

**Economic effects of
Airbnb in New Zealand**

Airbnb

2018



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Glossary

Acronym	Definition
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATEED	Auckland Tourism, Events and Economic Development
CGE	Computable general equilibrium
EBITDA	Earnings before interest, taxes, depreciation, and amortization
FTE	Full time equivalent
GDP	Gross domestic product
GOS	Gross operating surplus
GRP	Gross regional product
MBIE	Ministry of Business, Innovation & Employment
NZTE	New Zealand Trade & Enterprise
RTO	Regional Tourism Organisation
Stats NZ	Statistics New Zealand
TIA	Tourism Industry Aotearoa
\$	New Zealand dollars



Executive summary

Key findings

- In 2017, 578,000 stays were booked with Airbnb in New Zealand, with hosts accommodating guests for around 1.5 million nights in 225 locations across the country
- Airbnb guests spent \$781.4 million in 2017, representing 2.8 per cent of all tourism expenditure across New Zealand. Around three-quarters of Airbnb guest expenditure is on items other than accommodation, such as groceries, transport, shopping and entertainment
- In 2017, the total economic contribution associated with the expenditure of Airbnb guests in New Zealand was around \$660 million in value added, supporting 6,006 full-time equivalent (FTE) jobs
- Approximately two thirds of economic activity occurs outside Auckland – as guest stays and expenditure are spread across New Zealand’s regions
- Airbnb adds to choice and variety for tourists, with a rating system to provide publicly available reviews. The average star rating for Airbnb listings across New Zealand was 4.8 stars out of 5 in 2017
- Airbnb hosts receive an additional source of income by sharing their property, earning a median income of \$4,400 in 2017. In New Zealand, over 70 per cent of Airbnb hosts are female, and have an average age of 48 years old
- Tourism is integral to New Zealand’s economy, with the industry contributing around \$26 billion or 10.5 per cent to gross domestic product. Platforms like Airbnb support government tourism objectives, principally through expanding room supply, but also through enhancing the visitor experience
- Around two-thirds of Airbnb’s 1.4 million guests visiting New Zealand in 2017 were from overseas. International visitors are a key driver of New Zealand’s tourism economy, with their visitor expenditure increasing by 5 per cent in 2017.

In one year in New Zealand, **1.4 million** Airbnb guests spent **\$781 million**



supporting **6,006 jobs** and **\$660 million** in GDP



Airbnb hosts earned a median income of **\$4,400**



On average, guests across New Zealand rated their Airbnb listing **4.8** stars out of 5



Airbnb is a peer to peer platform on which people can list and book accommodation around the world, including 225 locations in New Zealand. Airbnb's platform connects a community of guests and hosts to facilitate short-term stays.

Consumers' decisions when choosing visitor accommodation are affected by a range of factors, including price, the type and location of the property, and the experience it offers. The growth of Airbnb in recent years suggests that its offering – whether that be its price point, its different range of properties or their locations, or the peer to peer platform – appeals to consumers.

Airbnb hosts receive an additional source of income by sharing their property. This income may be an essential part of the weekly budget, or could be used as extra spending money or long-term savings. In New Zealand, over 70 per cent of Airbnb hosts are female, and have an average age of 48 years old.

This report quantifies the economic contribution of Airbnb guest spending to the New Zealand economy, as well as considering how Airbnb is aligned with government tourism objectives.

The contribution of Airbnb to tourism in New Zealand

Airbnb contributes to New Zealand's tourism industry by facilitating accommodation bookings with local hosts. Around 578,000 stays were booked with Airbnb in New Zealand in 2017, with Airbnb hosts accommodating 1.4 million guests for over 1.5 million nights in towns and cities across the country. Around one quarter of trips booked were in Auckland, followed by Queenstown, Christchurch and Wellington as the top four destinations in New Zealand.

We estimate that Airbnb guests spent \$781 million across the country in 2017, based on bookings and survey data from Airbnb, as well as data from Stats NZ. This includes spending on items such as food, shopping and entertainment, as well as the amount paid to Airbnb hosts for accommodation. It represents 2.8 per cent of all tourism expenditure across New Zealand in 2017.¹

In 2017, the total economic contribution associated with the tourism expenditure of Airbnb guests in New Zealand was around \$660 million in value added, supporting 6,006 full-time equivalent (FTE) jobs.

Supporting tourism objectives

Tourism is integral to New Zealand's economy – directly contributing \$14.7 billion to gross domestic product (GDP) in 2016-17, representing 5.9 per cent of the economy overall. Industries which support tourism indirectly contributed \$11.3 billion to the economy in 2016-17, meaning that the tourism industry represents a total of 10.5 per cent of GDP.²

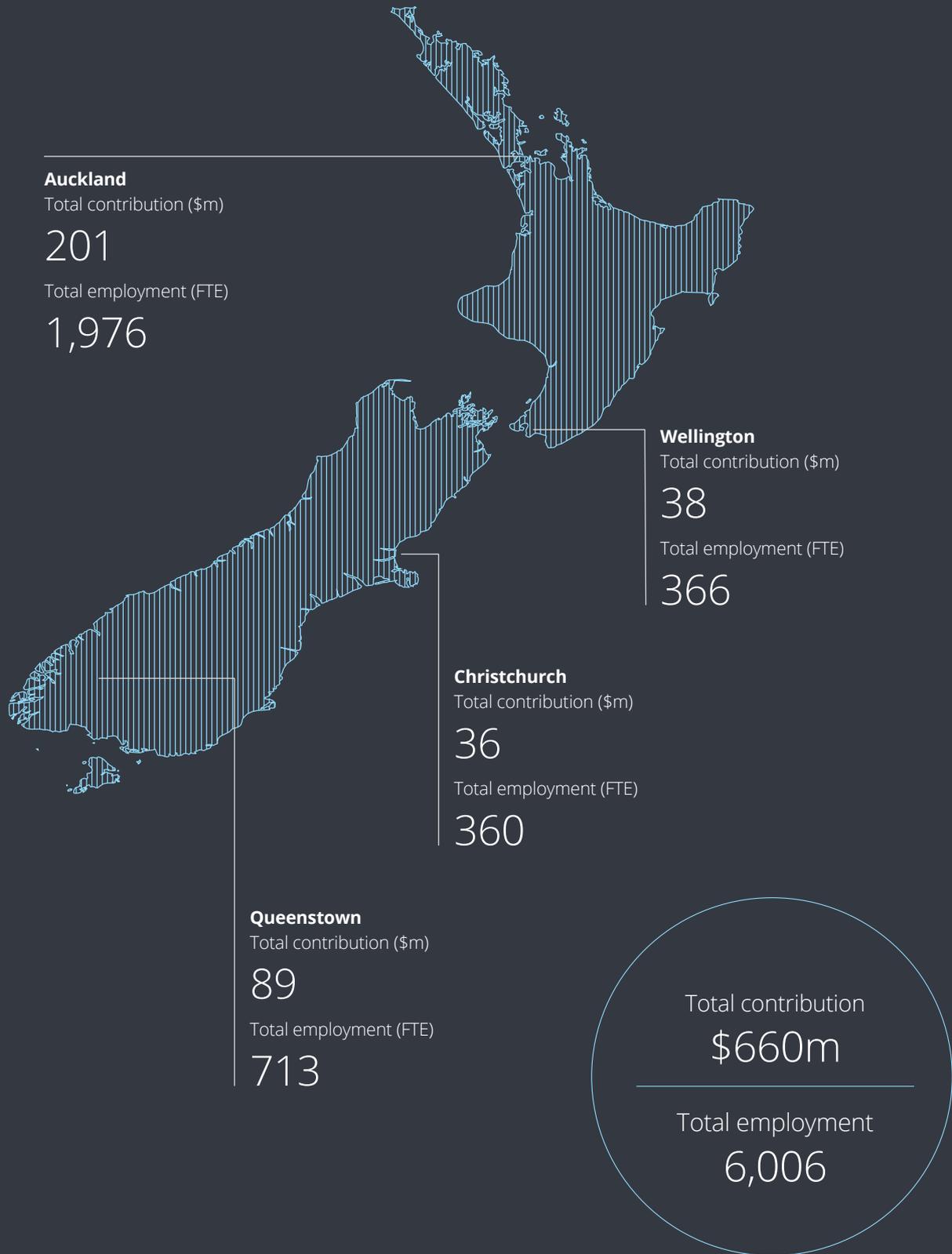
Recognising the industry's potential, governments across New Zealand and the key industry body, Tourism Industry Aotearoa, have set targets and objectives to help grow the visitor economy. Airbnb can assist governments to achieve these objectives, principally through expanding room supply, but also through enhancing the visitor experience.

At the national level, Airbnb supports Tourism New Zealand's latest strategic plan, which focuses on the long-term sustainability of the industry. It notes that increasing the value of tourism is a product of many factors, including regional dispersal and driving demand during off-peak seasons. A major benefit of Airbnb is that it provides listings in varied locations, scattered across cities and neighbourhoods, therefore enabling regional dispersal.

Tourism Industry Aotearoa's *Tourism 2025 – Growing Value Together*, which was endorsed by Tourism New Zealand, also highlights the importance of ensuring visitors have a high quality experience in the country. Airbnb hosts give local tips and recommendations to their visitors, while providing unique accommodation listings and experiences which may not be available elsewhere – enhancing the visitor experience.

Airbnb also supports regional tourism objectives, including those in Auckland, Queenstown and Christchurch. Many of these objectives are along similar lines as to those seen at the national level. Importantly, Airbnb can assist in meeting requirements for new visitor accommodation. Although Airbnb isn't a direct substitute for hotel rooms, it nevertheless can support a growing visitor economy, especially during peak periods of demand – with Airbnb increasing the supply of visitor accommodation in volume and variety terms.

Public discussion surrounding the potential neighbourhood and amenity impacts of Airbnb continues, and it is acknowledged that appropriate regulation could help address these concerns. However, as this report focuses on the economic contribution of Airbnb guest spending, it does not consider these topics in detail.





