsidy for those eligible properties where owners are willing to sign onto a 12-month lease.[15]
  - *A 90-day cap* has been placed on un-hosted STRA within the Perth metro area, with council approvals required for exemption, and

[13] https://www.noosa.qld.gov.au/Planning-and-Development/Short-stay-letting-and-home-hosted-accommodation-local-law/Short-stay-letting

[14] Victorian short stay levy: https://www.sro.vic.gov.au/owning-property/short-stay-levy

[15] https://www.planning.wa.gov.au/planning-reform/short-term-rental-accommodation-planning-reforms

- *A mandatory registration scheme* statewide that came into force on the 1st of January 2025, which will be used to better understand the presence of STRA and direct future policy decisions.

1.3 Review into Byron Bay STRA caps

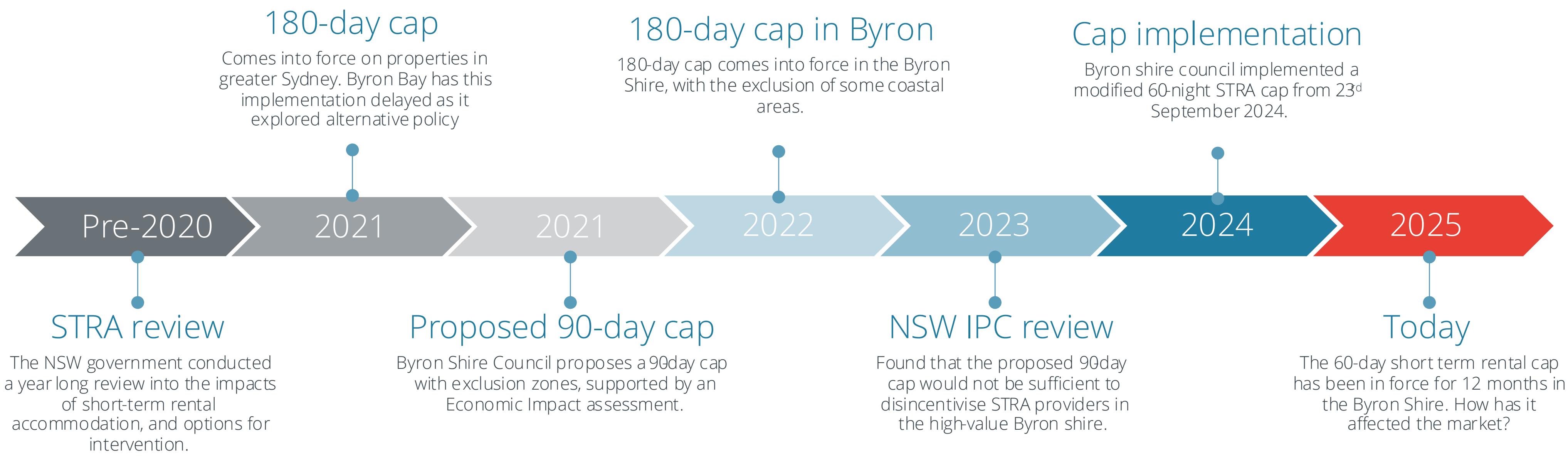
Prior to the presentation of the NSW state governments 180-day cap position, the Byron Shire Council applied for permission to design their own policy to restrict STRA. As a result of this, the initial application of a 180-day cap to the Byron Shire was delayed as the Council developed their own policy to apply a 90-day cap to short term rentals. This was then subject to review by the Independent Planning Commission (IPC) to review if the policy would be likely to achieve its stated aims.

The proposal was supported by an Economic Impact Assessment which considered night cap options, including a 90- and 180-day cap with different exclusion zones. With the Council's preferred option being a 90-day cap with exclusion zones, which was intended to increase the number of dwellings on the long-term rental market by 24%, whilst having manageable effects of tourism.[16]

This led to a consultation process on the prospective policy, and a range of recommendations that were provided by the IPC. The process timeline of the development of STRA regulations in the Byron Shire can be seen in Figure 8.

16 Planning Proposal for Short term Rental Accommodation, Byron Shire Council, https://www.ipcn.nsw.gov.au/sites/default/files/pac/projects/2022/12/byron-shire-short-term-rental-pp/referral-from-dpe/attachment-3--pp20213351-planning-proposalpdf.pdf , Page 12,

Figure 8: Byron Bay STRA timeline



Source: Frontier Economics

IPC recommendations

As a result of this referral, the IPC conducted a review into the cap and recommended a suite of actions to be implemented by the Byron council on the 27th of April 2023.

