

Part II

The committee has looked at home ownership and noted the gradual decline in the number of people who own their own home and the increasing challenge for aspiring first home owners to achieve the goal of home ownership. In the second part of this report, the committee's focus turns to those who through necessity must rent—those whose circumstances do not extend to home ownership. It considers the Australian rental market, its changing profile and the challenges and difficulties that low-income earners experience in accessing suitable accommodation. The committee also looks at public and community housing, at people with particular housing needs and the homeless.

Chapter 13

Affordable rental market

13.1 A number of submitters noted that, in the context of affordable housing, much attention has been given to home ownership but considerably less to renting.¹ For example, Ms Molly Johnson, the Australia Institute, stated:

While barely a week goes by in which the issue of housing affordability is not in the news, the effect on renters seldom makes the headlines.²

13.2 In her view, the expense of buying a house was only one aspect of the housing affordability issue. The cost of housing for those who rent was equally part of the problem.³ In this chapter, the committee considers Australia's private rental market, the supply of rental properties, the costs of renting, the growing disparity between rents and income, the changing profile of the rental market, rental stress and tenancy laws.

Supply of rental properties

13.3 In its 2012 update on Australian housing, the National Housing Supply Council (NHSC) recorded that the housing gap increased by 28,000 dwellings over the year to end-June 2011, taking the cumulative shortage of dwellings since 2001 to 228,000. Assuming that historic demographic and supply trends continued, the Council projected that the national shortfall in houses would increase to 370,000 dwellings by 2016, 492,000 by 2021 and 663,000 by 2031.⁴

13.4 Dr Harley Dale, HIA, noted that Australia had produced on average around 156,500 new homes per annum. Based on a projected 35 million population target by 2050, he suggested that:

Under the most conservative of estimates that one could come up with, we need to average 180,000 dwellings per annum between now and the year 2050 if we are to adequately and successfully house our growing and

1 See for example, Professor Hulse, *Proof Committee Hansard*, 9 September 2014, p. 11; Dr David Baker, *Proof Committee Hansard*, 28 July 2014, p. 19.

2 *Proof Committee Hansard*, 30 July 2014, p. 60.

3 *Proof Committee Hansard*, 30 July 2014, p. 60.

4 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vi, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

ageing population. The difference is very wide and it is growing almost by the day.⁵

13.5 In his view, the 180,000 figure was a bare minimum.⁶ Clearly, as the Department of Social Services stated, 'Australia does not build enough houses for its growing population'.⁷

13.6 This shortfall in the construction of new homes not only affects potential home owners but also those who rent. In this regard, the NHSC reported in its 2012 update on housing supply in Australia that there was a lack of properties that were affordable and available for lower income renters. The Council estimated that there was a deficit of 539,000 affordable rental properties available for this group. Available rental properties included some that were affordable for less affluent households but were already occupied by higher income earners. Sydney, Melbourne and Brisbane had the 'greatest absolute and relative shortages'.⁸ For example, in Sydney there was one affordable and available rental property for every 15 very low-income households.⁹

13.7 Moreover, the trend is toward further deterioration in the availability of affordable rental properties.

Increasing house prices and rising rents

13.8 As noted in the first part of this report, house prices in Australia have risen considerably over recent decades. In summary, median house prices had increased from around three times average household earnings in the early 1990s to around five

5 *Proof Committee Hansard*, 30 July 2014, pp. 43–44. Using an average annual rate of growth in the population of 1.3 per cent, the intergenerational report projected that Australia's population would rise to 39.7 million by 2054–55. It noted, however, that population projections are particularly sensitive to assumptions about the rate of net overseas migration. *The 2015 Intergenerational Report, Australia in 2055*, p. 3, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report> (accessed 23 March 2015).

6 *Proof Committee Hansard*, 30 July 2014, p. 44.

7 *Submission 198*, p. 4.

8 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vii, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

9 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

times in 2009. The 2009 Henry Review noted that higher house prices reduced rental affordability, as rents need to increase if investors were to maintain their rental yield.¹⁰

13.9 This continuing shortage of rental properties and rising rents have affected low-income households in particular. A low-income household is defined as a household whose equivalised gross income falls in the lowest 40 per cent of the population.¹¹ Further, such a household is deemed to have an affordability problem if their housing costs exceed 30 per cent of their income because it has less money to spend on essentials.¹² The NHSC explained:

These households have less choice than more affluent groups because they face binding affordability constraints, have less ability to absorb increased housing costs, and are often displaced from affordable existing housing by established households and those higher up the income spectrum.¹³

13.10 According to the NHSC, lower income renters faced a worsening situation between 2007–08, most notably in the capital cities. In the Council's view, this trend highlighted the fact that those at the lower end of the income distribution, many of whom would be in the private rental market, were likely to be most affected by constrained housing availability. It stated further:

Given that rents have continued to rise, and outstripped house price growth in 2011, rental affordability may have continued to deteriorate, at least in comparison to the situation faced by home owners.¹⁴

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- 10 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2 p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).
- 11 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 83, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
- 12 See for example, Maryann Wulff, Margaret Reynolds, Dharmalingam Arunachalam, Kath Hulse and Judith Yates, *Australia's private rental market: the supply of, and demand for, affordable dwellings*, Australian Housing and Urban Research Institute Swinburne-Monash Research Centre, May 2011, p. 6, <http://www.ahuri.edu.au/publications/search.asp?ShowSearch=False&Direction=DESC&Search=Properties&Keywords=Maryann+Wulff&SearchAuthor=True&Sort=Search%2DTitle&CurrentPage=3> (accessed 4 March 2015).
- 13 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. 3, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).
- 14 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. 5, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

Growing disparity between income and rents

13.11 In addition, increases in income have not kept pace with rises in rent. The Henry Review observed the growing gap between the cost of renting and household income. In 2009, the ratio of rents to average weekly earnings had risen to its highest level since the late 1980s. The review explained:

As at 5 June 2009 there were 418,000 individuals and families paying more than 30 per cent of their income in rent even after receiving Rent Assistance; 129,000 of these were paying more than 50 per cent of their income. Many of these people, especially age pensioners and disability support pensioners (who make up around one-quarter of Rent Assistance recipients) are likely to have limited capacity to increase their incomes. The number of Rent Assistance households paying more than 30 per cent of their income in rent is at its highest level since 2000.¹⁵

13.12 The range of affordability measures calculated from the NHSC's 2009–10 Survey of Income and Housing show that:

- In 2009–10, 60 per cent of lower income private renters faced direct housing costs of more than 30 per cent of their income, an increase from 57 per cent in 2007–08.
- A larger proportion of lower income renters in capital cities faced housing costs of more than 30 (and 50) per cent of income than did low-income renters outside those cities.
- New South Wales, followed by Queensland, had the highest proportion of lower income renters paying more than 30 (and 50) per cent of income.¹⁶

13.13 In a more recent publication, the NHSC found that compared to a decade ago, the average nominal rent paid had increased by 75.8 per cent for houses and 91.8 per cent for other dwellings (mostly flats/apartments). In contrast, average earnings had risen by 57 per cent over the same period. It also noted that vacancy rates remained low at around 2 per cent—a further factor suggesting that the rental market remained tight.¹⁷ Overall, the Council concluded:

15 *Australia's future tax system*, Report to the Treasurer, December 2009, Part Two, Detailed analysis, volume 2, p. 413, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf (accessed 12 December 2014).

16 National Housing Supply Council, *Housing Supply and Affordability—Key indicators, 2012*, p. vii, <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/NHSC> (accessed 4 March 2015).