Introduction



1.1 Purpose and scope of report

Guests have booked over 1.5 million nights on Airbnb across New Zealand since its local launch in 2015. There are currently around 37,000 Airbnb listings across New Zealand – ranging from spare bedrooms to luxury treehouses, in some of the smallest towns and the largest cities.

Airbnb engaged Deloitte Access Economics to assess the economic contribution of Airbnb in New Zealand. This report quantifies the economic contribution of Airbnb guest spending to the New Zealand economy, as well as considering how Airbnb is aligned with government tourism objectives. The structure of the report is as follows:

- Chapter 1 explains the Airbnb platform, and outlines how Airbnb works for both guests and hosts
- Chapter 2 assesses the economic contribution of tourism facilitated by Airbnb
- Chapter 3 describes the current state of the tourism industry in New Zealand and how Airbnb supports government tourism objectives.

1.2 About Airbnb

Airbnb is a peer to peer platform on which people can list and book accommodation around the world. Established in San Francisco in 2008, Airbnb today has properties listed in over 81,000 cities, including 225 locations in New Zealand. Airbnb is in line with New Zealand's bach culture, with New Zealanders enjoying holiday homes locally for many years.

Airbnb enables individuals to list their spare rooms, homes and holiday houses as available for short-term stays. As at January 2018, there were 37,000 unique listings on the Airbnb platform in New Zealand.

Short-stay rentals facilitated by platforms like Airbnb are part of the sharing economy, through which consumers are choosing to share assets and services via digital platforms. While at its core, Airbnb fills the same role as traditional short-stay accommodation – providing a place to sleep at night – the way in which it delivers this service has a number of differences to many existing operators. This differentiated service leads to a number of benefits for guests and hosts, as well as positive effects for local communities.

Other platforms exist which provide a similar service to Airbnb. For example, Bookabach – on which people can list baches, apartments and other accommodation – has operated since 2000. Some real estate agents can also list and arrange short-term leases of holiday homes and apartments.

1.3 How does Airbnb work?

1.3.1 Listing a property on Airbnb

Airbnb is an opportunity for households to receive an extra source of income by sharing their property. This income may be an essential part of the weekly budget, or could be used as extra spending money or long-term savings. Income earned through Airbnb may also support entrepreneurs to explore new business ventures, or support hosts who are self-employed. In New Zealand, over 70 per cent of Airbnb hosts are female, and have an average age of 48 years old.

A person who has a space that they would like to list on Airbnb is required to register as a host on Airbnb's website to use the platform. The registration process involves signing up to the platform and completing information about their property, including a description of the space available and uploading photos. The host also provides personal details, and can add a government identification to verify their account.

The person who lists the property is able to set the cost of renting the accommodation, with Airbnb receiving a small percentage fee per booking. The host also decides the availability of the property and booking settings. Hosts on Airbnb have a range of options, for example, whether instant bookings are available, or whether stay requests need to be confirmed by the host. Hosts can also set minimum requirements for guests, including verified identification, profile picture or rating.

Hosts are protected through Airbnb's host guarantee, which will reimburse eligible hosts for damages up to \$1.3 million.

1.3.2 Booking a stay on Airbnb

Guests register through the Airbnb platform in a similar manner to hosts. Guests can also verify their account using government identification, and link other online profiles to their Airbnb account.

Patrick from Kingston, Lake Wakatipu, near Queenstown

Patrick, who works from home as a photographer and chef, needed a way to supplement his varied income and support his creative lifestyle. Renting out half of the family home on Airbnb allowed Patrick and his partner, a visual artist, to enjoy a flexible lifestyle with a more stable income source.

Selling cookbooks and artwork is lucrative for the couple, but additional income from Airbnb contributes to paying the mortgage. Patrick stated that without it, he and his partner would have to work full-time, and not dedicate as much time to their creative passions.

Patrick's Airbnb is priced higher than other listings in his area, reflecting the efforts he puts into maintaining the property and the amenities it offers. Patrick reupholsters furniture and uses recycled timber to maintain a rustic feel, while also maintaining an organic fruit and vegetable garden that guests are welcome to access to cook their own meals.

Patrick makes recommendations for activities in the region, such as hiring bikes, cooking BBQs across the lake or venturing to Franklin for the day. He also points them towards local cafes, food markets, butcheries, or his favourite taco food-truck down a nearby alley – destinations not often visited by the standard tourist. Patrick enjoys conversations with his guests, and feels that personal recommendations provides a level of trust that a printed guide does not offer, he believes that 9 times out of 10, his guests take his recommendations.

Guests are charged for the reservation by Airbnb at the time the booking is confirmed. Airbnb then remits payment to the host 24 hours after check-in. Guests are also charged a guest service fee by Airbnb.

While staying at a property, Airbnb guests are asked to follow house rules set by the host. These may include requests not to smoke, prohibitions against holding parties or dealing with the misuse of common areas. After the stay is completed, both the guest and the host are invited to submit a review on their experience within 14 days of checkout and provide a star rating out of five about their experience.

Consumer choice factors

Consumers' decisions when choosing visitor accommodation are affected by a range of factors. Price will almost always be a factor for tourists, depending on the type of travel – whether for business or leisure, for example. Airbnb offers different types of accommodation that may be cheaper than commercial alternatives. In addition, the room supply provided by Airbnb adds to competition in the short-term accommodation market, which may constrain price pressures, particularly during peak periods. Lower prices may encourage more frequent travel, or permit people to travel who could otherwise not have afforded to do so.³

The type of property will also factor into tourists' decisions, with Airbnb providing access to a greater variety of properties than through traditional channels. For example, families may search for properties which have multiple bedrooms for children, on-site car parking, laundry facilities and hosts which allow pets. Other guests may seek listings which provide a unique experience, such as a treehouse or a cave.

Figure 1.1: Airbnb listing



Source: Airbnb

Guests can book a stay via Airbnb's website or on its mobile application. Guests can search for listings using different criteria, such as by date, city, neighbourhood, price or type of property. A sample listing is shown in Figure 1.1.

Depending on the host's booking settings, a listing may be available for instant booking or the stay may need to be approved by the host. The host will be able to see the guest's profile and any reviews written by other hosts when accepting the reservation request. Similarly, the guest will be able to see other guests' reviews of the listing.

When an instant booking is made or a booking request is accepted, the guest's reservation is automatically confirmed. Hosts and guests agree a check-in time and how the keys to the property will be exchanged. Hosts can also add a security deposit to their listing before the reservation is booked.

Location is also important for travellers. Airbnb listings are often located outside the traditional hotel areas in major cities around the world – meaning that guests can stay outside the CBD or inner suburbs, and closer to their desired location. Guests can also explore areas ‘off the beaten track’, generating an experience more similar to a local resident.

Another factor that explains the popularity of Airbnb is the platform itself. Booking accommodation through a peer to peer service may be valued by guests, as they are able to connect with a local resident, as well as use host guidebooks (which are often published on the Airbnb platform). The bidirectional ratings system can also encourage the provision of better host service and better guest behaviour; Airbnb guests rated listings in New Zealand 4.8 stars on average in 2017. While there are some potential issues with ratings systems in the sharing economy – such as conscious or unconscious bias, or how consumers define quality differently – they can nevertheless help to address information asymmetries in traditional markets.⁴

1.3.3 Other Airbnb services

Airbnb recently expanded beyond accommodation to include city tours and activities through Airbnb Experiences. Airbnb Experiences are activities designed and led by local residents, who can share their hobbies, skills or expertise to give guests access to activities and places they can't typically find on their own. Experiences are categorised into sports, nature, social impact, entertainment, food and drink, music, nightlife, health and wellness, concerts, history and the arts.

Examples of Airbnb Experiences include a Parisian teaching violin making, a Shanghainese woman demonstrating her mother's dumplings recipe, and an Italian man taking guests truffle hunting in Florence. Queenstown was one of the first cities in the world to offer Airbnb Experiences, with experiences ranging from guided hikes to learning about Māori customs.

1.4 Other issues not within the scope of this report

It is acknowledged that there are some community issues relating to Airbnb, such as noise levels or the availability of long-term accommodation for residents. As this report focuses on the economic contribution of Airbnb guest spending, it does not consider these topics in detail. Airbnb listings are, in many cases, located in suburban neighbourhoods – meaning that there is potential for conflicting views. Appropriate regulation can help address these concerns to ensure that individual players do not negatively affect neighbours and amenity.

This report does not analyse in detail the drivers of the cost differential between hotel accommodation, long-term rental accommodation and Airbnb listings. The regulatory requirements for hotel accommodation and Airbnb listings are different. This report does not analyse or compare the regulatory arrangements for home sharing or traditional accommodation, nor does it consider the impacts, if any, on residential accommodation costs.



The contribution of Airbnb to tourism in New Zealand



Tourism facilitated by Airbnb contributed around \$660 million in value added to the New Zealand economy, and supported 6,006 full time equivalent jobs in 2017.

Airbnb makes an important contribution to New Zealand's tourism industry by facilitating accommodation bookings across the country. This chapter details the value added to the New Zealand economy, as well as the regional economies of Auckland, Wellington, Queenstown and Christchurch, facilitated by Airbnb.

2.1 Airbnb in New Zealand

578,000 stays were booked with Airbnb around New Zealand in 2017. Hosts accommodated 1.4 million guests for around 1.5 million nights in towns and cities across the nation – translating to 3.7 million guest nights.

Table 2.1: Airbnb bookings, broken down by region, 2017

Region	Total bookings	Total guests	Total nights booked
Auckland	144,000	322,000	509,000
Wellington	40,600	88,000	130,200
Queenstown	71,000	203,000	198,000
Christchurch	50,000	125,000	120,000
Rest of New Zealand	272,400	662,000	542,800
Total	578,000	1,400,000	1,500,000

Source: Airbnb

Based on 2017 survey data collected by Airbnb, around 83 per cent of Airbnb trips to New Zealand were for leisure or vacation purposes, while just over 10 per cent were visiting friends or family. The complete survey data is detailed in Table 2.2.

