

# Marginal rental housing— what is it, and how should it be managed?

**THE MAJOR FORMS OF MARGINAL RENTAL HOUSING VARY IN QUALITY, SECURITY AND AVAILABILITY OF SERVICES AND CAN BE CATEGORISED INTO A TYPOLOGY USEFUL FOR POLICY-MAKERS.**

## KEY POINTS

- Marginal rental housing is most usefully conceptualised as highly managed or controlled housing, with fewer occupancy rights for tenants than in other forms of private rental and social housing, and some degree of shared facilities and spaces.
- This research develops a typology for the varying forms of multi-occupancy and shared facility housing where there is greater management control over conditions and daily life than with private rental or owner occupied housing.
- The main categories of this typology include: renting a room in a rooming or boarding house or in a hotel or motel, renting a caravan or caravan site for an owned van, and renting a site for an owned dwelling such as a manufactured home.
- The shortage of affordable private rental properties and social housing in areas of high demand in Victoria, New South Wales and Queensland, increases demand for the types of housing included in the typology.
- In the context of legislative and regulatory reform, models of shared facility housing are emerging which provide guidance on how the rights and responsibilities of occupants could be protected, and how good governance and management might be supported to improve the standard and quality of accommodation.

*This bulletin is based on research conducted by **Professor Robin Goodman**, **Associate Professor Anitra Nelson**, **Professor Tony Dalton** and **Dr Melek Cigdem** at the AHURI Research Centre—RMIT University, **Dr Michelle Gabriel** and **Professor Keith Jacobs** at the AHURI Research Centre—The University of Tasmania. The research examined the defining characteristics and major types of marginal rental housing as well as the experiences of residents within them.*

## CONTEXT

There is a well documented lack of affordable private rental housing and social housing. This has been exacerbated by the housing shortage in the larger Australian cities and by rising dwelling prices and rents. Caravans, manufactured homes and boarding or rooming houses have long been perceived as less desirable forms of rental accommodation. At the same time an increase in appropriate, well managed, multi-occupancy and shared facility housing has introduced greater complexity for researchers, analysts and policy-makers. This research seeks to identify and clarify developments in this area of housing to inform actions by policy-makers and legislators.

## RESEARCH METHOD

Australian Bureau of Statistics (ABS) census data was used to develop maps of the two main types of marginal rental housing (boarding/ rooming houses and caravan/residential parks). This information was used to select urban, rural and coastal case study sites in Victoria, New South Wales and Queensland, where interviews were conducted with renters of marginal housing, service providers and operators. This data further informed the development of the typology of marginal rental housing.

## KEY FINDINGS

### ***Common characteristics of marginal rental housing***

This research found that marginal rental housing is more highly managed than other forms of housing, in part due to sharing of facilities and co-location of operators. Residents' rights are limited compared with private rental and social housing tenants, whose rights include privacy from landlords, rental managers and other residents, and strong justification for eviction, with clear and reliable processes of appeal. Standards of services and facilities, as well as building and landscapes, are key issues for occupants in terms of quality, continued provision and maintenance.

The legal rights of occupants in marginal rental housing were also an issue with regard to security

of tenure, the standard of housing and affordability (particularly in the right to appeal unreasonable rents). The adequacy and appropriateness of management was a key indicator of the level of overall satisfaction of renters.

While this research found evidence of poor quality, insecure, unsafe and barely affordable marginal rental housing with inadequate services and facilities, there was also evidence of accommodation of a reasonable standard that was well managed and comfortable for residents. This diversity occurred across the different types of marginal rental housing, summarised below.

### ***Types of marginal housing***

The research identified three types of boarding houses and three types of residential parks.

The traditional large inner city boarding house is the best-known type of boarding house. They are often in poor condition with well-established, on-site management employed by the landlord and house rules. Residents tend to be single, low-income workers, students, unemployed or individuals with high needs. This accommodation has become increasingly less affordable and is characterised by moderately insecure occupancy, lack of privacy, and can be unsafe.

Smaller 'new model' or 'mini' boarding houses are a more recent development. Typically, they are existing dwellings, either houses or apartments that have been converted into rooming houses when each bedroom is rented out with a separate residency agreement. Because they are spread across cities and have previously been occupied as private rental or owner occupied dwellings, they are often not as easily identified as the larger traditional rooming houses.

Hotels and motels form the third type of boarding house when managers permit and encourage residents to stay for extended periods of time. This can act to obscure the incidence of marginal renting. Arrangements are often informal and tend to rely on continually renegotiated periods of occupancy. It seems likely that few of these residents appear in official statistics and such arrangements are likely to escape formal regulation.

The typology also identified three distinct types of residents in residential parks. These included owner-renters, who own a relocatable dwelling but rent the land on which it is sited in the park, and renter-renters who rent their dwelling and site as a package directly from management or sublet it from an absent owner, and retirees in a gentrified sub-sector of more expensive residential park communities.