The initial phase of the review involved consultation with a range of stakeholders in the region including government departments, the council, tourism and business bodies and major STR providers including Airbnb and Expedia. However, once recommendations were made by the IPC there was no additional consultation, including on the unexpected 60-day cap that was recommended.

The recommendations included changes to permitting of STRA, measures to facilitate additional short- and long-term accommodation, and objectives to collaborate with different levels of government to achieve social objectives. Some of the key recommendations included:

- The policy should not proceed as proposed, the IPC saw that exclusion zones should not be utilised, and that a 90-day cap was insufficient to deter STRA providers from the higher revenues available in the Shire. As an alternative, the IPC recommended that a 60-day cap should be applied to non-hosted STRA across the entire LGA, with the ability for exemptions to be granted by council.
- A levy should be introduced on STRA in the Byron Shire, through either additional STRA registration fees, a per-booking levy, or additional council rates for STRA registered properties.
- Various recommendations for the state government, including conducting Ex-post evaluations of the positive and negative impacts of STRA and on the effectiveness of caps, along with using its levers to support effective planning and working with councils to align the functioning of the housing market with broader social objectives.

Cap implementation

After receiving the recommendations from the IPC, the Byron Shire Council applied a 60-day cap as suggested. However, they preserved the use of exclusion zones in key centres as opposed to moving to an approvals-based system. This policy then came into force in September 2024.

1.4 Previous analysis on the effectiveness of caps

Short term rental regulation has been a feature of many international markets, with many of these policies being the subject of post-implementation reviews or academic studies that seek to gauge their effectiveness. Assessing these we find mixed reviews around the effectiveness of night caps as a measure for regulating short term rental accommodation.

We assessed the following pieces of analysis:

- A University of Queensland study which specifically assessed NSW's 180-day cap.[17]
- A University of Queensland study which presented recommendations for the Queensland governments regulation of STRA.[18]
- A University of South Australia paper investigating the impact of STRA regulation on housing availability and affordability, with a focus on STRA regulations in New York.

17 https://www.tandfonline.com/doi/full/10.1080/00343404.2025.2506601

18 a-review-of-the-impacts-of-short-term-rental-accommodation-in-queensland.pdf

University of Queensland study into the effectiveness of caps

Academics from the University of Queensland conducted a study into the effectiveness of the 180-day cap applied to STRA, with particular attention on the impact it had on rentals in the Byron Shire. To do this, it used a difference in difference approach to assess the change in rent prices between regions that had the cap, and those that did not.

It found that the 180-day cap has not had the intended effect of promoting LTR affordability, nor has it resulted in a reduction in the number of STR properties listed. These results suggested that a 180-day cap may be insufficient to achieve policy objectives, and that other housing policies that balance the range of stakeholder views may be better options, rather than a uniform cap applied to a region.

New York short-term rental ban

New York first began regulating STRA in 2011 by amending the Multiple Dwelling Law, which prohibited property owners from renting out their properties for periods less than 30 days where the permanent occupant of the property is not also present. In 2016, the penalties for breaches of Multiple Dwelling Law were increased, and in 2018 STRA platforms like Airbnb became required to share host data to the city in an effort to facilitate identifying breaches.

In 2022, NYC passed Local Law 18. This resulted in the following requirements for STRA hosting:

- Hosts are required to seek approval from the city when listing their properties;
- Hosts must live on site;
- Listings can accommodate a maximum of two guests; and
- These guests must have full access to the property

Breaches of these requirements resulted in significant fines, for both the host and the STRA platform itself. After Local Law 18 came into effect, Airbnb listings dropped from 21,900 in July 2023 to 3,700 in July of 2024.[19] Despite this, no apparent reduction in housing prices in NYC was observed, nor housing returned to the long-term market.[20]

In a somewhat foreseeable event, it appears that this new regulation may have resulted in something of a windfall for hotels in New York. From January 2023 to 2024, hotels in New York saw growth in occupancy, ADR and RevPAR of 8.8%, 8.5% and 18.1% respectively, some of which is likely attributable to Local Law 18's impact on the availability of STRA's as an alternative to traditional hotels.[21]

19 Sage, S (2024). The Aftermath of NYC's Short-Term Rental Crackdown: One Year Later. Available at https://www.airdna.co/blog/nycs-short-term-rental-crackdown

20 O'Connor, P., Pung, J.M. (2025). Exploring the Impact of Short-Term Rental Regulations on Housing Availability and Affordability: A Case Study and Research Agenda. In: Nixon, L., Tuomi, A., O'Connor, P. (eds) Information and Communication Technologies in Tourism 2025. ENTER 2025.