Table 2.2: Primary purpose of visit survey results, 2017

Purpose of visit	Respondents
Vacation or leisure	83%
Visiting friends or relatives	10%
Business, conference or convention	5%
Short-term housing	1%
Study	1%
Job hunting or interview	1%

Source: Airbnb

Around 35 per cent of Airbnb guests booking accommodation in New Zealand in 2017 were New Zealand residents. The remaining guests were international visitors, including from Australia, the United States and China.

Table 2.3: Guest origin for Airbnb trips in New Zealand, 2017

Guest origin	Guest arrivals	Proportion of total guests
New Zealand	491,000	35%
Australia	238,000	17%
United States	169,000	12%
China	114,000	8%
United Kingdom	88,000	6%
Germany	51,000	4%
Singapore	41,000	3%
France	33,000	2%
Canada	30,000	2%
Malaysia	27,000	2%
Other	118,000	8%

Source: Airbnb

2.2 Methodology

The economic contribution of trips facilitated by Airbnb is a measure of the direct activities of Airbnb guests, as well as their indirect contributions through the supply chain. Airbnb stays are a key part of the tourism sector, with local and international guests hosted around New Zealand.

This analysis is based on stays facilitated by Airbnb in New Zealand. Of course, in the absence of Airbnb, some guest stays included in the contribution may have still travelled and stayed in alternative accommodation. In addition, this analysis does not consider the economic contribution associated with the Airbnb platform itself. Airbnb profits, revenue and expenditure activities are specifically excluded from the analysis.

The economic contribution analysis is based on data provided by Airbnb on the number of guests and their expenditure in 2017. The analysis also draws on publicly available data from Stats NZ.

The estimate of economic contribution is driven by the expenditure of Airbnb's guests. Daytime expenditure data was provided by Airbnb for guests staying across New Zealand, based on a survey conducted by Airbnb. This amount, in addition to that spent on Airbnb accommodation, was then weighted by the total number of nights attributable to Airbnb guests in each region, to estimate the total level of expenditure in the region.

The pattern of guest expenditure highlights the sectors of the economy that benefit (in revenue and employment terms) from Airbnb's guests, including food service (restaurants, cafes, bars, etc.), shopping, transportation, leisure and groceries being the key categories of expenditure.

Value added is the most appropriate measure of the economic contribution to gross regional product (GRP). It is the sum of the returns to the primary factors of production – labour and capital (i.e. wages to workers and profit to shareholders) – and can be calculated by adding the gross operating surplus and wages paid to workers in the tourism sector.

The estimates of the direct and indirect economic contribution are based on Input-Output (IO) modelling techniques. Stats NZ produces IO tables which provide the value added for each sector of the New Zealand economy, as well as the linkages between sectors. This allows the expenditure of Airbnb guests to be traced through the economy, to estimate the value added at each stage. The Deloitte Access Economics Regional Input-Output model was used to estimate the direct value added and employment for each region. The indirect value added and employment, generated by expenditure on the intermediate inputs, is determined based on the cost structure of each industry.

While we have not assessed the value of induced effects quantitatively, in addition to the direct and indirect economic contribution, in some regions tourism expenditure associated with Airbnb would likely result in additional consumption beyond expenditure on intermediate inputs. In areas where tourism is especially important to local industry, these effects could be locally significant.

Appendix A provides further background on the economic contribution modelling framework.

2.3 Contribution to the New Zealand economy

In 2017, the total economic contribution associated with the tourism expenditure of Airbnb guests in New Zealand was \$659.5 million in value added, with 6,006 full-time equivalent (FTE) jobs supported across the nation.

It is estimated that Airbnb guests spent \$781.4 million in New Zealand in 2017. This figure includes spending on items such as food, shopping and entertainment, as well as the amount paid to Airbnb hosts for accommodation. It represents 2.8 per cent of all tourism expenditure across New Zealand.⁵

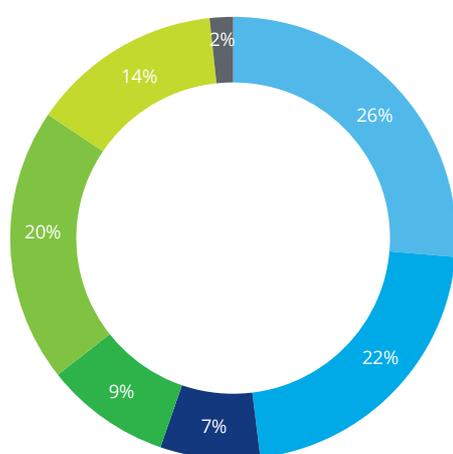
Table 2.4: Tourism expenditure of Airbnb guests in New Zealand, 2017

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$206.0	26%
Food service (restaurants, cafes, bars, etc.)	\$169.5	22%
Groceries	\$56.5	7%
Shopping	\$71.2	9%
Other leisure activities (entertainment, museums, etc.)	\$156.4	20%
Transportation (car rentals, taxis, buses, trains, etc.)	\$108.5	14%
Other services	\$13.2	2%
Total	\$781.4	100%

Source: Deloitte Access Economics, based on Airbnb and Stats NZ⁶

Importantly, around three-quarters of Airbnb guests' expenditure is on items other than accommodation. It is necessary to consider how guests' expenditure flows through the economy to estimate the economic contribution associated with trips facilitated by Airbnb.

Chart 2.1: Tourism expenditure of Airbnb guests in New Zealand by category, 2017



■ Accommodation ■ Food service
 ■ Groceries ■ Shopping
 ■ Other leisure activities ■ Transportation
 ■ Other services

Source: Deloitte Access Economics, based on Airbnb and Stats NZ⁷

The amount spent directly by Airbnb guests at local businesses represents revenue for those businesses. Each business employs workers and capital to provide goods or services to the Airbnb guest. The returns to labour (employee wages) and returns on capital (business owner's profits) associated with the Airbnb guests' spending comprise the *direct* economic contribution.

However, some of the revenue earned by those businesses is spent sourcing intermediate inputs and paying other expenses to run the business. For example, a restaurant might source ingredients from a market, and pay for gas, electricity and water. This expenditure generates flow-on economic activity, as supplying businesses will also employ workers and capital to produce goods and services. This additional economic activity comprises the *indirect* economic contribution.

Guests also pay hosts to stay in their Airbnb accommodation. This revenue represents income for hosts, with the profits (or gross operating surplus) from this exchange comprising the direct economic contribution.⁸ The indirect contribution reflects the purchase of intermediate inputs by hosts to be able to provide Airbnb accommodation.

This principally includes intermediate inputs provided by the construction and finance sector required to build and pay for the property. It also includes other intermediate inputs used to provide Airbnb accommodation (such as cleaning services).

The total economic contribution is the sum of the direct and indirect economic contribution. The direct and indirect contribution are calculated by considering the value added to the New Zealand economy arising from Airbnb guests' visitor expenditure.

Visitor expenditure of Airbnb guests is estimated to directly contribute \$429.8 million in value added to the New Zealand economy, with a further indirect contribution of \$229.7 million in value added. Tourism expenditure of Airbnb guests also supported over 6,000 FTE jobs around New Zealand (see Table 2.5).

Table 2.5: Economic contribution of tourism expenditure associated with Airbnb in New Zealand, 2017

	Direct contribution	Indirect contribution	Total contribution
Expenditure (\$m)	\$781.4		
Value added (\$m)	\$429.8	\$229.7	\$659.5
Employment (FTE)	4,353	1,653	6,006

Source: Deloitte Access Economics based on Airbnb and Stats NZ⁹

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes the Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

A breakdown of the economic contribution by region is shown in Table 2.6, which shows that Auckland is the largest contributor to value add, followed by Queenstown. This reflects the higher number of nights booked in these cities. Importantly, however, around two thirds of economic activity occurs outside Auckland – as guest stays and expenditure are spread across New Zealand's regions.

It is also noted that in calculating the economic contribution across four regions, some indirect activity is excluded, as it leaks out of that region's economy as imports. However, this interregional activity is accounted for in the national total.

2.4 Contribution to New Zealand's regional economies

Deloitte Access Economics also calculated the economic contribution of Airbnb guest spending in four selected regions: Auckland, Wellington, Queenstown and Christchurch. The level of guest spending in each region was calculated by considering the number of guest nights stayed in that region, and the average nightly expenditure per guest. The regions are defined by the following territorial authority boundaries:¹¹

- Auckland: Auckland Council
- Wellington: Wellington City Council, Upper Hutt City Council, Hutt City Council and Porirua City Council
- Queenstown: Queenstown Lakes District Council
- Christchurch: Christchurch City Council.

Table 2.6: Economic contribution of tourism expenditure associated with Airbnb in New Zealand regions, 2017

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)	Total employment (FTE)
Auckland	\$145.8	\$54.8	\$200.6	1,976
Wellington	\$30.8	\$7.4	\$38.2	366
Queenstown	\$75.2	\$13.4	\$88.6	713
Christchurch	\$28.5	\$7.1	\$35.6	360
Rest of New Zealand	\$149.4	\$55.6	\$205.1	1,942
Interregional		\$91.5	\$91.5	650
Total	\$429.8	\$229.7	\$659.5	6,006

Source: Deloitte Access Economics based on Airbnb and Stats NZ¹⁰

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

Lucia from Terra Mia in Arrowtown, near Queenstown

Eighteen months ago, Lucia and her husband, Alberto, opened Terra Mia, an Italian restaurant located in Arrowtown. Terra Mia specialises in homemade pastas and Neapolitan-style pizzas, and produces almost all products in-house. Lucia sources many ingredients locally, including eggs from Wanaka and meat from the local butcher in Queenstown, but imports some speciality products from overseas.

Most of Lucia's customers are tourists, with some staying overnight in Arrowtown, while others drive in from Queenstown for the day. As Arrowtown only has one large resort and little other commercial accommodation, many tourists stay in private rentals like Airbnb. According to Lucia, private rentals have increased in capacity as visitors have started to see Arrowtown as a destination, rather than as a day trip.

Lucia frequently interacts with Airbnb hosts, often providing menus from her restaurant to be placed in Airbnb rooms and houses. Hosts often recommend Terra Mia to their guests, with some even suggesting they travel from Queenstown to visit the restaurant.

