Final Report

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Long-term private rental in a changing Australian private rental sector

authored by

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ACRONYMS

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AHURI	Australian Housing and Urban Research Institute
CURFs	Confidentialised Unit Record Files
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
HILDA	Household, Income and Labour Dynamics in Australia Survey
IS	Income Support
NSW	New South Wales
NT	Northern Territory
PRS	Private Rental Sector
QLD	Queensland
SA	South Australia
SIH	Survey of Income and Housing (ABS)
SLA	Statistical Local Area
TAS	Tasmania
VIC	Victoria
WA	Western Australia

EXECUTIVE SUMMARY

This is the Final Report of an Australian Housing and Urban Research Institute (AHURI)-funded project which provides a comprehensive account of the characteristics of the contemporary private rental sector (PRS) in Australia, including changes in recent decades. The following three questions form the focus of the research:

1. How has the private rental sector, and characteristics of private renter households within it, changed over time?
2. Who rents long-term in the private rental sector (10 or more years) and how does longer-term rental feature in their housing pathways?
3. How does long-term private rental relate to economic, social, health and housing outcomes, including for potentially 'vulnerable' households, over time?

A multi-method research design was developed to investigate these questions:

- The first question was considered in depth in the earlier Positioning Paper from the research (Hulse et al. 2012). The Final Report updates this analysis to include data from the ABS Census of Population and Housing 2011, which was released subsequent to the analysis for the Positioning Paper. This has enabled (1) an analysis of trends in the PRS to 2011, in particular a comparison with 1981; and (2) a more detailed analysis of changes by state and territory.
- The second research question is addressed through the analysis of data from the ABS Survey of Income and Housing (2007–08), and a comparison with data from the ABS Renters Survey 1994, from which the phenomenon of long-term renting was first identified in Australia.
- The third research question is explored through analysis of household level data from the Household Income and Labour Dynamics in Australia (HILDA) panel data set for 2010 and with some comparison with 2001 data.

A summary of key findings is as follows:

National and jurisdictional change in the private rental sector to 2011

The private rental sector plays a critical and increasingly important role in the Australian housing system.

There has been sustained, long-term growth in the Australian private rental sector in recent decades; currently 23.4 per cent of all Australian households rent their housing, based on 2011 Census data. This comprises a total of 1 801 464 households.

The extent of private rental varies considerably between states and territories. Queensland and the ACT have the highest rates, with relatively low rates of private renting in Tasmania and South Australia.

Increases in the growth of the private rental sector are distributed unevenly jurisdictionally (being highest in Queensland and lowest in Tasmania).

While private renters are more likely than other households to live in apartments, there has been a growth in detached dwellings in the sector. Detailed analysis of one city (Melbourne) indicates that these dwellings are in outer areas, enabling some renters to access newer housing to meet their needs.

The demographic composition of PRS households has changed over time, with a growing proportion of one and two-parent families with dependent children and a relative decline in the proportion of single person households (although, given the sustained growth of 'living

alone' in Australia, the numbers of single-person private renter households continue to grow). A large number, 727 012 households of private renter households, include dependent children (40.4%).

Overall rates of housing stress among private renters increased from 1981 to 2011. Data from the most recent Census in 2011 indicates that 62.6 per cent of long-term renters are in housing stress (with those in the lowest 40% of the income distribution paying more than 30% of income on regular rental payments) and that more than 20 per cent of low income long-term renters regularly pay more than half of their income on rent.

The incidence of long-term renting and characteristics of long-term renters

A third of all private renters are long-term renters (33.4%), defined as renting for periods of 10 years or more continuously, an increase from just over a quarter in 1994. This equates to 595 605 households, 45.5 per cent of whom are in the lowest 40 per cent of the Australian income distribution.

An increasing percentage of long-term renters are households with children (30.0% in 2007–08), largely due to the increase in single-parent households.

There appears to be an ageing effect, where increases in the middle-aged year cohorts living long-term in the private rental sector are working their way *up* to older aged renters. Hence, ageing within the PRS represents an emerging policy issue.

Long-term renters experience very high rates of housing stress relative to other tenure groups, but have lower rates of mobility compared with short- and medium-term renters (although rates of mobility among long-term renters remain almost double those of all households on average).

These findings indicate the need for a more nuanced understanding of how, and under what conditions, long-term renting works well for renters and which policy levers can best support this. Allied to this, it also indicates the need to develop effective and targeted responses to reduce the negative consequences of private rental (e.g. heightened levels of housing stress), including for those renting long-term.

Factors associated with long-term private renting

Long-term private renters, particularly those on lower incomes, all experience lower rates of satisfaction with their financial situation than do all private renters combined or homeowners.

Long-term renters' health is reported to be good on average, and is consistent with the health of those living in other housing tenures.

Relative to all households, long-term private renters have relatively similar rates of sociability and connectedness with friends and relatives, although they report significantly lower rates of satisfaction with feeling part of their local community than other private renters or other tenure groups overall.

The findings suggest that long-term private renting poses financial challenges for households and may be associated with a lower rate of feeling connected to community. However, on the positive side, health outcomes and social connectedness is no different to that of all renters, or households living in other tenures.

Policy implications and future research directions

Long-term private rental forms a growing and significant part of the experience of housing for many Australian households.

Long-term private renters now outnumber public housing renters.

A key issue is the extent of housing stress among long-term renters and the ways in which this affects their capacity to function well within the economy and the community.

Relatively low rates of mobility among long-term renters, relative to all private renters, may indicate that households are able to find some security in their occupancy, which may be associated with less formal parts of the sector not involving real estate agents or formal leases; warranting investigation.

Families with dependent children, particularly those headed by single parents, are likely to live in the private rental sector for longer periods of time and, in increasing proportions, into the future. There appears to be an age effect where large numbers of older middle-aged households are ageing 'in tenure' within the PRS. These two trends warrant policy responses to avoid potentially large increases in demand for housing and other assistance in this sector in the medium-term future.

An exploratory analysis of some of the factors associated with long-term private renting shows that this housing experience is adversely related to financial and social outcomes for some long-term renters, most notably lower-income households. Gaining a better understanding of the relationships between long-term renting and a host of determinants and outcomes is a critical avenue for future research if the various support and wellbeing needs of the diversity of households now living in the private rental sector long-term are to be adequately and appropriately addressed.

1 INTRODUCTION

The Australian private rental sector (PRS) has undergone fundamental changes in recent decades affecting the nature and experience of private rental demand and supply. These changes have come about due to market and regulatory changes in other parts of the Australian housing system (notably home purchase and social housing sectors) which in turn affect the private rental sector. They have also occurred as a result of shifts in the Australian society and economy more broadly (Hulse et al. 2012). Today, the place of the PRS within the Australian system, its character and circumstances, as well as the role it plays in the lives of tenants who occupy private rental housing, are significantly different than in previous decades.

1.1 Research questions

This is the Final Report of an Australian Housing and Urban Research Institute (AHURI)-funded project that conceptualises and documents the characteristics of the contemporary PRS and changes in this sector in recent decades. The research project addresses the following three overarching questions:

1. How has the private rental sector, and characteristics of private renter households within it, changed over time?
2. Who rents long-term in the private rental sector (10 or more years) and how does longer-term rental feature in their housing pathways?
3. How does long-term private rental relate to economic, social, health and housing outcomes, including for potentially 'vulnerable' households, over time?

The first publication from the research (Hulse et al. 2012) focused on the first of these research questions. It presented a detailed analysis and conceptualisation of the changing nature of the private rental sector and the demographic characteristics of tenants within it, representing the first major analysis of the sector since the 1980s (Paris 1984). In this, the second and final report from the research, we recap key findings from the Positioning Paper and extend these to provide a spatial account of PRS change over time based on the recently-released Australian Bureau of Statistics (ABS) 2011 Census data. The Final Report also addresses the second and third research questions as outlined above.

1.2 Research design and methods

A multi-method research design was developed to investigate the three research questions.

1. Research question 1 required analysis of a variety of data sources to compile a picture of the PRS as it has changed between 1981 and 2011.
   - → A variety of data sources was used for the analysis presented in the Positioning Paper (Hulse et al. 2012). These included the ABC Census of Population and Housing (various years); ABS migration data; ABS housing finance data; ABS Survey of Income and Housing (various years), and specific data for Victoria as a worked example of changes in the PRS.
   - → For this report, additional analysis of data from the ABS Census of Population and Housing 2011 (not available at the time of analysis for the Positioning Paper) was undertaken to enable: (1) analysis of trends in the PRS to 2011, in particular a comparison with 1981; and (2) more detailed analysis of changes by state and territory.
2. Research question 2 was addressed primarily through the analysis of data from the ABS Survey of Income and Housing (2007–08), and a comparison with data from the ABS

Rental Tenants Survey 1994, from which the phenomenon of long-term renting was first identified in Australia.

3. Research question 3 involved an exploratory analysis of household level data from the Household Income and Labour Dynamics in Australia (HILDA) panel data set for 2010 and with some comparison with 2001 data.

Further detail on these data sets is given in Appendix 1.

1.3 Structure of the report

This Final Report is structured in three main substantive parts (Chapters 2 to 4) and a concluding discussion. Following this Introduction:

- Chapter 2 recaps the main findings of our analysis of the changing nature of the private rental sector over time as published in the project's Positioning Paper (Hulse et al. 2012). The analysis is extended to include a focus on the spatial disaggregation of private rental sector characteristics (across jurisdictions and within metropolitan sub-markets), as well as a discussion of the implications of changes in the private rental sector over time (1981–2011), for tenants. This chapter provides a stand-alone account of change over time in the PRS, and provides a context for the household level analysis that forms the major focus of the report.
- Chapter 3 turns attention to the experience of private tenants, focusing on housing pathways within the private rental sector and on long-term tenancies (10 years of more) specifically. Large-scale ABS survey data are used to document the extent of long-term tenancies in the contemporary PRS and select demographic and housing demographic characteristics of long-term renters. HILDA longitudinal survey data are used to explore select economic, social and health circumstances of households associated with long-term private rental.
- In Chapter 4 we discuss the significance of the findings presented in this paper for housing policy generally, as well as for policies geared towards supporting tenancies, including long-term private rental tenancies, more specifically.

2 THE CHANGING AUSTRALIAN PRIVATE RENTAL SECTOR AND ITS IMPLICATIONS FOR TENANTS

The characteristics of the Australian private rental sector (PRS) have changed markedly in recent decades, affecting the role of the PRS within the housing system as a whole as well as the experience of private renting for the growing number of Australian households who reside in this sector. In this chapter, we summarise key findings from our earlier detailed analysis of these changes over time (Hulse et al. 2012). Extending our earlier analysis, we also present new findings based on original analysis of the ABS 2011 Census data showing how trends in the PRS vary by state and territory jurisdictions across Australia and we consider the key implications of these temporal and spatial changes for tenants.

2.1 Changes and challenges in the Australian private rental sector

The Positioning Paper provided a comprehensive overview of changes in the nature, role and characteristics of the PRS in Australia between the early 1980s and 2006. It is summarised briefly here as context for the Final Report.

Most notably, in the Positioning Paper we describe how the PRS has increasingly changed from its historical role as a transitional sector for households moving into home ownership or social housing to a long-term sector for a significant number of households. There is a dual paradox in policy settings as a result of this. On the one hand, the PRS is a place to live for an increasing number of householders who require some stability in their housing circumstances so that they and their children have the same opportunities as the rest of the community. On the other hand, it is seen increasingly as an investment opportunity characterised by increasing volatility, such that the sector is more unstable and less likely to provide good housing outcomes. The related paradox is that while some of the public policy settings for the PRS have changed markedly since the early 1980s, others have changed little at all, and in many respects there is now a disjuncture between the role and performance of the PRS and many of the policy settings.

In terms of demand-side changes in the PRS in recent decades, we identified the following significant factors:

- Migration policy has added substantially to the number of households entering Australia, of which a large majority (70%) start out in private rental.
- The huge growth in international student numbers, with only a small proportion of their housing needs being met by educational institutions providing student housing.
- Additional households forming and renting housing for longer periods before having children, and re-forming due to separation and divorce.
- Greater female participation in the workforce, enabling more women to set up independent households.
- The inability of low-income households to access social housing as a result of the relative contraction in the size of the sector and greater targeting.

Supply-side changes we identified include:

- Sizeable growth in investment in the PRS fuelled by deregulation of the finance system, a favourable tax environment, and the growth of an investment industry soliciting residential rental investment.
- A growing focus of rental investment on the purchase of established dwellings rather than new stock, arguably fuelling dwelling price inflation and reducing affordability of home purchase, which in turn generates more rental demand.

- A focus on rental investment at the higher end of the market such that, despite the huge growth in investment, there are absolute shortages of lower-cost rental housing in most metropolitan markets and some regional areas, exacerbated by many such dwellings being occupied by higher-income households.
- A movement of the more affordable PRS supply from the inner city to outer urban areas which, on the positive side, helps break up the mono-tenure in these areas and enables access by households who cannot afford to buy there. On the negative side, these areas often rate poorly in terms of public transport and access to services, leading to dependence on private vehicles, with greater risks from rising petrol prices and running costs.

A key theme we explored is how the rental sector is increasingly being understood more as an investment sector and less as a home for renters, with policy much more focused on the investment side than with creating a secure and stable living environment for tenants.

While there has been a huge increase in the amount of private rental investment, this appears to have taken the form of investment widening rather than deepening. It has brought many more single dwelling investors into the market rather than facilitating existing investors buying larger property portfolios. In this sense, the investment pattern has built on the tradition of small-scale ownership that existed before the investment boom, rather than bringing about a new investment pattern.

It is also clear that more and more of the investment is premised on assumptions of capital gain, for the long-term trends in yields have been down and in 2011 were well below that available from fixed deposits in the banks. This raises issues of: (a) the sustainability of investment for many investors if there is not continued capital gain; and (b) the implications for tenants as capturing capital gain requires the sale of property and this can result in the loss of tenancy.

In short, our earlier paper identified and explored the tension between the roles of the PRS as an investment sector and as a long-term place of residence for tenants. In this, the Final Report for the project, it is the second of these aspects we focus on.