21 O'Connor, P., Pung, J.M. (2025).

2 Qualitative assessment of the 60-day STRA cap

The first stage of the assessment is a qualitative evaluation of the intervention, with research conducted by SEC Newgate.

SECNewgate Research

DISCLAIMER: In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. It is important to understand that we have sought to ensure the accuracy of all the information incorporated into this report. Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making. The qualitative research findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population. This project was conducted in accordance with AS: ISO20252:2019, to which SEC Newgate Research is accredited.

2.1 About the research

SEC Newgate undertook 10 one-on-one interviews with business owners and managers located in the Byron Shire between Thursday 18 September – Friday 24 October 2025.

Participating businesses included retail, hospitality, entertainment, transport, childcare and agriculture.

Seven businesses were situated in Byron Bay, two were in Mullumbimby and one in Skidders Shoot.

Interviews were conducted online using Teams, and each interview was around one hour duration.

The core objective was to explore how the introduction of the 60-day STRA cap ("the cap") by the Byron Shire Council is impacting local businesses. Specifically, to understand whether the introduction of the cap has had a material effect on business' ability to hire casual staff – given the goal of the cap is to force more properties into the long-term rental market increasing housing availability for casual workers.

2.2 Unprompted issues and concerns

To set the scene and contextualise discussion about the cap, we first asked participants for their views on current issues within the Byron Shire region including any recent changes, as well as their experiences of operating a business in the region. This part of the discussion was intended to explore the extent to which the cap and the underlying issues of housing availability and affordability, and the impact on hiring staff, were top-of-mind concerns.

While the cap itself was not raised spontaneously, housing affordability was a prominent theme in most interviews and remains an ongoing challenge in the region.

Businesses themselves can struggle with commercial rents which are felt to be very high and a particular challenge during the winter months when business performance is weaker.

More pertinently, the issue of affordable long term (residential) rental accommodation is considered one of the biggest challenges in the region. Almost all businesses we interviewed commented on the lack of affordable housing and felt that, if anything, the situation was worsening, due to significant natural disasters (floods, fires, cyclones) reducing housing stock, and new developments failing to deliver affordable options (instead delivering mainly upmarket properties for a wealthy market).

Development was a common theme, especially in the Byron Bay township where participants noted the construction of several large-scale commercial property developments in recent years. Recent developments, including the establishment of a new suburb 'West Byron' and the arrival of 'upmarket' restaurants, bars and hotels are felt, by some, to be changing the dynamic of the area in a negative way, eroding the town's heritage as a laidback coastal village.

Some feel there the sense of community has weakened due to the influx of wealthy families migrating to the area, creating a disparity between 'new' and 'old' Byron. They note that the disparity between affluent and less fortunate is particularly noticeable in a 'small town' like Byron Bay.

On balance, these developments and changing dynamics were considered a negative, although some participants noted changes presented opportunities for their business – the presence of more wealthy locals (and tourists) represent potential customers.

The issues raised were considered long-term trends that had been occurring over many years. There was no sense among any of the participants of substantial changes over the past 12 months specifically – the time period since the 60-day cap was introduced. In other words, the cap has neither coincided with, nor interrupted broader issues in the region.

To the extent a 'turning point' exists, it would be the COVID-19 pandemic. Many participants described the significant disruption experienced during the pandemic and there was a prevailing sense these effects were continuing to be felt, for example reduced night-time trade, closure of hostels, and an influx of people moving from cities to Byron. Some felt tourism numbers have not recovered to pre-COVID levels.

2.3 Staff hiring experiences and challenges

All businesses that participated in the research were selected because they hire casual staff. During the interviews, we explored their experiences of hiring casual staff and challenges encountered in this process, to ascertain whether any changes had been felt since the cap was introduced.