Terra Mia is busy throughout the entire year, with little downtime even during the shoulder seasons of spring and autumn. While Lucia is relatively new to the community, her discussions with other businesses have suggested that these shoulder seasons used to be more pronounced, but visitation is now steady year-round. According to Lucia, this has spurred growth in businesses in Arrowtown, and generally across the local community.

2.4.1 Auckland

Airbnb guests are estimated to have spent \$269.6 million while visiting Auckland in 2017, generating \$200.6 million in value added to the regional economy and supporting 1,976 FTE jobs. Auckland is New Zealand's most popular city for Airbnb bookings, with 144,000 trips hosted in 2017.

Roughly 23 per cent of expenditure flowed directly to Airbnb hosts, with a similar amount spent on food services and leisure activities. A full breakdown of expenditure is shown in Table 2.7. Overall, Airbnb guest expenditure represented approximately 3.3 per cent of total tourism expenditure in Auckland in 2017.¹²

Table 2.7: Tourism expenditure of Airbnb guests in Auckland, 2017

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$61.0	23%
Food service (restaurants, cafes, bars, etc.)	\$61.4	23%
Groceries	\$20.5	8%
Shopping	\$25.8	10%
Other leisure activities (entertainment, museums, etc.)	\$56.7	21%
Transportation (car rentals, taxis, buses, trains, etc.)	\$39.3	15%
Other services	\$4.8	2%
Total	\$269.6	100%

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ¹³

In total, Airbnb guest expenditure directly contributed \$145.8 million in value add to the regional Auckland economy, and supported 1,578 FTE jobs. A further \$54.8 million in value add and 398 FTE jobs were supported indirectly through the supply chain.

Table 2.8: Economic contribution of tourism expenditure associated with Airbnb in Auckland, 2017

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)
Expenditure (\$m)	\$269.6		
Value added (\$m)	\$145.8	\$54.8	\$200.6
Employment (FTE)	1,578	398	1,976

Source: Deloitte Access Economics based on Airbnb and Stats NZ¹⁴

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

2.4.2 Wellington

It is estimated that Airbnb guests spent \$56.0 million while visiting Wellington in 2017, generating \$38.2 million in direct and indirect value added and supporting 366 full time equivalent (FTE) jobs.

The tourism expenditure of Airbnb guests staying in Wellington is estimated using survey and booking data provided by Airbnb, as well as data provided by Stats NZ. The guest spend in Wellington is broken down into categories in Table 2.9. Airbnb guest expenditure represented approximately 2.6 per cent of total tourism expenditure in Wellington in 2017.¹⁵

Table 2.9: Tourism expenditure of Airbnb guests in Wellington, 2017

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$14.7	26%
Food service (restaurants, cafes, bars, etc.)	\$12.1	22%
Groceries	\$4.1	7%
Shopping	\$5.1	9%
Other leisure activities (entertainment, museums, etc.)	\$11.2	20%
Transportation (car rentals, taxis, buses, trains, etc.)	\$7.8	14%
Other services	\$0.9	2%
Total	\$56.0	100%

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ¹⁶

Airbnb guest expenditure is estimated to have directly contributed \$30.8 million in value add to the Wellington economy and supported 312 FTE jobs in 2017. A further breakdown is shown in Table 2.10.

Table 2.10: Economic contribution of tourism expenditure associated with Airbnb in Wellington, 2017

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)
Expenditure (\$m)	\$56.0		
Value added (\$m)	\$30.8	\$7.4	\$38.2
Employment (FTE)	312	54	366

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ¹⁷

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

2.4.3 Queenstown

Airbnb guests are estimated to have spent \$130.2 million while visiting the Queenstown in 2017, generating \$88.6 million in value added to the Queenstown economy and supporting 713 full time equivalent (FTE) jobs.

Around 38 per cent of Airbnb guests' expenditure flowed directly to Airbnb hosts, or \$49.0 million in 2017. A further breakdown of tourism expenditure is shown in Table 2.11. In total, Airbnb guest expenditure accounted for around 4.9 per cent of total tourism expenditure in Queenstown.¹⁸

Table 2.11: Tourism expenditure of Airbnb guests in Queenstown, 2017

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$49.0	38%
Food service (restaurants, cafes, bars, etc.)	\$23.9	18%
Groceries	\$8.0	6%
Shopping	\$10.1	8%
Other leisure activities (entertainment, museums, etc.)	\$22.1	17%
Transportation (car rentals, taxis, buses, trains, etc.)	\$15.3	12%
Other services	\$1.9	1%
Total	\$130.2	100%

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ¹⁹

Airbnb guest expenditure directly contributed \$75.2 million in value add to the Queenstown economy, with a further indirect contribution of \$13.4 million in value added. The full results are shown in Table 2.12.

Table 2.12: Economic contribution of tourism expenditure associated with Airbnb in Queenstown, 2017

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)
Expenditure (\$m)	\$130.2		
Value added (\$m)	\$75.2	\$13.4	\$88.6
Employment (FTE)	615	98	713

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ²⁰

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

2.4.4 Christchurch

Airbnb guests are estimated to have spent \$52.7 million while visiting Christchurch in 2017, generating \$35.6 million in value added to the Christchurch economy and supporting 360 full time equivalent (FTE) jobs.

The majority of Airbnb guests' spending flowed through to Airbnb hosts, food service providers and businesses providing other leisure activities, as shown in Table 2.13. Overall, Airbnb guest spending represented approximately 2.3 per cent of total tourism expenditure in Christchurch in 2017.²¹

Table 2.13: Tourism expenditure of Airbnb guests in Christchurch, 2017

Category	Total expenditure (\$m)	Share of expenditure
Accommodation	\$12.0	23%
Food service (restaurants, cafes, bars, etc.)	\$12.0	23%
Groceries	\$4.0	8%
Shopping	\$5.0	10%
Other leisure activities (entertainment, museums, etc.)	\$11.1	21%
Transportation (car rentals, taxis, buses, trains, etc.)	\$7.7	15%
Other services	\$0.9	2%
Total	\$52.7	100%

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ²²

The total economic contribution of Airbnb guest expenditure was \$35.6 million in 2017, with \$28.5 million directly contributed and a further \$7.1 million indirectly. Tourism facilitated by Airbnb supported 360 FTE jobs across Christchurch. Further detail is shown in Table 2.14.

Table 2.14: Economic contribution of tourism expenditure associated with Airbnb in Christchurch, 2017

	Direct contribution (\$m)	Indirect contribution (\$m)	Total contribution (\$m)
Expenditure (\$m)	\$52.7		
Value added (\$m)	\$28.5	\$7.1	\$35.6
Employment (FTE)	308	52	360

Source: Deloitte Access Economics, using data provided by Airbnb and Stats NZ²³

Note: Expenditure is calculated in the input-output model using basic prices, which reflect the revenue received by producers of goods and services. The spending on accommodation is based on the amount of revenue received by hosts (i.e. it excludes Airbnb's charges). These contributions do not include the spending of those receiving additional income, known as induced impact.

Astoria from Bryndwr, Christchurch

Astoria, her partner and their flatmate live in a three-bedroom town house in suburban Christchurch. They preferred not to have a fourth permanent flatmate, and instead listed the third bedroom on Airbnb. Airbnb provided them with the ability to subsidise their rent, without giving up the flexibility of a spare room.

Astoria's Airbnb listing is cheap and in a suburb close to the airport, so many of her guests are international travellers exploring the South Island, using Astoria's Airbnb as the first or last stop of their trip.

With guests arriving from all over the world, Astoria likes to offer a true Kiwi experience. She provides Marmite and local honey with the breakfast tray, and often invites her guests to join her and her flatmates for a Kiwi-style BBQ. Astoria and her guests also visit nearby pubs or the local farmers market, discussing New Zealand culture.

While it would be more economic to rent out the spare room full-time, Astoria prefers being an Airbnb host. She uses part of her Airbnb income to pay the increased expenses incurred through having guests, such as for providing breakfast. The additional income is used for infrequent household expenditures, such as broken appliances or heating bills.

While Astoria enjoys having guests and meeting new people, she sometimes prefers or needs an empty room, and the ability to block out booking periods. Astoria noted that even if they did want a permanent flatmate, demand for single rooms in Christchurch is limited, and she would probably struggle to fill the room. In comparison, demand for Airbnb rooms is very high, and the room is usually booked.



Supporting tourism in New Zealand



Tourism is integral to New Zealand's economy – directly contributing \$14.7 billion to gross domestic product (GDP) in 2016-17, representing 5.9 per cent of the economy overall. Industries which support tourism indirectly contributed \$11.3 billion to the economy in 2016-17, meaning that the tourism industry represents a total of 10.5 per cent of GDP.²⁴

Recognising the industry's potential, governments across New Zealand have set targets and objectives to help grow the visitor economy. Airbnb can assist governments to achieve these objectives, principally through expanding room supply, but also through enhancing the visitor experience.

3.1 Industry context

New Zealand has a thriving tourism sector, with 3.7 million international visitors in 2017 – an increase of 7 per cent over the period.²⁵ Together, business, education and other personal travel was New Zealand's largest export in 2016.²⁶ This section provides an overview of the industry in New Zealand, as well as in Auckland, Christchurch, Wellington and Queenstown.

3.1.1 Tourism in New Zealand

Domestic and international tourists stayed over 39 million guest nights in commercial accommodation in 2017.

Commercial accommodation is defined to include hotels, motels, backpackers' accommodation and holiday parks, while guest nights refers to the number of nights each guest stayed in commercial accommodation. As shown in Table 3.1, international visitors spent around 17 million nights in commercial accommodation, while local New Zealand residents stayed over 22 million nights.

Table 3.1: Tourism in New Zealand, 2017

Metric	International		Domestic	
Guest nights	17 million	↑ 5%	22 million	↑ 1%
Visitor expenditure	\$11.2 billion	↑ 9%	\$16.5 billion	↑ 5%

Source: Stats NZ²⁷ and MBIE²⁸

New Zealand's international visitor market is growing strongly, with 24 per cent growth in commercial accommodation guest nights in the past three years – more than three times the rate for domestic travellers.²⁹

The New Zealand Ministry of Business, Innovation & Employment (MBIE) forecasts international visitor arrivals to increase by 4.8 per cent per annum, reaching 4.9 million visitors annually in 2023.³⁰

At the same time, visitor expenditure continues to increase – and at almost double the rate of growth than that of volume. International visitor expenditure in particular has surged – increasing by around 40 per cent over the past three years.³¹

Room occupancy rates in commercial accommodation across New Zealand have increased slightly over the past year, by 1.3 percentage points to average 44.8 per cent in 2017.