17 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, p. 7, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

More than ever, Australia's supply challenge is not simply to add to housing stock but also to achieve substantial growth in the supply of affordable rental stock where it is needed most. With a decline in home ownership rates, likely to be exacerbated as the Baby Boomers (who have high ownership rates) move on, pressure on the private rental market is likely to increase in the years to come.¹⁸

13.14 Many submitters referred to the growing disparity between income growth and increases in rent and how this gap made it much harder for low-income earners to find affordable and appropriate rental properties. For example, Mr Ian Pritchard, Regional Development Australia, Gold Coast, referred to a report on housing affordability on the Gold Coast, which revealed considerable disparity between income growth and housing cost growth. Between 2006 and 2011, the median household income increased by approximately 13 per cent whereas rental payments increased by approximately 35 per cent.¹⁹

13.15 Mr Mark O'Brien, Tenants Union of Victoria, similarly noted that the cost of renting to income ratios had increased substantially over the last 20 to 25 years. He gave the following example:

At the moment in Melbourne only about 0.4 per cent of lettings are affordable for a low-income household, so fewer than one in 100 lettings are affordable for a low-income household.²⁰

13.16 Anglicare also highlighted the scarcity of affordable rental properties for low-income earners. To determine how many properties are available for people on very low incomes, Anglicare conducts an annual one-weekend review of the private rental market. In 2014, it found 13,000 private rental market properties available for rent of which only 23 would have been affordable for people on low incomes.²¹ In its submission, the National Affordable Housing Consortium spoke of a 'strong and consistent unity of message across the board', which contended:

...the long term relationship between incomes and house prices has been seriously eroded over the past 20 years and, without action to address the underlying factors, this trend will continue to create serious affordability

18 National Housing Supply Council, *Housing Supply and Affordability Issues 2012–13*, pp. xi and 129, http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/NHSC/Downloads/PDF/housing_supply_affordability_report_2012-13.ashx (accessed 22 August 2014).

19 The report was intended to inform stakeholders within the region of issues relating to housing affordability. The project was commissioned by MacroPlan Dimasi to undertake the research and the report was completed in March 2014. *Proof Committee Hansard*, 10 September 2014, p. 24.

20 *Proof Committee Hansard*, 9 September 2014, p. 42.

21 Dr Burgmann, *Proof Committee Hansard*, 10 November 2014, p. 11.

problems, particularly for those households in the bottom 40% of income distribution.²²

13.17 Ms Felicity Hand, Department of Social Services, told the committee that low-income households face affordability challenges and limited choices in the private rental housing market, which had been exacerbated by a period of higher than CPI rent growth between 2007 and 2013. According to Ms Hand, between 2007 and 2013 private rental costs, on average, had grown significantly faster than CPI. Most recently, however, growth in rents had slowed and in the year to June 2014, rents had risen more slowly than CPI for the first time since 2006.²³

Changing profile

13.18 Australia's private rental market has been changing from its traditional role as a transitional phase for households moving into home ownership or social housing to a long-term sector for a significant number of households.²⁴ Mr O'Brien stated that it was never contemplated that the private rental sector would continue to be as big as it is. He explained further:

It was anticipated that most people would achieve home ownership and the few who could not would be housed by the government. So, in effect, the system would become a two-part system.²⁵

13.19 Ms Johnson, the Australia Institute, observed that the growing number of renters and increasing house prices in Australia was making it difficult for aspiring home owners to enter the property market and was driving up the cost of renting.²⁶ Likewise, Dr Wendy Stone noted the changing profile of the rental market with tenants renting for longer terms and the sector no longer serving as a transition into home ownership for many Australians. She informed the committee that:

The number of renters who have rented for more than 10 years has increased quite significantly in the last 15 years largely because we now have people living in the private rental sector long term who once would have had social housing or access to home ownership through being able to

22 *Submission 101*, p. [1].

23 *Proof Committee Hansard*, 30 July 2014, p. 1.

24 See Kath Hulse, Terry Burke, Liss Ralston and Wendy Stone, *The Australian private rental sector: changes and challenges*, Australian Housing and Urban Research Institute, July 2012, p. 6, https://www.melbourneinstitute.com/downloads/hilda/Bibliography/Other_Publications/2012/Hulse_et_al_The_Australian_private_rental_sector_changes_and_challenges.pdf (accessed 15 January 2015).

25 *Proof Committee Hansard*, 9 September 2014, p. 45.

26 *Proof Committee Hansard*, 30 July 2014, p. 60.

afford a home. The pressure in the system is great for low- to moderate-income households, spatially and in other ways.²⁷

13.20 Professor Kath Hulse referred to the 'boiling frog' of the private rental sector. In her view, home ownership had attracted 'a lot of attention' with social housing receiving some interest, but the reality was that the private rental sector was 'growing'. According to Professor Hulse, the sector grew by 18 per cent between 2006 and 2011, which was twice the rate of household growth in Australia.²⁸ She noted in particular that while there was a range of people on different household incomes in the sector, there were many people on low incomes who were private renters.²⁹

13.21 Also, Mr O'Brien indicated that discussions about rental housing affordability were often bedevilled by the assumption that it was about young singles, when the largest proportion of households in the rental market were families with children. He pointed out:

They are the people who are also confronting these affordability problems and are being forced to make difficult decisions about...their children's future and trying to find an affordable place in the market so that they can prosper as a family.³⁰

13.22 Importantly, he underlined the fact that the market creating such difficulties for renters was 'a very mainstream housing market' and not confined to special groups.³¹

Higher income earners now renting

13.23 One of the notable shifts in the profile of those in the private rental market has been the increasing number of higher income earners occupying a significant proportion of the private rental market. With supply already stretched, this tendency has intensified competition in the market.³² In its submission, the Council to Homeless Persons referred to the phenomenon of households 'renting down', that is higher income households occupying low rent properties. It suggested that this trend demonstrated that the problems faced by low-income renters were not simply 'a problem of housing affordability, but a problem of housing allocation'.³³

27 *Proof Committee Hansard*, 9 September 2014, p. 11. Dr Stone gave evidence in a private capacity.

28 *Proof Committee Hansard*, 9 September 2014, p. 10. Professor Hulse gave evidence in a private capacity.

29 *Proof Committee Hansard*, 9 September 2014, p. 11.

30 *Proof Committee Hansard*, 9 September 2014, pp. 44–45.

31 *Proof Committee Hansard*, 9 September 2014, pp. 44–45.

32 See, for example, Australian Housing and Urban Research Institute, *Submission 93*, p. 32; Council to Homeless Persons, *Submission 179*, p.2.

33 *Submission 179*, p. 2.

Professor Hulse also noted that much of the problem with access to an affordable private rental property was around competition. Referring to research she had undertaken, Professor Hulse informed the committee that there had been an increase in higher income renters during the period 2006 to 2011—so there was pressure in the sector. Further, Professor Hulse explained that people letting properties were making a risk assessment and renting the property to higher income households rather than the lower-income ones if they thought there was a risk.³⁴ Indeed, an AHURI study on affordable dwellings in Australia's private rental market found that:

...even if the private rental market worked perfectly and allocated all affordable rental dwellings to low-income households, there are simply not enough affordable private dwellings to go around. The fact that much of this stock is taken up by higher income households only worsens the situation.³⁵

13.24 Elaborating on this trend for higher income earners to rent, Professor Hal Pawson, City Futures Research Centre, noted that some people who could afford to own a home do not necessarily elect for home ownership. Rather than purchase a small unit or house on the outskirts of metropolitan areas, which is affordable, they choose to rent closer to the city to meet their housing needs. They then squeeze out of the rental market those for whom renting is the only choice.³⁶ As Associate Professor Judith Yates explained:

...as our cities become more and more pressured by population pressures, affordable housing moves out and so people would rather have the lifestyle preferences of rental housing which they can access closer to the amenities they want, and, particularly for two-income households, two-earner households, have access to more jobs.³⁷

13.25 Dr Chris Martin, Tenants' Union of New South Wales, similarly observed that some higher-income earners preferred to rent for lifestyle or labour market decisions and occupied stock that might otherwise be affordable to low-income people. He also noted the growing number of people renting longer into their 'higher-income-earning years'.³⁸ This tendency, in combination with limited rental stock, exacerbated the problem for low-income earners finding affordable housing.³⁹ Indeed, Dr Martin

34 *Proof Committee Hansard*, 9 September 2014, p. 25.