Overall, our discussions found that staffing challenges remained and none of the businesses we interviewed reported any improvement in the availability of casual staff.

Due to the heavy reliance on tourism, business performance and staffing needs fluctuate throughout the year, with greatest need during school holidays and summertime. Businesses rely heavily on casual staff during these peak periods which creates a need for continuous training and a requirement to 'over-staff' to account for ongoing lack of experience and the transient nature of the staff pool.

The transient nature of Byron Bay means there is a persistent challenge for businesses to maintain a stable workforce. Many of the businesses we spoke to hire backpackers for casual roles, who typically only stay with the business for one season.

Hiring staff from the permanent local population would be preferable, but is a challenge for some businesses, especially those in hospitality. There is a perception that locals are not interested in hospitality work due to low wages, and a preference for permanent employment rather than casual / seasonal work.

This stems from the high cost of rental accommodation in the area. Even backpackers face this challenge as some hostels increase their rates during peak seasons.

Some businesses (albeit a minority) feel an obligation to assist casual staff to locate affordable housing in order to secure them in their workforce, for example finding a staff member a 'spare room' to rent via their community contacts. This places additional pressure on businesses.

The lack of affordable housing is felt to be exacerbated by new upmarket developments that don't provide the affordable housing that is needed, especially for casual workers.

Housing affordability isn't only an issue for casual workers; it can also make it hard for businesses to attract 'senior' or permanent hires to relocate to Byron Bay.

2.4 Views on the 60-day cap

Participants were asked what (if anything) they knew about the cap, to explore their awareness and understanding of it. We shared an overview of key facts about the cap outlining its aims, exemptions, and how it is enforced and then explored participants views about the cap and what impacts they felt it might have for them and the Byron Shire more generally.[22]

At first glance, participants were favourable about the intent behind the cap to address housing availability and affordability, given the prominence of the issue in the region. However, upon further consideration, there were doubts about how effective the cap would be in solving this issue, and about other potentially detrimental side-effects.

While all businesses we spoke to were aware of the cap, they were not familiar with the details. Few had given it much consideration, and it was not a major talking point with other businesses or the general community.

Importantly, the businesses we spoke to felt there had not been a noticeable change in their business performance or customer profile, over the past 12 months since the cap was introduced – certainly nothing that might be attributed to the cap. To the extent they had observed changes in trade patterns, this was attributed to the broader shift in dynamics post COVID and following the arrival of more high-end developments in town.

As noted above, the issue of affordable housing in the region is also felt to be unchanged over this period. Businesses welcome any potential initiative designed to alleviate this issue, but they are not convinced the cap will do so. Their main concerns are summarised below.

Concern: Depletion of STRA could have adverse effect on vital tourism spending

Business owners stressed their reliance on tourism activity and reasoned that, if the cap was to reduce the availability of short-term rental accommodation there would be fewer tourists around to spend money.

Concern: Ineffective surveillance and enforcement would undermine the cap's objective

Some interviewees queried the effectiveness of the cap's enforcement process, in addition to who holds responsibility for undertaking the work.

[22] The fact sheet used is provided in the technical annex.

Concern: Properties sitting empty for most of the year

A few participants suggested that given the high price of property in the Byron Shire, owners of STRA properties "must be wealthy" and may not need to put the property on to the long-term rental market. In this scenario, the property would end up vacant for the majority of the year, when otherwise they might be occupied by tourists who bring spending money to the town.

Concern: Change in tourist profile and spending patterns

Some felt that STRA property owners may increase their prices to maximise the return from their 60-day allotment. This would put properties out of reach for certain tourist segments such as families – an important segment for some businesses.

Even without a price increase, the reduction in availability of STRA would force tourists into other forms of accommodation such as hotels and resorts, which might be similarly out of reach for these segments.

Long term, this trend could mean Byron Bay becomes less accessible for everyday Australians, which would fundamentally change the region's identity.

Concern: Hidden catch for long-term rental tenants

If property owners were to put their property on to the long-term rental market, some questioned this might include a clause whereby tenants have to vacate for 60 days a year so that the owner can benefit from the 60-day STRA allowance. This would cause disruption to those long-term tenants and possibly force them out of the area at a time when they are most needed by local businesses.

