

August 2023

Inquiry into the worsening rental crisis in Australia

Productivity Commission submission

|  |
| --- |
| The Productivity Commission acknowledges the Traditional Owners of  Country throughout Australia and their continuing connection to land,  waters and community. We pay our respects to their Cultures, Country and Elders past and present.  The Productivity Commission  The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.  The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.  Further information on the Productivity Commission can be obtained from the Commission’s website (www.pc.gov.au).  © Commonwealth of Australia 2023  CC By logo  With the exception of the Commonwealth Coat of Arms and content supplied by third parties, this copyright work is licensed under a Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, communicate and adapt the work, as long as you attribute the work to the Productivity Commission (but not in any way that suggests the Commission endorses you or your use) and abide by the other licence terms. The licence can be viewed at: https://creativecommons.org/licenses/by/4.0.  The terms under which the Coat of Arms can be used are detailed at: www.pmc.gov.au/government/commonwealth-coat-arms.  Wherever a third party holds copyright in this material the copyright remains with that party. Their permission may be required to use the material, please contact them directly.  An appropriate reference for this publication is: Productivity Commission 2023, *Submission to the inquiry into the worsening rental crisis in Australia,* Canberra  Publication enquiries:  Phone 03 9653 2244 | email publications@pc.gov.au |

Contents

1. Introduction 4

2. How affordable is the private rental market? 5

3. More homes, cheaper rent 9

4. Boosting renters’ incomes to improve affordability 12

5. Tenancy laws and tenancy support services 14

References 17

1. Introduction

The Productivity Commission (the Commission) is pleased to make this submission to the Senate Community Affairs References Committee inquiry into the worsening rental crisis in Australia.

The Commission is the Australian Government’s independent research and advisory body on economic, social and environmental issues affecting the wellbeing of Australians. The core function of the Commission is to conduct public inquiries, as requested by the Australian Government, on key policy or regulatory issues that affect Australia’s economic performance and community wellbeing. We also undertake research at the request of the Government and support its annual reporting and performance monitoring.

This submission draws on the Commission’s published work on private renters and rental policy issues in the review of the National Housing and Homelessness Agreement (NHHA) *In need of repair: The National Housing and Homelessness Agreement,* and a research paper *Vulnerable Private Renters: Evidence and Options*.

### More Australians are renting, and for longer

More Australians are renting, for more of their lives, than in the past (figure 1). In 2021, 24% of Australian households rented in the private market, compared with 21% in 2001 (ABS 2002, 2022).

The private rental market is increasingly a long‑term tenure type (figure 1, panel b). 56% of people renting privately in 2015 were still renting five years later – compared with 46% of private renters in 2001. And about 39% of people renting privately in 2010 were still renting ten years later.

Renters tend to be younger and have lower incomes than the Australian population (PC 2019, p. 27). They are more likely to be single parents, unemployed, born overseas or to identify as an Aboriginal or Torres Strait Islander person. But the renter population is diverse. The proportions of older people and middle‑ and high‑income households who rent have all increased in the past 20 years (PC 2019, p. 28).[[1]](#footnote-2)

Some choose to rent because of the flexibility it provides (Rowley and James 2018). Renters can move easily for work or other opportunities, or as their housing requirements change. About 14% of private renter households own residential property, suggesting that renting may be a choice.[[2]](#footnote-3) But surveys suggest that most renters aspire to home ownership and remain in the rental market because they are unable to afford the deposit for a home.

Figure 1 – More Australians are renting, and renting for longer

| **a. Proportion of each age bracket renting from private landlord, by year**  This figure has two charts. The first chart shows that the proportion of people renting from private landlords in 1982, 1990, 2000, 2010 and 2020 is high for age brackets 18-24 and 25-29, but falls for age brackets 30-34, 35-39, 40-44, 45-49, 50-54, 55-59, 60-64, 65-69, 70-74 in all years. | **b. Proportion of people renting privately in year 0 who were still renting in the private market after each year**a  The second chart shows that the proportion of people renting privately in 2001, 2005, 2010 and 2020, who were still renting between 1 and 10 years later decreases for each year |
| --- | --- |

**a.** Proportion of people who were renting in the private market in every year from Year 0 to the specified year.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2009-10*, Cat. no. 6540.0; *Microdata: Income and Housing Costs and Amenities, Australia, 1990*, Cat. no. 6541.0; *Microdata: Income and Housing, Australia, 1981-82, 1999-00 and 2019-20*, Cat. no. 6541.0.30.001); Melbourne Institute (*Household, Income and Labour Dynamics in Australia (HILDA)* Survey, Release 20).

2. How affordable is the private rental market?

The median private renter household spends about a quarter of its income on rent. Median rent burdens (the ratio of rent paid to income) have hovered around this rate since 2000 (figure 2), reflecting the steady growth of rents, which have largely tracked incomes ¾ unlike property prices, which have increased substantially and are more volatile.

Median rent burdens vary across, and within, States and Territories (figure 3). In 2019‑20, state‑wide median rent burdens were highest in New South Wales (27.1%) and Queensland (26.7%). Private renters in capital cities across the country spent a higher share of their income on rent than their regional counterparts, except for Queensland. The median share of income spent on rent in regional Queensland (29%) was higher than anywhere else in the country, including the greater Sydney area (27%).

Figure 2 – Overall rent burdens have been steadya,b

Median proportion of disposable household income spent on rent, private renters

This chart shows that the median share of disposable household income spent on rent from 2000 to 2020 is broadly constant over time, and is higher for low-income households than high-income households

**a.** Low‑income households are households in the bottom two quintiles of equivalised disposable household income (see below). Higher‑income households are households in the top three quintiles of equivalised disposable household income. **b.** The ABS measure of disposable income changed in 2007-08, so estimates from before this year are not directly comparable with later years.

Source: Commission estimates using ABS (*Microdata: Household Expenditure, Income and Housing, 2003-04, 2009-10 and 2015-16*, Cat. no. 6540.0; *Microdata: Income and Housing, Australia, 1999-00, 2000-01, 2002-03, 2005-06, 2007-08, 2011-12, 2013-14, 2017‑18 and 2019-20*, Cat. no. 6541.0.30.001).