35 See for example, Maryann Wulff, Margaret Reynolds, Dharmalingam Arunachalam, Kath Hulse and Judith Yates, *Australia's private rental market: the supply of, and demand for, affordable dwellings*, Australian Housing and Urban Research Institute Swinburne-Monash Research Centre, May 2011, p. 13, <http://www.ahuri.edu.au/publications/search.asp?ShowSearch=False&Direction=DESC&Search=Properties&Keywords=Maryann+Wulff&SearchAuthor=True&Sort=Search%2DTitle&CurrentPage=3> (accessed 4 March 2015).

36 *Proof Committee Hansard*, 10 November 2014, p. 35.

37 *Proof Committee Hansard*, 10 November 2014, p. 37.

38 *Proof Committee Hansard*, 10 November 2014, p. 62.

39 *Proof Committee Hansard*, 10 November 2014, p. 66.

argued that the shape of the rental market had altered 'particularly to the disadvantage of low-income renters'.⁴⁰ The Department of Housing and Public Works, Queensland, likewise observed the increasing numbers of people on medium to high incomes choosing to rent in order to save a deposit to buy.⁴¹ This subsequent demand for affordable rental housing creates additional pressure on low-income renters.

Rental stress

13.26 Housing stress is a measure of housing affordability where the proportion of household income spent on basic housing costs (that is, rent or mortgage) is calculated. Rental stress, therefore, is a situation where a household's housing costs (excluding government rent assistance) exceeds 30 per cent of the gross household income. According to the Australian Institute of Health and Welfare (AIHW), any household spending 50 per cent or more is said to be in severe housing stress.⁴² Dr Martin stated bluntly:

What we call 'housing stress' is poverty by another name.⁴³

13.27 The AIHW found that the proportion of low-income households paying more than 30 per cent of their income in rent had risen. In 2007–08, 37 per cent of low-income households were in rental stress compared to 44 per cent in 2011–12. The proportion of rental stress was higher (60 per cent) for the lowest 10 per cent of households by income in 2011–12.⁴⁴ It noted that of the 1.2 million low-income households across Australia, 44 per cent were in rental stress in 2011–12, an increase from 42 per cent in 2009–10 and 37 per cent in 2007–08.⁴⁵ Other witnesses agreed that the national picture for households in the bottom income brackets had deteriorated.

13.28 Professor Hulse noted that not only had the situation worsened for low-income earners but had extended further up the income scale. She cited the stark housing shortages that occurred in towns and regional centres in Queensland and

40 *Proof Committee Hansard*, 10 November 2014, p. 62.

41 Queensland Government, *Submission 215*, p. 2.

42 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, pp. 83 and 85, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

43 *Proof Committee Hansard*, 10 November 2014, p. 66.

44 Institute of Health and Welfare, *Housing assistance in Australia 2014*, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

45 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Western Australia due to the mining boom and the concomitant escalation in demand for housing.⁴⁶

13.29 Drawing on their experiences or from their own region or state, a number of submitters highlighted the fact that many low-income earners were under rental stress.⁴⁷ For example, Mr Adam Mills, City of Melbourne, cited statistics indicating that the median rent in the City of Melbourne exceeded income growth by 150 per cent. Currently, half of the city's renters were in housing stress, paying greater than 30 per cent of their gross income on rent.⁴⁸ He went on to explain that there was poor access to affordable housing for low-income essential service workers with only 10 per cent of all rental housing affordable to this group within the City of Melbourne, which only improved marginally to 18 per cent within a 56-minute commute.⁴⁹

13.30 Mr Pritchard, Regional Development Australia, Gold Coast, referred to a commissioned report completed in March 2014 that clearly illustrated the extent of housing stress in the Gold Coast region. It also showed that the majority of those in housing stress were low-income renters. Essentially, the report found that based on 2011 figures, of the 46,000 households spending in excess of 30 per cent of their income on housing costs on the Gold Coast, approximately 35,000 of them were low-income households. Of the 80,000 low-income households on the Gold Coast, 35,000 households, or about 43 per cent, were in housing stress. Of these 35,000 households, approximately 24,000 were in rental stress and about 11,000 in mortgage stress.⁵⁰ More broadly, the National Council of Women of Australia maintained that rental affordability for households on the lowest incomes continued to worsen. It stated:

The impact of the housing crisis on lower income households is more acute because of a lessened capacity to compete for housing. For the lowest 10% of households by income, rental stress jumped from 49.2% in 2007–8 to 60.8% in 2009–10.⁵¹

13.31 It should be noted that while the figure of 30 per cent of income is generally accepted as a measure of rental stress, the burden of paying such a sizeable sum on rent falls more heavily on some. In this regard, Regional Development Australia, Gold Coast, observed that the 30 per cent ratio did not take account of other relevant factors such as the number of people per household and disposable income.⁵² Along similar lines, and as discussed in chapter two, Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman argued that this ratio approach did not

46 *Proof Committee Hansard*, 9 September 2014, p. 25.

47 See for example, Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 51.

48 *Proof Committee Hansard*, 9 September 2014, p. 29.

49 *Proof Committee Hansard*, 9 September 2014, p. 29.

50 *Proof Committee Hansard*, 10 September 2014, p. 24.

51 Ms Findlater Smith, *Proof Committee Hansard*, 30 July 2014, p. 55.

52 *Submission 74*, pp 3–4.

capture the 'dynamics of housing stress for different compositions of households' and failed to reflect the complex nature of housing and its interrelated nature with other costs. They suggested that:

Housing is the major item in many households budgets and for low-income groups the financial situation after housing costs have been met is a pressing issue.⁵³

13.32 As a more accurate reflection of rental stress, they supported using the residual stress measure, which was based on the level of disposable income that remained after housing costs had been met.⁵⁴ As noted earlier, HomeGround also favoured this approach, arguing that:

...for people on very low incomes, ratio measures of affordable housing are meaningless. When someone pays 25% of their income in rent and still cannot afford other basic necessities such as food and clothing, the result is extreme poverty, residual measures of housing affordability at least make allowances for the cost of other necessary purchases in calculating what is affordable.⁵⁵

13.33 Mr Andrew Mills, HomeStart Finance, also acknowledged that the definition of housing affordability varied for every household and was dependent 'on particular life circumstances, such as childcare costs, whether you need to own a car, travel to work'.⁵⁶ He conceded, however, that from a broad policy perspective, it was not possible, in a practical sense, to evaluate different circumstances for every household and accepted that the 30 per cent threshold provided a useful benchmark for policy.⁵⁷

13.34 The committee understands the practicality of using the 30 per cent benchmark as a measure of housing stress but notes the importance of keeping in mind the different composition and circumstances of individual households and that some will bear the burden of renting more heavily.

Level of hardship

13.35 Organisations providing assistance to people under rental stress understand the level of hardship that high rents are causing. Mr Simon Schrapel, Uniting Communities, informed the committee that those working in the organisation's financial counselling services regularly see people who are paying not 30 per cent but upwards of 50 per cent of their disposable income in private rental accommodation.⁵⁸ Drawing on Shelter SA's experiences, Dr Alice Clark noted that Shelter SA's

53 *Submission 23*, p. 4.

54 *Submission 23*, p. 2.

55 *Submission 70*, p. 5.

56 *Proof Committee Hansard*, 9 September 2014, p. 29.

57 *Proof Committee Hansard*, 9 September 2014, p. 29.

58 *Proof Committee Hansard*, 28 July 2014, pp. 29–30.

consultations with people living in the community also show that people living on low incomes pay 50 per cent or more of their income just on their house. She went on to comment:

So if you are on a very low income that leaves you practically nothing to buy necessities—things like medicines and health care, school excursions and indeed food.⁵⁹

13.36 Anglicare WA explained that the emergence of a group of private renters routinely accessing financial support services was 'a relatively new phenomenon' and indicated strongly that the lack of affordable housing was affecting a widening proportion of the community and 'increasing their vulnerability'.⁶⁰ Mr James Bennett, Tenants Union of Victoria, stated simply that workers with the Union 'often see people on average weekly earnings now struggling to meet average rent in a number of areas'.⁶¹ This statement ties in with the observation that the difficulties for Australian renters were very much a product of today's mainstream rental market.