Concern: Loss of community cohesion

Most participants were surprised to learn that some parts of the Byron Bay township would be exempt from the cap. This gave rise to concern about the impact on residential communities in non-exempt areas if those areas consequently take on more of the tourist accommodation burden.

3 Impact on rental markets

This section summarises the impact of the 60-day cap on both short and long-term rental accommodation markets. The key finding is that the implementation of the cap has not had significant impact on accommodation markets in the Byron Shire. For detailed information on the methodology and approach, please see the technical annex released alongside this report.

3.1 Short-term rental markets

The impact of the cap on short-term rental markets has been minimal, with prices and availability remaining in line with pre-intervention observations.

Participation in the STRA market

Participation in the STRA market has remained relatively constant in the 12 months since the 60-day cap was implemented. As of the 1st of September 2025, there were 1,944 registered STRA properties in the Byron Shire.[23] Of these, around 1,000 were non-hosted STRA, with NSW DPHI figures showing that the Byron Shire contained 1,064 non-hosted STRA registrations in August 2024, and 1,004 in August 2024.[24]

This slight reduction in STRA registrations does not seem to be driven by the cap. Examining the properties that became inactive,[25] we find that the median number of nights provided in the 12-months to 2024 was only 20 nights. That is, the median property was far from being directly impacted by the 60-day cap. It is therefore challenging to attribute the decline in active properties or registrations to the intervention.

STRA pricing has not changed

In Figure 9 below we provide the aggregate average daily rate.[26] As we would expect, the average daily rate exhibits strong seasonality prior to the intervention, with peaks in December January (and April to a lesser extent). The overall level of prices was relatively stable over time.

Post-intervention, we observe minimal changes in pricing. Two key observations:

- The overall level of pricing is consistent with that of the pre-intervention period
- The seasonality of pricing is consistent with that of the pre-intervention period

We do not observe the anticipated price rise, and in particular we do not observe a price rise during the low-price period (i.e. winter months). This observation is not consistent with the cap constraining behaviour of property owners and therefore in effect increasing the cost of providing STRA during periods of low demand.

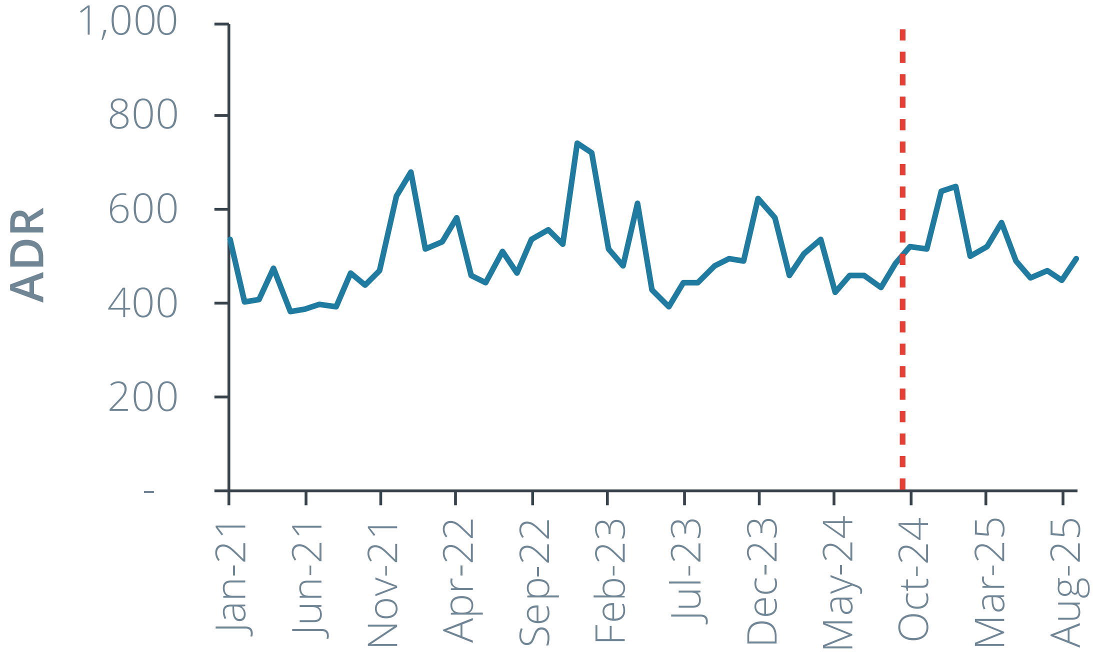
23 Data obtained from the Department of Planning, Housing and Infrastructure