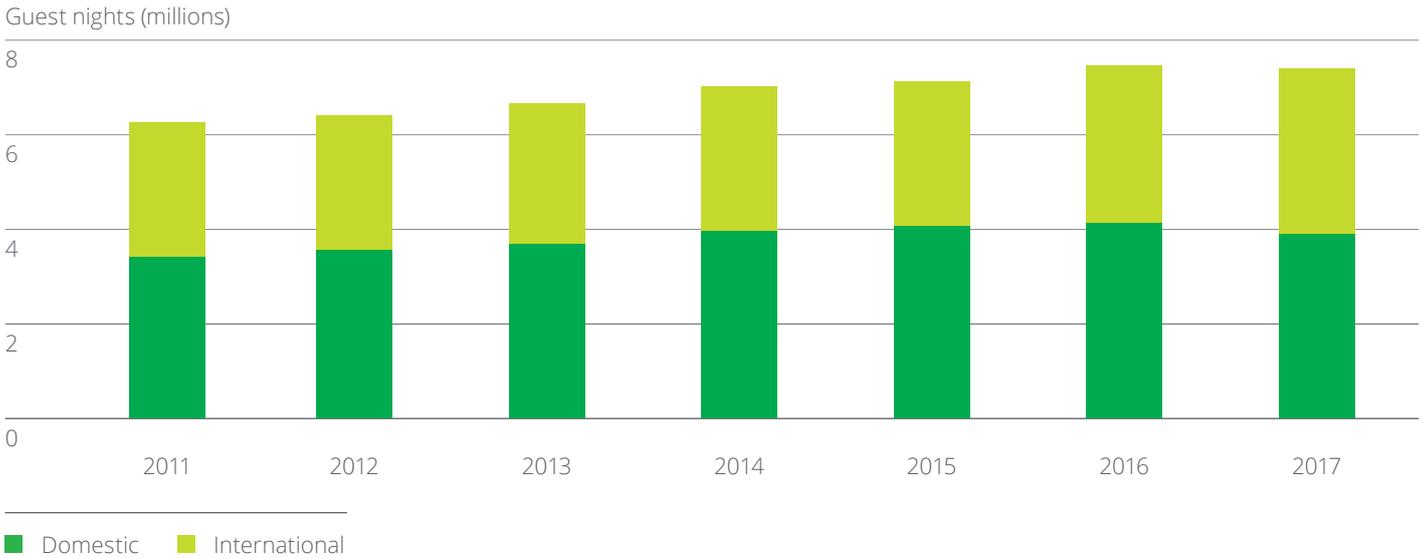
Hotels and motels were the strongest performers, at an average of 69.9 per cent and 61.0 per cent in 2017 respectively.³² Research carried out by Deloitte for Tourism Industry Aotearoa found that additional visitor accommodation is the highest infrastructure priority required to generate growth in the tourism industry.³³

Beyond commercial accommodation, tourists may also stay in private accommodation, such as a friend or relative's house, or a private rental. Platforms that facilitate these short-term private rentals, aside from Airbnb, include HomeAway, TripAdvisor, Bookabach (acquired by HomeAway in 2013),³⁴ TradeMe's Holiday Houses, Look After Me and CouchSurfing. In addition, some real estate companies manage holiday home rentals, with certain agents using the Airbnb platform.³⁵

3.1.2 Tourism in Auckland

Auckland is New Zealand's most popular tourism destination. In 2017, 2.1 million international travellers visited Auckland³⁶ – an increase of 7 per cent since 2016.³⁷ Overall, domestic and international tourists stayed in Auckland commercial accommodation for 7.4 million guest nights in 2017.³⁸

Chart 3.1: Domestic and international guest nights booked in commercial accommodation in Auckland, 2011 to 2017



Source: Stats NZ³⁹

Occupancy rates in commercial accommodation in Auckland averaged 66 per cent in 2017, although this figure increases to 73 per cent with exclusion of holiday parks.⁴⁰ The average length of stay was 2 nights across all types of accommodation.⁴¹ However, when this analysis is restricted to hotels surveyed by Tourism Industry Aotearoa (TIA) – that is, only three to five star hotels with 40 rooms or more – data shows that occupancy rates averaged 86.9 per cent in the year ending September 2017.⁴² This figure has increased steadily from 82.2 per cent in 2014,⁴³ and is the highest of major New Zealand tourism hubs.

With rising occupancy rates, Auckland's visitor accommodation may become constrained – particularly during peak periods. For example, hotel occupancy rates reached 94 per cent during the Lions rugby tour in July.⁴⁴ Deloitte found in its National Tourism Infrastructure Assessment completed for TIA in 2017 that visitor accommodation is Auckland's top tourism infrastructure priority, followed by worker accommodation.⁴⁵

Increasing demand is fuelled by a number of factors, including improved airline access and capacity, the growing Asia Pacific region, and a strengthening business travel, convention and event market.⁴⁶

Auckland's New Zealand International Convention Centre is also due to open in 2019, while Auckland will host the America's Cup and the Asia Pacific Economic Cooperation Summit in 2021. In 2016, New Zealand Trade and Enterprise (NZTE) estimated that Auckland will have a shortfall of up to 1,800 hotel rooms by 2025, taking into account expected growth in hotel rooms, with occupancy rates forecast to reach 90 per cent in the long term.⁴⁷

Colleen from Newmarket, Auckland

As a retired accountant living in a two-bedroom house in Newmarket, Colleen needed some extra income to supplement the pension. Colleen and her husband moved into the smaller bedroom in their house and listed the master bedroom on Airbnb.

The additional income from Airbnb is an important part of Colleen's weekly budget, helping the couple to afford to live in their current home and enjoy a comfortable lifestyle.

Most of the people Colleen hosts are New Zealanders, coming to inner city Auckland for work or to see family. Being close to the hospital, many guests are medical professionals who work across New Zealand, or patients in town for appointments. Artists also stay for shows at the nearby Epsom Showgrounds, as Colleen's house is closer to the venue compared to CBD accommodation, and more affordable than a hotel.

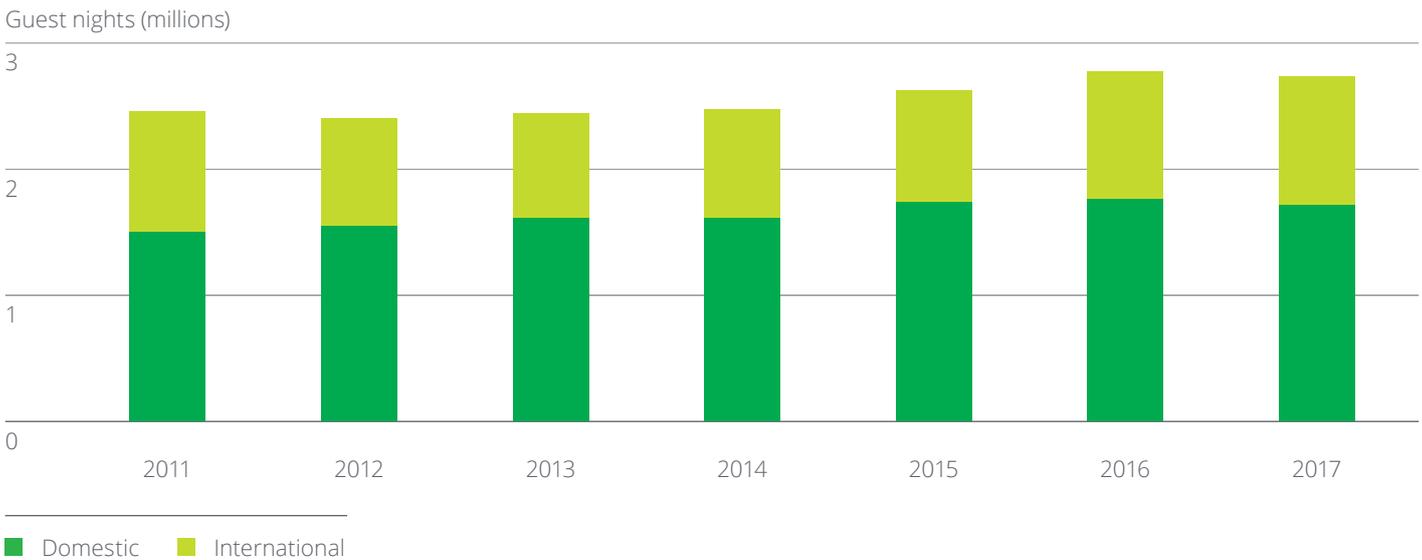
Colleen not only appreciates the additional income from hosting guests, but also the chance to meet new people. As a social person, she enjoys interacting with her guests at breakfast, or giving tips on local restaurants. Colleen noted the importance of interacting with people of different ages and backgrounds, especially as she and her husband get older and become more set in their ways.

With a number of regular guests from across New Zealand and overseas, Colleen and her husband often form friendships with people who come to stay, and keep in touch after they have returned home. A couple from France, for example, recently invited Colleen and her husband to meet up with them if they were ever in France. While it took some time to get used to new people in the house, Colleen finds that she often only sees them at breakfast – with many working or sightseeing during the day, and exploring local restaurants at night.