Additional housing costs

13.37 When considering housing stress, it is important to recognise that the actual expenditure on rent is not the only drain on the household housing budget. There are additional costs associated with housing that further eat into a household's finances. Energy, in particular, is a major source of expenditure. Mr Schrapel indicated that some renters, notably people on the lowest income, were paying upwards of 10 per cent of their remaining disposable income on energy. He explained further:

In a lot of rental homes landlords have not traditionally made their properties particularly energy-efficient or put in appliances that have allowed that sort of comfort level to be realised.⁶²

13.38 Also, based on his experience as CEO of Uniting Communities, Mr Schrapel observed that low-income housing tends to be located on the fringes. He explained that it is 'the costliest place to live in terms of transport and everything else, so you have a displacement effect which has a compounding impact on low-income households'.⁶³ Mr Schrapel suggested that when 60 per cent of a person's disposable income is consumed on those essential things there is not much left for necessities such as food. In his assessment, a lot of low-income people were 'experiencing extreme housing stress'.⁶⁴

59 *Proof Committee Hansard*, 28 July 2014, p. 32.

60 *Submission 161*, p. 7.

61 *Proof Committee Hansard*, 9 September 2014, p. 42.

62 *Proof Committee Hansard*, 28 July 2014, p. 30.

63 *Proof Committee Hansard*, 28 July 2014, p. 41.

64 *Proof Committee Hansard*, 28 July 2014, pp. 29–30.

13.39 Mr Ian Yates, COTA, likewise noted that housing affordability encompassed other costs. For example, Mr Yates observed, and as Mr Schrapel mentioned, people in the rental market not only had significant rental outlays but were also frequently living in housing that was not energy efficient. He stated further:

Because there is not a lot of incentive for a landlord to make a house energy efficient, pensioners are paying higher gas and electricity bills out of a tight income stream because they are not in efficient housing.⁶⁵

13.40 In addition, Mr Yates referred to renters living long distances from where they needed to be and highlighted the cost of transport, which, he argued, should be considered part of the affordability of housing issue.

Affordable and appropriate housing

13.41 Many submitters stressed the importance of recognising that affordable housing must also be appropriate housing. In its submission, COTA observed that too often the only affordable housing was not appropriate, 'either because of its design, or its geographic position and lack of proximity to necessary services'.⁶⁶

Proximity to transport, services, jobs, schools

13.42 Some witnesses referred to the families and individuals on limited incomes who, unable to find affordable, appropriate and secure housing, were increasingly being forced to relocate to areas on the urban fringe without adequate services and infrastructure and removed from their social supports.⁶⁷ For example, Mr O'Brien, Tenants Union of Victoria, noted that the natural consequence of cities such as Melbourne commanding high rents meant that low-income people were being driven further away from good-amenity suburbs around the inner city and even the middle-ring suburbs. He suggested:

So the less than one per cent of lettings that are affordable in Melbourne are now located in a sort of ring around the outer fringes of the city. It has also forced low-income households to occupy housing in places like Dromana, which is an old holiday destination. You have people now living permanently in places that were never really intended that way in housing that was never intended for permanent occupancy.⁶⁸

13.43 The committee has referred to the costs of transport for those living on the periphery of metropolitan areas. But being relegated to the outskirts of cities has implications that go beyond higher transport expenses. Indeed, the move to the outer

65 *Proof Committee Hansard*, 28 July 2014, p. 22. See also Jane Berry, *Home Sweet Home—Act for the house not the tenant*, Footscray Community Legal Centre Inc, 2013, pp. 8 and 10–11. The issue of energy efficiency and housing affordability was also discussed in chapter 8.

66 *Submission 191*, p. 6.

67 See, for example, Hobsons Bay City Council, *Submission 39*, p. 3.

68 *Proof Committee Hansard*, 9 September 2014, p. 44.

suburbs, according to Mr O'Brien, effectively forces people on benefits to areas that have less access to employment, services and transport thereby creating an environment for future social problems. In his view, such a development does nothing to avoid the 'intergenerational transmission of poverty or inequality', which happens simply by the normal processes of the market.⁶⁹ Drawing on her work with Shelter SA, Dr Clark also noted that people at the lowest end of the rental market were being forced from where they want and need to live, which might be near work or family:

We see people being pushed out and away from services and infrastructure, and also the quality of those homes—the private rental properties—is deteriorating. Landlords don't care. They have got a line of tenants waiting to inhabit their places and they are not doing maintenance, so there are serious issues for private renters.⁷⁰

13.44 Professor Pawson also spoke of the working poor being pushed increasingly towards the fringes of Australia's capital cities—places remote from 'the jobs-rich inner areas'. Likewise, Ms Jacqueline Phillips, Australian Council of Social Service, referred to a spatial segregation driven by access to affordable housing that:

...creates marked inefficiencies in lower paid labour markets and imposes high transport costs on often quite low-income households.⁷¹

13.45 In her view, housing should be seen not only in an economic context but also as part of Australia's infrastructure.⁷² As Associate Professor Wilkins, University of Melbourne, noted, you cannot divorce affordable housing from 'infrastructure development and in particular transport infrastructure, both public and private'.⁷³ Indeed, Professor Jago Dodson, RMIT University, spoke of spatial and social polarisation and the differentiation in housing markets between the core of Australian cities, the middle suburbs and the outer suburbs, where housing is most affordable for those on low incomes. He argued:

The combined impacts of those locational processes affect access to employment and access to public and social services such as health and education services, which compounds not just affordability problems but also liveability or wider opportunity questions for households in the lower income brackets. These issues then need to be picked up in other portfolio areas such as health, education, welfare assistance and that sort of thing. That dimension is another issue that we have not coordinated very well within our policy architecture.⁷⁴

69 *Proof Committee Hansard*, 9 September 2014, p. 44.

70 *Proof Committee Hansard*, 28 July 2014, p. 41.

71 *Proof Committee Hansard*, 10 November 2014, p. 24.

72 *Proof Committee Hansard*, 10 November 2014, p. 24.

73 *Proof Committee Hansard*, 9 September 2014, p. 16.

74 *Proof Committee Hansard*, 9 September 2014, p. 13. The issue of spatial disadvantage was also addressed in chapter 7.

13.46 This lack of access to transport, services, education and jobs also has productivity implications for Australia. In this regard, Mr Adrian Pisarski, National Shelter, indicated that Australia would 'suffer major productivity consequences because the country's workforce will not be located where it is needed'. He observed that people who want opportunities to educate themselves or receive medical services or get a job would not be close enough to do it. So, in his view, Australia had in the making, 'a really major productivity issue over the long term'.⁷⁵

Security of tenure

13.47 Professor Andrew Beer, Centre for Housing, Urban and Regional Planning (CHURP), referred to the growing trend of Australians remaining in private tenancy for longer periods of time throughout their life. He told the committee that, in reality, renting for many people was no longer a transitional phase but a stage that would occupy most of their lifetime. Although people may stay in the private rental market, they often move from dwelling to dwelling and in many cases unwillingly. In this regard, Professor Beer observed:

We found that involuntary moves were a major reason why people moved from one tenancy to the next—that is, they are being evicted because the landlord either wants the property back for another purpose, or they have been deemed to be a poor tenant, or the rent has gone up and they are being forced to move...But that is only one of the reasons people move.⁷⁶

13.48 According to Professor Beer, there was an attempt several years ago to introduce seven-year leases but he did not think that the proposal 'ever really took off in any substantial way'. He explained further:

The structure of our housing industry supply for the private rental market is such that most landlords are investing in the private rental market in order to achieve capital gains rather than returns on investment. This therefore means that they want to be able to liquidate their asset at any point in time, and so they are unwilling to give longer term leases.⁷⁷

13.49 In its submission, the Institute for Social Research, Swinburne University of Technology, also commented on the structure of the Australian private rental market. It stated:

...lease lengths are typically very short, rents can be increased at regular intervals, and tenants have little control over their home, and in most jurisdictions can be asked to leave with very little notice compared with many developed countries.⁷⁸

75 *Proof Committee Hansard*, 10 September 2014, p. 33.