Figure 3 – Rent burdens vary across, and within, statesa

Median proportion of disposable household income spent on rent, private renter households, 2019‑20

This chart shows that the median ratio of rent to disposable income for private renter households in 2019-20 is similar across jurisdictions. There is no pattern for whether it is higher for greater capital city compared with the rest of the state 

**a.** Estimates for Northern Territory and ACT apply to the whole of each territory; breakdowns are not available for capital city and rest of state.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001).

| Box 1 – Measures of rental stress are not very informative |
| --- |
| Rental affordability is often expressed in terms of ‘rental stress’. In Australia, households are typically considered to be in rental stress if they spend more than 30% of their income on rent and are in the bottom two quintiles (40%) of the income distribution – the ‘30/40 rule’.  Rental stress is not a very informative measure of rental affordability. It is a poor predictor of households’ actual experiences of financial stress and deprivation (Daniel, Baker and Lester 2018; Rowley and Ong 2012). In 2020, 49% of low‑income private renters classified as ‘in rental stress’ according to the 30/40 measure rated their financial position as prosperous, very comfortable or reasonably comfortable.  There are several reasons why rental stress is not strongly associated with actual experiences of financial stress and deprivation.   * 30% is an arbitrary and binary benchmark. It does not distinguish between households experiencing mild and deep rental stress, who are likely to have different outcomes (Rowley and Ong 2012, pp. 59–62). * For many households, rental stress is temporary (Borrowman, Kazakevitch and Frost 2017). In the short term, they may be able to draw on savings and other resources (Stone et al. 2015), and most quickly escape rental stress (Wood, Ong and Cigdem 2014). But people who do not escape within the first year become increasingly likely to remain in rental stress, and may be at greater risk of adverse outcomes (Borrowman, Kazakevitch and Frost 2017; Rowley and Ong 2012, pp. 74–75). There is some evidence that the persistence of rental stress is increasing over time (PC 2019, pp. 73–74). * Rental stress measures do not capture the many financial and non‑financial costs and benefits that households weigh up when choosing a rental property. For example, households can trade off travel time (and travel costs) and rent (Dodson et al. 2020; Saberi et al. 2017). And people who enter housing stress often do so after moving to better neighbourhoods, suggesting that the benefits of living in a preferred neighbourhood might more than make up for the higher rent (Rowley and Ong 2012, p. 68). On the other hand, people renting in the marginal or informal rental sector may not be in rental stress, but their accommodation may be unsafe or poor quality. * Estimates of rental stress are sensitive to measurement choices, and small differences in definition can lead to very different estimates of the prevalence of rental stress.   The Commission’s review of the NHHA used a range of measures to assess rental affordability for people on lower incomes, including the distribution of rent burdens (the ratio of rent paid to incomes) and income left after paying rent (PC 2022). We recommended that governments develop a suite of rental affordability measures.  Source: Productivity Commission (2022). |
|  |

### Many low-income renters face heavy rent burdens …

Low‑income households spend a higher proportion of disposable income on rent than other households. The median rent burden for people in the first quintile of equivalised disposable household income (with income up to $543 per week, in 2019‑20 dollars) was 43% in 2019‑20, while for households in the second quintile (with income up to $794 per week, in 2019‑20 dollars) it was 32%.

Median values can hide very different experiences of rental affordability. The majority (66%) of private renters with low incomes spent over 30% of their income on rent in 2019‑20, while 20% spent over half their income on rent (figure 4). And many low‑income households have little income left after paying rent ¾ in 2019-20, about 22% had less than $250 left, in equivalised terms, each week (figure 5).

Figure 4 – Many low‑income private renters spend more than 30% of their income on renta

Distribution of rent as a proportion of disposable household income, private renters, 2019‑20

This figure shows that in 2019-20, 66 per cent of low-income private renter households spent over 30 per cent of their income on rent, compared to just 19 per cent of private renter households not on low incomes. 20 per cent of low-income households and 1.5 per cent of other households spent over half of their income on rent in 2019-20.

**a.** Density charts show the distribution of a population – the higher the density value, the larger the share of the population falling around that point. For example, the ‘other private renter households’ line peaks at about 20%, indicating that many households pay about 20% of income on rent. The line reaches zero density at about 60%, indicating that very few households pay more than 60% of their income on rent.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001).

Figure 5 – Some low‑income households have little income left after paying renta

Distribution of weekly disposable income minus rent, equivalised values, 2019‑20

This figure shows the distribution of weekly disposable income for renters after paying rent, in 2019-20. 77 per cent of low-income households and 2 per cent of other households had less than $500 left each week after paying rent. And 22 per cent of low-income households had less than $250 left each week after paying rent.

**a.** Only the 1st to 95th percentiles of equivalised residual incomes are shown. Residual income (disposable income minus rent) is equivalised using the modified OECD scale.

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001).

Rent burdens are not evenly distributed across the population. Private renters who are unemployed, older or sole parents spend a larger proportion of their income on rent (table 1).

Table 1 – Rent burdens for different households, 2019‑20

|  | Median rent as share of disposable income | Spending more than 30% of disposable income on rent | Spending more than 50% of disposable income on rent |
| --- | --- | --- | --- |
| All private renter households | 25% | 35% | 8% |
| Low‑income private renter households | 36% | 66% | 20% |
| Household head or spouse unemployed | 30% | 50% | 19% |
| One‑parent household | 29% | 46% | 9% |
| Someone in household has a disability | 27% | 40% | 9% |
| Household head or spouse aged over 65 years | 36% | 62% | 21% |

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001).

### … and bear the brunt of a tightening rental market

Low‑income renters bear the brunt of a tightening rental market. When rents across the market increase, high‑income renters can move into cheaper accommodation to economise (Hulse et al. 2019; Liu, Cheshire and Wadley 2016; Weller and Van Hulten 2012). But low‑income renters already occupying lower‑cost properties have few places to go. There are reports of people moving into informal or marginal rental properties because the formal private rental market has become too expensive (Convery 2022; Goerling 2022; O’Flaherty 2022). At the extreme, high rents increase the risk that life shocks lead to homelessness (Curtis et al. 2013; Johnson et al. 2018).

