

Rapidly growing rental sector prompts regulation re-think

- The private rental sector has grown by 36 per cent over the last ten years—twice the rate of household growth.
- Debt-based financing of properties in the private rental sector has increased significantly.
- The sector is fragmenting and diversifying into more specialised markets, particularly at the low-price end of the market.
- Technological innovation such as online property portals and rent bidding apps is advantaging moderate and higher income renters.

A new AHURI report, [*The future of the private rental sector*](#), provides a comprehensive analysis of the changing nature of the private rental sector (PRS) and prompts policy makers to consider the effectiveness of existing policy settings.

The research, undertaken by researchers from Swinburne University of Technology and UNSW Sydney, studies the evolving institutions, policies and practices of the PRS in Australia and nine countries internationally.

More than a quarter of all Australian households—some 2.1 million households—are private renters. Over the decade from 2006–2016, the PRS grew by 36 per cent, twice the rate of all household growth.

This growth is set to continue largely due to a decline in home ownership, particularly amongst younger and middle-aged Australians faced with rising house prices and a shrinking social housing sector.

Debt-based financing of PRS properties has increased significantly. Out of all 10 countries examined, Australia holds the highest level of household debt related to housing for both owner-occupied and rental housing.

The Australian PRS is unusual in that there is a high degree of integration with the owner-occupied sector – that is, houses and flats transfer between the two sectors. In most other countries, it is common for rental housing stock to be more differentiated.

Australia's integration of housing sectors heightens the prospect that, in the event of an economic shock like the GFC, investment in both sectors fall simultaneously with little established institutional capacity for countercyclical investment.

However, while the PRS shares most of its housing stock with owner-occupied sector, the PRS is also fragmenting and diversifying with the development of niche markets and services, and a growing 'informal' sector characterised by a lack of transparency and tenure protection.

'Our research found the Australian PRS is fragmenting into more specialised markets, particularly at the low-price end of the market,' says researcher Dr Sharon Parkinson from Swinburne University.

'Together with the older forms of marginal housing such as residential parks and rooming houses, we're seeing newer markets such as in the student housing sector, new generation boarding houses in NSW, developers retaining units for rent, an affordable rental sector provided by not-for-profit organisations, and a growing informal sector,' says Dr Parkinson.

While this fragmentation has led to a diversification of households on a broad range of incomes in the PRS, low-income and vulnerable households face particular barriers accessing and maintaining housing. Indeed, the evidence suggests that rental property investment and provision is skewed toward moderate to highly priced rentals with limited and insufficient dwellings accessible at the low rent end.

Moderate and high-income renters have also been advantaged by the rapid uptake of digital technology in the sector ranging from large online property portals, rent bidding apps and social media that connects tenants directly with landlords.

The growing and changing nature of the PRS should prompt policy makers to review the effectiveness of existing policy and regulation.

By international comparison, the research reveals Australia has relatively weak laws regarding security and rent regulation. Even countries where, like Australia, the majority of landlords are smallholding private individuals (i.e. 'mum and dad investors'), the laws protecting tenants' rights are much stronger. In Germany, where tenant rights are perhaps strongest, 65 per cent of private rental housing is provided by individual landlords.

'Strong assurance of security and other conditions makes renting an attractive option, and it seems German landlords think that makes good business sense,' said Dr Martin.

'Australian landlords and regulators should regard provision of rental housing here as a business where standards are important'.

The report also raises concerns about the regulation of the growing informal sector.

'Informal housing arrangements like room and short-stays rentals are growing and they are often under policy-makers' radar unless there are health and safety issues,' says Dr Martin.

The research finds that without oversight, some landlords and intermediaries are acting in unscrupulous ways to increase rental returns, such as by overcrowding dwellings and converting living areas into sleeping space.

The report can be downloaded from the AHURI website at <https://www.ahuri.edu.au/research/final-reports/303>

For media enquiries, please contact:

Anthony Smeaton
Marketing and Communications Director
Australian Housing and Urban Research Institute
Direct +61 3 9660 2312
Mobile +61 404 544 101
Email anthony.smeaton@ahuri.edu.au