3.1.3 Tourism in Wellington

New Zealand's capital is a popular destination for tourists, with almost 750,000 international visitors in 2017.⁴⁸ Around 1.2 million domestic and international visitors stayed in commercial accommodation in the Wellington region⁴⁹ in 2017, with 2.7 million guest nights booked in the city – and notably, this excludes tourists who stayed in other types of accommodation.⁵⁰

Chart 3.2: Domestic and international guest nights booked in commercial accommodation in Wellington, 2011 to 2017



Source: Stats NZ⁵¹

Occupancy rates in the Wellington region averaged 66.2 per cent in 2017 across all commercial accommodation.⁵² However, when this breakdown is restricted to hotels in Wellington surveyed by Tourism Industry Aotearoa (TIA) – that is, only three to five star hotels with 40 rooms or more – data shows that occupancy rates averaged 80.1 per cent in the year ending September 2017,⁵³ up from 73.8 per cent in 2014.⁵⁴

According to NZTE, Wellington's increasing occupancy rates are driven by strong visitor demand due to strong corporate and fully independent traveller segments, improving international demand and expansion in the domestic, trans-Tasman and international aviation markets. NZTE found in 2016 that an additional 1,000 hotel rooms are required in Wellington by 2025 to meet expected demand – which is largely driven by domestic travellers. Unlike other destinations in New Zealand, demand for accommodation is less seasonal – with average occupancies less variable across the high and low seasons – due to the dominance of corporate and domestic visitation.⁵⁵

Other projects which could further boost visitor demand include the proposed convention centre and movie museum, and the proposed Wellington runway extension, which could facilitate flights to Asia and the Americas. Deloitte found in its *National Tourism Infrastructure Assessment* completed for TIA in 2017 that visitor accommodation is Wellington's highest tourism infrastructure priority, followed by airport facilities.⁵⁶

Chris from Wellington CBD, Wellington

After Chris moved from the Kapiti Coast back into his CBD apartment, he decided to become an Airbnb host. Chris listed his second bedroom on Airbnb, with the rest of the apartment as common living space.

As a small part of the household's overall income, income earned from Airbnb is predominantly used for maintenance and betterment of the property. While the additional income is appreciated, the motivation to be an Airbnb host is not purely financial for Chris. He enjoys the Airbnb experience, and stated that if it became hard work, he wouldn't continue to list the room.

Around half of Chris's guests are international visitors: either travellers who stay for a few nights to explore Wellington, or migrants who stay for a longer period while looking for a more permanent residence. Many of Chris's remaining guests are businesspeople from across New Zealand, as he uses differentiated pricing to attract weeknight stays. Chris often has domestic guests returning, and he aims to find two to three businesspeople who come and go regularly.

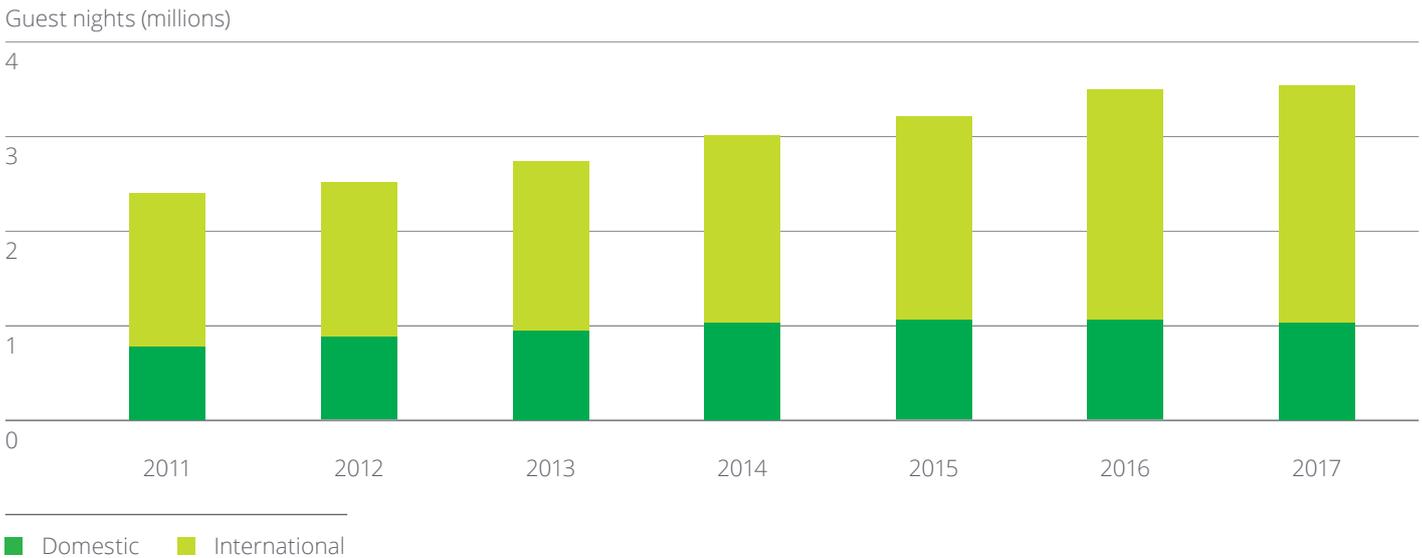
Chris's listing is priced highly on the weekend, and as such, he only has weekend guests if there is a shortage of temporary accommodation in Wellington. Chris is happy to provide additional space when other accommodation in the city is limited.

Chris often invites guests to have meals together with his partner, and encourages guests to become part of the household for their stay. While Chris's guests spend most of their time out of the house, the communal living space is well suited for interaction, and Chris spends time with guests when they are home for the evening. Chris also recommends activities and his favourite local restaurants for new visitors to the city.

3.1.4 Tourism in Queenstown

Queenstown is one of New Zealand's most popular destinations, with 1.1 million international tourists visiting the region in 2017⁵⁷ – doubling in four years.⁵⁸ Together, domestic and international tourists stayed 3.6 million guest nights in Queenstown's commercial accommodation in 2017.

Chart 3.3: Domestic and international guest nights booked in commercial accommodation in Queenstown, 2011 to 2017



Source: Stats NZ⁵⁹

Occupancy rates in commercial accommodation across Queenstown averaged 71.3 per cent in 2017, while the average length of stay for guests was 2.6 nights.⁶⁰ However, TIA's survey of hotels between three and five stays found that occupancies averaged 81.8 per cent in the year to September 2017, a slight decrease of 1.1 per cent compared to the previous year, although still a significant increase on prior years.⁶¹

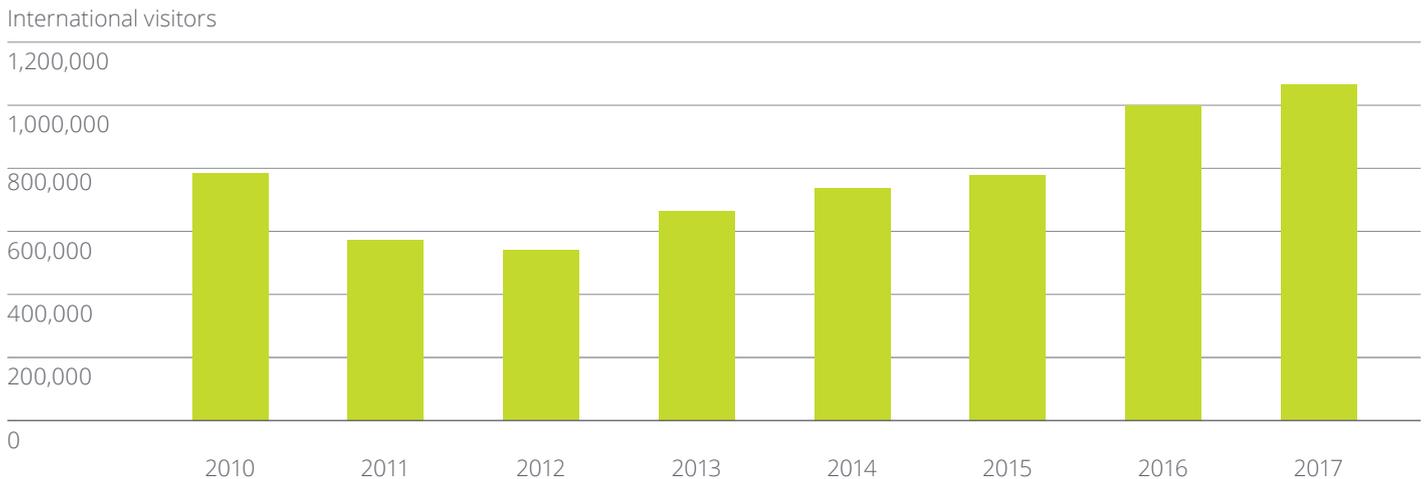
In 2016, NZTE noted that Queenstown had a 'severe shortage' of hotel capacity, driven by international visitation in particular. At the time, it was estimated that an additional 1,420 hotel rooms would be required by 2025 to meet demand, taking into account the current development pipeline.⁶² Deloitte found in its *National Tourism Infrastructure Assessment* completed for TIA in 2017 that visitor accommodation is Queenstown's highest tourism infrastructure priority.