24 DPHI data from, https://www.abc.net.au/news/2025-09-23/60-day-caps-in-byron-bay-results-uncertain-after-one-year/105799696

25 Analysis in Section B.3 of the technical annex.

26 Calculated as total revenue in the 2479 for the month divided by total number of nights sold.

Figure 9: Average daily rate – Byron Bay

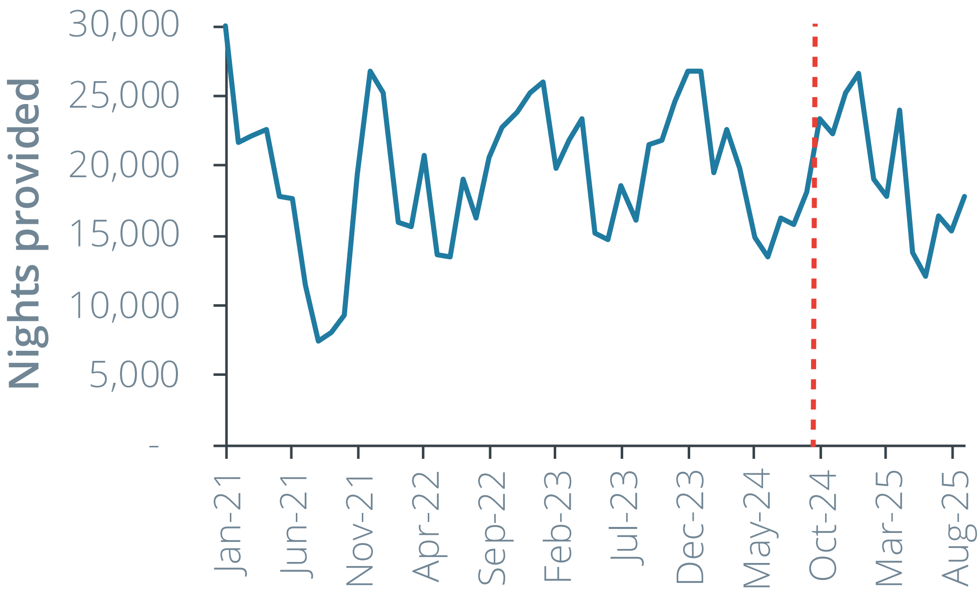


Source: Frontier Economics analysis of AirDNA data

Nights provided have not changed

Similarly, we can examine the nights provided in the Byron Bay area. Shown in Figure 10, there does not appear to be any substantial response to the intervention in the number of nights provided, with the seasonal shape of nights provided looking similar to previous years.

Figure 10: SRTA Nights provided – Byron Bay



Source: Frontier Economics analysis of AirDNA data

3.2 Long-term rental markets

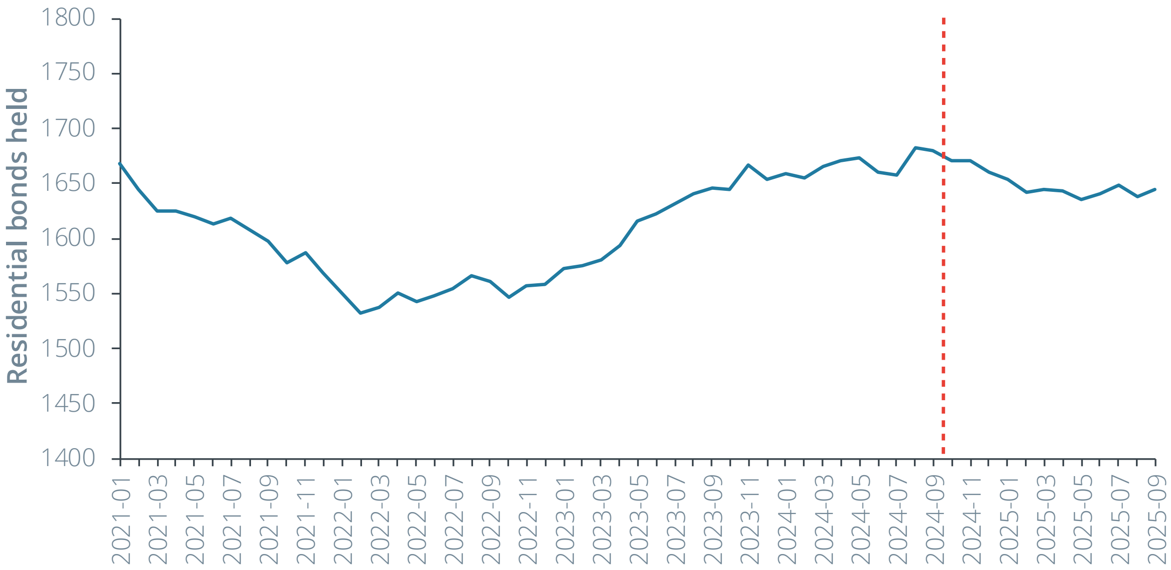
Contrary to policy objectives, the long-term rental market has seen no impact from the change in regulations. Over the 12-months from September 2024 to September 2025 the total stock of rental dwellings in the Byron Shire have fallen, and price of long-term rentals have risen to their highest ever levels.

