Bondi to Byron:  
The diverging experiences of rental and home-buyer markets in urban and regional NSW during the COVID-19 pandemic  
William Thackway (UNSW), Bill Randolph (UNSW), Christopher Pettit (UNSW)

Introduction

The COVID-19 pandemic has introduced many new challenges for health, economic activity, and housing around the world. These include the impact on global mobility and multiple prolonged lockdowns restricting internal travel since the pandemic reached Australia in March 2020. However, new travel patterns and changing lifestyle choices have led to very different outcomes for property and rental markets in urban and regional NSW.

On the one hand, the loss of international tourism, changing lifestyle preferences, and the resurgence of domestic travel have allegedly stimulated a surge in demand for regional housing at the expense of urban areas (Sati, 2021; Whetham & Loney, 2021). Concurrently, the low interest rate environment operating in Australia’s highly financialised housing market has created huge pressures on Australia’s home-buying market that is affecting all parts of the state.

To date, other than lurid media coverage, this shock to local housing markets across Australia has received little scholarly analysis. Therefore, in this paper, we will look to examine the diverging stories of the COVID-19 pandemic inspired impact on Greater Sydney (GSyd) and the Rest of NSW’s (RNSW) rental and home-buyer markets through a multi-scale data analysis approach that triangulates tourist activity, investor sales, and property/rental prices.

While scattered evidence from the US, UK and Europe have explored rental and housing markets individually, a direct comparison of the response of commensurate urban and regional housing sectors is lacking. Hence, this study provides the first empirical comparison globally of a local urban and regional housing market to the COVID-19 pandemic.

Rental Market

Changes to the rental and home-buyer market were compared for GSyd and RNSW over three 6-month periods: pre-pandemic (2019 Q4 – 2020 Q1), post-pandemic (2020 Q2 – 2020 Q3) in the immediate aftermath of the first lockdown, and the recovery period (2020 Q4 – 2021 Q1) during the reopening of the state. Firstly, comparing overall changes to rental prices revealed falling rental prices for Sydney through both the post-COVID and recovery periods, with declines particularly concentrated in high-price areas close to the CBD, eastern suburbs and northern beaches. Contrastingly, while rental prices in regional areas remained stable following the onset of the pandemic, they have risen dramatically throughout the state in the recovery period, most notably in several coastal tourist hotspots.
Given the link evidenced between reduced Airbnb activity and falling rental prices in both Sydney and Hobart (Thackway & Pettit, 2021; Buckle & Phibbs, 2021), changing Airbnb patterns presents a likely contributor to the divergent rental market experiences of urban and regional NSW. Therefore, using Airbnb listings data from the web scraping company AirDNA, we constructed a measure of Airbnb activity to investigate how the rental market response differed in high- and low-Airbnb activity areas.

In Sydney, the conversion of Airbnb’s back to long-term rentals in the post-pandemic period led to an increase in both Long-Term Rental (LTR) supply and vacancy rates in high-activity areas. Resultingly, rental prices fell in Sydney’s tourist hotspots, however remained stable elsewhere. On the other hand, rental supply and vacancy rates dropped significantly in regional tourist hotspots, as new Airbnb’s and greater rental demand flooded the market. Here, while initially stable, rental prices increased commensurate to Airbnb activity towards the end of 2020 and start of 2021.

Hence, changing Airbnb patterns have displayed a clear relationship with rental prices throughout the pandemic. Indeed, while Airbnb alone cannot explain the complex movements of the rental market over the last two years, these findings nonetheless exhibit the powerful impact of Short-Term Rental (STR) platforms on the overall rental market.

**Property Market**

Despite many of the same lifestyle choice factors affecting the home-buyer market, property prices in urban and regional areas have displayed a markedly different trajectory to rental prices. From the start of the pandemic to 2021 Q2, median house prices increased by 18.6% in Sydney. Interestingly, high-price coastal and inner-city areas that were most affected in the rental market saw the largest gains to house prices. Over the same time period, unit prices increased by just 2.7%, reflecting lifestyle preferences for greater space and better access to outdoor areas. In regional NSW, both house (17.7%) and unit (10.2%) prices have increased significantly since the onset of the pandemic. Similarly, property price increases in regional areas have been concentrated in higher-price tourist areas towards the north- and south-coast.

Rising property prices observed in Sydney, despite demand pulls to regional areas and no international migration, shed light on the complex market drivers of the home-buyer market. In particular, the financialisation of Australia’s housing market, operationalised over three decades through favourable government policy, public housing cutbacks and increasing foreign investment, has enabled remarkable market resilience in the face of economic crises.

The durability of Australia’s property market was evidenced during the GFC, and low-interest rates have again facilitated surging property prices in spite of a global pandemic, most likely stimulated by a return of property investors to the market.
during 2021 (Whitson, 2021). The consequences for long-run housing affordability are yet to be fully discussed, however initial indications are worrying (Maclellan et al., 2021). To investigate the role of investor activity in NSW’s property market response to the pandemic, we intend to track the transfer of rental properties into the home-buyer market. This is hoped to help elucidate the degree to which Australia’s financialised housing market has contributed to the differential responses of NSW’s urban and regional rental and home-buyer markets to the pandemic.

**Conclusion**

For Sydney, the paradox of improved rental affordability and rapidly escalating property values during the pandemic underscores the power of Australia’s financialised housing market. However, with the return of global travel and housing reform seemingly off the political agenda for the foreseeable future, housing affordability prospects for both the rental and home-buyer market ostensibly face significant pressure. Moreover, regional areas have been hit hard on both fronts.

If the lifestyle changes and regional migration observed during the pandemic become entrenched, increased social housing supply and more targeted regulation of short-term rental platforms will become a necessity. Ultimately, the findings of this study are expected to help understand the contrasting responses of urban and regional areas to the COVID-19 pandemic, and potentially shed light on necessary future policy directions for NSW’s housing market.

**References**


Whitson R. (2021 June 1) *Property boom sees investors return to the market, adding to the pain of first-home buyers*. ABC.