76 *Proof Committee Hansard*, 28 July 2014, pp. 12–13.

77 *Proof Committee Hansard*, 28 July 2014, p. 13.

78 Institute for Social Research, Swinburne University of Technology, *Submission 86*, p. 3.

13.50 Indeed, many witnesses referred to uncertain tenure as a major concern.⁷⁹ In its submission, National Shelter suggested that the rental market 'was not currently set up to meet the needs of long term tenants'. It noted that investors were mainly small households with only a marginal attachment to the rental market, which meant that they were unable to provide any level of security for their tenants. Furthermore, the regulation of the industry was based around short-term tenancies and short notice periods for eviction, even where there was no breach of tenancy conditions.⁸⁰

13.51 In this context, Dr Stone recorded that 40 per cent of renters move three or more times in a five-year period, which represented eight per cent for all households.⁸¹ She stated further:

The private rental sector at the moment is creating disadvantaged households, wearing them down through move after move after move, and not enabling the sort of maintenance that social housing once did or the growth that home ownership provided to households.⁸²

13.52 Lower income tenants experience these disruptions most keenly, particularly vulnerable groups such as disability tenants, families with children and indigenous households.⁸³

Cost of moving

13.53 In its submission, the National Affordable Housing Consortium noted that one thing often overlooked in the regular tenancy law reviews was the personal and systemic costs that resulted from a bias to short term lets and a disaggregated rental investment market. In its view, these were 'really national housing policy matters rather than residential tenancy law matters'.⁸⁴ A number of submitters have similarly referred to this lack of security in tenure and the associated costs of moving borne by the people who least could afford it. Dr Kazakevitch, Associate Professor Frost and Mr Borrowman voiced the views of many other witnesses when they stated that lower-income groups were the sector of the rental market least able to cope with the cost of moving:

Repeated moving reduces their ability to cope with these burdens, eats into savings and depletes stocks of social capital that have been built up in a current location.⁸⁵

79 See for example, Ms Molly Johnson, *Proof Committee Hansard*, 30 July 2014, p. 60 and Dr Gennadi Kazakevitch, Associate Professor Lionel Frost and Mr Luc Borrowman, *Submission 23*.

80 *Submission 78*, pp. 4–5.

81 *Proof Committee Hansard*, 9 September 2014, p. 11.

82 *Proof Committee Hansard*, 9 September 2014, pp. 11–12.

83 *Proof Committee Hansard*, 9 September 2014, p. 11.

84 *Submission 101*, p. [5].

85 *Submission 23*, p. 11.

13.54 Mr Pisarski highlighted some of the costs incurred for a family changing schools, doctors, and pharmacists:

When you rent a property, every time you are asked to vacate the property all of those networks that you build in a local community need to be changed. That is a really major problem and a major cost for tenants over the long term. If you have to do that, even once every two years, and you are a tenant for 10 years or more—as most are now—then that is five major moves that you have to pay for. That is a huge cost impost on tenants.⁸⁶

13.55 In a similar vein, HomeGround Services referred to the financial and practical hardships caused by frequent moves.⁸⁷ It noted the difficulties that the lack of security of tenure in private renting can pose for vulnerable tenants, including having to bear the costs of frequent moves and exposure to unfair dealings by landlords. According to HomeGround, Australian jurisdictions, compared to other countries, provide very low levels of secure tenancy, imposing significant social costs on tenants and the wider community.⁸⁸ Importantly, the additional costs of relocating and the disruption to education, employment, and social networks and services may mean that a household decides that a move is economically unviable or, for personal reasons, unpalatable. Mr O'Brien noted that the high cost of moving may mean that a tenant is prepared to settle for a higher rent rather than exercise the choice of changing houses. In his view, tenants will tolerate rent rate increases to a significant degree, even low-income tenants. He observed:

The amount of money that low-income tenants are spending on rent is extraordinary. It is no wonder they have no money left for other essentials. People will tolerate a lot for the security that their housing affords them.⁸⁹

13.56 Clearly, households under rental stress are forced to make difficult choices between expenditure on necessities—whether to cut back spending on heating, education, health services or even food.⁹⁰ Housing stress is indeed another name for poverty.

Rights of tenants

13.57 This matter of insecure tenancy in Australia introduces the issue of tenants' rights. Mr David Chandler OAM, an independent industry adviser and advocate for Australia's construction and housing industry, believed there were flaws in the private rental market, which he described as:

86 *Proof Committee Hansard*, 10 September 2014, p. 39.

87 *Submission 70*, pp. 4–5.

88 *Submission 70*, p. 5.

89 *Committee Hansard*, 9 September 2014, p. 46.

90 Dr Kazakevitch, Professor Frost and Mr Borrowman, *Submission 23*, p. 12.

...opportunist, often volatile and in some instances landlords do not meet reasonable expectations.⁹¹

13.58 In this regard, Professor Beer referred to what he termed 'clear analysis by legal scholars working in this area' that showed that the rights of tenants in virtually every jurisdiction in Australia compared to Europe and other places were 'relatively weak'. From his perspective, Australian tenancy legislation favoured the landlord rather than the tenant.⁹² He referred to early research when evictions in South Australia were around 10,000 a year. In part, he attributed this high figure to the tendency of tenants to accept that they had to move on. Professor Beer explained:

Even though they could take the landlord to the Residential Tenancy Tribunal when the landlord was trying to move them on, most tenants simply did not even bother to turn up to the hearings. So there is a culture of accepting the relative powerlessness of tenants in the rental market.⁹³

13.59 In his view, people accepted this lack of power and the belief they had few rights. Furthermore, according to Dr Beer, the fact that most tenancies were for either a six-month or a 12-month period also contributed to evictions.⁹⁴ Dr Martin agreed with the proposition that tenancy was 'unnecessarily insecure'.⁹⁵ He explained that rental occupancy was insecure because 'tenancy laws, in every Australian state and territory, allow for tenancies to be terminated without grounds'.⁹⁶ Mr Pisarski informed the committee that at the moment landlords were able to evict tenants without cause at the end of any lease. Consistent with the evidence of other witnesses, he stated that most leases in Australia were typically signed for six or 12 months.⁹⁷

13.60 On this same matter, Dr Stone noted the wealth of evidence in Australia concerning problems created by structural conditions at access points for tenants in terms of competition policies, which included discriminatory letting, frequent rent increases and poor standards. She referred to an industry that basically supported such practices including landlords increasing the rent regularly. She also spoke about 'an environment of fear in which tenants cannot report problems without being evicted or having rental increases'. Importantly, she drew attention to forced and unwanted movement in rates which were far in excess of other countries considered as good models.⁹⁸

91 *Submission 27*, p. 4.

92 *Proof Committee Hansard*, 28 July 2014, p. 13.

93 *Proof Committee Hansard*, 28 July 2014, p. 13.

94 *Proof Committee Hansard*, 28 July 2014, p. 13.

95 *Proof Committee Hansard*, 10 November 2014, p. 63.

96 *Proof Committee Hansard*, 10 November 2014, p. 63.

97 *Proof Committee Hansard*, 10 September 2014, p. 39.

98 *Proof Committee Hansard*, 9 September 2014, p. 11.