3. More homes, cheaper rent

### Addressing barriers to the supply of rental properties will reduce rents

Rental prices in the short run are driven by vacancy rates[[3]](#footnote-4), which are determined by the relative strength of supply and demand for rental properties. As the supply of rental properties increases (for example, because there is a surge in construction completions), or the demand for rental properties decreases (for example, due to a decrease in migration), there are fewer potential renters for each available property. This leads to higher vacancy rates, putting pressure on landlords (who lose potential rent revenue holding vacant properties) to compete for tenants by lowering rents.

Over time, demand and supply of rental properties adjust to changes in rental prices. Higher rents may lead renters to choose smaller properties or delay household formation, reducing demand for rental properties. At the same time, higher rental prices should lead to construction of new rental properties – or the re‑purposing of existing properties, such as vacant properties[[4]](#footnote-5) or short‑term holiday rentals – which increases supply and reduces rents.

Increasing the supply of housing will lead to an increase in the supply of rental properties. While most newly‑constructed properties are bought by owner‑occupiers, about a third of mortgages for the purchase of new dwellings in June 2022 were for investors, most of whom will likely lease the properties in the rental market.[[5]](#footnote-6) And, in 2019‑20, about 45% of new homes were bought by first home buyers, probably reducing demand for rental properties.[[6]](#footnote-7)

Even when newly built housing does not immediately come on the rental market, it can still moderate rents. International evidence shows that new construction reduces rental prices throughout the residential property market (PC 2022). In Australia, many low‑cost rental properties are occupied by high‑income renters, reducing the effective availability of affordable rental properties for low‑income private renters (Hulse et al. 2019; NHFIC 2022). Additional construction can provide more opportunities for high‑income renters to purchase homes or move to more attractive rental properties, reducing demand for the lower‑cost rental stock.

Addressing barriers to the supply of new housing is the most important factor in increasing the supply of rental housing. These barriers can result in the supply of rental properties being slow to adjust to price signals and low vacancy rates. For example, vacancy rates in Hobart remained low between 2017 and 2020 and advertised rents grew significantly (De Vries et al. 2021). Building approvals responded, but there was a lag between approvals and commencements (perhaps due to problems accessing skilled labour and finance), dampening the effect on total supply (Eccleston et al. 2018; Jacobs et al. 2019, pp. 7–8).

In the review of the NHHA, the Commission recommended that governments commit to actions to reduce barriers to new supply, including:

* reporting annual progress against land supply targets
* revising planning and zoning regulations to promote greater housing diversity and density
* setting housing targets and working with local governments to meet the targets
* commissioning an independent review of construction industry productivity (PC 2022).

### Rent control is not an effective way to improve affordability for renters

Governments should avoid policies that artificially depress rents and curtail the supply of new properties.

Direct regulation of rental prices (or ‘rent control) involves government regulation of rental prices, either fixing rents for the duration of a tenancy or imposing a rent limit across all tenancies. Australian jurisdictions have not imposed rent controls widely. One exception is the ACT, where, for the duration of a tenancy, rents cannot increase by more than 10% above the increase in the rents component of the Consumer Price Index for Canberra (ACAT 2021).

Rent control benefits incumbent renters in the short term, but harms all renters in the long term. International evidence shows that rent control policies reduce the stock of rental properties and drive up market rents (Diamond, McQuade and Qian 2019). These impacts are felt by all renters ¾ especially those, like young people, who join the rental market after the policy is introduced.

Rent control can create other rental market inefficiencies. Landlords might neglect maintenance because they have little incentive to provide a positive experience for renters. Rent control can also create mismatches between renters and their properties (they may be in a wrong‑sized property, or too far from work), because the people benefiting from rent control cannot move without losing access to cheaper rent (Glaeser and Luttmer 2003).

### Short-term rentals highlight — rather than cause — broader supply problems

In some tourism destinations, Airbnb listings now make up significant fractions of the rental housing stock. For example, Airbnb listings accounted for 12% of private rental stock in Hobart in 2020 and 48% of the rental housing stock in Byron Bay in 2017 (Buckle and Phibbs 2021, p. 143; Gurran et al. 2018, p. 7). The rise of short-term rentals has affected the number of properties available in the long-term private rental market, which both Australian and international evidence suggests could put upward pressure on rents (Franco and Santos 2021; Horn and Merante 2017; Koster, Van Ommeren and Volkhausen 2021; Phibbs and Ely 2022).

Well-functioning housing markets will respond to heightened demand for short- and long-term rental properties with more supply. The effect of Airbnb on rents and house prices is likely to be smaller when supply is more elastic (Farhoodi, Khazra and Christensen 2021; Farronato and Fradkin 2022). Addressing the structural barriers to the supply of rental properties should be a key part of governments’ response to the rise of short-term rentals. (Buckle and Phibbs 2021)

Some advocates and researchers argue for restrictions on the short-term rental sector, and some governments have taken steps to regulate the market (Crommelin et al. 2018; Nally 2022; Phibbs and Ely 2022). But constraining the short-term rental sector could have negative economic consequences. Cheaper and more accessible tourist accommodation benefits travellers and increases tourism activity, providing employment opportunities and extra income for residents (Dogru et al. 2020; Fang, Ye and Law 2016; Farronato and Fradkin 2022; Grimmer, Massey and Vorobjovas-Pinta 2018).

### Governments should be cautious about housing subsidies …

Some are also calling for government subsidies for affordable rental properties as a way to address rental affordability issues. These initiatives usually involve payments or concessions to property owners to compensate them for accepting below-market rent from eligible renters (usually low- and middle-income households).

Subsidies for affordable rental properties are not a good way to tackle rental affordability. Subsidised construction can partly displace private construction of market-rate housing — it competes for the same finite pool of land, finance, construction materials and workers as private developments. This lessens the effect on overall affordability. And subsidies have hidden costs. For example, when governments provide land for housing at below-market rates there is an opportunity cost — governments could have used the proceeds from the sale of land to fund other government services, pay down debt or reduce taxes, but their choices are not explicit.