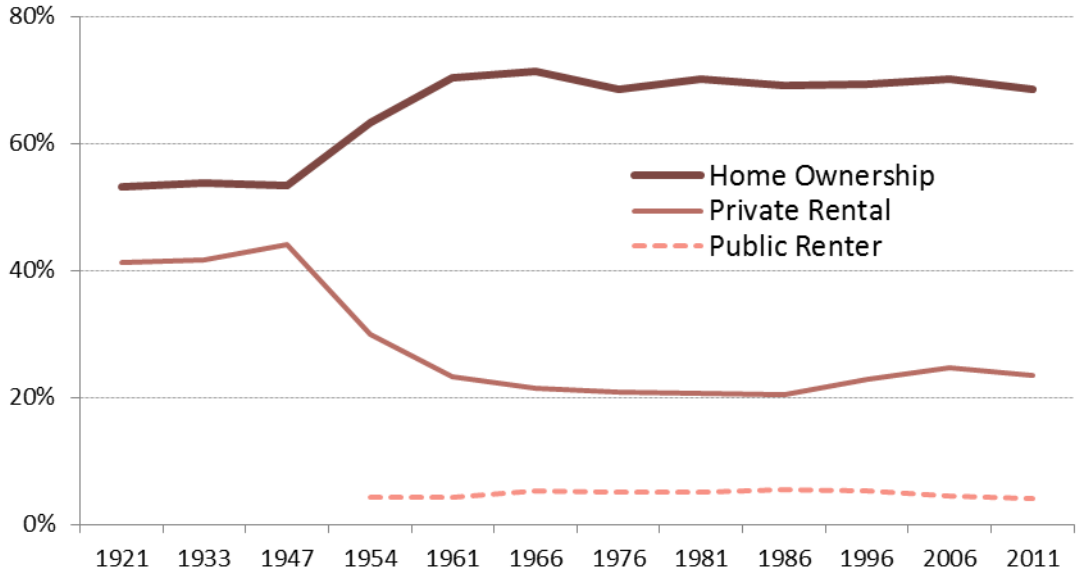
2.2 Size of the private rental sector nationally and by jurisdiction

In this section we examine overall trends in the proportion of occupied dwellings in the private rental sector before examining some key interactions between household types, dwelling types and the location of private rental throughout the 1981–2011 period. We also assess changes in the affordability of private rental housing and mobility over time, and across state and territory jurisdictions. The year 1981 was selected as this was arguably the last census of the post-war modernist Australia prior to market liberal reforms that have fundamentally reshaped markets, including housing markets, over the last thirty years. This was documented in the Positioning Paper and included the deregulation of housing finance (Hulse et al. 2012).

First, however, we put changes in the PRS in an even longer context. As illustrated in Figure 1 below, private renting declined steadily from 44 per cent of all occupied dwellings in 1947 to a low of 22 per cent in 1981; after which the PRS appears to have traced a slow but steady growth. Taken in this historical context, the significance of an apparent reversal of overall decline in the private rental sector from the post-war period to the late 1970s becomes apparent. In 1986, the proportion of privately rented occupied dwellings was 24.4 per cent, further increasing to 24.5 per cent of occupied dwellings in 2006, and remaining high at almost a quarter (23.4%) of all occupied dwellings in the most recent 2011 Census

period. At the same time, there has been a decrease in the proportion of occupied dwellings in each of the homeownership and, more significantly, public rental housing sectors.[1]

Figure 1: Occupied private dwellings, nature of occupancy 1921–2011



Source: Based on ABS *Census of Population and Housing*, respective years

The rates shown in Figure 1 above are national. However, by focusing on the PRS specifically, we find that, in the overall size of the private rental sector as a proportion of housing between the states and territories, there are clear differences, as shown in Table 1 below.

The state/territory with the highest overall proportion of privately-rented occupied dwellings at the time of the most recent Census in 2011 is Queensland. Leaving aside for the moment the Northern Territory, which exhibits markedly different trends to other jurisdictions, we see that the rates of private rental in each of New South Wales (24.0%) and Victoria (22.6%) are close to the national average (23.4%). In order of highest to lowest, the private rental sector in the ACT and Western Australia follow fairly closely in overall size in 2011, ahead of South Australia and Tasmania, states with noticeably smaller private rental sectors.

All states (with the exception of Western Australia) also experienced growth in the relative size of the PRS throughout the 1981–2011 period, as shown in Table 1 (absolute numbers and market share) and Figure 2 (percentage growth) below. Queensland experienced the highest rates of growth in the number of privately rented occupied dwellings between 1981 and 2011 (26.9%), a period in which the proportion of privately rented occupied dwellings increased by 3.1 per cent from 20.3 per cent to 23.4 per cent nationally. The next highest increase in privately rented occupied dwellings in the 1981–2011 period is found in the ACT, in which a sizeable percentage increase is evident. As also shown in Table 1, a clear outlier in overall figures is seen in the Northern Territory, in which there is an overall decline in privately rented occupied dwellings as a proportion of all occupied dwellings (discussed below).

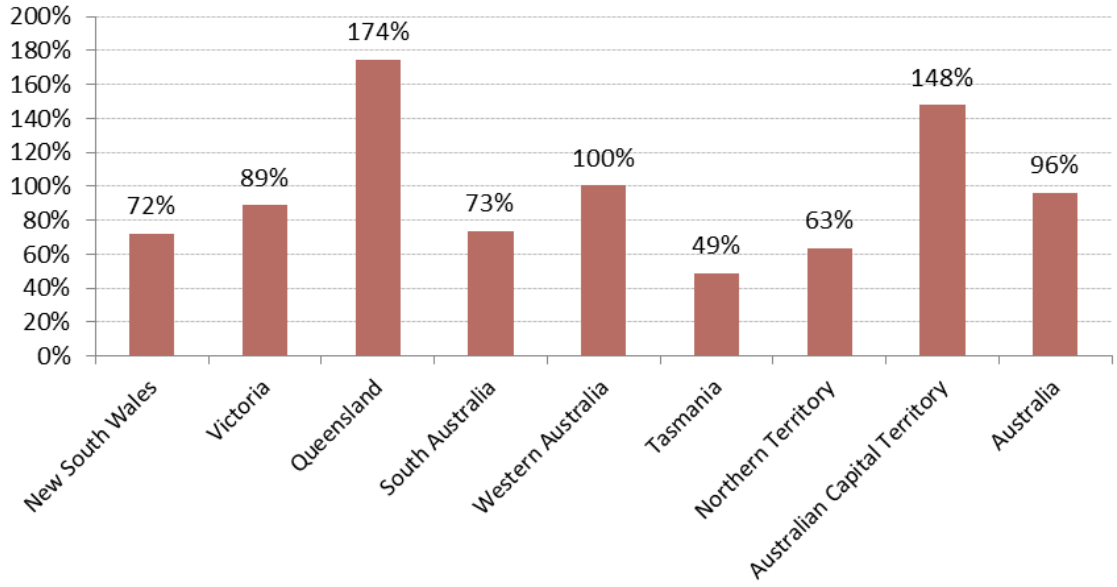
[1] Some of the increase documented in the proportion of occupied dwellings in the private rental sector over time may be due to the greater ability of the ABS to clarify the status of 'other' households.

Table 1: Households occupying private dwellings in the PRS by state and territory, Australia, 1981 and 2011

	1981		2011	
	Households	**Per cent**	**Households**	**Per cent**
New South Wales	339,061	21.1%	584,020	24.0%
Victoria	228,706	19.0%	431,520	22.6%
Queensland	151,523	22.4%	415,588	26.9%
South Australia	67,603	15.9%	117,282	19.2%
Western Australia	87,318	22.1%	175,046	22.0%
Tasmania	23,900	18.1%	35,584	18.7%
Northern Territory	8,854	33.9%	14,469	22.6%
Australian Capital Territory	11,285	16.7%	27,955	21.6%
Australia	**918,250**	**20.3%**	**1,801,464**	**23.4%**

Source: Based on ABS *Census of Population and Housing*, respective years

Figure 2: Percentage growth in the private rental sector by state and territory 1981–2011



Source: ABS *Census of Population and Housing* 2011

Growth in the PRS has to be seen in the context of the growth in other tenures. For example, the PRS in Western Australia grew by 100 per cent (Figure 2) but, as other tenures grew even more rapidly, the private rental sector has actually contracted slightly in percentage terms. New South Wales and Victoria grew less rapidly (72% and 89% respectively) but with the size of the private rental sector getting larger as other tenures grew more slowly. Tasmania had the lowest percentage of households living in private rental in 2011 (18.7%) and the relative size of the sector has remained more or less unchanged over time. The two territories have traced divergent paths with the Northern Territory PRS declining in size from 33.9 per cent to 22.6 per cent while the ACT has increased from 16.7 per cent to 21.6 per cent. In comparison, the private rental sector increased by 3.1 percentage points nationally between 1981 and 2011.

What explains these differences is not clear. One possible explanation is the changing affordability of home purchase, but states with the highest dwelling prices in 2011 (New South Wales, Victoria and Western Australia) did not have the biggest increase in private rental and, in the case of Western Australia, the PRS declined. Another explanation lies in the different patterns of urban settlement and interstate and international mobility. Unlike the other states where the capital cities dominate the economies, there are multiple relatively large urban areas in Queensland, including the Gold Coast, Cairns, Townsville, and Rockhampton, all of which are coastal and service relatively low paid industries, such as tourism and agriculture. These industries provide demand for the PRS in these locations as well as in Brisbane. The other related factor historically, although it has slowed in recent years, is that Queensland has attracted residents from the other states for the 'Queensland lifestyle'. While many are retirees and would have gone into home ownership, many were younger households who would have gone into private rental and not necessarily in Brisbane. Some were attracted to the other large regional cities either because of the employment and/or the lifestyle that these areas offer.

The contraction of the PRS in the Northern Territory probably reflects the maturation of the Northern Territory economy and Darwin as a capital city. For much of its history, Darwin was a frontier town attracting a highly mobile workforce with many having no long-term expectations of permanent residency. Over recent decades, the Darwin economy has expanded and diversified and thus more and more people move there intending to be long-term residents and, given the high relative incomes, many have the opportunity to purchase. Consequently, there appears to be less demand for PRS dwellings.

2.3 Household and dwelling types in the private rental sector

One of the major housing changes in Australia in the last decade (2001–11) has been the growth in multi-unit living, particularly in high rise apartments, reflecting planning deregulation, overlaid by new financial opportunities. In 1981 there were very few private high rise apartments in Australian cities but, by 2011, the urban skyline has been fundamentally altered by their growth. Given this, one hypothesis is that there would be a large increase in the growth of renter households living in multi-unit apartments. Surprisingly this has not been the case; with occupancy by renters of multi-unit buildings falling from 48.9 per cent in 1981 to 44.8 per cent in 2011 (see Table 2 below). By contrast, the number of renter households living in detached housing has increased. In 1981, 46.8 per cent of renter households lived in detached houses and by 2011 it was 54.5 per cent, a 7.7 percentage point increase amounting to 551 584 households. In other words, renters are less likely to live in multi-unit accommodation in 2011 than they were in 1981, despite the growth in multi-unit buildings.

Table 2: Occupied private dwellings by type, households living in private rental housing, 1981 and 2011

Dwelling structure	1981		2011	
	Households	% of total rental stock	Households	% of total rental stock
Separate house	429,828	46.8%	981,412	54.5%
Semi-detached, row/terrace, townhouse	69,404	7.6%	264,234	14.7%
Other medium density housing	349,218	38.0%	390,673	21.7%
Flat over three storeys	30,261	3.3%	150,467	8.4%
Other	23,597	2.6%	12,237	0.7%
Not stated	15,942	1.7%	2,441	0.1%
Total	**918,250**	**100%**	**1,801,467**	**100.0%**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

How do we explain what appears to be yet another paradox of private rental? The answer would appear to lie in the movement of renter households to the outer suburbs where detached and, to a lesser extent, town house dwelling is the dominant form and where apartments are much fewer. Why this is the case appears to be a combination of investors' business strategy of buying into detached dwellings where they have greater control (e.g. in not having to deal with a body corporate/owners corporation) and of a change in the composition of households renting privately. In particular, demand for detached and semi-detached dwellings in the PRS is driven by the growing proportion of families with children who rent privately.

There is an interesting trend in the relationship between household type and housing, or dwelling, type, when we consider changes in the PRS over time. While the overall trend in Australia's demographic growth has been to smaller family types (lone persons and couples with no children) and to contraction in the rate of growth of families with children, the opposite appears to hold for households living in private rental. Strikingly, of the 1 801 467 private renter households in Australia in 2011, 727 012 households or 40.4 per cent were family households, that is, couples with children or one-parent families, as shown in Table 3.

