Examining discrimination faced by private renters

Based on AHURI Final Report No. 363: Understanding discrimination effects in private rental housing

What this research is about

This research examines discrimination and existing policy, law and practice in Australia's private rental sector (PRS) including the impact of informal tenancies and the increasing role of digital technologies.

The context of this research

Between 2006 and 2016, Australia's PRS grew by 38 per cent, with almost a third of households (2.3 million) renting in 2017–18. The risk that particular groups will be unable to access rental accommodation because of their race, gender, age, or other factors will likely increase with growing dependence on the informal housing sector and digital housing technologies.

The key findings

Discrimination means 'treating someone unfairly because they belong to a particular group of people'. Discrimination can be based on race, gender, age, sexuality, disability and religion, among other factors, and is amplified by the intersection of two or more of these characteristics.

There are laws at the Australian, state and territory government levels intended to prevent discrimination. Despite that, discrimination is a key issue in the private rental market. Individual bias means that specific subjective judgements are often made by landlords, real estate agents and tenants about the characteristics of potential renters, beyond what may be apparent on their rental applications. The judgements may be based on negative stereotypes, ideology or generalising of experiences and are inextricable from structural and institutional drivers of discrimination.

Since discrimination in the PRS reflects, and reproduces, wider structures of disadvantage, it is critical to address the issue beyond the PRS, in addition to tackling it within the sector.

Selection based on a belief that certain groups have less ability to pay and hence, present greater risk, is known as 'statistical discrimination'. This 'cherry picking' of tenants is used to protect rental income and minimise management problems. Tenants are also discriminated against for having pets or children, or for being single parents.

Discrimination can take various forms and may be subtle. For example, ethnic minorities may be required to provide more information when applying for a property including employment, relationship status and family size, or be given misinformation about available properties. Real estate agents may invest less time in assisting an applicant from a particular background, use less positive language and be less courteous.

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These experiences of discrimination are not always overt and, as such, it is difficult to identify and respond to discrimination effectively.

Key groups that experience discrimination:

- Indigenous Australians

- members of established ethnic minority groups, particularly non-white Australians

- new migrants and refugees in Australia

- people in low socio-economic groups

- young people—perceived to have limited experience of living independently

- students—with variations between undergraduate and postgraduate, and between domestic and international students, typically grounded in socio-economic status

- families and over 35s—lone parents experience greater discrimination when trying to access housing in the PRS

- older people—in the form of harassment, verbal and financial abuse by landlords, disrepair, and eviction

- gender—perceptions of men as less likely to engage in housework or of women as better behaved, less noisy, and less likely to cause property damage or disturbance

- victims of domestic violence—believing they will bring crime or further assault due to ongoing relationship with the perpetrator of violence; and sexual orientation

Racism – Indigenous Australians

In a previous study examining the housing experience of Indigenous people, participants in the focus group reported profound experiences of racism in seeking rental housing through private real estate agents. Discrimination took multiple forms, such as being told there were no properties available; submitting high numbers of applications with no success; and not securing rental leases despite having a good income and work history. For some, experiences of discrimination continued once a tenancy had been secured, with focus group participants reporting racism from non-Indigenous neighbours. In several focus groups, participants referred to neighbours mounting organised campaigns against them to their landlords.

These experiences of racism not only materially affect Indigenous Australians housing experiences but have cumulative and detrimental effects on health and wellbeing. Poor housing has been identified as a key determinant in the health disparity between Indigenous and non-Indigenous Australians.

Racism — Non-white Australians

A survey conducted by the Challenging Racism Project and SBS found Australians with Asian heritage reported higher rates of discrimination when renting than those without Asian heritage. Rates of discrimination were highest amongst those who were born in an Asian country—59 per cent reported experiencing at least some discrimination. Rates declined for those who were born in Australia with both parents born in Asian countries (44%) and were further reduced amongst those with one parent born in an Asian country (18%). People with south Asian backgrounds were most likely to encounter racism in housing.

The growth of informal rental housing

Discrimination in the PRS has been exacerbated by the growth of the informal sector, which exposes more people without a legally binding lease to the threat of unregulated rental discrimination and very limited security of tenure and other rights.

Informality in housing markets is understood to mean accommodation or tenures that violate 'formal' building or rental tenancy legislation and/or offers residents lower levels of protection under those laws. In Australia, the definition of informal housing includes many secondary dwellings ('granny flats'), some forms of homelessness—such as improvised dwellings—and some boarding houses.

The increase in share households—as housing affordability pressures affect people's ability not only to buy a house but to rent individually—creates additional opportunities for discrimination. This is because access to share housing is influenced by the prejudices of not only real estate agents and landlords, but tenants themselves.

The growth in informal dwellings translates into poorer—and often illegal—conditions being endured more often. Informal tenancies often advertise on un- or under-regulated digital platforms that provide further opportunities for discrimination.

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Digital technology exacerbating discrimination

Alongside the growth in renting is a rapid increase in digital real estate technologies that have profoundly reshaped how tenants, landlords and agents navigate the real estate market, including the PRS. The real estate industry talks about these technologies as property technology (PropTech) or real estate technologies (RealTech), and academic literature frames these developments as platform real estate. Automated, data-driven decision-making has radically altered landlord and agent operations, and the experience of living in the home has been transformed.