Subsidies tied to properties have inherent disadvantages — they give people fewer options in the homes they can choose and may lock them in because, even when their needs change, they cannot move without losing assistance. Subsidies are often poorly targeted and, because the number of people eligible is usually greater than properties available, assistance can be distributed unfairly. In the review of the NHHA, the Commission recommended that Governments consider alternatives to subsidising affordable rental housing.

### … and remove distortionary barriers, but not tip the scales in favour of institutional investment

Institutional investors attract a lot of attention as a solution to increasing the overall supply of rental properties, but they makeup a small part of the Australian rental market. In 2017, corporate landlords made up about 8% of the market (Yanotti 2017). This low share might reflect barriers to institutional investment in Australia, including low rental yields and uneven tax settings.

There is a case for governments to level the playing field and review unnecessary barriers to investment. This could marginally increase the supply of rental housing, although the extent to which build‑to‑rent construction just replaces other construction is contested and has not been empirically studied (PC 2019, p. 108; Whitehead and Scanlon 2017, pp. 40–45).

But governments should not try to tip the scales in favour of institutional investment, or subsidise ‘affordable build‑to‑rent’ developments. These subsidies are tied to properties; they are poorly targeted (most tenants are middle‑to‑high income); and they offer little additionality. Institutional investment could also bring new risks. In some areas with large corporate landlords, concerns have been raised about high eviction rates and poor landlord behaviour (Gomory 2022; Immergluck et al. 2020; Raymond et al. 2016; Whiting 2022).

4. Boosting renters’ incomes to improve affordability

Rents are only one side of the affordability equation. Boosting renters’ incomes would also help to improve rental affordability and facilitate social and economic participation.

Commonwealth Rental Assistance (CRA) is a fortnightly payment available to people who receive a qualifying social security payment and rent privately or from a community housing provider.[[7]](#footnote-8) CRA is paid directly to renters along with their other income support payments – there are no restrictions on how recipients spend the payment. The amount received depends on the recipient’s family structure and how much rent they pay.

Overall, 29% of private renter households, and 57% of low‑income private renter households, received CRA in 2019‑20.[[8]](#footnote-9)

In line with the eligibility criteria for the qualifying social security payments, CRA recipients typically have lower incomes and wealth than other Australians. Overall, households that received CRA had median equivalised wealth of about $33 500 in 2019‑20, compared with $411 600 for non‑recipient households. Their median weekly equivalised household disposable income was $619, compared with $987 for non‑recipient households.[[9]](#footnote-10) Other characteristics of CRA recipients are shown in figure 6.

Figure 6 – Profile of CRA recipients

Proportion of CRA recipients, 2019‑20

This figure shows different characteristics of CRA recipients. 61 per cent of recipients are not in the labour force, 20 per cent are employed part time, 10 per cent are employed full time and 9 per cent are unemployed. 38 per cent are older than 20 years with a highest education level of year 10 or below. 9 per cent are under 24 years and 28 per cent are over 65 years. 20 per cent are a sole parent in a one-parent household and 46 per cent have a disability or long-term health condition. 

Source: Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001).

### CRA plays an important role in the income support system

CRA is the Australian Government’s largest housing assistance measure. The objective of CRA is to assist Australians receiving income support or family assistance payments with the cost of their private rental or community housing. In practice, CRA is an income supplement for renters, not a direct rent subsidy. It is an untied cash transfer, paid directly to recipients with their other social security payments – recipients are not bound to spend the payment on rent. For the majority (79%) of households who pay enough rent to receive the maximum rate of CRA, the payment does not vary with their housing costs (DSS 2022). There are no conditions on the type or location of housing rented, nor is there a minimum housing standard.

### There is a strong case for changes to CRA

CRA is designed on sound principles:

* CRA is a flexible and portable payment that allows recipients to choose the home that best meets their needs.
* CRA provides timely assistance when people’s needs change – there is no waiting list or need to move to obtain assistance – and adjusts as those needs change over time. One study found that there is considerable churn in the population receiving CRA, with many recipients receiving the payment for only short periods of time (Yanotti et al. 2021). This suggests that it may help to smooth short‑term fluctuations in income or household situation.
* CRA payments allow renters to stay part of their existing community – they do not have to move to access assistance, and can stay in the same property even if their level of assistance changes. Its effect on effective marginal tax rates is minimal (PC 2015, p. 9). This facilitates social and economic participation.

But CRA falls short on principles of sufficiency and fairness.

* Many CRA recipients experience high rent burdens and have little income left to afford other essentials after paying for rent.
* The value of the payment has declined over time, relative to rents, reducing its effectiveness.
* Some relatively well‑off households, whose rent payments appear affordable, receive the payment.

In the review of the NHHA, the Commission recommended the Australian Government review CRA and assess all aspects of the design of the payment (including minimum and maximum rent thresholds, the co‑payment rate, indexation, income tapering and eligibility), with the aim of improving the sufficiency, fairness, and effectiveness of CRA. More detail on options for reforming CRA can be found in chapter 9 of the Commission’s review of the NHHA (PC 2022).[[10]](#footnote-11)

5. Tenancy laws and tenancy support services

Residential tenancy laws and tenancy support services are important complements to affordability and supply measures to make the private rental market function well. These policies and programs aim to improve security, safety and accessibility for renters.[[11]](#footnote-12)

### Reforming tenancy laws

Several jurisdictions refer to residential tenancy legislation reform processes in their housing strategies. These legislative changes have generally provided for greater security of tenure, renter autonomy and minimum standards for rental dwellings (Martin 2020). Areas of reform include:

* removing or limiting without‑grounds evictions
* increasing minimum notice periods for evictions
* addressing the treatment of renters who experience family and domestic violence
* expanding renters’ rights to have pets or make minor alterations to rental properties (such as hanging pictures)
* increasing minimum standards in rental properties.

