

What are the incidence, motivations and consequences of social housing exits?

A SMALL COHORT OF SOCIAL HOUSING TENANTS WHO ARE IN PAID EMPLOYMENT AND PAY FULL MARKET RENT WOULD CONSIDER EXITING THE SECTOR AT THEIR OWN INITIATIVE TO BECOME HOME OWNERS, BUT NOT TO BECOME PRIVATE RENTERS.

KEY POINTS

- Exit rates from the social housing sector are higher for families with dependent children.
- There is a relatively high incidence of households leaving the social housing sector within one year of starting a social housing tenancy. Over time, however, the likelihood of them leaving declines.
- Common reasons for exiting social housing include problems with the neighbours and safety concerns, unsuitability of the current housing, and the accumulation of rent arrears. Many exits are prompted by personal relationships, such as moving in with a new partner or to be closer to a relative.
- As most tenants move into private rental, the financial stress associated with renting privately is a key challenge. Poor planning before the exit, or subsequent loss of employment, deteriorating health or changes to the household can result in housing affordability stress and difficulty sustaining private tenancies.

*This bulletin is based on research conducted by **Dr Ilan Wiesel**, **Professor Hal Pawson** and **Dr Shanaka Herath** at the AHURI Research Centre—The University of New South Wales, and **Dr Wendy Stone** and **Dr Sean McNelis** at the AHURI Research Centre—Swinburne University of Technology. The research examined the motivations for tenants to stay in, or exit, the social housing sector, and the outcomes for tenants of such exits.*

- Exits by tenants who are deemed to have the capacity to obtain and sustain private housing generates social housing vacancies for new social housing tenants in greater need, but may also reduce rental revenue and could create a disincentive for social housing tenants to pursue paid employment.

CONTEXT

Over recent decades, social housing in Australia has been transformed from a home for low-paid workers and a stepping-stone to home ownership, to a 'safety net' for those in greatest need. With social housing demand remaining very high, there are concerns at the falling rate of effective supply, which has occurred due to very limited additions to the stock and substantially reduced rates of tenancy turnover.

This study identified the factors which prompt or deter tenant-initiated moves out of social housing and the factors influencing the sustainability of such moves.

RESEARCH METHOD

Social housing sector dynamics were analysed using a number of datasets, including administrative data on tenancy records provided by state housing authorities, the Household, Income and Labour Dynamics in Australia (HILDA) dataset, and tenant surveys and interviews. This included a survey of 573 current public housing tenants as well as interviews with tenants in their first public housing tenancy (36), tenants who re-entered public housing for a second (or subsequent) time (21), and former tenants who had exited public housing up to one year prior to the interview (38). The research focused on tenants in New South Wales and Victoria but included national-level data from HILDA and a survey of all states and territories' public housing vacancies for 2012–13.

KEY FINDINGS

Profile of those exiting public housing

In 2012–13, just under 10 per cent of total public housing properties across Australia became vacant, with some inter-jurisdictional variation. Around half of these vacancies were caused by tenant-initiated exits.

Exit rates were higher for families with dependent children. There was a relatively high incidence of sector exit within one year of starting a social housing tenancy. The likelihood of exit declined over time.

Largely reflecting the changing social renter population, the profile of those exiting public housing has changed in the last decade, with a growth in the proportion of single parent households and decline in the proportion of employed households.

Main motivations underlying tenant-initiated exits from public housing

Most working age social renters—including those in paid employment and paying full or close to full market rent—hoped to stay in social housing permanently or many more years, largely due to constraints and concerns related to affordability and security of tenure in the private rental sector.

Common reasons tenants exit the sector include problems with their neighbours and safety concerns, unsuitability of their current housing and potentially also the accumulation of rent arrears. Many exits were prompted by personal relationships, such as moving in with a new partner or to be closer to a relative.

The desire to enter home ownership was a key exit driver for a small minority of tenants with the financial means to purchase their own home.

Key challenges and risks for ex-social housing tenants in accessing and sustaining private rental market housing

As most tenants move into private rental, the financial stress associated with renting privately is a key challenge. Poor planning before the exit, or subsequent loss of employment, deteriorating health or changes to the household can result in housing affordability stress and difficulty in sustaining a private tenancy.

HILDA analysis of the circumstances of individuals exiting public housing in 2002 found that within eight years about a third experienced significant deterioration in their financial circumstances. About half this number (17% of all those in the exit cohort) eventually re-entered public housing. The likelihood of re-entry may be even higher for tenants exiting more recently due to lower levels of participation in paid employment at the point of departure. Supporting this hypothesis, 11 of 38 interview participants who had exited public housing in the previous year had already reapplied for social housing.

Wider impacts of tenant exits on social housing provision in Australia

Exits by tenants who are deemed to have the capacity to obtain and sustain private housing generate social housing vacancies for new social housing tenants in greater need.

Yet, the exit of a large number of tenants in paid employment (who pay full or close to full market rent) will also have negative implications for the social housing system and its tenants, including the loss of rental revenue for social landlords and a less diversified social mix among tenants.

POLICY IMPLICATIONS

Private rental assistance, particularly assistance specifically targeted at former social housing tenants, could potentially assist tenants who wish to exit to do so.

Since full market rent does not necessarily motivate tenants in paid employment to exit, (but does produce a disincentive to enter or maintain full-time employment, which in turn limits the viability of exit into private housing), it is possible that exit rates can be increased by reforming the existing rent setting system.

Given that insecure occupancy in private rental is a key factor deterring tenants from exiting into private rental, increased exit rates could potentially be achieved by creating pathways into more secure and affordable rental tenancies. For example, exiting social housing tenants could be offered priority access to affordable housing managed by community housing providers.

The strong tenant preference for home ownership suggests exit rates might also be enhanced by expanding pathways into home ownership for former social housing tenants through shared equity schemes and community-led housing models, such as community land trusts.

The findings indicate demand among some current public housing tenants for schemes that would allow them to purchase their own public housing unit. While this approach could create a new path for tenants to exit social housing into home ownership, such exits do not create new vacancies unless the proceeds from each sale are utilised to finance new social housing supply.

Efforts to encourage and support tenant exits need to be carefully targeted in order to minimise the incidence of unsustainable exits. Encouraging exits by households likely to experience housing affordability stress and re-entry into social housing is counter-productive, with additional costs associated with instances of post-exit homelessness, as well as rent revenue losses and management costs associated with higher tenancy turnover.

Exits triggered by problems with neighbours are potentially high-risk exits. Reducing the incidence of such high risk exits would require complementary interventions, including: decentralising high concentrations of social

housing; applying best practice principles in management of anti-social behaviour; more responsive handling of internal transfer applications; and increasing tenants' access to support services which could provide independent and emphatic advice before making exit decisions.

Exiting tenants, particularly those identified as high risk, need to be better informed about the supports available to them, and in some cases be linked with support agencies early on as a risk mitigation strategy.

One policy alternative is to seek to retain tenants paying full market rent rather than encourage their exit. The rental revenue saved through their retention could potentially be used to assist other households in greater need.

FURTHER INFORMATION

This bulletin is based on AHURI project 71026, *Social housing exits: analysing incidence, motivations and consequences*.

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

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

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