Table 3: Household composition of private rental households 1981, 2011

	1981		2011	
	Households	% of total rental stock	Households	% of total rental stock
Couple only	147,403	16.1%	365,353	20.3%
Couple with children	205,492	22.4%	439,602	24.4%
One-parent family	58,236	6.3%	287,410	16.0%
Other family	70,114	7.6%	36,566	2.0%
Group household	38,692	4.2%	188,501	10.5%
Lone person	371,012	40.4%	451,231	25.0%
Not classifiable/other	27,301	3.0%	32,804	1.8%
Total	**918,250**	**100%**	**1,801,467**	**100%**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

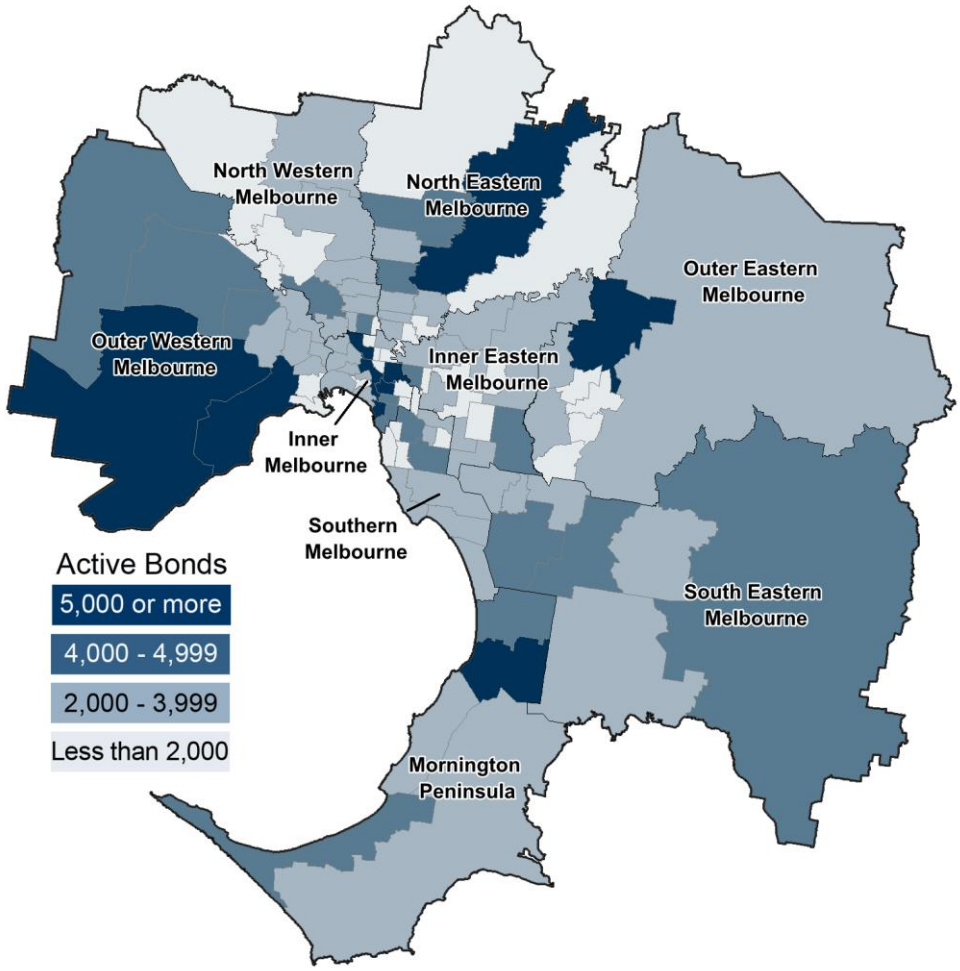
Note: Incudes visitor only households.

The composition of households living in private rental has implications for demand for certain types of dwellings. A family is more likely to require a larger house with at least three bedrooms whereas the 'traditional' demand for rental accommodation in 1981 came from singles and couples, who were able to live in a two-bedroom flat. With more families with children living in rental housing in 2011, they are more likely to move to outer areas where (a) there is a much larger stock of larger, detached dwellings and (b) the stock is relatively affordable because rents are lower than in more inner locations.

To meet this demand for detached dwellings, there has been investment in outer urban stock. The purchase of a single detached house on the fringes would appear to fit the investment strategy of many small investors. In the Positioning Paper for this project, we showed rates of return on investment in private rental and documented (in the case of Melbourne) how the rates of return in outer suburbs are much higher than for inner suburbs (Hulse et al. 2012, Section 3.6). For landlords interested in rates of return rather than capital gain as many small investors are (Seelig et al. 2009, p.27), it is not surprising that rental investment in these areas would become attractive. Indeed, investment magazines such as *Property Investor*, and a growing rental investment advisory sector constantly draw attention to these higher yield locations for investment as well as the need to buy a newer property where management costs are likely to be much less. Moreover, for many investors owning a property in the 'awareness space' of where they live is also attractive and most investors are likely to be residents of suburban areas of Australia (Seelig et al. 2009, p.32).

We augment these findings with a more detailed analysis of the spatial distribution of PRS housing in Melbourne, illustrated in Figure 3 below. Every time a new property is rented in Victoria, residential tenancy law requires the tenants to deposit a bond (up to the equivalent of a month's rent) with a Residential Tenancies Bond Authority. These data enable analysis of the number of 'active bonds', referring to bonds in each quarter for PRS tenancies. In the June quarter of 2012, the areas with the highest number of active bonds were outer urban locations, mainly in areas of new detached housing estates, together with some very small areas of inner Melbourne.

Figure 3: Number of 'active rental bonds', Melbourne, June Quarter 2012



Source: Based on Victorian Department of Human Services Rental Report June Quarter 2012

The converse of the trend to more families living in private rental is the reduction in lone persons living in the sector. This has fallen from 40.4 per cent (the largest single group in private rental) in 1981 to 25.0 per cent in 2011 (see Table 3 above). Lone people have now been replaced by couples with children as the largest household type in private rental. Explanation for this resonates with other AHURI research on housing affordability (Burke at al. 2011) which, using a residual income measure of affordability, showed that singles and childless couples have—for a given income—a much greater capacity to afford more in the housing market because, without children, they have more discretionary spending to potentially commit to housing costs. Growth in inner city high rise apartments (the bulk of the new stock) is fuelled in addition to landlord purchase by owner-occupier purchase rates greater than for conventional multi-unit housing (Randolph 2006, p.6). This would have been predominantly for singles and childless couples renting. One source of rental demand for inner city apartments has been group households, much of which is likely to have been fuelled by international students sharing inner city apartments.

These trends raise some important questions about the rental market. For example, is the private rental sector, with its inherent insecurity of occupancy, compared to that of most other developed countries (Hulse at al. 2012), the appropriate tenure for an increasing number of families with children? Does the nature of occupancy in the PRS create the appropriate conditions for good educational, health and personal wellbeing of children and

their future employment opportunities, particularly when we factor in where much of the rental stock comprises detached dwellings in outer urban areas?

One of the other trends observed in the Positioning Paper was the greater number of renter households who were aged from in their 30s to mid-40s, along with those aged 45 and into their 50s. One obvious explanation of this is the 'ageing population' with the median age of an Australian household head increasing by two years from 47 years to 49 years between 1981 and 2011. However, the median age of the household head in the PRS increased much faster, from 32 years to 37 years during this period, as shown in Table 4 below. Hence, while the median age of private renters is younger than that of all households (37 years compared with 49 years), the rate of change toward older ages is more rapid in the PRS than across the housing system as a whole.

Table 4: Age composition of private rental households, 1981 and 2011

	1981	**2011**
% of households below the household income median	53.9%	52.9%
Median age of household head		
All households	47 years	49 years
Private rental households	32 years	37 years
Age ranges (all households)		
0–14	25.9%	19.9%
15–24	16.7%	13.3%
25–34	16.3%	13.8%
35–54	22.9%	28.2%
55–64	9.1%	11.8%
65 & above	9.0%	13.0%
Total	100%	100%
Persons	13,353,362	19,801,397
Age ranges (private rental households)		
0–14	24.8%	22.4%
15–24	25.7%	17.9%
25–34	23.9%	23.9%
35–54	16.6%	25.8%
55–64	4.5%	5.9%
65 & above	4.4%	4.1%
Total	100%	100%
Persons	2,273,140	4,547,000

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

Notes: data from 1981 are based on 'other renter', data from 2011 are based on 'occupied private dwellings'. For this table, national figures only that include states but exclude territories.

In aggregate, the 25–54 age cohort accounted for 40.5 per cent of all private renter households in 1981, but 49.7 per cent in 2011. These are the age cohorts where one would expect households to move into home purchase, but many are remaining in private rental. This may lead to a lagged effect of more older renters, unless many of these households purchase later in their life course. It appears likely that a greater proportion of 65 age plus households will be in private rental in one to two decades time than is currently the case, and one could then expect that the rate of home ownership which has been stable for so long to decline. This is significant since over 65s typically have lower incomes as they withdraw from the workforce, and may face difficulties affording private rents. Not obtaining home ownership by retirement age in a context where ownership enables households to live on lower incomes in older age (Kemeny 1992) has significant policy and planning implications. The potential growth in aged renters represents a significant policy challenge in Australia.

Table 4 also suggests inconsistencies with the earlier data on the increased numbers of families with children living in private rental. The percentage of children aged zero to 14 in private rental has decreased from 24.8 per cent in 1981 to 22.4 per cent in 2011, which appears paradoxical given that there are more families with children in private rental. The explanation appears to be that, first, the 0–14-years age cohort is demographically less important generally, second, family sizes are getting smaller so that there may be more families in rental but the number of children in these families is less and, third, there has been a particular increase in the number of families in rental who are single parents, who tend to have fewer children living with them.

Using recent 2011 Census data, we also explore variation in these trends across states and territories.

Notwithstanding jurisdictional differences in the size of the PRS (discussed above), it appears that there is little difference between jurisdictions in the composition of households living in the sector, with the exception of the two territories. As shown in Table 5 below, there has been a decline in the percentage of private renter households in the territories who are families with children, contrasting with the increasing importance of this group of households to the PRS in the states. Northern Territory also has much larger percentages of group households in the PRS, perhaps because the defence force and other transitional work-based populations are disproportionate to the size of Canberra and Darwin. Of note is the high proportion of families with children living in the PRS in Queensland (42.4%) and New South Wales (41.2%) with high percentages also found in Tasmania (40.0%) and South Australia (39.6%).

Table 5: Households occupying private dwellings on a private rental basis by household type, states and territories, Australia, 1981 and 2011

	Families with children		Couples		Singles		Group households	
	1981	**2011**	**1981**	**2011**	**1981**	**2011**	**1981**	**2011**
New South Wales	28.3%	41.2%	16.0%	20.3%	40.7%	25.3%	4.5%	9.7%
Victoria	27.6%	36.4%	16.3%	20.8%	42.6%	27.2%	4.4%	12.1%
Queensland	31.0%	42.4%	15.2%	20.2%	34.9%	23.2%	4.2%	10.5%
South Australia	25.2%	39.6%	16.7%	18.3%	46.0%	28.8%	3.9%	10.1%
Western Australia	30.6%	41.0%	16.2%	21.1%	39.6%	24.3%	3.6%	10.1%
Tasmania	30.3%	40.0%	17.0%	17.4%	39.0%	31.8%	3.7%	8.6%
Northern Territory	38.6%	34.0%	16.6%	26.2%	28.5%	22.9%	2.0%	13.4%
ACT	27.9%	32.5%	16.5%	24.7%	46.1%	23.5%	2.9%	16.5%
Australia	**28.7%**	**40.0%**	**16.1%**	**20.4%**	**40.4%**	**25.5%**	**4.2%**	**10.7%**
Households	**263,728**	**708,086**	**147,403**	**360,885**	**371,012**	**451,227**	**38,692**	**188,499**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

All states (but not the territories) experienced a growth in the number of households living in detached dwellings, despite the growth of multi-unit housing, as indicated by Table 6 below. Interestingly, neither of the territories shared this pattern with a reduction in the percentages and numbers of private renter households in detached dwellings. One of the factors in which the territories differ from the states indicated above was the lower percentages of families with children in the rental sector compared to the states which would have reduced the demand for detached dwellings. The other explanation, however, is the much smaller housing markets of the territories, particularly compared to those of the mainland capital cities. The latter are so large that they have differentiated spatially into inner and outer submarkets, characterised by locational disadvantage, most notably with respect to public transport.

By contrast the smaller geographic area of Darwin and Canberra means that access to transport, jobs, services and facilities is not the same driver of housing markets (Canberra is a multi-nucleated city with dispersed labour markets). In the case of Canberra, better planning has meant multi-unit housing is dispersed across the city rather than concentrated in the inner city. Thus, rents in Darwin and Canberra reflect less distance from the CBD than the general amenity of an area of which access may only be one factor. This means that not all affordable rents are on the fringe and the less affordable in the inner area. Thus, households, including families with children, have more locational and dwelling choice and are not necessary constrained to move to outer urban detached housing.

Table 6: Percentage of private renter households living in detached housing, by state/territory, 1981 and 2011

	1981	2011
New South Wales	39.4%	44.8%
Victoria	45.1%	53.7%
Queensland	55.6%	61.2%
South Australia	49.0%	63.3%
Western Australia	56.1%	65.8%
Tasmania	59.5%	70.1%
Northern Territory	60.7%	44.9%
Australian Capital Territory	62.4%	46.1%
Australia	**46.8%**	**54.5%**
Total detached PR dwellings	**429,828**	**981,412**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

A further factor that distinguished the PRS in the states and territories is household income. Nationally the PRS comprises 53.4 per cent of households in the lowest 50 per cent of median household incomes.[2] The ACT, Tasmania and the Northern territory have smaller percentages of renter households in the lowest 50 per cent of the income range, while Western Australia and Queensland have much higher percentages, as shown in Table 7 below.

The scale of the difference suggests that the PRS has somewhat different functions with the territories, in particular catering for a more mobile professional workforce at one level and, at another, given the higher incomes of the territories, as a transitory sector prior to movement into home purchase. By contrast, the high proportion of lower incomes in Tasmania and South Australia suggests that it is becoming more of a long-term sector, notwithstanding the relative home purchase affordability of these two states.

[2] Note that the household income for all Australian households includes in the outright ownership tenure many households who are retired and on low incomes.