These changes have costs as well as benefits. Renters benefit from greater security of tenure and safer rental properties. Security of tenure, the safety and quality of rental properties, and the accessibility of the rental market can make a big difference to renters’ experiences and wellbeing. But they also increase costs and risks for landlords, leading to unintended consequences for renters, including higher rents.

* More stringent minimum quality standards may increase rents by requiring landlords to spend more to bring properties up to standard, or causing some noncompliant properties to be removed from the rental market entirely (Bartram 2019). Enforcing minimum standards may therefore reduce renters’ choices and ability to trade away nonessential (to them) features in order to save on rent (PC 2019).
* Similarly, rules that reduce landlords’ ability to flexibly manage their properties (such as removing without‑grounds evictions or increasing minimum notice periods) may increase the financial costs, and perceived risk, of holding property. This could diminish incentives for investment, reducing the supply of rental properties and increasing rents (Abramson 2022; PC 2019).
* Similarly, rules that reduce landlords’ ability (perceived or actual) to easily evict ‘problematic’ tenants (ACT Government 2022) may make landlords less willing to rent to tenants they view as higher risk – potentially increasing tenant screening and discrimination in the rental market (Ambrose and Diop 2021).

A lack of high‑quality evidence makes it difficult for jurisdictions considering future reform to make an accurate assessment of these costs and benefits.[[12]](#footnote-13)

In the review of the NHHA, the Commission recommended a ‘what works’ centre to help to build and share the evidence base across jurisdictions. For example, evaluations of the removal of without‑grounds evictions in Victoria or Queensland provide an opportunity to learn more about the effect of this change on outcomes for renters.

### Policies that improve affordability will also improve security, quality and accessibility

When vacancy rates are low and renters have few options in the private rental market, they have less bargaining power with landlords. This compounds issues of security, safety and accessibility for renters, and can undermine the effectiveness of tenancy reform by reducing renters’ ability to enforce their rights.[[13]](#footnote-14)

* The threat of eviction looms larger when vacancy rates are low, as renters have more cause to fear that they will not be easily able to find another home that meets their needs. This increases the costs and stress of insecure tenure, and means that renters may be less willing to enforce rights, such as asking for essential repairs.
* Property owners have less incentive to offer characteristics that renters desire — such as longer leases or improved dwelling quality — when they can easily rent out properties on their own terms (Hinchliffe 2022).
* When vacancy rates are low and there are many applications for every available property, property owners can afford to be selective, and may be less likely to accept low-income renters or other renters whom they perceive to be less desirable tenants (Hanson and Hawley 2014; Reosti 2020; Short et al. 2008, p. 3).

This means that improving private rental affordability — increasing the supply of rental properties and reforming CRA — will also improve the security, quality and accessibility of the private rental market.

### Private rental assistance and tenancy support services can help people who need extra assistance

Some renters need additional support to find and maintain private rental accommodation.

State and Territory Governments provide assistance for private renters, including bond loans and grants for rent in advance, rent arrears or other costs. In 2020‑21, 46 464 households received a bond loan, and 23 702 households received a one‑off rental grant, at a cost of $57 million and $12 million, respectively (AIHW 2022). Private rental assistance helps renters overcome the upfront costs of renting, although this type of limited, one‑off assistance may be less effective when rental markets are very competitive.

Tenancy support services, also known as private rental brokerage services, help renters who face challenges finding or sustaining a private rental tenancy. They typically provide assistance searching and applying for properties, one‑off grants for moving or other costs, and links to other support services (Tually et al. 2016). They can be provided by government agencies or non‑government organisations, and are usually funded, on a small scale, by State and Territory Governments. These services form part of many jurisdictions’ housing strategies (NSW Government 2016; Tasmanian Government 2015; Victorian Government 2011).

Tenancy support services can be effective in helping renters obtain and sustain a tenancy (ARTD Consultants 2013; Robyn Kennedy Consultants 2013; Tually et al. 2016). An evaluation of one program in Victoria found that about 80% of clients had maintained their housing and avoided homelessness for two years after engaging with the program (Watson, Johnson and Taylor 2020). Another program that aimed to assist young people experiencing homelessness was successful in providing clients with a rental history, allowing them to secure other rentals in the future (Gill, Ooi and Chiodo 2018).

Expanding these services could help more people find and sustain private rental tenancies and reduce evictions (PC 2020, pp. 980–981). There is evidence of unmet demand for these services. In 2020‑21, 15% of clients who presented to a specialist homelessness service provider seeking assistance to sustain housing tenure (either social housing or private rental) were turned away (AIHW 2021).

However, a cautious approach to expansion is warranted. There is little evidence available to assess the long‑term success, or cost‑effectiveness, of these programs, because evaluations do not always track outcomes over time or compare people receiving assistance with a control group who do not receive support.[[14]](#footnote-15) Scaling up might be difficult, because the success of existing programs often depends on local factors, such as how well case managers build relationships with real estate agents, other service providers and the broader community (Blunden and Flanagan 2021; Moskos et al. 2022; Tually et al. 2016). And expanding services to a wider group of renters would present new challenges. Existing services typically only provide short‑term assistance to clients who are ‘rental ready’, without significant underlying financial, mental health, substance use or other challenges (ARTD Consultants 2013; Gill, Ooi and Chiodo 2018; Tually et al. 2016; Watson, Johnson and Taylor 2020). While there are examples of tenancy support services that target people with more complex needs (PC 2020, p. 988), these services might require longer‑term follow up, a more skilled workforce and greater links to other services.

Given these challenges, tenancy support services should be expanded gradually, with regular evaluation.

References

Abramson, B. 2022, *The welfare effects of eviction and homelessness policies*, 17 July, Stanford University.

ABS (Australian Bureau of Statistics) 2002, *2001 Census Community Profiles, Australia*, Cat. No. 2001.0, Canberra.

—— 2022, *Housing: Census, 2021*, https://www.abs.gov.au/statistics/people/housing/housing-census/latest-release (accessed 9 August 2022).

ACAT (ACT Civil and Administrative Tribunal) 2021, *Rent increases*, ACT Law Courts and Tribunal Administration, https://www.acat.act.gov.au/case-types/rental-disputes/rent-increases (accessed 29 August 2022).