To assess if there were any significant impacts from the cap, we compare nearby regions which were under the 180-day cap previously applied to the Byron Shire and see if there have been notable differences in outcomes.

Number of long-term rentals

As shown in Figure 11, the number of rentals decreased somewhat to a low of around 1,500 as at January 2022. The market then increased to 1,700 prior to the introduction of the cap in September 2024. After the cap we observe a stagnation of the market, with a small decrease in the number of rentals.[27]

Figure 11: Byron Bay rental bonds held



Source: Frontier Economics analysis of NSW bond data

We note that the comparators Ballina and the Coastal areas of Clarence Shire[28] exhibited a similar pattern with increases from late 2022, though Ballina exhibited a moderate increase post September 2024.[29]

Shown in Table 1, we see that Byron Bay has experienced a 11% reduction in bond lodgements, using both the 12-month periods and the 6-month periods. Comparator Ballina experienced a similar reduction in bond lodgements – a 13% decrease for the 12-month periods and a 7% drop for the 6-month periods (with Coastal Clarence experiencing 5% decreases).

[27] Similar patterns are observed for postcodes 2482 (Mullumbimby) and 2483 (Brunswick Heads).

[28] Postcodes 2462, 2463, 2464 and 2466.

[29] See Appendix B1 of the technical annex.

Table 1: Total bond lodgement comparisons

Start	End	Ballina	Byron Bay	Coastal Clarence
Oct-23	Sep-24	1094	604	595
Oct-24	Sep-25	957	540	567
Change		**-13%**	**-11%**	**-5%**
Apr-24	Sep-24	460	303	279
Apr-25	Sep-25	427	271	266
Change		**-7%**	**-11%**	**-5%**

Source: Frontier Economics analysis of NSW bond data

On this basis we conclude that there is no evidence of an increase in bond lodgement activity in Byron Bay attributable to the intervention.

Price of long-term rentals

To examine the potential impact of the intervention on affordability we examined the data on weekly rents associated with new bond lodgements, using the NSW bond lodgement data.

We use a hedonic regression model to account for factors that may influence rental value. Given the data available this was restricted to the number of bedrooms and the house type.[30] To examine the price trend we include dummies for the quarter of the observation, from 2022 Q1 to 2025 Q3.

The resulting rent trends by quarter are presented in Figure 12. The coefficient provides the price increase/decrease relative to the reference quarter 2024 Q3 (the quarter prior to the intervention). For example, the coefficient of -7% in 2022 Q1 indicates that rents were typically 7% lower in 2022 Q1 relative to 2024 Q3. We see that rents increase over time (the price coefficient increases over time), with the prices in the four quarters post intervention above the price immediately prior to the intervention.