Table 7: Private renter households by quintile distribution of household income by state/territory, 2011

		Lowest quintile	2nd quintile	Lowest 50%	3rd quintile	Highest quintile	Total*
All households	Australia	20.0%	40.0%	50.0%	60.0%	80.0%	6,808,087
Renter households	New South Wales	17.6%	40.2%	52.3%	63.3%	82.8%	520,306
	Victoria	18.3%	41.5%	54.2%	65.6%	85.4%	381,541
	South Australia	17.0%	41.1%	54.5%	66.6%	87.4%	367,849
	Western Australia	22.5%	50.9%	64.6%	75.5%	92.0%	105,148
	Northern Territory	15.0%	35.3%	47.2%	58.8%	80.3%	151,599
	Queensland	28.9%	59.3%	72.1%	81.7%	94.7%	32,252
	Tasmania	6.7%	20.7%	31.8%	44.7%	74.5%	12,552
	ACT	5.4%	16.5%	26.9%	39.9%	69.2%	25,043
	Australia	17.7%	40.8%	53.4%	64.8%	84.8%	1,596,290*

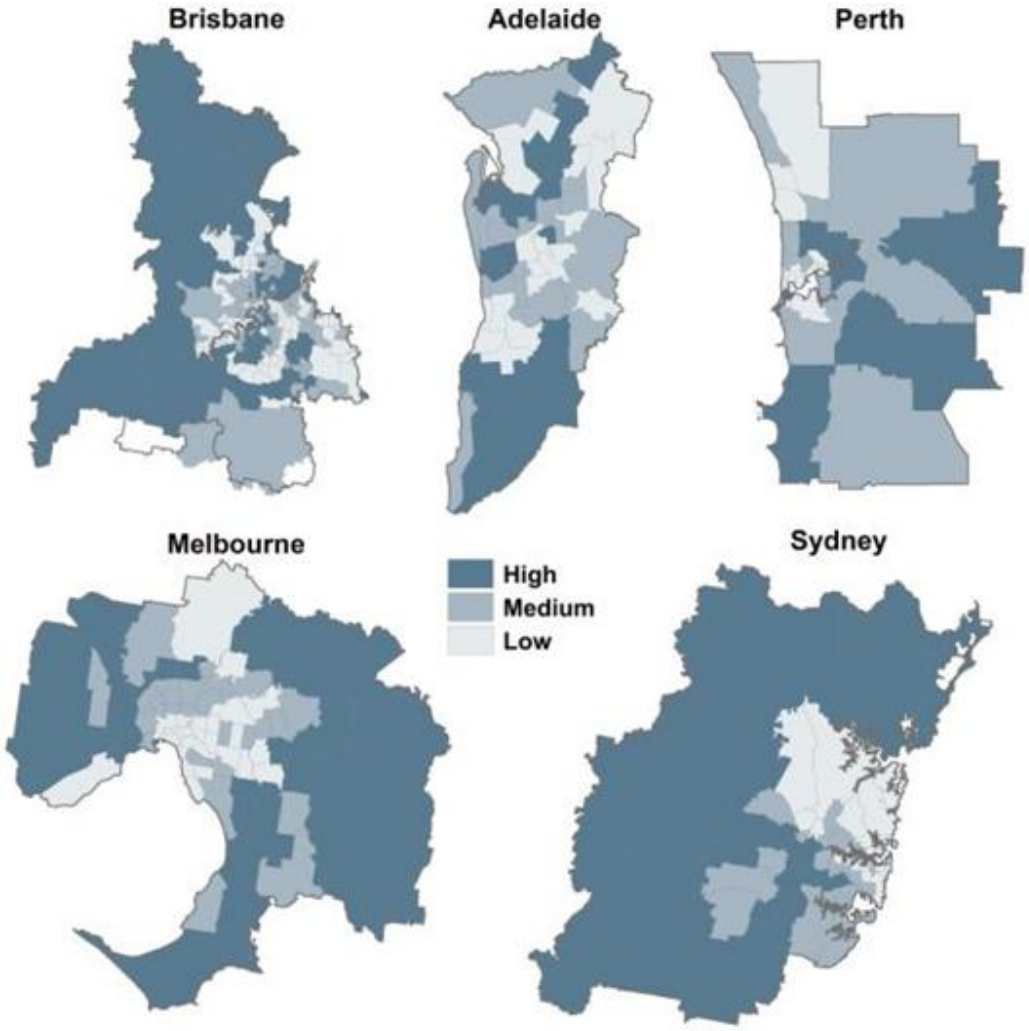
Source: Based on ABS *Census of Population and Housing*, 2011

* This number of households is lower than the total estimate shown in earlier tables as the following are excluded: households with 'negative income', those who have not stated their landlord rental type, and households with only partial income data (e.g. where only one party has provided an income estimate).

A further way of analysing the location of PRS stock across the mainland capitals is by designation as low, medium or high rent stock, as shown in Figure 4 below. The method was to calculate the median rent for each of the capital cities, and then calculate the percentage of properties below and above the median in each for each statistical local area (SLA). Each SLA is then categorised according to the percentage of those that have high, low or medium percentages of properties in relation to the city wide median. Thus in Figure 4, the dark blue areas have substantial percentages of properties below the median. Light blue areas have hardly any and the mid-blue areas have most of their properties around the median.

Figure 4 illustrates that, subject to the geographical variations of the respective cities, and with the probable exception of Adelaide, low cost rental properties are disproportionately in the outer suburbs and the urban fringes of the cities. This represents a fundamental restructuring of the rental housing system, the implications of which are not fully understood. It appears that these areas are likely to be future areas of spatial disadvantage problematic both for residents and the economic and social viabilities of the areas due to the poor transport accessibility of these areas; relatively lower employment opportunities; the over representation of families with children; and the fact that many households will be on lower incomes. (Further and more detailed analysis of the supply and availability of rental stock is being undertaken in AHURI project 'Changes in demand/supply for low-rent housing in the Australian private rental market, 2006–11 (51018)).

Figure 4: Spatial distribution of low, medium and high rent stock, mainland capital cities, 2011



Source: Based on ABS *Census of Population and Housing,* 2011

2.4 Housing affordability

In addition to problems of accessibility, there are also problems of affordability faced by households living in the PRS. There has been a great deal of AHURI-funded and other research into housing affordability over recent years (Yates & Gabriel 2006; Yates & Milligan 2007). Much of the media focus has been about home ownership, reflecting the tenure bias of much housing analysis in Australia, but the housing research indicates the severe affordability stress faced by private renters. While there are many ways in which affordability can be measured, including ratio and benchmark methods, a very simple one is the median rent to median income, which has been used here for the states and territories for 1981 and 2011, and which reveals as anticipated a sharp decline in affordability.

There are differences between jurisdictions in terms of rental affordability, reflecting the different role, and performance, of the rental markets. The differences are highlighted in Table 8 below, which indicates that rental affordability has declined variably by jurisdiction in the 30 years between 1981 and 2011. Lowest decline is seen in the ACT (5.6%) and the highest rates of decline are found in Tasmania (where the rent to income ratio declined by 12.0% in the period) and Northern Territory (which experienced a decline of 11.2%). As shown, New South Wales, Victoria, Queensland, South Australia and Western Australia all showed declines in affordability more close to the national average.

Table 8: Median rents as percentage of median income, states and territories 1981 and 2011

	1981			2011		
	Rent to income	**Rent**	**Income**	**Rent to income**	**Rent**	**Income**
New South Wales	21.6%	$61	$283	28.9%	$350	$1,211
Victoria	17.9%	$49	$273	25.6%	$300	$1,171
Queensland	19.5%	$51	$262	28.2%	$330	$1,170
South Australia	16.9%	$40	$237	26.7%	$260	$972
Western Australia	15.5%	$43	$278	24.6%	$330	$1,339
Tasmania	16.1%	$41	$255	28.1%	$235	$835
Northern Territory	12.3%	$51	$416	23.5%	$410	$1,741
Australian Capital Territory	16.9%	$65	$384	22.5%	$420	$1,870
Australia	**19.0%**	**$52**	**$274**	**26.9%**	**$320**	**$1,188**

Source: Based on ABS *Census of Population and Housing*, 1981, 2011

2.5 Housing mobility

Another well-documented characteristic of the private rental sector in Australia is its relative insecurity relative to other comparable systems and the associated high rates of voluntary and involuntary residential mobility experienced by tenants (Hulse et al. 2011).

Households in the PRS move much more often than households in other tenures. Using data from the ABS Survey of Income and Housing (2007–08), we find only 13.3 per cent of renter households had not moved in the past five years compared to 68.9 per cent for other tenures, as shown in Table 9 below. Along with the low rates of residential stability for private renter households overall, most notable are the high rates of heightened residential mobility among this group. For private renter households we find 13.5 per cent had moved five times or more in the same five-year term, compared to only 1.9 per cent for other tenures. The percentage of PRS households that had moved three or more times (still a very high, and potentially destabilising, rate of mobility) was 39.5 per cent compared to only 7.8 per cent for other tenures.

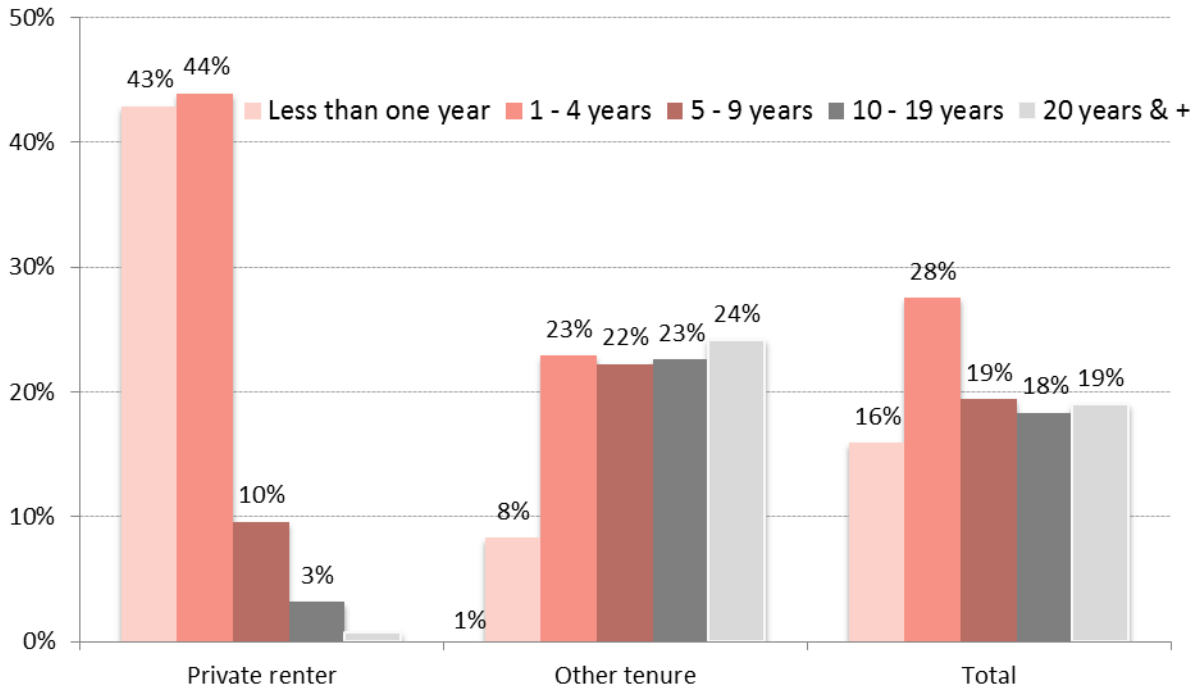
Table 9: Number of moves in the past five years showing private renters and other tenures, 2007–08

	Private renter		Other tenure		All tenure	
	households	**%**	**households**	**%**	**households**	**%**
Haven't moved	237,791	13.3%	4,335,837	68.9%	4,573,627	56.6%
One time	486,675	27.2%	1,055,676	16.8%	1,542,351	19.1%
Two times	292,009	16.3%	349,071	5.5%	641,080	7.9%
Three times	298,593	16.7%	261,888	4.2%	560,481	6.9%
Four times	166,457	9.3%	106,934	1.7%	273,392	3.4%
Five times or more	241,952	13.5%	121,902	1.9%	363,853	4.5%
Don't know	64,136	3.6%	61,751	1.0%	125,887	1.6%
Total	1,787,612	100%	6,293,060	100%	8,080,672	100%

Source: Based on ABS Survey of Income and Housing 2007–08

Looking at mobility in a different way, Figure 5 shows how long households have been living in their current dwelling. Consistent with the high mobility rates discussed above, 42.8 per cent of households had lived at their current address for less than a year; and 86.7 per cent had stayed less than four years. In comparison, only 8.2 per cent of those in other tenures had lived at their current address for less than a year and 31.1 per cent less than four years.

Figure 5: Households in the PRS and other tenures by length of residency in current property 2007–08



Source: Based on ABS Income and Housing Survey 2007–08

One of the major problems in estimating the performance of the private rental sector is assessing the degree to which the high rate of households' moves are made by choice or constraint, or somewhere on the spectrum in between. The ABS Survey of Income and Housing 2007–08 provides some ability to get a handle on this issue, but not at the household level. While households move, the individual members of the household might have different interpretations of why the move was made. In questions about reasons to move, the data takes the answer of the household reference person, that is, the adult that is Number 1 on the census enables analysis of the main reason for a move.

Table 10 below shows the reason for movement as defined by the household reference person and categorised into choice or constraint, although in some cases the allocations to categories is potentially ambiguous. For example, health reasons are categorised for the purpose of this study as constrained although a movement to a warmer climate for health reasons might also be seen as a lifestyle choice. However, given that they might not have made such a move if not for health problems, it is categorised as a constrained or involuntary move. Similarly, while all moves relating to wanting a bigger or better home were categorised as choice, it is likely that an element of this is a constrained decision about movers wanting to escape poor quality and/or unsuitable housing.

In the PRS, the percentage of constrained moves was much higher at 32.0 per cent in private rental than in other tenures (11.1%), as shown in Table 10 below. This highlights the lack of control of tenants in the PRS relative to other tenures. The single largest reason for all moves was 'notice given by landlord' some of which would have been for tenancy

breaches but most, as indicated by other studies (e.g. Hulse et al.2011), simply the landlord wanting the tenant out for a variety of reasons. However, it is important to note that two-thirds of moves (68%) had a choice component including lifestyle change, getting married, being independent, followed by housing-related factors such as changing location for reasons other than employment.

Table 10: Reasons for household moves; private rental, other tenures 2007–08

Reason for move	Private rental	Other tenure
Forced housing move (evictions/affordability problems)	22.6%	4.6%
Forced wellbeing move (health/loss of job/ relationship issues)	9.4%	6.5%
Total constrained	***32.0%***	***11.1%***
Lifestyle choice	25.4%	10.0%
Housing choice bigger/smaller home/renovations/home purchase	19.4%	54.1%
Employment (closer to work/improve employment prospects/ got job	12.7%	6.6%
Locational (other than employment)	7.0%	6.8%
Other	3.5%	1.3%
Total	100%	100%
Households	1,549,821	1,957,223

Source: Based on ABS Survey of Income and Housing Survey 2007–08.

Note: The above table refers to 'those households who moved'. The data refers to the household reference person and not to households and thus totals will be slightly different to households' data.

2.6 Summary: implications of a changed private rental sector for tenants

Cumulatively, the broad scale changes that have occurred in the PRS since the 1980s have been substantial in many respects, with notable implications for the housing system as a whole, and for private rental tenants specifically. The context in which the private sector has changed as a place for tenants to live is one in which issues of access to private rental have intensified between the 1981 and 2011 period, as a result of decreased affordability of home purchase particularly for low to moderate income households (Hulse et al. 2010) as well as the ongoing contraction of public housing stock and the social housing sector overall.