ACT Government 2022, *Improving residential tenancies: Report on what we heard*, Canberra.

AIHW (Australian Institute of Health and Welfare) 2021, *Specialist Homelessness Services Annual Report 2020-21*, Cat. no. HOU 327, Canberra.

—— 2022, *Housing Assistance in Australia 2022: Financial Assistance*, 326, Canberra.

Ambrose, B.W. and Diop, M. 2021, ‘Information asymmetry, regulations and equilibrium outcomes: Theory and evidence from the housing rental market’, Wiley Online Library, *Real Estate Economics*, vol. 49, no. S1, pp. 74–110.

ARTD Consultants 2013, ‘Evaluation of the North Coast Accommodation Project’, p. 108.

Bartram, R. 2019, ‘The cost of code violations: How building codes shape residential sales prices and rents’, Taylor & Francis, *Housing Policy Debate*, vol. 29, no. 6, pp. 931–946.

Blunden, H. and Flanagan, K. 2021, ‘Housing options for women leaving domestic violence: the limitations of rental subsidy models’, *Housing Studies*, Ahead of Print, pp. 1–20.

Borrowman, L., Kazakevitch, G. and Frost, L. 2017, ‘How long do households remain in housing affordability stress?’, *Housing studies*, vol. 32, no. 7, pp. 869–886.

Buckle, C. and Phibbs, P. 2021, ‘Challenging the discourse around the impacts of Airbnb through suburbs not cities: Lessons from Australia and COVID-19’, Institute of Sociology, Czech Academy of Sciences, *Critical Housing Analysis*, vol. 8, no. 1, pp. 141–149.

Convery, S. 2022, ‘Desperate tenants are turning to crowdfunding to pay for housing amid Australia’s rental crisis’, *The Guardian*, 18 May, https://www.theguardian.com/australia-news/2022/may/19/desperate-tenants-are-turning-to-crowdfunding-to-pay-for-housing-amid-australias-rental-crisis (accessed 16 August 2022).

Crommelin, L., Troy, L., Martin, C. and Parkinson, S. 2018, *Technological Disruption in Private Housing the Case of Airbnb*, 305, AHURI Final Report, Melbourne.

Curtis, M.A., Corman, H., Noonan, K. and Reichman, N.E. 2013, ‘Life Shocks and Homelessness’, *Demography*, vol. 50, no. 6, pp. 2227–2253.

Daniel, L., Baker, E. and Lester, L. 2018, ‘Measuring housing affordability stress: can deprivation capture risk made real?’, Taylor & Francis, *Urban policy and research*, vol. 36, no. 3, pp. 271–286.

De Vries, J., Yanotti, M., Verdouw, J., Jacobs, K. and Flanagan, K. 2021, *The Tasmanian housing market: update 2020-21*, Housing and Community Research Unit, University of Tasmania, Hobart.

Diamond, R., McQuade, T. and Qian, F. 2019, ‘The effects of rent control expansion on tenants, landlords, and inequality: Evidence from San Francisco’, *American Economic Review*, vol. 109, no. 9, pp. 3365–3394.

Dodson, J., Li, T., Taylor, E. and Goldie, X. 2020, *Commuting burden and housing affordability for low-income renters*, No. 335, AHURI Final Report, Australian Housing and Urban Research Institute, Melbourne.

Dogru, T., Mody, M., Suess, C., McGinley, S. and Line, N.D. 2020, ‘The Airbnb paradox: Positive employment effects in the hospitality industry’, *Tourism Management*, vol. 77, p. 104001.

DSS (Department of Social Services) 2022, *DSS Payment Demographic Data: June 2022*, https://data.gov.au/data/dataset/dss-payment-demographic-data (accessed 28 August 2022).

Eccleston, R., Verdouw, J., Denny, L., Flanagan, K., Glaetzer, S. and Eslake, S. 2018, *Tasmanian housing update, August 2018*, University of Tasmania Institute for the Study of Social Change, Hobart.

Fang, B., Ye, Q. and Law, R. 2016, ‘Effect of sharing economy on tourism industry employment.’, Elsevier Ltd, *Annals of Tourism Research*, vol. 57, pp. 264–267.

Farhoodi, A., Khazra, N. and Christensen, P. 2021, *Does Airbnb Reduce Matching Frictions in the Housing Market?*, Social Science Research Network.

Farronato, C. and Fradkin, A. 2022, ‘The Welfare Effects of Peer Entry: The Case of Airbnb and the Accommodation Industry’, *American Economic Review*, vol. 112, no. 6, pp. 1782–1817.

Franco, S.F. and Santos, C.D. 2021, ‘The impact of Airbnb on residential property values and rents: Evidence from Portugal’, Elsevier, *Regional Science and Urban Economics*, vol. 88, p. 103667.

Gill, P., Ooi, D. and Chiodo, L. 2018, *Hope to Home Evaluation Report*, Victoria University, https://vuir.vu.edu.au/36593/1/VU%20Hope%20to%20Home%20Final%20Report%20Final%2022%20August%202018.pdf (accessed 19 August 2022).

Glaeser, E. and Luttmer, E. 2003, ‘The missallocation of housing under rent control’, *The American Economic Review*, vol. 93, no. 4, pp. 1027–1046.

Goerling, S. 2022, ‘Port Hedland rental properties too expensive for family left homeless in booming mining region’, *ABC News*, 5 May, https://www.abc.net.au/news/2022-05-05/family-homeless-port-hedland-expensive-rental-market/101037688 (accessed 16 August 2022).

Gomory, H. 2022, ‘The social and institutional contexts underlying landlords’ eviction practices’, *Social Forces*, vol. 100, no. 4, pp. 1774–1805.

Greenberg, D., Gershenson, C. and Desmond, M. 2016, ‘Discrimination in evictions: empirical evidence and legal challenges’, HeinOnline, *Harvard Civil Rights-Civil Liberties Law Review*, vol. 51, p. 115.

Grimmer, L., Massey, M. and Vorobjovas-Pinta, O. 2018, ‘Airbnb is blamed for Tasmania’s housing affordability problems, but it’s actually helping small businesses’, *The Conversation*, 16 February.