13.61 One group of submitters, Dr Kazakevitch, Associate Professor Frost and Mr Borrowmann, added weight to the contention that the Australian rental market did 'not provide the same level of protection to renters as in other Western countries', which particularly disadvantaged long-term tenants.⁹⁹

13.62 A number of other submitters also mentioned discrimination by landlords and estate agents when selecting tenants and how low vacancy rates and increasing competition between potential tenants only make the situation worse for low-income renters or groups with particular housing needs.¹⁰⁰ For example, the Tenants' Union of NSW noted the high number of renters (both low income and otherwise) who were reluctant to assert their tenancy rights. The Tenants' Union referred to a recent survey, which suggested that 79 per cent of tenants had put up with a problem rather than assert their rights.¹⁰¹ The Western Community Legal Centres registered the same concern that 'in a climate where the vacancy rate is low', tenants were reticent to exercise their rights under the relevant state tenancy laws or seek help. They gave the example of tenants not requesting repairs to be carried out or not taking landlords to the Victorian Civil and Administrative Tribunal (VCAT) over unfair rental increases for fear of eviction.¹⁰²

Benefits of affordable, appropriate and secure housing

13.63 Secure tenancy, affordable rents and appropriate housing have a critical role in setting the foundations for a healthier and more productive population, which in turn contributes to a strong economy and to government savings.¹⁰³ Dr Kazakevitch, Associate Professor Frost and Mr Borrowman contended:

Access to housing is a cornerstone of economic development and welfare. Once a household has secured adequate housing, further important life decisions can be made with more degrees of freedom.¹⁰⁴

99 *Submission 23*, p. 3. See also the Western Community Legal Centres, *Submission 44*, p. 11, which stated: 'It is important to note that in a climate where the vacancy rate is low, tenants are often reluctant to exercise their rights under the Residential Tenancies Act 1997 (RTA) or to seek help. For example, tenants may not request repairs to be done or take landlords to VCAT over unfair rental increases for fear of facing evictions'.

100 See, for example, Tamworth Regional Council, *Submission 12*, p. 3.

101 *Submission 120*, p. 11.

102 *Submission 44*, p. 11. Also see Jane Berry, *Home Sweet Home—Act for the house not the tenant*, Footscray Community Legal Centre Inc., 2013, http://www.footscrayclc.org.au/images/stories/home_sweet_home_act_for_the_house_not_the_tenant_report_2013.pdf (accessed 19 February 2015).

103 See, for example, Dr Julie Lawson and Professor Mike Berry, RMIT University, *Submission 24*, p. 3; Western Australian Local Government Association, *Submission 37*, p. 2; National Foundation for Australian Women ACT, *Submission 38*, p. 2; JELD-WEN Australia, *Submission 54*, p. 2; Inner South Rooming House Network, *Submission 58*, p. 1; HomeGround Services, *Submission 70*, p. 2.

104 *Submission 23*, p. 4.

13.64 Dr Julie Lawson and Professor Mike Berry, RMIT University, stated simply that few material concerns were more important to Australians than the homes they live in:

Secure, affordable housing contributes to our sense of security, individual wellbeing, health and supports family stability.¹⁰⁵

13.65 Drawing on the research on secure occupancy in rental housing, they stated that:

The rental market has the potential to provide a refuge, oasis and stepping stone for an increasing number of households. However, compared to other advanced economies Australia's rental housing is the least secure and most neglected pillar of our housing system.¹⁰⁶

13.66 Mr Scott Langford, Junction and Women's Housing, argued that people who might be experiencing social and economic disadvantage need access to appropriate services, so they can sustain their tenancy. According to Mr Langford, secure tenancy was the bedrock of building capacity for social and economic participation. In a policy context, he urged consideration be given to such matters so that the policy design and solutions do not focus only on the bricks-and-mortar aspect.¹⁰⁷

13.67 Professor Pawson also underscored the benefits of having access to long term tenure that provides continuity, security and predictability.¹⁰⁸ As did Mr Rod Astbury, Western Australian Association for Mental Health, who suggested that safe and secure housing reduces the likelihood of mental ill health. He argued that stable tenure:

...contributes to effective recovery, and it maximises the opportunity for people with mental health issues to lead fulfilling and contributing lives.¹⁰⁹

13.68 Ms Maria Palumbo, Community Housing Council of South Australia, noted the results from a preliminary survey on the benefits to the community stemming from long term tenure. She reported that, according to conservative estimates based on calculations on 15 people so far, the benefits range from 'something like a \$5,000-per-year return to the community up to about \$60,000 per year'. She explained:

For the program we are running, if you think about costs, it is about an \$8,000 package of support per person. In the case of homelessness, that is actually considered expensive, but that is because we have run on this transitional model that is about \$3,000 a person and that is about churn. This works on a housing-first model that is a lot more long term. It costs about \$8,000 a person, but compared with institutional care it is actually

105 *Submission 24*, p. 5.

106 *Submission 24*, p. 6.

107 *Proof Committee Hansard*, 28 July 2014, p. 30.

108 *Proof Committee Hansard*, 10 November 2014, p. 41.

109 *Proof Committee Hansard*, 11 November 2014, p. 34.

really cheap. It prevents people from returning to institutional care, hospitalisation and the like.¹¹⁰

13.69 She conceded that the best return comes when people get jobs. She noted:

Where they are moving from welfare into employment, those returns can be quite large, and in fact we have had those outcomes. But then there are other returns to the community, where people have become more productive. Those people are not as costly, if you like, because they are not using services as much—they have reduced their need for services. And they are more productive in that they are volunteering more and are involved in community. So, for each different case the return is different, because people have different capacity. There are people who are never going to be able to work, but there is still a return that we can actually calculate and value. And there are people we can move into a place where they are actually employed and contributing, where the return is quite high.¹¹¹

13.70 Conversely, inadequate and insecure housing may give rise to escalated domestic violence and overcrowding and poor educational, employment or health outcomes.¹¹²

13.71 Dr Baker, CHURP, referred to research that looked at the difference between being in precarious, unaffordable and insecure housing versus equally uncertain employment. She explained that when comparing the two, it was housing that 'really' affected mental health within the household.¹¹³ Dr Maree Petersen, University of Queensland, also linked secure housing with the health and wellbeing of tenants. She stated simply:

The amount of anxiety and stress that is associated with the threat of eviction is extraordinary. If you have other issues in your life as well, like a very limited income and limited resources, that all adds up.¹¹⁴

13.72 Likewise, in their publication, *Exploring the Bi-directional Relationship between Health and Housing*, Dr Emma Wood and colleagues drew a similar direct and positive connection between health and housing and housing and health.¹¹⁵

110 *Proof Committee Hansard*, 28 July 2014, p. 39.

111 *Proof Committee Hansard*, 28 July 2014, p. 39

112 See, for example, Professor Haslam McKenzie, *Proof Committee Hansard*, 11 November 2014, p. 39.

113 *Proof Committee Hansard*, 28 July 2014, p. 17.

114 *Proof Committee Hansard*, 10 September 2014, p. 15.

115 Dr Emma Wood et al, 'Exploring the Bi-directional Relationship between Health and Housing in Australia', *Urban Policy and Research*, vol. 32, no. 1, pp. 71–84.

Overseas experiences—security of tenure

13.73 A number of witnesses referred to the stable rental markets in countries such as Germany. For example, Mr Pisarski noted that in some European countries, a tenancy can be entered into lasting over a decade or 20 years or more with 'really solid rights' within that agreement. This practice, which favours long-term tenancy, means that institutions were more likely to invest in residential property because they have long-term certainty as well. In his view, it was 'a win-win for everybody'.¹¹⁶

13.74 The National Affordable Housing Consortium also noted that other countries had achieved the goal of renters being able to enjoy stability and longevity and with a greater measure of control in rented housing.¹¹⁷ Dr Vivienne Milligan, City Futures Research Centre, contrasted the different approaches to renting:

If you are a renter in Germany you can choose and put in your own kitchen. If you are in Australia you cannot put a pot plant on the carpet in case it leaks.¹¹⁸

13.75 Professor Beer was another witness who cited Germany as an example of a country with a much larger private rental market where government subsidies supported and underpinned long-term tenancies. He remarked that both German and Austrian leases were often for 10 years.¹¹⁹ Also drawing on overseas experiences, Ms Marie Coleman, National Foundation for Australian Women, noted that in a number of European nations and in Britain people expected to have very considerable security of tenure in their rental arrangements. She stated:

It is one of the reasons why so many people are very happy to live in a rental situation—because they know it is unlikely that the house that they are living in is going to be sold out from underneath them.¹²⁰

13.76 Ms Coleman contended that if Australia were to have more long-term housing investments, which may be group housing or apartment living, satisfactory outcomes for long-term renters would be far more likely.¹²¹ Mr O'Brien also cited overseas countries where tenure arrangements worked largely with indefinite tenancies. He explained:

They do not have a fixed term. They do not have any term in particular, because the presumption is that the tenant will remain in occupation and it

116 *Proof Committee Hansard*, 10 September 2014, p. 39.