Our detailed analysis of changes and challenges in the PRS in recent decades presented in the Positioning Paper (Hulse et al. 2012), and the expanded analysis above, indicate at least four key trends that also affect tenant experience.

- → The first concerns overall affordability within the PRS. As shown above, private rental affordability relative to incomes has declined substantially in the period 1981–2011.
- → Second, as documented elsewhere, the rates of forced and chosen mobility we have found among private renters relative to other tenure groups are high. In turn, this can result in a host of additional issues such as compromised access to schools, employment and services, as well as the expense and time involved in moving from one dwelling to another at sometimes high frequencies.
- → Related to the previous point, rates of housing stability (no moves in previous five years) are low among private renter households relative to other tenure groups, and rates of

very high mobility (five or more moves in the same period) are concerningly high given the potentially destabilising effect of heightened mobility on resident wellbeing.

- Third, we find an interaction effect between changes in demographic groups living in the PRS in increased numbers throughout the period, their housing needs and the location of preferred housing. Most notably, we find an overall increase in the proportion of families with dependent children living in the PRS. Relative to singles and couple only households, this group occupies detached housing that is more affordable in outer metropolitan and urban fringe locations relative to inner city dwellings, where access to transport, services and employment can be heavily compromised.
- Fourth, findings suggest that the PRS is home to increasing numbers of late-middle aged households who are likely to age within the PRS, potentially for very lengthy periods of time.

Finally, we find that the above relationships are seen broadly across Australia, but that in some ways their distribution is uneven across state and territory jurisdictions and between capital city and 'balance of state' areas, indicating that state and territory policy platforms in the context of differential housing markets are important to the way these trends manifest around Australia.

3 LONG-TERM PRIVATE RENTAL TENANCIES

One of the most significant aspects of the findings discussed above and those set out in our earlier Positioning Paper (Hulse et al. 2012) is that the changes and challenges now associated with the PRS are likely to be experienced by greater numbers of more highly diverse households for longer periods of time than we have seen in recent Australian history. Added to this, based on existing knowledge about the significance of housing arrangements for the way households live, we would expect that 'long-term renting', defined as renting for 10 years or more, is in turn likely to have a host of significant flow-on effects for residents of the households involved, including adults and dependent children (see McDonald & Merlo 2002), about which little is known. We can further hypothesise that lower and middle income tenants are likely to be particularly vulnerable to the potentially negative effects associated with living in the PRS long-term given their relative 'constraint' about alternative housing choices (see e.g. Yates & Milligan 2007; Burke & Pinnegar 2007; Hulse et al. 2011).

3.1 Incidence and increase of long-term private renting in Australia

While long-term private rental tenancies represent an area of increasing policy interest, no recent Australian analysis has been undertaken about the extent or nature of long-term renting in the PRS, about which households are most likely to rent long-term, nor about the implications of long-term renting for various facets of residents' lives. To address this knowledge gap, in this section we draw on a recent ABS Survey of Income and Housing data (2007–08) to provide estimates of long-term private renting in Australia and to examine the demographic characteristics and select housing circumstances of long-term private renters compared with other private renter groups.[3] We supplement this with an analysis of select wellbeing indicators of long-term renters based on an analysis of Waves 1 to 10 of the Household Income and Labour Dynamics in Australia (HILDA) Survey.

To begin, however, we focus on the important question of whether there has been an increase in the overall incidence of long-term private renting in recent decades, by comparing the incidence and nature of long-term renting today with findings of the only existing analysis of long-term renting undertaken in Australia in 1997 and 1998 based on 1994 survey data (Wulff 1997; Wulff & Maher 1998).

Based on the original analysis of the ABS Rental Tenants Survey undertaken in 1994, Wulff (1997) and Wulff and Maher (1998) undertook the first detailed analysis of long-term private renting in Australia. The authors had three aims. These were to operationalise and examine the concepts of 'short-term' and 'long-term' with regard to private rental; to expand understandings of 'long-term' private rental tenancies; and to examine the demographic and housing differences between short-term and long-term private renters and their relationship to the conceptualisation of housing pathways as 'upward and downward' steps on the housing ladder (see Kendig et al. 1987; Maher & Burke 1991).

Using the 1994 ABS Rental Tenants Survey, groups of renters were defined based on their duration of rental and whether or not the private rental was continuous since leaving the parental home. Short-term renters (one to four years) and medium-term renters (five to 10 years) were based on duration alone, with long-term renters (those having rented for more

[3] The ABS survey of income and housing was conducted throughout the 2007–08 financial year. A total of 9345 households were surveyed which, once weighted, account for 8 080 672 households. The 2007–08 survey rather than the 2009–10 survey was used for the purposes of this analysis due to the more extensive capacity to analyse the length of renting (e.g. length of tenancy in current dwelling).

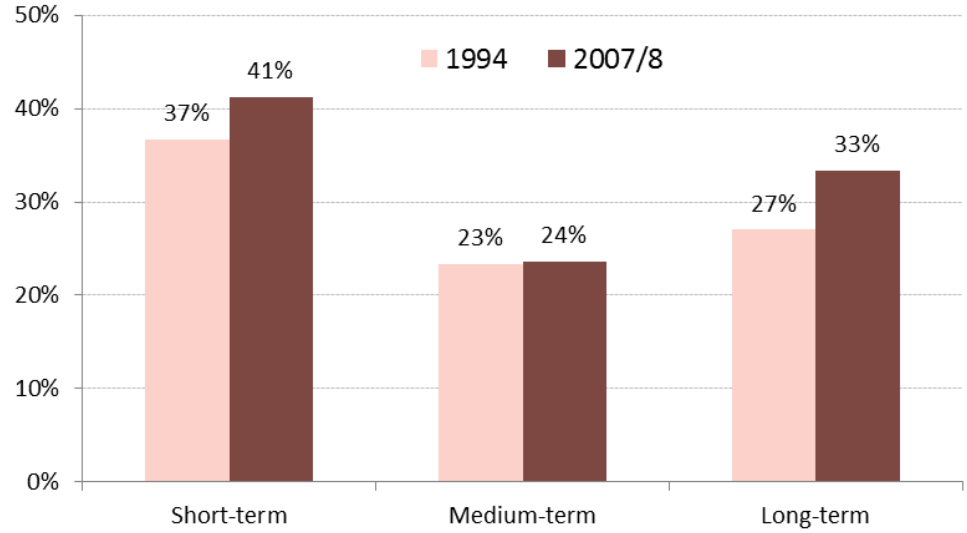
than 10 years) further disaggregated into ‘continual’ and ‘returner’ groups. Taken together, long-term renters were found to number more than 40 per cent of the overall private renter group, with 27 per cent of these having rented continuously since leaving the parental home. Describing the overall significance of long-term private rental in Australia, Wulff concluded that ‘long-term renting is a larger and more important component of the entire rental market than previous research implies. Consequently, at least in terms of sheer size, descriptions of long-term renting as ‘marginal’ are clearly inaccurate’ (Wulff 1997, p.89).

A significant question for contemporary policy-makers is whether these figures have increased in the intervening years. Figure 6, below, shows current rates of long-term private renting, medium-term renting and short-term renting and compares these with published accounts of the incidence of private renting in 1994 based on the ABS Tenants’ Survey data (Wulff 1997; Wulff & Maher 1998). Two aspects of the findings are most notable. First, as we can see, in both the mid-1990s and at 2007–08, long-term renters form a large proportion of the overall private renting population. Focusing on contemporary data, we have found that just over a third—33.4 per cent—of all private renter households are long-term renters who have been living within the private rental tenure continuously for 10 years or more. A slightly larger proportion of private renters are short-term, who have been renting for between zero and five years (41.2%), with a smaller proportion having rented privately for between five and nine years (23.6%).

This finding supports the earlier finding of Wulff and Maher (1998) that long-term private renting comprises a large and significant proportion of the overall private rental sector. That over a third of all private rental households have resided in the sector continuously for 10 years or more indicates that private rental is far from a residual tenure for many households, and that indeed private rental forms part of a normative housing experience for large numbers of Australian households.

A second key finding is that, as we have predicted, the proportion of long-term private renters has increased over time, with a 6.4 percentage point increase found between the 1994 data and our analysis of 2007–08 data, that is, from 27 per cent to 33.4 per cent. It is important to note that differences in the way the data are collected and data sets structured in each case make it difficult to make precise comparisons between the two time points. However, given the size of the increase we find, we suggest that these differences cannot be accounted for by methodological differences at the two time points alone, and represent a substantial and real increase in the overall size of long-term renters within the private rental sector.

Figure 6: Incidence of long-term private renting 1994–2007/08



Source: 1994 ABS Rental Tenants Survey (Wulff 1997; Wulff & Maher 1998); ABS *SIH 2007–08* (original)

Using the same data, we are also able to provide accurate estimates about the proportion of long-term private renters in the population more broadly and—importantly—the overall size of the population who rent privately long-term. Focusing on the private renter groups by length of tenure, we can see that short-term private renters (renting for continuous periods of less than five years at the time of the survey) account for almost 10 per cent of all households (9.1%), that medium-term renters account for just over 5 per cent of all households (5.2%) and that long-term private renters comprise 7.4 per cent of all Australian households. Considering what these figures mean in terms of actual quantity, these percentages indicate that close to 600 000 households rent long-term in the PRS, a total of 596 605 households. The size of this group is larger than all public renter households combined who comprised 4.5 per cent of households or 365 057 households in the overall population at the 2007–08 period, using the same weighted data source, although there is a greater diversity of household types and incomes among long-term private renters.

Table 11: Proportion and number of long-term private renters in Australia compared with other tenure groups

Tenure		Households	%
Owner without a mortgage		2,672,719	33.1%
Owner with a mortgage		2,840,164	35.1%
Private renter	Short-term private renter	736,336	9.1%
	Medium-term private renter	422,598	5.2%
	Long-term private renter	596,605	7.4%
	NA*	32,073	0.4%
	Private renters	*1,787,612*	*22.1%*
Public renter		365,057	4.5%
Other renter		251,157	3.1%
Other		163,963	2.0%
Total		8,080,672	100%

Source: ABS *SIH 2007–08* (original analysis).
* Undefined type of landlord in survey data.
Note: Table uses weighted data.

Of particular interest is whether long-term renters are choosing to live in the PRS long-term or whether long-term private renters are constrained to do so. We use 'low income' as a proxy to indicate constraint.

Using this approach, Table 12 below presents data showing the overall size of the low income private-renter group compared with households with higher income levels. As shown, 45.5 per cent of all long-term renters, or 271 421 households have household incomes in the lowest 40 per cent of the income distribution (based on gross household equivalised income). Low income households are marginally over-represented in the long-term renter population, forming 45.5 per cent of the long-term renter group. Low income-private renters comprise 15.2 per cent of all private renters, and account for 3.4 per cent of all Australian households. These figures alone suggest that a substantial proportion of long-term private renters live in the private rental sector for lengthy periods due to limited choice about their housing careers—approaching half of all long-term private renters fall into this category.

The findings also suggest that another large number of long-term renters may do so due to choices they make in their housing pathways and are not constrained to do so due to finances. Household strategies and priorities around longer term renting including a detailed account of the demographic characteristics of long-term renters who rent by 'choice' and 'constraint', represents an area requiring further research.

Table 12: Numbers of low income long-term and other private renters in Australia compared with other tenure groups

		Lowest 40%	Highest 60%	Total	Households
Owner without a mortgage		54.4%	45.6%	100%	2,672,719
Owner with a mortgage		20.6%	79.4%	100%	2,840,164
Private renter	Short-term private renter	29.4%	70.6%	100%	736,336
	Medium-term private renter	31.3%	68.7%	100%	422,598
	Long-term private renter	45.5%	54.5%	100%	596,605
	NA	51.9%	48.1%	100%	32,073
Private renter		35.6%	64.4%	100%	1,787,612
Public renter		92.3%	7.7%	100%	365,057
Other renter		48.1%	51.9%	100%	251,157
Other		59.8%	40.2%	100%	163,963
Total		40.0%	60.0%	100%	8,080,672
Households		3,232,129	4,848,544	8,080,672	

Source: ABS *SIH 2007–08* (original analysis).

3.2 Select demographic characteristics of long-term private renters

We are also interested in the question of who rents long-term and whether the demographic characteristics of the long-term private rental population have changed over time.

Using population estimates based on the ABS Survey of Income and Housing (SIH) (2007–08) data, Table 13 below presents data about select demographic characteristics of long-term renters relative to medium and shorter-term renters in the PRS. Beginning with household composition and family type, we see first that exactly one-third of all long-term

private renter households were headed by a single person (33.3%). This large proportion of households represents a substantial increase since the time of the earlier long-term private rental study and is explained in part by overall growth in the proportion of single person households in Australia in recent decades (de Vaus & Richardson 2009). This increase has occurred despite the fact that the overall proportion of private renters who are single-person households has declined in the same period, as discussed in Chapter 2.

One of the trends we documented at Chapter 1, above, is the overall increase in particular family types with dependent children seen between 1981 and 2011, most notably single-parent headed families. Analysis of SIH data shows how this trend manifests among long-term renters. As shown, a large proportion of long-term private renter households comprise families with dependent children. Couples with dependent/s comprise 19.7 per cent of all long-term private renter households, with a further 10.3 per cent of long-term private renters consisting of single-parent family households. Combined, these figures indicate that close to a third (30.0%) of all long-term private renter households include dependent children, raising questions about the overall adequacy, quality and housing and household experience for children, many of whom are likely to spend significant periods of their formative years living in the PRS.

The relatively high proportion of 'other family' and 'group household' categories accommodated in the private rental system, including long-term for periods of 10 years or more, is interesting in itself. While we would expect a relatively large proportion of group households to reside in the PRS, the incidence of 'other' families may indicate that families are co-residing and/or across generations possibly in greater numbers than has been the case in recent decades.[4]

[4] In these data 'other families' include those in which relatives (beyond nuclear families involving dependent children) live together (e.g. adult siblings renting together or elderly parents living with their adult children and grandchildren).