Gurran, N., Zhang, Y., Shrestha, P. and Gilbert, C. 2018, *Planning Responses to Online Short Term Holiday Rental Platforms*, Research Report for the Australian Coastal Councils Association, University of Sydney, Sydney.

Hanson, A. and Hawley, Z. 2014, ‘Where does racial discrimination occur? An experimental analysis across neighborhood and housing unit characteristics’, Elsevier, *Regional Science and Urban Economics*, vol. 44, pp. 94–106.

Hinchliffe, J. 2022, ‘Queensland real estate body tells landlords how to skirt new no-grounds eviction laws’, *The Guardian*, 4 August, https://www.theguardian.com/australia-news/2022/aug/05/queensland-real-estate-body-tells-landlords-how-to-skirt-new-no-grounds-eviction-laws (accessed 19 August 2022).

Horn, K. and Merante, M. 2017, ‘Is home sharing driving up rents? Evidence from Airbnb in Boston’, *Journal of Housing Economics*, vol. 38, pp. 14–24.

Hulse, K., Reynolds, M., Nygaard, C., Parkinson, S. and Yates, J. 2019, *The Supply of Affordable Private Rental Housing in Australian Cities: Short-Term and Longer-Term Changes*, AHURI Final Report 323, Australian Housing and Urban Research Institute, Melbourne.

Immergluck, D., Ernsthausen, J., Earl, S. and Powell, A. 2020, ‘Evictions, large owners, and serial filings: findings from Atlanta’, Routledge, *Housing Studies*, vol. 35, no. 5, pp. 903–924.

Jacobs, K., Flanagan, K., Verdouw, J. and Denny, L. 2019, *Tasmanian Housing Update, December 2019*, Housing and Community Research Unit, University of Tasmania.

Johnson, G., Scutella, R., Tseng, Y.-P. and Wood, G. 2018, ‘How do housing and labour markets affect individual homelessness?’, *Housing Studies*.

Koster, H.R., Van Ommeren, J. and Volkhausen, N. 2021, ‘Short-term rentals and the housing market: Quasi-experimental evidence from Airbnb in Los Angeles’, Elsevier, *Journal of Urban Economics*, vol. 124, p. 103356.

Liu, Y., Cheshire, L. and Wadley, D. 2016, ‘Mapping mis-location and housing stress in the private rental sector: A case study of Brisbane, Australia’, Elsevier, *Applied Geography*, vol. 76, pp. 207–216.

Maalsen, S., Wolifson, P., Rogers, D., Nelson, J. and Buckle, C. 2021, *Understanding discrimination effects in private rental housing*, Final Report No. 363, AHURI.

Martin, C. 2020, ‘A brief history of Australian residential tenancies law reform: From the nineteenth century to COVID-19’, *Parity*, vol. 33, no. 5, pp. 4–6.

Moskos, M., Isherwood, L., Dockery, M., Baker, E. and Pham, A. 2022, *What works to sustain Indigenous tenancies in Australia*, AHURI Final Report No. 374, March, AHURI, Melbourne.

Nally, A. 2022, ‘How Australia is dealing with Airbnb, Stayz in a housing crisis’, *ABC News*, 27 June, https://www.abc.net.au/news/2022-06-24/airbnb-stayz-short-term-accommodation-housing-crisis-australia/101170390 (accessed 8 August 2022).

NHFIC (National Housing Finance and Investment Corporation) 2022, *State of the Nation’s Housing 2021-22*, Sydney.

NSW Government 2016, *Future Directions for Social Housing in NSW*, Sydney.

O’Flaherty, A. 2022, ‘Single mother facing homelessness implores government to address housing crisis’, *ABC News*, 13 July, https://www.abc.net.au/news/2022-07-13/mother-facing-homelessness-wants-housing-crisis-addressed/101233510 (accessed 16 August 2022).

PC (Productivity Commission) 2015, *Housing Assistance and Employment in Australia*, Commission Research Paper, Canberra.

—— 2017, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, Report no. 85, Canberra.

—— 2019, *Vulnerable Private Renters: Evidence and Options*, Commission Research Paper, Canberra.

—— 2020, *Mental Health*, Report no. 95, Canberra.

—— 2022, *In need of repair: The National Housing and Homelessness Agreement*, Study Report, Canberra.

Phibbs, P. and Ely, J. 2022, *Monitoring the Impact of Short-Term Rentals on Tasmanian Housing Markets*, Shelter Tasmania, Hobart.

Raymond, E., Duckworth, R., Miller, B., Lucas, M. and Pokharel, S. 2016, *Corporate Landlords, Institutional Investors, and Displacement: Eviction Rates in Single-Family Rentals*, Community & Economic Development Discussion Paper 04/16, Federal Reserve Bank of Atlanta, Georgia.

REIWA (Real Estate Institute of Western Australia) 2022, *Rent crisis - 61 per cent of investors say they’ll sell if changes are made to WA tenancy laws*, https://reiwa.com.au/about-us/news/rent-crisis---61-per-cent-of-investors-say-they-ll-sell-if-changes-are-made-to-wa-tenancy-laws/ (accessed 19 August 2022).

Reosti, A. 2020, ‘“We Go Totally Subjective”: Discretion, Discrimination, and Tenant Screening in a Landlord’s Market’, Cambridge University Press, *Law & Social Inquiry*, vol. 45, no. 3, pp. 618–657.

Robyn Kennedy Consultants 2013, *Evaluation of Rapid Rehousing Project*, Sydney.

Rowley, S. and James, A. 2018, *The Private Rental Sector in Australia*, Bankwest Curtin Economics Centre, Perth.

—— and Ong, R. 2012, *Housing affordability, housing stress and household wellbeing in Australia*, AHURI Final Report No. 192, Australian Housing and Urban Research Institute, Perth.

Saberi, M., Wu, H., Amoh-Gyimah, R., Smith, J. and Arunachalam, D. 2017, ‘Measuring housing and transportation affordability: A case study of Melbourne, Australia’, *Journal of Transport Geography*, vol. 65, pp. 134–146.