117 *Submission 101*, p. [5].

118 *Proof Committee Hansard*, 10 November 2014, p. 41.

119 *Proof Committee Hansard*, 28 July 2014, p. 13.

120 *Proof Committee Hansard*, 30 July 2014, p. 57.

121 *Proof Committee Hansard*, 30 July 2014, p. 57.

is actually difficult for a landlord to get back possession. The circumstances under which a landlord can get back possession are very limited.¹²²

13.77 In his view, that approach to long term tenancy 'actually changes the culture of thinking about how tenancy arrangements should work for everybody involved, including people involved in a policy sense'.¹²³

Evictions and rent increases

13.78 Dr Petersen, University of Queensland, undertook a national study in 2013, which revealed that, in some cases, people who had conventional lives found themselves facing homelessness. In her view, these situations arose as a result of evictions under Australia's tenancy laws. She cited people being given a notice to vacate, people whose housing was inaccessible or who were not able to remain in their rental property because the landlord was unwilling to make modifications. People may have fallen into rent arrears or events had happened in their lives—such as ill health or loss of a spouse—which meant there was only the one pension from which to pay that rent.¹²⁴ In some instances, tenants unwilling to move may be forcibly evicted. According to Dr Petersen, in some European countries there was a right to housing, unlike in Australia where there was no such right. She explained that if people do become homeless in some European countries, they do not remain homeless—they have that right to be housed:¹²⁵

...people can have leases for six years and they cannot have more than one rent increase a year. Those kinds of things are inbuilt. But the countries in Europe that have that also are a part of international treaties. So there is not only a very different culture but a very different law and a very different social housing system. There is an acceptance of private rentals. There are lots of differences there.¹²⁶

13.79 For example, in contrast to this form of stable tenure, landlords in Victoria can increase rents every six months with 60 days' notice, unless a fixed term tenancy is in place. In its submission, the Tenants Union of Victoria referred to tenants facing eviction after being in arrears for more than 14 days.¹²⁷

Security of tenure—solutions

13.80 There was general agreement that current practices in Australia of short-term tenancies and the ability of landlords to raise rents and to terminate a tenancy work

122 *Proof Committee Hansard*, 9 September 2014, p. 45.

123 *Proof Committee Hansard*, 9 September 2014, p. 45.

124 *Proof Committee Hansard*, 10 September 2014, p. 10.

125 *Proof Committee Hansard*, 10 September 2015, p. 15.

126 *Proof Committee Hansard*, 10 September 2014, p. 13.

127 Tenants Union of Victoria, *Submission 119*, p. 5.

against the interests of low-income earners in the rental market. Evidence pointed to a number of areas where improvements could be made. One of the many witnesses who referred to the lack of security in tenure, Mr Pisarski, called for tenancy law reform. He saw the need to create law in Australia that would provide tenants with the sort of certainty that European tenants enjoy.¹²⁸ Also, from Mr Yates' perspective, the challenge was to create an environment in which there was security on both sides. He suggested:

At the moment we do not have that legislative facility so it would be about working out how to create the opportunity for it to happen rather than forcing it to. I certainly think there would be significant upheaval if you suddenly said people must have 10-year leases. That would not suit either side. But create the opportunity for longer-term arrangements to be developed because, on the developer side, that would create some certainty too in financing arrangements and so on...the possibility that we would bring tenancy legislation up to the federal level.¹²⁹

13.81 To overcome the legal insecurity, Dr Martin maintained that Australia needed to have tenancy laws that would 'provide for termination on a reasonable set of prescribed grounds and do away with no-grounds terminations'.¹³⁰

Change in mindset for long term tenancies

13.82 Some of the witnesses favoured a gradual shift in attitudes in Australia toward accepting long term-tenancies. Dr Stone argued that a key objective would be to change the culture so that Australia would have a private rental sector that would be 'a good place to be for all households', including lower-income and highly vulnerable lower-income households. In her view, 'If we make it [renting] a good place to be for everybody, the problems at the lower end will also be resolved'.¹³¹ Dr Stone suggested that over time, changes in regulation, if they were substantial and well supported, would hopefully 'change the culture of renting and the culture of landlordism'. She referred to some of the excellent overseas models and how they could be applied in the Australian context.¹³²

Small investors and estate agents

13.83 Professor Dodson spoke of the need to review the duration of tenancies and the procedures around rolling over or cancelling leases. He was particularly interested in the current structure of Australia's rental market:

128 *Proof Committee Hansard*, 10 September 2014, p. 39.

129 *Proof Committee Hansard*, 28 July 2014, p. 27.

130 *Proof Committee Hansard*, 10 November 2014, p. 63.

131 *Proof Committee Hansard*, 9 September 2014, p. 26.

132 *Proof Committee Hansard*, 9 September 2014, p. 26.

Anecdotal evidence I have heard suggests that the increased number of investors in the rental market who are absentee landlords—in the sense that they allow real estate agents to manage their property rather than have a direct relationship with the tenants—has created an incentive on the part of the real estate agents to roll over short-term leases and charge a fee to the landlord so that they are generating income from their part of the business—obviously there is a rational incentive to do that—but that leads to shorter duration leases for tenants and increasing interaction with the real estate agents because of the need to inspect properties on a three-monthly basis and that sort of thing, which has issues...in terms of privacy and those sorts of things.¹³³

13.84 According to Professor Dodson, consideration should be given to the way rental tenancies operate in terms of the renewal and length of leases 'to provide for more medium-term security'. In this regard, he advocated reducing 'the incentives for agents within the market to extract income from a process that was of limited value to landlords and to tenants'.¹³⁴

13.85 Dr Martin also referred to the rental market as structurally insecure because of the many smallholding landlords in the market on a speculative basis with the strategy of being able to sell the property into the owner-occupier market at a time that was optimal for them. He explained that in order to sell into such a market, the landlord needed to be able to sell without a tenant.¹³⁵ Dr Martin suggested that reform was required to encourage a different sort of landlord—one who holds property on the basis of receiving a steady trickle of rental income. In his words, there was a need to attract 'an institutional landlord with a long-term view and less interested in chasing speculative gains'.¹³⁶

13.86 Dr Ian Winter, AHURI, was of the view that longer term tenancies could be achieved through regulation of the smaller mum-and-dad investors. But, according to Dr Winter, the best way of getting secure, long-term tenure at affordable rents would be to grow the housing association sector.¹³⁷ The committee looks at the community housing sector in a chapter 15.

Tenant protection

13.87 National Shelter noted the importance of tenants having the 'kind of legal protections that are appropriate for a long-term housing option'. It conceded that tenancy law was primarily a state and territory responsibility, but argued that at the

133 *Proof Committee Hansard*, 9 September 2014, pp. 26–27.

134 *Proof Committee Hansard*, 9 September 2014, pp. 26–27.

135 *Proof Committee Hansard*, 10 November 2014, p. 63.

136 *Proof Committee Hansard*, 10 November 2014, p. 63.