Table 13: Select demographic characteristics of long-term and other private renters in Australia (2007–08)

		Private renters			Private renters*	All households
		Short	Medium	Long		
Household type	Single	26.6%	23.7%	33.3%	28.3%	24.8%
	Couple	20.0%	20.0%	13.7%	17.8%	26.5%
	Couple with dependents	18.8%	18.4%	19.7%	19.1%	22.0%
	Single with dependents	6.8%	9.1%	10.3%	8.4%	4.8%
	Other family	14.6%	14.5%	18.5%	16.0%	18.6%
	Group households	13.2%	14.2%	4.5%	10.3%	3.2%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Age	Under 30	47.8%	41.6%	7.8%	32.8%	11.7%
	30–44	33.6%	38.7%	48.3%	39.6%	29.9%
	45–64	14.1%	14.3%	30.2%	19.8%	29.9%
	65 & above	4.5%	5.4%	13.7%	7.9%	28.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Year of arrival	Born in Australia	59.9%	65.1%	70.2%	64.6%	69.3%
	Arrived 1985 and before	7.4%	6.8%	15.3%	9.9%	18.0%
	Arrived 1986–1995	4.7%	5.2%	9.2%	6.2%	5.5%
	Arrived 1996 and later	28.0%	22.9%	5.3%	19.2%	7.2%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Equivalised household income quintiles	Quintile 1—Low	10.9%	11.9%	20.7%	14.6%	20.0%
	Quintile 2	18.5%	19.4%	24.8%	21.0%	20.0%
	Quintile 3	22.8%	24.5%	23.8%	23.4%	20.0%
	Quintile 4	25.8%	23.7%	18.2%	22.6%	20.0%
	Quintile 5—High	22.0%	20.5%	12.5%	18.4%	20.0%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Principal source of current household income (2007–08 basis)	Household has zero or negative income	1.0%	0.1%	0.9%	0.8%	0.5%
	Wage and salary	78.1%	75.7%	65.4%	73.0%	61.5%
	Own unincorporated business income	4.0%	5.4%	4.5%	4.5%	5.8%
	Government pensions and allowances	9.9%	15.1%	26.3%	16.8%	23.1%
	Other income	7.1%	3.7%	3.0%	4.9%	9.1%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*

Source: ABS *SIH 2007–08* (original analysis)

Turning now to the age structure of the long-term private renter population, as we discussed above, increases in overall proportions of private renter households in Australia have been unevenly distributed across age groups and generational cohorts. Similarly, analysis of the

ABS 2007–08 data indicates clear differences in the proportion of long-term and shorter terms of private rental according to age group. Not surprisingly, those aged under 30 tend to have rented privately continuously for short periods only, consistent with both the known dynamism of this period in the life course, as well as the relatively short amount of time this group has yet had to become either medium- or long-term renters.

Of most interest perhaps, are the relatively high proportions of those aged 30–44 years and 45–64 years who report having continuously rented privately for 10 years or more. As shown, close to half of all long-term private renters are aged 30–44 years (48.3%), with a further 30.2 per cent aged 45–64 years of age. A further trend identified in our analysis at Chapter 1 and presented in Hulse et al. (2012) is the ageing of the private rental population. Our analysis of long-term renting specifically indicates that households headed by those aged 65 years and over are certainly over-represented among long-term private renters relative to the size of this age cohort residing in the PRS overall.

The age group of long-term renters is important. If these large numbers of long-term renters aged 45 years and over remain in the sector (i.e. not able to, or choosing to buy), they could swell the number of long-term renters in the 65 years and above category quite substantially in the coming decades. These numbers represent a potentially large policy problem for future years, whereby a large-scale policy support response to respond to increased numbers of aged persons renting privately well into old age may be required.

The economic circumstances of long-term renters relative to all private renter households and all households, is important as an indicator of relative choice or constraint, as mentioned earlier. Table 13 above presents data for length of continuous private rental, and all private renter households, by income quintile based on analysis of gross equivalised household income quintiles. It shows that those in quintile 1 comprise households in the lowest 20 per cent of the income spectrum, and those in quintile 5 comprise the highest income households. Focusing on households in quintiles 1 and 2—those households in the lowest 40 per cent of income distribution, we see a clear pattern with regard to long-term renting. It is also of interest to consider the circumstance of households in quintile 3—the middle income group. Interestingly, we again find slight over-representations of this group among both medium- and long-term renter groups relative to the proportion of this income group living in the PRS overall. Given trends in the affordability of homeownership, it is likely that a proportion of this middle income group also experiences some of the lock out effect from homeownership that we expect among lower income quintile groups.

We find a clear relationship not only between income level and propensity for households to rent long-term in the private sector, but also between long-term private rental and primary income source within households. Focusing on short-, medium- and long-term renter groups, there is a clear pattern whereby households who rely on income support as their primary source of income are more likely to rent long-term rather than for shorter periods in the PRS. The proportion of households reliant upon government pensions and allowances as their main source of household income is over-represented in the long-term renter population, with more than a quarter of long-term private renters dependent upon government income support as a primary income source.

Noteworthy, too, is the high proportion of households whose main source of income is wages or salaries who also live long-term in the PRS. Putting these data together with the income data presented in the preceding table, there is an indication that a sizeable proportion of long-term renters rely on wages/salary as the primary source of income, and yet are marginally attached to the workforce, with household incomes in the lowest two income quintiles. This is suggested by data indicating that close to 45 per cent of all households who are long-term renters have incomes in the lowest two income quintiles, and that around 75 per cent of long-term renters rely on wages/salary as their main income source.

Analysis of the income source of long-term renters focusing on low income households alone confirms this picture. As Table 14 below shows, a total of 34 per cent of low income long-term private renter households report wages and salaries as their main source of household income, indicating a significant issue associated with 'working poor' among the long-term private rental population. These figures do not enable us to determine the nature of the employment nor how secure it is, but the high proportion of long-term renters who fall into the low income and waged category is of concern.

As we might expect, the most common source of main household income among low income long-term renters is government pensions and allowances (see Table 14). Among low income long-term renter households, 57 per cent list this as the main source of income for the household. This rate is substantially higher than that among either short-term renters (30%) or medium-term renters (44%), and is likely to be highly related to the relatively high proportions of low income single parent headed families living long-term in the PRS we identified above, as well as to the ageing of the low income long-term rental population.

Table 14: Primary income source of low income long-term and other private renters in Australia (2007–08)

Main source of income	Short-term private renter		Medium-term private renter		Long-term private renter	
	%	Households	%	Households	%	Households
Household has zero or negative income	3.4%	7,300	0.4%	529	2.0%	5,417
Wage and salary	48.3%	104,764	42.8%	56,597	34.0%	92,380
Own unincorporated business income	4.8%	10,420	8.1%	10,690	3.2%	8,566
Government pensions and allowances	30.1%	65,272	44.1%	58,274	56.8%	154,146
Other income	13.4%	29,039	4.6%	6,111	4.0%	10,912
Total	*100%*	*216,795*	*100%*	*132,201*	*100%*	*271,421*

Source: ABS *SIH 2007–08* (original analysis)

Finally, before exploring select housing circumstances and experiences associated with long-term renting, we consider the country of birth of long-term renters, and—when born in countries other than Australia—the length of time since households have arrived in Australia. Given the dominance of Australia as the main birth place among all people, it is not surprising to find large numbers of Australian-born households across the PRS as a whole. What is perhaps more surprising is the number of people not born in Australia who fall into this category (30.2%).

While households who have arrived recently in Australia have not yet had a great deal of time or opportunity to become long-term renters, it is interesting to note the group of households born overseas and who arrived in Australia in 1985 or earlier, who are now long-term renters. This group of households comprises 17.4 per cent of the long-term renter population, suggesting that the PRS becomes a long-term home for sizeable number of newly arriving Australian households. Depending on their background, some newly arriving households will be used to norms involving high levels of renting, including long-term renting. When we consider the impact of household income levels on this relationship, by examining rates of long-term renting among low-income households separately from higher-income households, we see an even larger proportion of long-term renting for the group born overseas and who arrived in 1985 or earlier (15.3%) (Table 15).

Table 15: Birth place and year of arrival of low income long-term and other private renters (head of household) in Australia (2007–08)

	Short-term private renter		Medium-term private renter		Long-term private renter	
	%	Households	%	Households	%	Households
Born in Australia	49.7%	107,742	59.0%	78,059	69.9%	189,844
Arrived 1985 and before	8.8%	19,063	9.8%	12,935	17.4%	47,141
Arrived 1986–1995	4.7%	10,167	7.4%	9,735	8.5%	23,045
Arrived 1996 and later	36.8%	79,823	23.8%	31,472	4.2%	11,391
Total	*100%*	*216,795*	*100%*	*132,201*	*100%*	*271,421*

Source: ABS *SIH 2007–08* (original analysis)

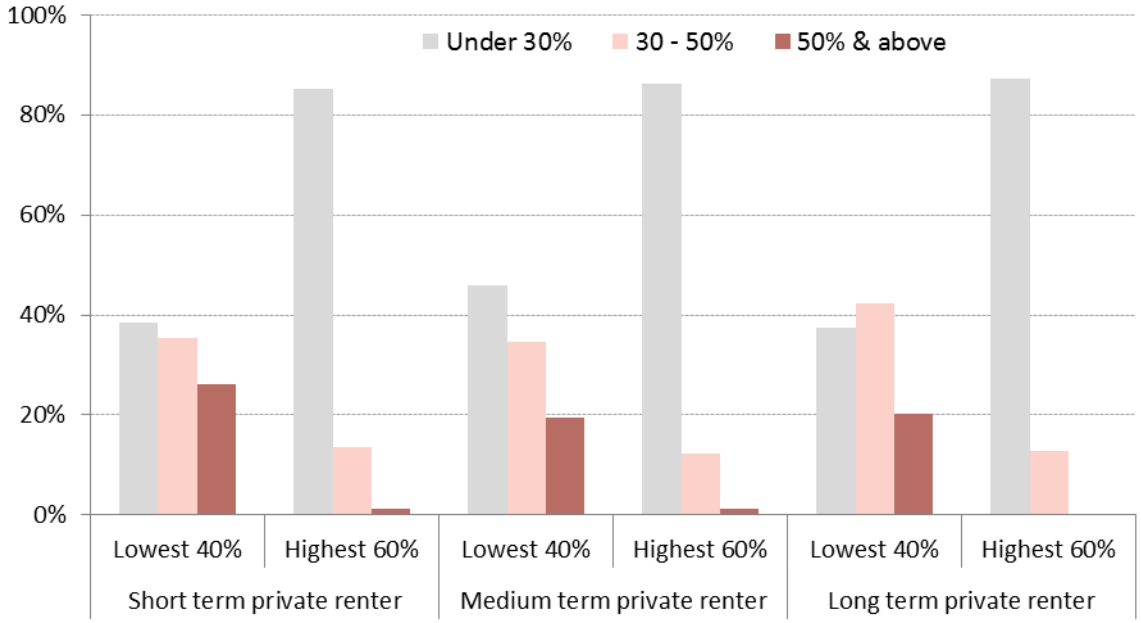
3.3 Select housing circumstances of long-term private renters

Using the ABS SIH 2007–08 data, we examine four key indicators of housing wellbeing among long-term private renters in comparison with short- and medium- term private renters, all private renters and all households. These are the extent of housing stress; the rates of residential mobility; whether households report being on the public housing waiting list at the time they were surveyed and their overall satisfaction with housing (self-reported). Building on the analysis of the distribution of private rental households within state and territory jurisdictions at Chapter 1, above, we also explore state and territory differences in the proportions of privately renting households renting long-term, and examine where long-term renters within each state reside (capital city/balance of state).

For our analysis of housing stress, we distinguish between households in the bottom two income quintiles (lowest 40% of the household income distribution) and other households, based on analysis of gross household equivalised income. We then consider the proportion of income households are paying on their regular rental payments. We present data showing those households who are deemed to be in 'housing stress' according to usual approaches, where households in the lowest 40 per cent of income pay 30 per cent or more of their income in rent. We also identify households in the same low income group who pay more than 50 per cent of their income in regular rent—an even more stringent account of housing affordability, and one which is likely to indicate a far higher degree of regular financial hardship for households involved.

As Figure 7 below shows, large proportions of all lower-income private renter households (those in the lowest 40% of the income distribution) pay more than 30 per cent of their income on meeting regular rent payments, regardless of length of continuous rental within the PRS. Among long-term renters specifically, close to two-thirds of lower-income households pay more than 30 per cent of their usual income on rent (62.6%), a rate above that for low income medium-term renters (54.0%) and marginally higher than that found for short-term low-income households in the PRS (61.6%). Of even more concern, relatively large proportions of each of long-, medium- and short-term private renters with low incomes pay more than 50 per cent of their regular incomes in rental payments. In the case of long-term renters, 20.3 per cent of low income households experience this level of regular expenditure on rental payments.

Figure 7: Proportion of income used on rental payments by low and high income households ('housing stress' 30/40 rule) among long-term and other private renters in Australia (2007–08)



Source: ABS *SIH 2007–08* (original analysis)

Existing evidence identifies the relatively high rates of residential mobility associated with living in the private rental sector as being associated with a range of negative outcomes for tenants. Poor outcomes associated with high rates of residential mobility in the private rental sector generally include lack of control, access and change-over costs, disruption to employment/schooling, and psychological distress, among others (see e.g. Hulse & Saugeres 2008; Hulse et al. 2012). Using the SIH 2007–08, we explore residential mobility rates and experiences among long-term and other private renter groups using a series of related questions.

Starting by examining the number of times a household reports having moved in the five years leading up to the survey (five years to 2007–08), in Table 16 below we distinguish between those who have not moved in the last five years, those who have moved once or twice and those who have moved three times or more in the same period. Interestingly, what we find is that rather than there being a linear relationship between years living continuously in private rental housing and the number of times moved, we find the opposite effect occurring. Households who have lived continuously in the PRS for the greatest number of years are more likely than medium and shorter-term tenants to have remained stably housed within the same dwelling in the previous five-year period. This finding suggests that a different type of rental arrangement is experienced by longer-term tenants in comparison with short-term or medium-term tenant groups. As per findings based on the 1994 Tenants' Survey data, it may be that longer-term tenancies are more likely to involve informal and unusual arrangements than shorter-term tenancies typically involve (Wulff & Maher 1998). Consistent with this finding, long-term renters appear to have the lowest rates of living in their current dwelling for less than one year (29.8%) among all private renters.