Growing demand is being fuelled by the region's strong leisure and adventure offerings, as well as meetings and conventions. Like Auckland and Christchurch, hotel demand can be seasonal – although nearby ski fields may mitigate some of this effect.⁶³

3.1.5 Tourism in Christchurch

Close to 1.1 million international tourists visited the city of Christchurch in 2017 – a significant increase following a period of decline after the Christchurch earthquakes.⁶⁴ In 2010, before either earthquake, international visitors to Christchurch had reached almost 800,000 annually. The tourism industry has since enjoyed a period of relative prosperity, with international visitors increasing by 37 per cent since 2015.⁶⁵

Chart 3.4: International visitors to Christchurch, 2010 to 2017



Source: Stats NZ⁶⁶

Occupancy rates for commercial accommodation are relatively low in Christchurch and the broader Regional Tourism Organisation (RTO) for Canterbury compared to New Zealand's other major tourism hotspots. Occupancy rates averaged 43.7 per cent in 2017 in the Christchurch and Canterbury RTO, although excluding holiday parks – which typically experience lower occupancies⁶⁷ – increases this figure to 55.6 per cent. However, TIA and Colliers reported that occupancy rates in Christchurch's three to five star hotels averaged 75.3 per cent in the year ending September 2017.⁶⁸

Around 1.8 million domestic and international guests spent 3.5 million guest nights in commercial accommodation across Christchurch and rest of the Canterbury region in 2017. Guest nights in commercial accommodation have risen steadily over time, but are yet to reach their pre-earthquake peaks.⁶⁹ Some reports suggest that visitors are choosing not to stay overnight in Christchurch, and are instead staying in nearby popular destinations such as Akaroa, Hanmer, Waipara, Tekapo and the ski fields.⁷⁰

NZTE estimated in 2016 that an additional 1,600 hotel rooms will be required to meet increased demand by 2025, although a number of hotels are either under construction or have been recently completed. The continuation of the city re-build, new domestic and international aviation routes with additional capacity, and a new convention centre due for completion in 2020, are factors influencing visitor demand.⁷¹ Deloitte found in its *National Tourism Infrastructure Assessment* completed for TIA in 2017 that visitor accommodation is Canterbury's highest tourism infrastructure priority, followed by worker accommodation.⁷²

3.2 Helping governments deliver tourism objectives

3.2.1 National objectives

Tourism New Zealand released its latest four-year strategy in March 2017. The core purpose of the strategy is to 'boost New Zealand's economy by growing the value of international visitors', identifying three strategic priorities to guide Tourism New Zealand's activities over the four-year timeframe.⁷³

The first strategic priority, which focuses on long-term sustainability, notes that increasing value is a product of many factors, including regional dispersal and driving demand during off-peak seasons. A major benefit of Airbnb is that it provides listings in varied locations. According to Airbnb, 74 per cent of Airbnb properties in major markets across the world are located outside the traditional tourist districts. Consumers can stay in suburban areas that aren't typically 'tourist destinations', enabling a genuine experience while also dispersing tourism expenditure. Airbnb survey data for New Zealand suggests that around half of Airbnb guest spending occurs within the neighbourhood where guests stay.

Tourism Industry Aotearoa's *Tourism 2025 – Growing Value Together* (released in 2014) and *Tourism 2025 – Two Years On* (released in 2016) were endorsed by Tourism New Zealand. This industry-led framework outlines growth targets for New Zealand's tourism industry through four key themes.

A priority identified in this strategy is to ensure visitors have a high quality experience in the country,⁷⁴ with a similar priority also listed in Tourism New Zealand's strategic plan. While Airbnb is not referred to in the plan, the services it provides can assist in achieving this goal. Airbnb provides unique listings which are generally unavailable through other commercial accommodation, such as treehouses or caves. Listings may also be 'off the beaten track', enabling a different visitor experience. Airbnb hosts are also available to provide local tips and recommendations to their visitors.

Airbnb can also assist Tourism Industry Aotearoa in meeting its objective of regional dispersal. The framework has a focus on improving the dispersal of tourism around the country, enticing tourists out of main cities and activating underutilised regional areas. As noted earlier, the varied locations of Airbnb properties can facilitate regional dispersal.

Complementing *Tourism 2025* is the Ministry of Business, Innovation and Employment's (MBIE) own tourism strategy, released in 2016.⁷⁵ The strategy focuses on three key challenges: attracting the right visitor mix, responding to visitor demand, and ensuring all regions benefit. These challenges and their associated actions clearly complement *Tourism 2025*, with the strategy outlining the priority actions of different government agencies. While Airbnb does not directly contribute to these actions – as they are directed towards government – it nevertheless can assist with responding to the broader industry challenges as described above.

Tourism Industry Aotearoa also released a *National Tourism Infrastructure Assessment*, undertaken by Deloitte. The study established a framework to prioritise tourism infrastructure investment to the Tourism 2025 horizon and beyond. Visitor accommodation infrastructure was the top ranked infrastructure priority across the nation, implying that 'if the current constraint in visitor accommodation was addressed, this would generate more additional tourism activity for New Zealand than if any other category was prioritised.'⁷⁶ While this report conceives of visitor accommodation as commercial visitor accommodation, Airbnb can nevertheless assist in unlocking tourism potential – particularly during peak periods of demand, as Airbnb can expand the supply of visitor accommodation in response to demand.

3.2.2 Regional objectives

Airbnb also supports a number of regional tourism objectives, in addition to those set at a national level. The following sections describe Airbnb's contribution to regional objectives in Auckland, Queenstown and Christchurch.

3.2.2.1 Auckland

Auckland Council, through Auckland Tourism, Events and Economic Development (ATEED), launched the Auckland Visitor Plan 2021 in May 2014. ATEED's primary objective is to grow Auckland's visitor economy to \$7.2 billion by 2021.⁷⁷ Airbnb supports a number of its strategic goals.

One strategic goal identified in Auckland Visitor Plan 2021 is to develop world-class attractors and experiences. Airbnb can assist in contributing to this goal through its platform. Hosts are able to provide a tailored service to guests – helping them settle in to their accommodation and the neighbourhood – which may improve the visitor experience. More recently, Airbnb launched Experiences, which allows individuals to book experiences, events and tours with hosts. While Airbnb Experiences has not yet launched in Auckland, it has the potential to develop and market new world-class attractions.

ATEED also identifies that Auckland must grow its capacity and capability in order to accommodate increasing demand, with an additional 3,400 hotel rooms required by 2021 (as at 2014) across the whole Auckland region to reach its visitor economy aspiration. A more recent analysis suggests that Auckland will have a shortfall of 1,800 hotel rooms,⁷⁸ taking into account expected growth. Although Airbnb isn't a direct substitute for hotel rooms, it nevertheless can support an increasing visitor economy – especially during peak periods of demand. As Airbnb supply is flexible (unlike hotel or motel rooms), it can expand during peak periods – and across the Auckland region, rather than centred in the CBD.

3.2.2.2 Queenstown

The Queenstown Lakes District Council released the *Queenstown Lakes Economic Development Strategy* in 2015. The strategy recognises that tourism 'underpins the District's economy', but that it also poses a challenge through the concentration of industry and pressure on infrastructure. A core supporting priority of the strategy is to encourage higher contribution visitor activity.⁷⁹

One suggested approach to achieving this priority is to attract higher value visitors, who can spend more in the district.

Airbnb data from Australia suggests that Airbnb visitors spend more per night than the average tourist. If this were to hold true in Queenstown, Airbnb could assist the Council in achieving its goal through attracting guests via Airbnb. Airbnb can also assist in dispersing visitor spend throughout the region.

The recent introduction of Airbnb Experiences in Queenstown can also assist in diversifying visitor offerings and the ways in which visitors can contribute to the community – another action identified in the strategy. Airbnb Experiences features different activities to those which might otherwise be offered in Queenstown, as they are operated by local hosts.

Amy from Māori Tourism

When Airbnb Experiences was close to launching in New Zealand, Amy reached out to Airbnb to understand more about the platform and see how Māori tourism operators could use the platform to create opportunities within the Māori tourism sector. Airbnb and NZ Māori Tourism have collaborated over the past year to identify and facilitate Experiences that Airbnb users may enjoy, and to communicate how this tool can be used to develop new offerings and ideas across New Zealand.

The benefits of this service to Māori tourism operators are threefold:

- It supports the dispersal of visitors more widely than traditional tourist centres
- It encourages the uptake of a greater number of authentic Māori experiences while also encouraging the establishment of new and exciting Māori tourism experiences
- It provides business opportunities and ease of access to enter the tourism industry for groups and individuals that may otherwise struggle to enter the tourism market.

While the platform is currently limited to Queenstown, there are plans to roll out the service to other regions in New Zealand. Extending Airbnb Experiences more widely will provide NZ Māori Tourism, and Māori tourism providers, with the ability to attract more visitors to Māori tourist activities, and it may act as an incubator for new business opportunities. Airbnb provides the infrastructure and data to enable operators to better understand consumer interests, demand and willingness to pay, and enables new operators, who may not traditionally become tourism providers, to enter the market with tailored Experiences that meet market demand.

The flexibility of the Airbnb service enables providers to offer authentic Experiences on a timetable that best suits their needs. For example, an Airbnb Experience near Queenstown currently offers guests a locally guided tour of the land first settled by Māori; practice of the traditional Hongi greeting and understanding as to why it is done; a display of the Wanaka Haka, a Māori dance specific to the region of Central Otago; and lessons on how to brandish the Taiaha, a ceremonial weapon. As only one man hosts this Experience, he is able to determine when this experience can be offered to visitors.

A rollout of the service to the rest of the country would increase the offerings of Māori tourism experiences across all regions, and attract visitors who want a more local experience to regions that are beyond the usual tourist hubs. Visitors to New Zealand would benefit by learning about New Zealand heritage through a rich and authentic cultural experience.

3.2.2.3 Christchurch

Prior to the 2010 and 2011 earthquakes, Christchurch played an important role as the main destination in, and primary gateway to, the South Island. The Christchurch Visitor Strategy aims to reclaim Christchurch's pre-earthquake role, and was developed by a number of organisations across Canterbury – including Christchurch Airport, Christchurch and Canterbury Tourism, the Canterbury Development Corporation and the Christchurch City Council.⁸⁰ It sets out a long-term strategic framework with four pillars to grow the visitor economy.

Two key pillars within that framework are to enhance the visitor experience and connect with local residents. Airbnb can assist in both of these objectives through its platform. Visitors benefit from a more tailored experience on Airbnb, with hosts helping guests to settle in to their accommodation and their local area. Hosts also act as local champions for their region, by recommending certain attractions or sharing their Airbnb listing via social media – allowing for authentic advocacy for Christchurch.



Appendix A: Economic contribution methodology



Overview and definitions

Economic contribution studies are intended to quantify measures such as value added, exports, imports and employment associated with a given industry or firm, in a historical reference year. The economic contribution is a measure of the value of production by a firm or industry. All direct, indirect and total contributions are reported as gross operating surplus (GOS), labour income, value added and employment (with these terms defined in Table A.1).