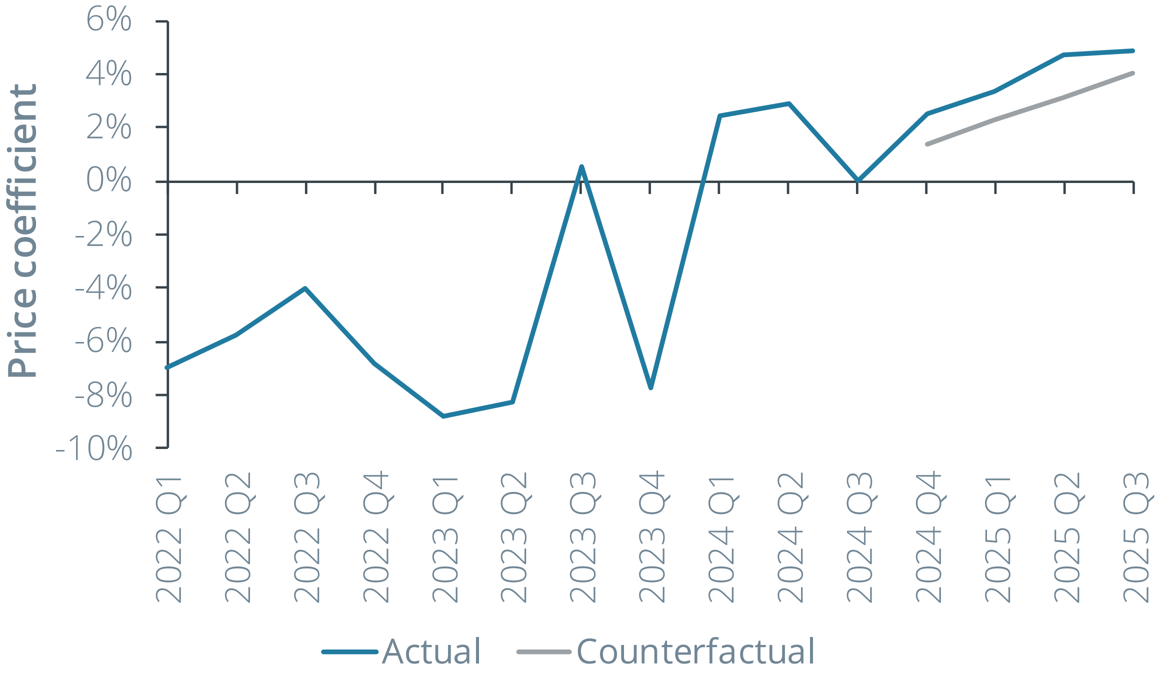
The price increases are however in line with the expectations of ongoing price increases. Extrapolating the trend from 2022 Q1 to 2024 Q3 provides the 'counterfactual' price trend, roughly in line with the actual price trend.

Based on the price trends, we make two key observations:

- There is no price decrease associated with the intervention; and
- While prices have increased post-intervention, there is little price movement attributable to the intervention itself.

30 Property types were flat/unit, terrace/townhouse/semi-detached and house. The 'Other' category was omitted due to limited data. The bond data did not contain information on property size/bathrooms/car parks etc.

Figure 12: Rent trends by quarter – Byron Bay



Source: Frontier Economics analysis of NSW bond data

We note that similar observations can be made for Ballina and Coastal Clarence.[31] This again supports a finding of no impact of the intervention on rents in Byron Bay.

As a final check we perform a difference in difference analysis of the rents in Byron Bay as compared to Ballina and Coastal Clarence. We find no significant impact of the intervention on rents in Byron Bay.[32,33]

[31] See Figure 19 in Appendix B.2 of the technical annex.

[32] The estimated impact of the intervention was a reduction of 1.6%, or 2.1% if consider the intervention to only have an effect on 2025 Q2 and 2025 Q3. In both cases the estimated impact was highly insignificant with t-statistics of 1.1.

[33] Results for Rent price regressions are provided in Appendix B.2 of the technical annex.

4 Conclusion

The 60-day cap on short-term rental accommodation, implemented in September 2024, aimed to increase the supply of long-term rental accommodation by incentivising owners to shift properties from the short-term to long-term market. Our analysis shows that, 12 months on, the intervention has not achieved the stated objectives, with no observed improvement in the long-term rental market. Instead, weekly rents have continued to increase, in line with trends and neighbouring regions. Further, we have not observed the anticipated reduction in activity in the short-term rental market: property owners have not responded to the intervention by reducing supply of short-term rental accommodation.

Frontier Economics

Brisbane | Melbourne | Singapore | Sydney

Frontier Economics Pty Ltd
395 Collins Street Melbourne Victoria 3000

Tel: +61 3 9620 4488
t

ACN: 087 553 124 ABN: 13 087 553 124