Despite their status of long-term renters, some 30.0 per cent of this group expected to move in the next 12 months. Most of this movement is likely to be involuntary or constrained, given the big differences in answers of households between whether they desire to move or whether they expect to move. For 'other tenures' the percentages for 'expect' and 'desire to

move' are very similar (9.1% and 8.6% respectively suggesting a capacity to control their mobility decisions given their aspirations were similar to their intent.

Table 16: Residential mobility among long-term private renters in Australia (2007–08), compared with all private renter households and all households

		Private renters				All households
		Short	Medium	Long	All*	
Number of times moved in last 5 years	Hasn't moved	0.5%	13.9%	28.8%	10.4%	56.6%
	1–2 times	54.1%	35.1%	36.3%	47.2%	27.0%
	3 times or more	41.5%	47.7%	32.3%	23.8%	14.8%
	Unsure	3.9%	3.4%	2.6%	18.5%	1.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Number of years lived in current dwelling	Less than 1 year	54.9%	38.7%	29.8%	63.5%	15.9%
	1–4 years	44.6%	47.4%	41.4%	26.1%	27.5%
	5 years & above	0.5%	13.9%	28.8%	10.4%	56.6%
	Total	*100%*	*100%*	*100%*	*100%*	*100%*
Likely to move in next 12 months		41.7%	38.1%	30.0%	50.1%	14.9%
Don't want to move in next 12 months		41.5%	43.2%	52.0%	48.3%	72.3%

Source: ABS *SIH 2007–08* (original analysis).

We also considered the relationship between long-term private renting and public housing, via analysis of the extent to which long-term and other private renters are on the waiting list to access public housing (not shown here). Overall, only small proportions of private renters are currently on the waiting list, with long-term renters marginally more likely to be on the public housing waiting list than other private renters (at 2007–08). This perhaps relates to levels of satisfaction that tenants feel with their housing overall. When we examined levels of 'very satisfied' and 'satisfied' with housing combined, we found marginally lower rates of housing satisfaction among long-term private renters than other private renters (73.8% compared with 77.3% for all private renters), each of which was lower than for all households combined (87.2% of whom report being satisfied with their housing).

Finally, we examine the geographic distribution of long-term renters compared with other private renters, and with all private renters overall. As seen at Chapter 1, recent data indicates jurisdictional differences in the proportion of households renting privately across Australian states and territories. Figure 8 below shows the distribution of short-, medium- and long-term private renters across Australian states and territories. As shown, larger proportions of long-term renters live in the largest states: New South Wales, Queensland and Victoria than in states with smaller overall populations (Western Australia, Tasmania and South Australia, and the combined territories). In part these lower rates may be accounted for by the relatively smaller sizes of capital cities in the states with lower populations.

Figure 8: Length of private rental by state and territory of usual residence

Source: ABS *SIH 2007–08* (original analysis)

To examine the distribution of private renters according to their length of tenure, across major city and balance of state, we also consider the proportions of short-, medium- and long-term renters within capital cities and the balance of state areas separately from each other. Here we find some differences between long-term and other private renters, in the extent to which they are under- or over-represented in capital city or balance of state areas (Table 17). Most notably, what we find when we consider the data in this way, is that long-term private renters are slightly over represented in balance of state areas (36.7% of long-term private renters live outside capital cities), and under-represented in capital city locations (32.5% of long-term private renters live in Australian capital cities).

Table 17: Length of private rental by capital city/balance of state of usual residence

	Short-term private renter	Medium-term private renter	Long-term private renter	Total
Capital city	43.3%	24.2%	32.5%	100%
Balance of state	39.4%	23.9%	36.7%	100%
Total	41.9%	24.1%	34.0%	100%

Source: ABS *SIH 2007–08* (original analysis)

In sum, the housing and locational circumstances point to several key areas of concern as well as to interesting relationships warranting further research and empirical investigation. Most significantly, we find that rates of housing stress among long-term private renters are high, and that relatively large proportions of long-term private renters pay more than 50 per cent of their household income in rental payments to sustain private rental tenancies. Interestingly, in keeping with existing research indicating clear preferences among lower income households between either public housing or private rental housing (Burke et al.

2004), we find relatively low levels of interaction between long-term renters and the public housing system based on the relatively low proportion of long-term renters who are currently on the public housing waiting list.

As well, we see that when we consider the geographic distribution of long-term renters we find that although a large majority reside in capital city areas, in keeping with the highly urbanised nature of the Australian population generally. One of the interesting and counter-intuitive observations from this analysis is that long-term renters have relatively low rates of residential mobility relative to other private renter groups (although rates almost double those of all households combined, irrespective of tenure).

In sum, our analysis of the select housing and locational characteristics of long-term private renters reveals a mix of key trends. Notably, it appears that there are key differences between short-term and long-term private renters in housing experience, as well as between low income long-term private renters and other long-term renters with higher levels of household income and financial capacity.

High levels of housing stress are found among *all* low-income private renters, and are compounded marginally by their length of tenancy/tenure. One of the most interesting phenomena to emerge from these findings regarding the housing experience of long-term and other private renters are the relatively stable patterns of housing we find for long-term renter groups relative to other private renters. While some long-term renters are found to have relatively high rates of mobility, these are lesser than for either short-term or medium-term renter households—a pattern that holds true even among the lower income long-term private renter population. It is important to interpret this finding in the broader context, however, which is that private renters—including long-term renters—all have far higher rates of mobility than other tenure groups on average. As well, interesting differences emerge in the extent to which these patterns vary by state and territory jurisdictions as well as by whether households live in capital cities or in the rest of their state locations.

Finally, overall, using a self-assessed level of satisfaction with housing measure, we find that, like a majority of Australian households, overall levels of housing satisfaction among long-term private renters are good, with around three-quarters of long-term private renters reporting feeling either satisfied or very satisfied with their housing, and a far lower proportion, just under 10 per cent, reporting levels of moderate or high dissatisfaction with their housing circumstances. This undoubtedly reflects the generally good quality of Australian housing stock in addition to tenure arrangements, and may not indicate high levels of satisfaction with private renting per se.

3.4 The wellbeing of long-term renters

The existing body of evidence around household outcomes associated with various tenure forms and housing experience has been steadily growing in recent decades in Australia. Our purpose here is not to review this literature, but to draw on insights from it to begin to explore select key outcomes of potential policy interest. For the purposes of our analysis, we explore three spheres of life that may be associated with the housing residents live in. In this particular case, we begin to examine direct links between experiences of long-term private renting and these life spheres. We focus first on economic and financial wellbeing, next on health and lastly on the social aspects of life associated with living in the PRS for periods of 10 years or more.

For the purposes of the exploratory analysis we present here, analysis is based primarily on Wave 10 of the Household, Income and Labour Dynamics in Australia (HILDA) survey (2010), the most recent release upon commencement of the project, along with select variables from the first Wave of data collection (2001) and intervening waves (particularly

tenure across each intervening survey year).[5] Further detail about HILDA is provided in Appendix 1.

First, building on the analysis of income quintiles at Section 3.3 above, in this section we explore the extent to which long-term private renters are satisfied with their financial situation overall and with their employment opportunities, as two further indicators of overall financial and economic wellbeing. We also examine an item in which respondents are asked to rate their capacity to raise $3000 in an emergency—an item that indicates potential financial capacity as well as social capital and connectedness.

Table 18 below indicates, as we might expect, some differences in the levels of satisfaction households report with their current financial circumstances and employment opportunities, in relation to the housing tenure they primarily live in. In each case, the mean scores for each tenure group indicate that home owners are significantly more satisfied than, in order, private renters and public renters, with respondents living in 'other' tenure conditions also rating lower than home owners on these measures. Most notably, private renters are notably less satisfied with their financial situation than homeowner groups, with an average of 5.61 on this scale, compared with 7.21 for outright owners and 6.45 for purchaser owners.

Focusing on the length of private rental tenure, we find reported levels of satisfaction with financial circumstances is lower for long-term private renters than for any other group (mean score 5.34). In relation to employment opportunities, mean scores are also lower than for other private renter groups, indicating again a relationship between low wages, poor employment opportunities and length of private rental tenure, as discussed at Chapter 3 above.

Table 18: Reported satisfaction with financial situation and employment opportunities, by housing tenure

Housing tenure		Satisfaction—your financial situation	Satisfaction—your employment opportunities
Outright owner		7.21	7.03
Purchaser owner		6.45	7.36
Private renter	All private renters	5.61	6.86
	Short-term	*6.22*	*7.07*
	Medium-term	*5.45*	*6.90*
	Long-term	*5.34*	*6.54*
Public renter		5.79	5.34
Other		6.38	6.44
Total		6.51	7.07

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level.

[5] Data presented in the analysis below is drawn from survey items relating to individuals only (such as items about levels of satisfaction with housing) as well as household level data (such as gross household equivalised income). Throughout the analysis, we include only one respondent per household in the analysis (despite the fact that the survey itself includes data from multiple household members in most cases). This approach prevents duplication and an over-estimate of factors relating to private rental in our results.

Next we compare the extent to which private renters, and long-term renters specifically report being able to raise $3000 in an emergency. As shown in Table 19 below, we find significant differences, first, between private renters and respondents living in other tenure arrangements. Notably, the financial capacity of purchaser and outright owners relative to other tenure groups is striking; these groups report being able to 'easily' raise this sum of money in an emergency in far greater proportions than those for either private renters, close to half of whom can also easily raise this level of finance, and public renters. It is perhaps most important to consider which households cannot raise these funds if faced with an emergency situation requiring them to do so. Here differences are most stark: very low proportions of home owners report *not* being able to raise $3000, compared with close to a fifth of private renters who cannot find these funds, a similar proportion to that in 'other' housing circumstances, and closer to half of public housing tenants in the same situation.

Table 19: Capacity of respondents to raise $3000 in an emergency, by housing tenure

		Housing tenure					Total
		Outright owner	Purchaser owner	Private renter	Public renter	Other	
Raise $3000 in emergency	Easily	80%	65%	48%	30%	43%	65%
	With difficulty	15%	29%	33%	26%	37%	25%
	Not at all	4%	6%	18%	43%	20%	10%
Total		100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

The distribution within the private renter group only is more even (Table 20), although some differences are still apparent. We see a divide on this measure among the medium-term renter group (those who have rented between five and nine years, suggesting a dichotomy between low and high income medium-term renters. Similarly, a large proportion (close to 40%) of long-term renters report being able to raise $3000 easily in an emergency. Most notably, however, we find long-term renters are significantly less likely than all other private renters to report not being able to raise $3000 in an emergency should they need to (26%).

Table 20: Capacity of private renters to raise $3000 in an emergency, by length of tenure

		Length of tenure			Total
		Short-term	Medium-term	Long-term	
Raise $3000 in emergency	Easily	60%	45%	39%	48%
	With difficulty	29%	35%	35%	33%
	Not at all	12%	20%	26%	19%
Total		100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Turning to the question of the health of long-term private renters in comparison with other tenure groups and private renters who have lived continuously in the PRS for fewer years, we examine two indicators. The first of these is a general health measure, in which respondents are asked to rate their general, overall health. The second is an item about respondent satisfaction with their health status. Health outcomes are increasingly of interest among housing policy officers and practitioners given the known linkages between housing conditions and resident health in Australia and internationally.

It is beyond the bounds of this research to examine health correlates with long-term rental in detail, however each of these two measures we examine provide an indication that the health circumstances firstly of private renters differs to that of other tenure groups and secondly, that again long-term renters appear to face greater difficulties *on average* than other private renter groups renting for shorter time periods.

Tables 21 and 22 below present data showing respondents' general health, first comparing private renters with other tenure groups, and next distinguishing long-term private renters from short- and medium-term private renter groups.

Table 21: Self-assessed health of residents by tenure

		Housing tenure					Total
		Outright owner	Purchaser owner	Private renter	Public renter	Other	
Self-assessed health	Excellent	6%	10%	10%	4%		8%
	Very good	30%	39%	38%	13%	53%	34%
	Good	38%	36%	33%	32%	20%	36%
	Fair	20%	13%	15%	39%	27%	17%
	Poor	6%	1%	4%	12%		4%
Total		100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Most interesting when considering the overall general health of respondents according to their housing tenure is the very high similarity between private renters and purchaser owners. In almost each category of reporting, from 'excellent' through to 'poor' health, proportions within each tenure group reporting their various health levels are close to identical. The largest—although still small – difference found between the groups is among those with 'poor' health. Four per cent of private renters compared with only 1 per cent of purchaser owners fall into this category. A very large majority of private renters (81%) report having either 'excellent', 'very good' or 'good' health overall. These rates are strikingly different to those for public renters—51 per cent of whom report having either 'fair' or 'poor' health circumstances.

As seen at Table 22 below, rates of reports of 'fair' or 'poor' health are not notably different for long-term renters than for other private renter groups, and are quite unremarkable.

Table 22: Self-assessed health of long-term and other private renter groups

		Length of tenure			Total
		Short-term	Medium-term	Long-term	
Self-assessed health	Excellent	14%	7%	8%	10%
	Very good	26%	45%	36%	34%
	Good	45%	26%	36%	37%
	Fair	12%	21%	15%	15%
	Poor	4%	1%	5%	4%
Total		100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Table 23 below presents mean scores for tenure groups and private renters according to length of time living in the PRS on the item of overall satisfaction with health. Two tenure groups with poorest reported general health are outright owners and public renters. These results are what we would expect, based on the average age (and associated health problems) of outright owners, as well as the targeting of public housing to households with significant health and disability issues, among others. Focusing on differences between purchaser owners and private renters, we find marginal differences in overall average reports of satisfaction with health between the groups, with purchaser owners more satisfied overall (a mean of 7.22) than private renters (6.94).

Interestingly, long-term renters do not report substantially lower rates of satisfaction with their health than short-term renters, each of which score lower on this item than do medium-term renters—those who have rented in the PRS for between five and nine years continuously.

Table 23: Reported 'satisfaction with your health', by housing tenure and length of private rental tenure

Housing tenure		Satisfaction—your health
Outright owner		6.88
Purchaser owner		7.22
Private renter	All private renters	6.94
	Short-term	6.82
	Medium-term	7.02
	Long-term	6.86
Public renter		5.65
Other		6.97
Total		6.96

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

The third key factor we briefly examine in relation to long-term private rental concerns social capital and social connectedness. Mounting evidence indicates that the nature of housing we live in affects our likelihood to engage in social networks among familiars and within the local community in which we live. There is also evidence to suggest that the types of housing and local areas in which we live directly affect the types of friendships and relationships we are likely to have.