Data which supports an understanding of what marginal rental accommodation looks like and who occupies this housing is difficult to obtain. Definitions and methods of collection limit the scope and relevance of ABS statistics.

### ***Causes of increased marginal housing rate***

Marginal rental housing has developed in the context of a changing housing market and declining housing affordability. Key drivers of supply and demand include unemployment, retirement from work, declining home ownership, unaffordable or unattainable private rental, and how land use is designated and approved for marginal rental housing by state governments and councils.

The numbers of single and family households residing in marginal housing has increased significantly, particularly in many areas of Australia where the demand for low-cost accommodation exceeds supply. The opportunity for marginal renters to improve their housing is closely related to their ability to obtain other forms of rental housing. Without this ability, withdrawal of marginal rental dwellings can lead to increased homelessness. This precariousness constrains the enforcement of existing consumer protection regulation.

### ***Future models for marginal housing***

Multi-occupancy and shared facility housing focus on living together in arrangements where residents have effective control over private spaces, such as a bedroom in a boarding house or a caravan in a residential park, and can make use of shared spaces and facilities. Examples found in this research included retirees buying into manufactured home villages and students renting a room in a boarding house.

The following four models are useful in considering future change that can assist in transforming marginal rental housing:

- Owners of dwellings in residential parks who rent the land underneath the dwelling could increase control of their living arrangements through new co-operative ownership and governance arrangements. This could be achieved by removing the barriers that restrict the development of public-private partnerships and direct investment and guarantor mechanisms that hold the potential to establish rights that are closer to those enjoyed by home owners while retaining the collective or community-based characteristics that attract residents to buy into residential parks.
- Access to provider subsidies and registration and regulation of boarding/rooming houses would both improve dwelling quality and ensure landlords provide minimum standards of occupancy rights. This would improve residents' amenities and give them a level of control of their dwelling space that is closer to the rules applying in mainstream rental housing. Government-run resident support programs and financial incentives for boarding house operators to make the necessary changes have demonstrated improvements in marginal rental accommodation. Programs that provide support and training for boarding house operators to implement business models based on low-income rental returns and legislated reforms, such as written residential service agreements between residents and service providers with a means to resolve associated disputes, have been successful.
- Community housing organisations have demonstrated they can provide accommodation in boarding houses with governance arrangements that support resident autonomy and offer reasonable tenancy rights. City of Port Phillip (Melbourne) trains and supports tenants in self-governance and also provides financial assistance and training to tenants in budget and management skills. Much of this kind of

community housing has been developed with government funding and sometimes with philanthropic funding. This trend is of particular interest because governments can conditionally grant or invest funds in these developments and policy-makers can scope partnership models for the future.

- There is potential for digital technology and the increasing use of the internet for advertising and booking for supporting prospective residents to evaluate their accommodation options and make a more informed choice. In tourism and student accommodation markets, both in Australia and overseas, internet-based accreditation and finder schemes already operate. Accommodation presented on the internet can be a mechanism for what is called a 'matching market' when the accommodation on offer is described and the price is set and presented to a population of potential purchasers.

## POLICY IMPLICATIONS

There are implications of this research for policy:

- Marginal rental housing is likely to remain, and even grow, in future years, given the lack of affordable mainstream private rental and social housing.
- Reforms are needed to address difficulties in collecting and enumerating reliable and comprehensive statistical information on marginal rental housing and marginal renters.
- Regulations have a role to play in improving the quality of marginal rental

housing and supporting the rights and responsibilities of residents and operators, building and open space standards, privacy and amenity, and services and shared facilities.

- Policy-makers can support the development of public-private partnerships, investment and guarantor mechanisms that would support new developments, greater cooperation between state and local governments and partnership models with service providers.
- Support is required for models in the sector that offer greater security of tenure, achieve required standards for buildings, facilities and other services, and enhance the autonomy of occupants, especially through improved governance.
- Operators and managers of marginal rental housing and marginal renters would benefit from the development of a program of training and licensing of managers/operators of marginal rental housing.

## FURTHER INFORMATION

This bulletin is based on AHURI project 30699, *Marginal rental housing and marginal renters: a typology for policy*.

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au) or by contacting AHURI Limited on +61 3 9660 2300.

[ahuri.edu.au](http://ahuri.edu.au)



ADDRESS Level 1, 114 Flinders Street Melbourne Victoria 3000 TELEPHONE +61 3 9660 2300  
EMAIL [information@ahuri.edu.au](mailto:information@ahuri.edu.au) WEB [www.ahuri.edu.au](http://www.ahuri.edu.au)

**ACKNOWLEDGMENTS** This material was produced with funding from the Australian Government and state and territory governments. AHURI Limited acknowledges the financial and other support it has received from the Australian, state and territory governments, without which this work would not have been possible.

**DISCLAIMER** The opinions in this publication reflect the results of a research study and do not necessarily reflect the views of AHURI Limited, its Board or its funding organisations. No responsibility is accepted by AHURI Limited, its Board or its funders for the accuracy or omission of any statement, opinion, advice or information in this publication.