Shelter WA and Circle Green Community Legal 2022, *Response to the REIWA ‘Synergies’ report*, Perth.

Short, P., Seelig, T., Warren, C., Susilawati, C. and Thompson, A. 2008, *Risk-assessment practices in the private rental sector: Implications for low-income renters*, 117, AHURI Final Report, Australian Housing and Urban Research Institute, Melbourne.

Stone, W., Sharam, A., Wiesel, I., Ralston, L., Markkanen, S. and James, A. 2015, *Accessing and sustaining private rental tenancies: critical life events, housing shocks and insurances*, No. 259, AHURI Final Report, Australian Housing and Urban Research Institute, Melbourne.

Tasmanian Government 2015, *Tasmania’s Affordable Housing Strategy 2015–2025*, Hobart.

The Hon Dr Jim Chalmers MP and the Hon Amanda Rishworth MP 2023, *Boosting support payments to help with cost-­of-­living pressures*, Treasury Media Releases, https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/boosting-support-payments-help-cost-living-pressures (accessed 19 July 2023).

Tually, S., Slatter, M., Faulkner, D. and Oakley, S. 2016, *The Role of Private Rental Brokerage in Housing Outcomes for Vulnerable Australians*, AHURI Final Report No. 263, Australian Housing and Urban Research Institute Limited, Melbourne.

Victorian Government 2011, *Homes for Victorians: Affordability, Access and Choice*, March.

Watson, J., Johnson, G. and Taylor, S. 2020, *Staying Home? Examining longer-term housing outcomes of the Private Rental Access Program (PRAP)*, Unison Housing, Melbourne.

Weller, S. and Van Hulten, A. 2012, ‘Gentrification and displacement: The effects of a housing crisis on Melbourne’s low-income residents’, Taylor & Francis, *Urban Policy and Research*, vol. 30, no. 1, pp. 25–42.

Whitehead, C. and Scanlon, K. 2017, *Unlocking the benefits and potential of build to rent*, British Property Federation, London.

Whiting, M. 2022, ‘Doctors, medical staff, mothers among renters forced out of Smith Collective for complaining’, Gold Coast, *Gold Coast Bulletin*, 8 February.

Wood, G., Ong, R. and Cigdem, M. 2014, *Housing affordability dynamics: new insights from the last decade*, AHURI Final Report No. 233, Australian Housing and Urban Research Institute, Melbourne.

Yanotti, M. 2017, ‘Three charts on: who is the typical investor in the Australian property market?’, *The Conversation*.

Yanotti, M., Banks, M., de Silva, A., Anantharama, N., Whiteford, P., Bowman, D. and Csereklyei, Z. 2021, *The Utility of New Data in Understanding Housing Insecurity*, AHURI Final Report No. 351, Australian Housing and Urban Research Institute, Melbourne.

Zaretzky, K. and Flatau, P. 2015, *The cost effectiveness of Australian tenancy support programs for formerly homeless people*, 252, Australian Housing and Urban Research Institute, p. 114.

1. In 1999–2000, 21% of households in the top two quintiles of equivalised disposable household income rented in the private market. In 2019-20, that figure was 25% (Commission estimates using ABS (*Microdata: Income and Housing, Australia, 1999‑00 and 2019‑20*, Cat. no. 6541.0.30.001)). [↑](#footnote-ref-2)
2. Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001). [↑](#footnote-ref-3)
3. Vacancy rates measure the share of rental properties in a given area that are listed as available to rent at a particular time. [↑](#footnote-ref-4)
4. About 10% of dwellings were unoccupied on Census night in 2021 (ABS 2022). But not all vacant properties are available for occupation. Some dwellings may be vacant because of temporary resident absence; others because they are listed for sale or rent, recently built or undergoing renovation. [↑](#footnote-ref-5)
5. Commission estimates using ABS (*Lending indicators, June 2022,* Cat. no. 5601.0). Loans for ‘construction of new dwellings’ or ‘purchase of newly erected dwellings’. [↑](#footnote-ref-6)
6. Commission estimates using ABS (*Housing Occupancy and Costs, 2019‑20*, Cat. no. 4130.0, table 9.1). [↑](#footnote-ref-7)
7. In some circumstances, renters who live in defence housing, a retirement village, a caravan, a relocatable home or a boat are also eligible. [↑](#footnote-ref-8)
8. Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001). [↑](#footnote-ref-9)
9. Commission estimates using ABS (*Microdata: Income and Housing, Australia, 2019‑20*, Cat. no. 6541.0.30.001). [↑](#footnote-ref-10)
10. On 9 May 2023 the Australian Government announced an increase to the maximum rates of CRA by 15%, to commence from 20 September 2023 subject to the passage of legislation (The Hon Dr Jim Chalmers MP and the Hon Amanda Rishworth MP 2023). [↑](#footnote-ref-11)
11. Some renters, including Aboriginal and Torres Strait Islander people, people from culturally and linguistically diverse backgrounds, and people with disability, face discrimination in the private rental market (PC 2022). Renters can also experience discrimination even once they have found a property, for example, in the treatment of property maintenance or evictions (Greenberg, Gershenson and Desmond 2016; Maalsen et al. 2021, pp. 52–53). [↑](#footnote-ref-12)
12. For example, the effect of proposed reforms to Western Australia’s residential tenancy legislation have been contested (REIWA 2022; Shelter WA and Circle Green Community Legal 2022). Without a solid evidence base to draw on, it is more difficult for governments to assess the respective claims. [↑](#footnote-ref-13)
13. This is not the only barrier to compliance. We heard that ‘intimidating, inaccessible’ dispute resolution processes, lengthy delays at tribunals and lack of funding for tenants’ advice and legal services were barriers to compliance in many jurisdictions (DCLS and NAAFLS, sub. 89, p. 11; Mills 2021; Tenants’ Union of NSW, sub. 81, p.13). [↑](#footnote-ref-14)
14. Though evaluations of similar programs in social housing have found that they are cost-effective (PC 2017, p. 182; Zaretzky and Flatau 2015). [↑](#footnote-ref-15)