We approach the analysis of social capital and connectedness among long-term private renters in two ways. The first focus emphasises social relationships generally (frequency of seeing friends and relatives beyond those living in the households). The second focuses on social relationships and feelings of inclusivity within the local community and neighbourhood, based on a satisfaction item which asks respondents to report how satisfied they are with feeling part of the local community.

Considering the frequency of social contact and housing tenure, we find that private renters are among the most social of tenure groups on average, with 59 per cent of private renters reporting that they get together socially with friends or relatives not living with them, at least once a week (Table 24). These rates are markedly different than those for public housing tenants who, in contrast, have the highest overall rates of reporting that they get together with this same broad social group 'once or twice every three months' or less (21%).

Table 24: How frequently get together socially with friends/relatives, by housing tenure

How often get together socially with friends/relatives not living with you	Housing tenure					Total
	Outright owner	Purchaser owner	Private renter	Public renter	Other	
Every day	2%	1%	2%	2%		2%
Several times a week	21%	19%	26%	26%		22%
About once a week	30%	35%	31%	31%	13%	32%
2 or 3 times a month	21%	22%	19%	14%		21%
About once a month	13%	12%	10%	7%	87%	12%
Once or twice every 3 months	6%	7%	5%	8%		6%
Less often than once every 3 months	6%	4%	7%	13%		6%
Total	100%	100%	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

Comparing these rates with those for long-term renters specifically, we find that the level of sociability among long-term renters is similar to that of public housing tenants, particularly at the 'low' end (Table 25). While 31 per cent of long-term renters report seeing friends or relatives they don't live with 'about once a week', close to 15 per cent report seeing this same group 'once or twice every three months' or less frequently—a rate approximately double that for either short- or medium-term renters.

Table 25: How frequently get together socially with friends/relatives, by length of private rental tenure

How often get together socially with friends/relatives not living with you	Length of tenure			Total
	Short-term	Medium-term	Long-term	
Every day	2.7%	0.5%	3.6%	2.7%
Several times a week	26.8%	33.8%	17.1%	24.0%
About once a week	29.5%	28.0%	31.2%	30.0%
2 or 3 times a month	23.2%	22.2%	18.4%	20.9%
About once a month	9.0%	6.3%	14.9%	11.0%
Once or twice every 3 months	5.1%	2.3%	7.2%	5.5%
Less often than once every 3 months	3.6%	6.9%	7.6%	6.0%
Total	100%	100%	100%	100%

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level; totals may not add to 100 due to rounding.

As shown in Table 26 below, private renters have significantly lower levels of satisfaction with feeling part of their local community than outright owners, purchaser owners or public renters. Considering the length of private tenure alone, we can see that long-term private renters have the lowest rates of satisfaction with part of their local community when compared with other private renters. This is interesting and somewhat counterintuitive in

light of the findings above (see Chapters 2 and 3), which indicate that long-term private renters have relatively low rates of mobility.

Table 26: Reported 'satisfaction with feeling part of your local community', by housing tenure and length of private rental tenure

Housing tenure		**Satisfaction—feeling part of your local community**
Outright owner		7.11
Purchaser owner		6.84
Private renter	*All private renters*	6.16
	Short-term	6.17
	Medium-term	6.61
	Long-term	6.06
Public renter		6.11
Other		6.34
Total		6.75

Source: Original analysis of HILDA Wave 10 data

Note: All results shown are statistically significant at the 0.01 level.

3.4.1 Summary: long-term private rental and tenant wellbeing

In this section, we have begun to explore the relationships between a select number of indicators of three key spheres of wellbeing and long-term private renting. This analysis is presented as a first step toward understanding the experience of long-term renting as it relates to other parts of household life. Given the increasing significance of long-term renting in the Australian policy landscape, it is imperative that future research is undertaken to explore these and other relationships further. Understanding the experience of long-term renting for different types of long-term renter households will be an essential step in being able to respond to the needs of this growing population in future years.

On the basis of the exploration we have presented here between long-term private renting and select economic, health and social aspects of household wellbeing, at least three lines worthy of future, detailed analysis become apparent.

First is the relationship between rates of residential mobility and various 'outcomes' or correlates of long-term renting. It appears that there may be a mediating effect of relative stability associated with long-term rental that in part prevents long-term renters from experiencing adversity in economic, health and social spheres of life.

Second, we find most notable relationships between economic and financial outcomes and long-term renting, whereby lower income long-term renters in particular experience lower levels of satisfaction with their financial situation and employment opportunities than do other groups, with a sizeable number of these also reporting being unable to raise emergency funds when necessary. Better understandings of the financial and economic circumstances and options of long-term renters is another line of future research warranting greater investigation.

Third, it appears that a minority group of long-term renters is particularly socially isolated. The relationship between long-term private rental and the capacity of households to develop and maintain relationships, including with their local communities, is a further line of research.

It is also likely that, although we have found little relationship here between general health and long-term renting, particular groups of long-term private renters are significantly affected by health and disability and represent another area in which a greater level of future research is needed, in order for the long-term population to best be supported by policy and practice.

4 CONCLUSION

This is the Final Report of an AHURI research project which provides a detailed overview and update of information about and conceptualisations of the Australian private rental sector, the demographic and housing characteristics of private renters, and a detailed account of the characteristics and experiences of long-term private renters specifically. This report is intended to be read in conjunction with the earlier Positioning Paper from this research in which we presented a comprehensive account of the way the Australian PRS has changed in recent decades and how we might conceptualise the role the private rental sector now plays in the Australian housing system overall.

In doing so, we provide the context for the *household-based* focus of this Final Report: analysis of household experiences of private rental, and upon households renting long-term in the PRS specifically. The research presented in this Final Report forms a significant part of an emerging evidence base which seeks to directly inform policy development and housing supports to achieve optimal outcomes for the significant number of private rental sector tenants who are now housed in the PRS long-term, as well as enhanced PRS policy responses more generally.

In this research we have found that there has been sustained, gradual, long-term growth in the Australian private rental sector in recent decades, to a current high point at which private rental accounts for around 26 per cent of the Australian housing system. The growth in the PRS is unevenly distributed across state and territory jurisdictions as well as unevenly across demographic groups within the population. There is a growing proportion of families with dependent children living in the PRS and a relative decline in single-person households (although given sustained growth of 'living alone' in Australia, numbers of single-person private renter households continue to grow). The financial resources of private renters (e.g. the relatively lesser amount of disposable income among families) is changing the nature of occupancy from one which was historically transitional to one which is long-term. Most private renters live in detached dwellings. Using the example of Melbourne, it appears that renting detached dwellings further away from inner city areas enables some renters to better afford private rental housing than would otherwise be available, although overall rates of housing stress have increased over time from 1981 to 2011.

In the late 1990s, Wulff (1997) and Wulff and Maher (1998) undertook a detailed analysis of long-term private renting in Australia. Findings presented in this report represent the first major update of that study. We find, first that the incidence of long-term private renting—renting for periods of 10 years of more continuously—has grown as an overall proportion of private renting in Australia, and is now experienced by around a third of all private renter households (33.4%) compared to 27 per cent in 1994. The proportion of single parent headed households has increased substantially in the period with large numbers of children now living long-term in the PRS through their formative years.

There appears to be an ageing effect, where increases in the middle aged year cohorts living long-term in the private rental sector are working their way 'up' to old age. Ageing within the PRS among long-term renters and private renters generally, together with the relative growth in the numbers of families with dependent children living in the PRS, represent key emerging areas for public policy, as each presents the need for a potentially substantial housing support response. Additionally, of significant concern among the long-term renter population, are the very high rates of housing stress experienced relative to other tenure groups, and the impact of these on the general wellbeing of tenants.

Perhaps counter-intuitively, the very high rates of mobility (including, forced mobility) found among short-term private renters, are less apparent for long-term private renters, many of whom experience relative housing stability (not moving or experiencing only few moves in

the last five years), although it is important to note the rates of mobility among long-term renters are still around twice those experienced by all households combined (across tenure groups). It is likely that these lower rates of mobility are related to (1) long-term renters living in less formalised sectors of the market (an observation made by Wulff and Maher 1998) and (2) proportions of long-term renters living outside of capital areas in which rental markets may be less competitive. There may well be other reasons as well that are not observable from the data, such as the desire by landlords to retain good tenants and hence a regular source of income.

In examining long-term renters' wellbeing, we find long-term private renters, particularly those on lower incomes, all experience lower rates of financial satisfaction than all private renters combined or homeowners. Long-term renters' health is reported to be good on average, and is consistent with the health of purchaser owners. Relative to all households, long-term private renters have relatively similar rates of sociability and connectedness with friends and relatives, although report significantly lower rates of satisfaction with feeling part of their local community than other private renters or other tenure groups overall.

The implications of our findings are significant for future housing policy. Long-term private rental forms a growing and significant part of the experience of housing for many Australian households. Long-term renters now outnumber public renters as an overall proportion of Australian households. Housing conditions associated with long-term private rental (and with the private rental sector as a whole) that continue to enable large proportions of long-term and other private renters to live in housing stress for lengthy periods must be addressed for this growing proportion of households to be able to function well within the economy and the community.

Relatively low rates of mobility among long-term renters relative to all private renters may be associated with informalised parts of the sector—an avenue of future research warranting investigation. It appears that the relative stability associated with the housing experience of some long-term renters may act to mitigate against some of the adversity otherwise associated with the private rental sector. This line of findings that is suggested in our analysis supports arguments in favour of enhanced levels of secure occupancy within the Australian housing sector (Hulse et al. 2011).

There is also scope for targeted policy to support key demographic groups of interest that reside in the PRS long-term. Particular groups within the community are likely to live in the private rental sector for lengthier periods of time and in increasing proportions into the future. Most notably, these include families with dependent children—particularly families headed by single parents. As well, there appears to be an age effect where large numbers of older middle aged households are ageing 'in tenure' within the PRS. Ageing within the PRS and among long-term private renters specifically appears to present an emerging policy problem.

These groups appear to be those that are growing most rapidly at present, or are likely to do so in future years, as well as households likely to be most vulnerable to the insecurities associated with living in the private rental sector, and of living in private rental housing long-term specifically.

An exploratory analysis of some of the factors associated with long-term private renting shows that this housing experience is adversely related to economic and social outcomes for some long-term renters, notably lower-income households. Gaining a better understanding of the relationships between long-term renting and a host of determinants and outcomes is a critical avenue for future research, if the various support and wellbeing needs of the diversity of households now living in the PRS long-term are to be best addressed.

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APPENDIX 1

The two survey data sources used in this report are the (1) Survey of Income and Housing (SIH) and (2) the Household, Income and Labour Dynamics in Australia Survey (HILDA).

The Survey of Income and Housing (SIH)

The Survey of Income and Housing (SIH) is a national sample survey conducted by the Australian Bureau of Statistics at varying intervals from 1981–82 to the most recent survey in 2007–08. The sample is drawn from residents of private dwellings in both urban and rural areas of Australia. The SIH collects detailed information about the level and sources of income, and personal and household characteristics of people aged 15 years and above. In some cycles, information on other topics such as assets and liabilities, or household net worth, is also collected, as in 2007–08. The final sample size in 2007–08 was 9345 households and the 18 326 people living in these households. Data are collected during face-to-face interviews by trained ABS interviewers using computer assisted questionnaires at both household and individual levels (ABS 2009).

The SIH series provides good historical data on household incomes and housing costs and is a useful source of national data on home ownership over time. However, as with any sample survey, there are limitations. The sample size limits the potential for analysis on a spatial basis except for a capital city and 'rest of state' comparison although, in this study, because of the need to keep the sample size large enough for meaningful analysis of other variables, no analysis below the national level was undertaken.

SIH data on housing costs refer to mortgage repayments and property rates only; the SIH does not include data on other ongoing costs of home ownership, for which we have to use the HES. Mortgage repayments are included in housing costs for owner occupied dwellings if 'the purpose of the loan when it was originally taken out was primarily to build, buy, add to or alter the occupied dwelling' (ABS 2006, p.27). As with other ABS sample surveys, data items and data definitions are subject to change over time.

SIH data are available in Confidentialised Unit Record Files (CURFs) consisting of unidentified individual statistical records containing data on persons belonging to income units in private dwellings, including state and capital city/rest of state identifiers. Data as they relate to this study include household, family and income unit types; age, details of mortgages and loans, housing costs, type of tenure and landlord, type of dwelling structure, and details of weekly and annual income by source of income for persons and income units.

Data in the SIH, like other ABS sample surveys, are weighted to enable inference to the general population from which the sample is drawn. To do this, 'a "weight" is allocated to each sample unit, for example, a person or a household. The weight is a value which indicates how many population units are represented by the sample unit' (ABS 2009, p.34). Weights for the 2007–08 SIH were based on the ABS Census of Population and Housing 2006. The combination of the sampling method and weighting process means that we can generalise from the SIH sample to the general population with some confidence.

The Household, Income and Labour Dynamics in Australia Survey (HILDA)

The HILDA Survey is a longitudinal, nationally representative household-based panel survey. This project used data from Wave 10 of the survey, the most recent release upon commencement of the project. The data were collected in 2011 and include a total of 13 526 interviews with persons aged 15 years and over. HILDA represents one of the most robust, informative survey data sources available in the Australian context and is ideal for the present analysis. The survey has significant strengths and advantages for analyses such as

that we undertake here. The data include detailed information about individual and household housing circumstances and housing pathways, enabling us to readily identify long-term private renters and consider their housing circumstances in multiple ways. HILDA includes 'objective' aspects of housing experience, such as tenure, length of rental and so on, as well as 'subjective spheres, such as housing satisfaction. As well, the data include highly detailed information about economic, health, social and other spheres of life relevant to the present analysis. Additionally, the scale of the survey means that the numbers of cases we examine in the data are sufficiently large to undertake robust, multivariate analyses, without the disadvantages of smaller-scale data sources.

However, it is important to recognise that several groups, including respondents who are young (between 15 and 24), born in a non-English-speaking country, of Aboriginal or Torres Strait Islander descent, single, unemployed or working in low skilled occupations are under-represented in the survey sample. As well, the survey does not include persons experiencing homelessness, nor people living in remote and sparsely populated areas.

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