Table A.1: Definitions of economic contribution estimates

Estimate	Definition
Gross operating surplus (GOS)	GOS represents the value of income generated by the entity's direct capital inputs, generally measured as the earnings before interest, tax, depreciation, and amortisation (EBITDA).
Labour income	Labour income is a subcomponent of value add. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.
Value added	Value added measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals gross domestic product. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.
Employment (FTE)	Employment is a fundamentally different measure of activity to those above. It measures the number of workers (measured in full-time equivalent terms) that are employed by the entity, rather than the value of the workers' output.
Direct economic contribution	The direct economic contribution is a representation of the flow from labour and capital committed in the economic activity.
Indirect economic contribution	The indirect contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by economic activity.
Total economic contribution	The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Source: Deloitte Access Economics

When calculating the GOS for a typical for-profit firm or industry, income streams from government (such as transfers or production subsidies) are excluded as they are a transfer of public funds, not reflective of income generated by the activities of the firm or industry.

Similarly, value added is typically calculated as GOS plus labour income plus taxes minus subsidies on production.

Value added

The measures of economic activity provided by this contribution study are consistent with those provided by Stats NZ. For example, value added is the contribution the sector makes to total factor income and gross domestic product (GDP).

There are a number of ways to measure GDP, including:

- **Expenditure approach** – measures expenditure of households, on investment, government and net exports
- **Income approach** – measures the income in an economy by measuring the payments of wages and profits to workers and owners.

The discussion below outlines the approach to measuring the value added by an industry using the income approach.

Measuring the economic contribution – income approach

There are several commonly used measures of economic activity, each of which describes a different aspect of an industry's economic contribution. One measure is value added.

Value added measures the value of output (i.e. goods and services) generated by the entity's factors of production (i.e. labour and capital) as measured in the income to those factors of production. The sum of value added across all entities in the economy equals GDP. Given the relationship to GDP, the value added measure can be thought of as the increased contribution to welfare.

Value added is the sum of:

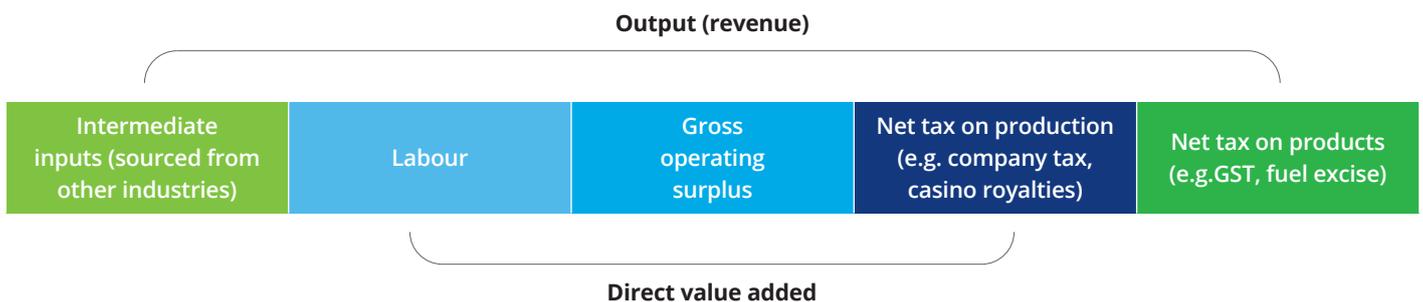
- Gross operating surplus (GOS) represents the value of income generated by the entity's capital inputs, generally measured as the earnings before interest, tax, depreciation and amortisation (EBITDA)
- Tax on production less subsidy provided for production. Note: given the manner in which returns to capital before tax are calculated, company tax is not included or this would double-count that tax. In addition, it excludes goods and services tax, which is a tax on consumption (i.e. levied on households)

- Labour income is a subcomponent of value added. It represents the value of output generated by the entity's direct labour inputs, as measured by the income to labour.

Figure A.1 shows the accounting framework used to evaluate economic activity, along with the components that make up output. Output is the sum of value added and the value of intermediate inputs used by the firm or industry.

The value of intermediate inputs can also be calculated directly by summing up expenses related to non-primary factor inputs.

Figure A.1: Economic activity accounting framework



Source: Deloitte Access Economics

Contribution studies generally also estimate employment attributable to a sector. Employment is a fundamentally different measure of activity to those above. It measures the number of workers that are employed by the entity, rather than the value of the workers' output.

Direct and indirect contributions

The **direct** economic contribution is a representation of the returns to labour and capital in the company or sector that occurs for the entity in which the spending occurs – or in this case, that generated by the expenditure of Airbnb guests. The amount spent directly by Airbnb guests at local businesses represents revenue for those businesses. Each business employs workers and capital to provide goods or services to the Airbnb guest. The returns to labour (employee wages) and returns on capital (business owner's profits) associated with the Airbnb guests' spending comprises the direct economic contribution.

The **indirect** contribution is a measure of the demand for goods and services produced in other sectors as a result of demand generated by Airbnb-facilitated tourism. Estimation of the indirect economic contribution is undertaken in an input-output (IO) framework using Stats NZ IO tables which report the inputs and outputs of specific sectors of the economy.

The total economic contribution to the economy is the sum of the direct and indirect economic contributions.

Other measures, such as total revenue or total exports are useful measures of economic activity, but these measures alone cannot account for the contribution made to GDP. Such measures overstate the contribution to value added because they include activity by external firms supplying inputs. In addition, they do not discount the inputs supplied from outside New Zealand.

Limitations of economic contribution studies

While describing the geographic origin of production inputs may be a guide to a firm or industry's linkages with the local economy, it should be recognised that these are the type of normal industry linkages that characterise all economic activities.

Unless there is unused capacity in the economy (such as unemployed labour) there may not be a strong relationship between a firm's economic contribution as measured by value added (or other static aggregates) and the welfare or living standard of the community. The use of labour and capital by demand created from the industry comes at an opportunity cost as it may reduce the amount of resources available to spend on other economic activities. This is not to say that the economic contribution, including employment, is not important. As stated by the Productivity Commission in the context of Australia's gambling industries:⁸¹

Value added trade and job creation arguments need to be considered in the context of the economy as a whole ... income from trade uses real resources, which could have been employed to generate benefits elsewhere. These arguments do not mean that jobs, trade and activity are unimportant in an economy. To the contrary they are critical to people's well-being. However, any particular industry's contribution to these benefits is much smaller than might at first be thought, because substitute industries could produce similar, though not equal gains.

In a fundamental sense, economic contribution studies are simply historical accounting exercises. No 'what-if', or counterfactual inferences – such as 'what would happen to living standards if the firm or industry disappeared?' – should be drawn from them.

The analysis – as discussed in the report – relies on a national IO table modelling framework and there are some limitations to this modelling framework. The analysis assumes that goods and services provided to the sector are produced by factors of production that are located completely within the region defined and that income flows do not leak to other regions.

The IO framework and the derivation of the multipliers also assume that the relevant economic activity takes place within an unconstrained environment. That is, an increase in economic activity in one area of the economy does not increase prices and subsequently crowd out economic activity in another area of the economy. As a result, the modelled total and indirect contribution can be regarded as an upper-bound estimate of the contribution made by the supply of intermediate inputs.

Similarly, the IO framework does not account for further flow-on benefits as captured in a more dynamic modelling environment like a Computable General Equilibrium (CGE) model.

Input-output analysis

Input-output tables are required to account for the intermediate flows between sectors. These tables measure the direct economic activity of every sector in the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by source. These detailed intermediate flows can be used to derive the total change in economic activity associated with a given direct change in activity for a given sector.

A widely used measure of the spill-over of activity from one sector to another is captured by the ratio of the total to direct change in economic activity. The resulting estimate is typically referred to as 'the multiplier'. A multiplier greater than one implies some indirect activity, with higher multipliers indicating relatively larger indirect and total activity flowing from a given level of direct activity.

The IO matrix used for New Zealand is derived from the Stats NZ 2013 IO tables, the latest available IO data at the time of the analysis. The industry classification used for IO tables is based on the Australian and New Zealand Standard Industrial Classification (ANZSIC), with 106 sectors in the modelling framework.

Regional analysis

In order to understand the contribution of Airbnb at a regional level, a series of regional tables were developed for Auckland, Wellington, Christchurch and Queenstown, based on the national IO tables provided by Stats NZ. The areas used to create those tables were the respective regional council for each region:

- Auckland was defined using the Auckland Council
- Wellington was defined using the Wellington Regional Council
- Christchurch was defined using the Canterbury Regional Council
- Queenstown was defined using the Otago Regional Council.

These regional council areas were used rather than territorial council boundaries, due to the relative size of territorial councils compared to regional councils. Stats NZ employment data from the 2013 Census was used to estimate the proportion of economic activity in each region. For example, if 7 per cent of employment in *Horticulture and fruit growing* in New Zealand occurred within the Auckland region, then it was likewise assumed that 7 per cent of *Horticulture and fruit growing* wages, revenue, profit and overall production occurred in Auckland.

Thus employment was used as a proxy for all economic activity, allowing for the creation of four regional tables. The resulting tables display intuitive results; for instance, the Auckland table has a larger multiplier effect for the finance industry compared agricultural industries, as more finance activity and inputs are based in urban areas.

A key assumption of the regional tables is that although the size of production in different industries can vary with regions, the production structure within an industry is constant. That is, while Christchurch may produce more paper products than Queenstown, the ratio of wages to revenue to inputs in paper production is the same in both regions.

These regional tables were then augmented to account for the fact that inputs are more likely to be sought from within a region rather than distant parts of New Zealand. The approach to doing this is outlined below.

Proximity assumption in the regional IO model

All else equal, industries and businesses are more likely to purchase inputs from other businesses close to them. Buying local leads to lower transport costs and lower search costs for finding suppliers.

The regional IO models were tailored in two ways to account for these effects. First, a parameter was added to the model to account for a degree of preference for local suppliers, based on the degree of local region preference shown in Deloitte Access Economics' in-house Australian regional model. It was assumed that all being else equal, businesses purchase 45 per cent of more of their inputs from within their region than would be implied by their share of national industry employment where they have sufficient capacity within the local region to meet the demand for intermediate inputs in that industry.

Secondly, due to the relatively small size of some of the regions analysed, the estimated expenditure by Airbnb guests and the flow-on expenditure of businesses in the supply chain could be a significant proportion of a region's industrial capacity. It was assumed that if the estimated demand comprised a very large proportion of the local industry's supply, then the supply would be outsourced to other regions, tempering the 'buy local' preference parameter in the model.

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