137 *Proof Committee Hansard*, 9 September 2014, p. 27.

national level the main focus could be on coordinating legislation and developing best practice models.¹³⁸ It recommended that:

- the Australian, state and territory governments work together to develop best practice standards for tenancy legislation;
- these standards be geared towards developing a framework for longer-term leases as opposed to the current focus on short-term tenancies; and
- these best practice standards include
 - improved coverage of marginal forms of housing such as boarding houses and caravan parks,
 - better protection against eviction, including removal of 'without grounds' evictions (with careful codification of appropriate grounds) and consideration of extended notice periods,
 - ongoing regulation of residential tenancy databases,
 - minimum standards of safety and habitability, and
 - mitigation of excessive rent increases.¹³⁹

13.88 As noted earlier, the Western Community Legal Centres noted that in a climate where the vacancy rate was low, tenants were often reluctant to exercise their rights or to seek help.¹⁴⁰ They recommended that the State Government legislate for an independent body such as an ombudsman or Consumer Affairs Victoria to have special powers under the Residential Tenancies Act (RTA) to act for the tenant and pursue the landlord for costs.¹⁴¹

13.89 The Tenants Union of Victoria suggested that state governments need to do better with their laws regulating rents in the private rental market. The Union was not necessarily referring to rent control, but the current arrangements at a state government level, which were very focused on allowing the market to run its course. In its view, that approach has clearly had the effect of locking many low-income households out of the market.¹⁴²

13.90 Dr Petersen thought that there were some lessons to be learnt from considering the tenancy laws. She mentioned, however, the importance of keeping in mind the differences in jurisdictions when considering policy transfer.¹⁴³

138 *Submission 78*, p. 12. Dr Petersen was of the view that there were some lessons to be learnt from considering the tenancy laws. *Proof Committee Hansard*, 10 September 2014, p. 15.

139 *Submission 78*, p. 12.

140 Western Community Legal Centres, *Submission 44*, p. 11.

141 Western Community Legal Centres, *Submission 44*, p. 3.

142 *Proof Committee Hansard*, 9 September 2014, p. 43.

143 *Proof Committee Hansard*, 10 September 2014, p. 15.

Conclusion

13.91 There is a chronic shortage of affordable rental properties for low- to moderate-income earners. Rents are increasing at a rate above that of household incomes and this widening gap shows no discernible signs of abating. Australia's private rental market is not only growing and becoming a 'very mainstream housing market' but its profile is changing with increasing numbers of higher-income earners opting to rent and to rent longer. This shift means that there is greater competition in the private rental market with people better able to afford the high rents crowding out lower income earners who have no choice but to rent.

13.92 The number of landlords whose primary interest is with capital gains and tax advantages from their investment rental property means that home maintenance and repairs and having an energy-efficient building and appliances are not a priority. Renters are then faced with expensive gas and electricity bills that add to the already high cost of their housing.

13.93 Low-income renters not only struggle to pay high rents and associated housing costs but are also subject to involuntary moves. The rental market in Australia is structured around short-term tenancies and it is the lower income tenants who experience these disruptions most keenly, particularly vulnerable groups such as disability tenants, families with children and Indigenous households.

13.94 The changing nature and composition of Australia's rental market has had a profound effect on lower income households, many of which are families with children. Single people on low incomes also face difficulties accessing affordable and appropriate housing. Indeed, the number of households under housing stress and severe housing stress is increasing. As Dr Martin noted, 'what we call "housing stress" is poverty by another name'.¹⁴⁴ With rent eating into their disposable income, families and individuals have to make hard choices. They must decide whether to disrupt their lives and bear the costs of moving to a cheaper location with fewer services, isolated from social networks, and with increased transport costs or to stay put, continue to pay higher rents and forgo expenditure on education, health and other essentials.

13.95 A number of witnesses identified the need for cultural change in Australia—a gradual shift in attitudes—that would favour longer term tenancies as a high-level objective. This aspirational goal of having longer, stable and secure tenancy with reasonable rent rises is certainly desirable but more concrete action must be taken to reform tenancy laws to ensure that the rights of low-income renters are appropriately protected.

13.96 The committee is also of the view that the Commonwealth should be taking an active part in driving the process of attitudinal change that would produce a general acceptance and encouragement of longer term tenancies in Australia.

144 *Proof Committee Hansard*, 10 November 2014, p. 66.

Recommendation 18

13.97 As a national policy issue, affordable home ownership tends to overshadow affordable renting even though many Australians struggle to access affordable and appropriate housing in the rental market. With this in mind, the committee recommends that the Australian Government recognise affordable renting as a mainstream form of tenure in Australia and place it prominently on the national policy agenda.

13.98 Given that renting will be the only form of housing for many Australians, one of the key challenges for government is to change the traditional view of renting as a short-term transitional phase. The committee recommends that the Australian Government in collaboration with the states and territories, through the recommended ministerial council on housing and homelessness within COAG, start the urgent process of turning around this acceptance of short-term insecure tenure as normal. As a first step, the committee recommends that the proposed ministerial council consider tenancy regulations in the various jurisdictions with a view to delivering greater security for long-term renters.

13.99 Renters in a very tight rental market and with little bargaining power are also in a weakened position when it comes to protecting their rights as tenants. Current tenancy practice and laws leave them vulnerable.

13.100 The committee acknowledges that this area of law is the responsibility of the states. Nonetheless, it urges them to consider carefully their tenancy laws with a view to putting in place a framework underpinned by that aspirational goal of creating longer, safer and secure tenancies with reasonable rent rises.

13.101 The committee believes that the Australian Government has a definite leadership role in supporting the states and territories to establish best practice tenancy requirements that would include:

- minimum standards of safety and habitability, including dwellings that are comfortable to live in and efficient to heat and cool;
- stability and fairness of rent prices (and what constitutes reasonable rent increases);
- security of tenure (including fair and just eviction laws); and
- better protection for vulnerable groups in marginal housing such as boarding houses and caravan parks.

13.102 Furthermore, the committee believes that tenants should also have access to a dispute resolution body and be able to pursue their cause without fear of recrimination from their landlord.

13.103 Evidence presented to this inquiry indicated strongly that affordable renting must be recognised as a mainstream form of tenure in Australia's housing system. With an increasing proportion of Australians now seeing renting as their only option,

including the emergence of 'renters for life' and an increasing number of renters under pressure from a lack of choice and unaffordability, improving the conditions of rental stock as well as the rights of tenants is now considered overdue. There is no national standard that governs the rental market, and very little advocacy or support provided to tenants, in an asymmetrical market where the owner or landlord holds most of the power. More than 95 per cent of the rental housing market is provided by the private market, and as such, strong protections of consistent, national standards is appropriate. The committee notes there are national standards that govern education and healthcare services, work safety and even bike parking facilities. The private rental market should not be an exception.

Recommendation 19

13.104 Considering the evidence presented to this inquiry, the committee recommends that the states and territories review their tenancy laws to ensure that all rental properties are required to meet minimum standards.

Recommendation 20

13.105 The committee also recommends the Australian Government:

- **together with the states and territories, investigate national minimum standards that would set specific minimum standards including security of tenure, stability and fairness of rent prices, a new efficiency and comfort standard, safety and security of the home, and better protection for groups in marginal housing;**
- **review (and increase) funding levels and access to tenancy advice services;**
- **in recognition of the value of tenancy advice services, make funding through NAHA conditional on the states and territories ensuring that they have in place adequate tenancy advisory services; and**
- **include as a priority for the re-established Housing Supply Council (see recommendation 2) to review and publish detail on the current national rental affordability gap.**

Recommendation 21

13.106 Recognising the reluctance of tenants to exercise their rights under the respective residential tenancies legislation in each state, the committee recommends that the states review their existing system for settling tenancy disputes. The committee recommends further that the states consider establishing an independent body such as an ombudsman or giving specific powers to their consumer affairs agencies to act for tenants. Again, the committee recommends that the Australian Government act as a catalyst through the COAG process to encourage the states and territories to establish dispute resolution bodies that provide easier and less expensive access to a mechanism for the resolution of tenancy matters.