PropTech has been heavily critiqued for serving the interests of those with real estate assets while further disadvantaging renters and those without real estate assets. It has been charged with accelerating existing social, economic, and political inequalities and creating new discriminatory environments and dynamics.

Digital technologies, whether apps, automated management systems or online housing markets, are at risk of reproducing existing and creating new housing inequalities. These digital technologies are being incorporated into the everyday life of the renter and landlord in ways that shape the provision, consumption, and management of rental housing. Beyond investing in and accessing the rental market, technology is also used to screen and manage tenants.

Differences in access to and the ability to use the internet—commonly referred to as the digital divide—also impacts on who benefits from online housing markets. This divide is mediated by both cultural differences and social inequalities including race, age, class, skills, and cultural norms around usage, underlining the intersectional character of disadvantage. For example, in the US, older, low-income, Black or Hispanic adults, have lower rates of internet use.

Online share housing platform advertisements can specify tenant characteristics about gender, race, age, and sexuality, which are not permissible in the formal rental sector. This informal practice reflects the intimate household relationships that sharers must form to secure housing.

Findings from the expert panel

An expert panel comprising Australian and international experts from academia, tenant unions, and housing peak bodies was convened for this research.

Financialisation of housing

The panel verified the central importance of the financialisation of housing in shaping discrimination in Australia's PRS. This is because the property market, driven by speculative investment, not only excludes those who cannot afford to buy, but also because the housing form, size and quality will begin to reflect investor demand, rather than tenant needs.

The relationship between the landlord and tenant can play out unevenly. For example, as capital gains are predominantly driven by land debt and scarcity rather than housing quality, there is little incentive for landlords to provide repair and maintenance. However, rental insecurity disincentivises property upkeep from the tenant's perspective, and can contribute to the loss of investment value for the landlord.

The impact of technology

Digital technologies were identified as an enabler of discrimination. The panel noted that communication between tenants, agents and landlords is increasingly mediated by apps and digital platforms. Digitally mediated communication in this context can frustrate tenants' attempts to have their queries dealt with.

The panel considered the growth of bond loans and insurance that recognise the prohibitive costs of moving. Bond loans allow tenants to access capital upfront but as with most loan systems, the overall cost is larger either through charging interest or fees. As an upfront investment, the bond insurance is less expensive. However, it has the potential to cost more over time.

Suburb based discrimination

Suburb-based discrimination was identified as an issue, with tenants' previous place of residence impacting their opportunities; for example, a 'bad' suburb makes the tenant less desirable.

The panel also saw geography, income and social factors intersecting in their impact on housing. Those on lower incomes are unlikely to afford higher rents associated with housing close to amenities such as education, employment and services, and are subsequently forced further out, which increases travel time and decreases the ability to access those services and amenities.

Poorly maintained housing

The costs of poorly maintained rental properties are compounded for tenants. Affordability needs to account for the costs of running the home, particularly energy consumption. There is little incentive for landlords to install sustainable and cheaper energy systems, and many renters can only afford low-efficiency appliances, which increase costs in the long-term. The impacts of the costs of energy, including heating and cooling, will only increase as climate change drives more extreme weather events. This will make renters even more vulnerable. Affordable housing is intertwined with energy and sustainability policy.

What this research means for policy makers

The structural nature of discrimination means that its effects are embedded in policy areas that intersect with housing, and therefore discrimination in the PRS cannot be addressed independently of the broader policy landscape. Responses should be holistic, addressing structural discrimination—with attention to health, energy, social security, labour, transport, climate, ageing, immigration and cyber security policies—and multi-scalar, through direct mechanisms to reduce discrimination in the PRS and by reshaping the broader property and rental markets.

There are several critical policy areas demanding immediate action:

- removing 'no-grounds' justification for evictions

- increasing social security payments, including rental assistance

- removing negative gearing incentives for investment properties

- increasing supply of public and social housing and low-cost private rental options particularly in, and proximate to, labour-dense locations to decrease pressure on the lower end of the PRS

- developing specific and minimum quality, efficiency, repair and maintenance standards for all Australian rental accommodations, and meaningful tools for their enforcement

- developing professionalism standards for all real estate agents and property managers and standards for rental applications and agreements

- making existing government rental data sets available to tenant advocacy groups and housing researchers.

Other important changes required include:

- financial and tax incentives to build for and rent to low socio-economic status tenants; and to provide housing for tenants who experience discrimination

- reducing incentives for multiple investment properties including limiting corporate buy-ups in distressed housing contexts, and zoning to limit co-living spaces likely to exacerbate unaffordability

- rental controls

- financial assistance to accompany labour mobility policies through, for example, Australian Government regional funding models

- real estate foreign investor rules to limit interference with housing supply availability

- taxing vacant properties

- regulating digital technologies, and consider transparency of data collection, use and potential sharing, ban rent bidding apps and restrict the use of surveillance technologies.

Methodology

This research reviewed Australian and international literature on discrimination in the PRS and conducted an expert panel discussion with Australian and international experts from academia, tenant unions, and housing peak bodies.