

EXECUTIVE SUMMARY

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Australia's COVID-19 pandemic housing policy responses

Authored by

Chris Leishman, University of South Australia

Fatemeh Aminpour, University of New South Wales

Emma Baker, University of Adelaide

Andrew Beer, University of South Australia

Adam Crowe, Curtin University

Zoe Goodall, Swinburne University

Ella Horton, University of Tasmania

Keith Jacobs, University of Tasmania

Laurence Lester, University of Adelaide

Sofia Torchia, University of South Australia

Duncan Maclennan, University of Glasgow

Chris Martin, University of New South Wales

Meredith Nash, University of Tasmania

Hal Pawson, University of New South Wales

Steven Rowley, Curtin University

Wendy Stone, Swinburne University

Rachel Ong ViforJ, Curtin University

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Authors

Chris Leishman, University of South Australia
Fatemeh Aminpour, University of New South Wales
Emma Baker, University of Adelaide
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Hal Pawson, University of New South Wales
Steven Rowley, Curtin University
Wendy Stone, Swinburne University
Rachel Ong ViforJ, Curtin University

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Executive summary

Key points

- The mortgage relief program implemented by the banking sector supported over 480,000 home loans and was widely regarded as being very effective.
- Social housing sectors nationally were able to provide relative stability, security and safety that protected tenants during the COVID-19 pandemic. However, the quality and condition of dwellings and insufficient scale of the sector emerged as key deficiencies.
- State and territory governments are the best agencies to determine the type of responses necessary to ameliorate housing problems that have intensified during the pandemic.
- Rapid administrative coordination of national, state and territory jurisdictions to develop an information sharing infrastructure proved critical for effective COVID-19 housing and homelessness responses nationally.
- Rapid mobilisation of new and existing partnerships between governments, not-for-profit sectors and private industry reduced homelessness in innovative ways, suggesting a pathway for longer-term investment in innovative interventions.
- The HomeBuilder and related state level grants achieved the primary aim of stimulating the Australian housing market. However, the design of HomeBuilder put pressure on the building industry and skewed activity to the detached dwelling sector.

- **In the private rental sector, extraordinary early responses—eviction moratoriums, rent negotiations and rent relief—were not implemented completely and produced mixed and modest outcomes.**
- **Private landlords and agents cannot be expected to effect comprehensive responses to critical events. Collaborative, sympathetic actors are not absent from the sector, but their actions do not scale into a systemic response. The state of the sector requires a mandatory approach.**
- **While the emergency responses taken early in the pandemic have been withdrawn, major challenges to rental housing access and affordability have emerged, especially in regional Australia. These require new policy responses.**
- **Although large scale job losses foreshadowed at the start of the pandemic did not eventuate, our simulations show that lockdowns have had a significant impact on housing affordability stress.**
- **Income support measures are highly effective when working in tandem with eligibility for Commonwealth Rent Assistance (CRA), but do not fully eliminate the high incidence of housing affordability stress caused by loss of jobs or hours worked.**

Key findings

National and state policy measures implemented to support home ownership achieved the desired goal of providing short-term stimulus to the residential building sector and support to the broader economy. However, a range of anticipated and unforeseen consequences have occurred as a result of concentrated demand-side subsidies, low interest rates and flexible lending conditions. The effects of bring-forward demand, coupled with labour and material shortages, have contributed to price escalation, while creating the conditions for a sudden decline in new housing construction as the incentives wind down.

While the short-term impacts of home ownership interventions in relation to COVID-19 have been positive, there may be negative medium-term implications for the construction industry.

Social housing infrastructure plays a critical role in securely housing vulnerable residents, especially in the context of a crisis. Australia's social housing and homelessness interventions have provided relative security and stability for some of its most vulnerable populations during a time of extreme disruption.

House price inflation affecting both purchase and rental pricing will place ongoing pressure on social housing and homelessness systems, even as Australia as a whole enters a phase of relative normality in a 'vaccinated economy'. Despite their unusually significant scale, social housing investment programs initiated by several state governments in the wake of the pandemic are relatively short-term initiatives that are highly unlikely to be extended. Given the absence of systemic change in this respect, it is unlikely that such interventions will make a meaningful impact on deep-seated housing inequalities in Australia.

The announcement of eviction moratoriums and frameworks for rent variations and rent relief was a remarkable event given Australia's historically lightly-regulated private rental sector. However, the implementation of those measures was patchy, and the outcomes modest, or even weak. A small minority (8–16%) of tenants received a rent variation, but more were discouraged, refused, or moved out.

There is evidence of significant underspending in most rent relief schemes. A survey of landlords conducted as part of this research suggests the rate of rent variation may be significantly higher—up to almost half (47%) of tenancies—but the rate of refusal (22%) is similar to that found in previous research.

The high reported rates of tenancies being terminated during the emergency by both landlords and tenants, particularly where rents had also been varied, suggests that many variations merely reduced tenant liabilities while a tenancy was coming to an end. Similarly, the prevalence of post-emergency termination proceedings and rent increases suggests that many landlords were determined to reverse the restrictions of the emergency period.

The research found that the private rental sector's diversity of landlords and agents cannot reasonably be expected to effect comprehensive responses to critical events such as a pandemic. Collaborative, sympathetic actors are not absent from the sector, but there is no sense of their actions scaling into a systemic response. The state of the sector requires a mandatory approach.

Although the large scale job losses that were foreshadowed at the start of the pandemic did not eventuate, this research shows that lockdowns have had a significant impact on housing affordability stress. Lockdowns lead to disproportionate impacts on public-facing jobs, and individuals (and their households) affected are disproportionately more likely to live in the private rental sector.

The research found that the more generous levels of income support measures at the start of the pandemic were highly effective at reducing raised levels of housing affordability stress. Nevertheless, even the less generous disaster relief payments used more recently were an effective and important policy intervention in reducing housing affordability stress. Income support measures are highly effective when working in tandem with eligibility for CRA.

The research also found that Australia's economic and housing outlook remains very uncertain. Indeed, even during the course of the fieldwork, economic circumstances changed significantly, there were fresh lockdowns in Victoria and NSW, and a new COVID-19 variant of concern emerged. Some of the survey evidence pre-dated these new developments. Nevertheless, expert testimony expressed strong support for the idea that the pandemic has worsened housing and wealth inequalities, and it is clear that housing policy makers need to reflect on continuing uncertainties and the possibility of future systemic shocks.

Policy development options

Home ownership and construction

Intervention in the form of grant payments, combined with stamp duty relief, has once again proved an effective way to boost consumer confidence, demand and stimulate housing supply. The 'package' of available incentives to first home owners, worth over \$50,000 in some states, was sufficient to increase the amount of first home buyers active in the market, given existing access to cheap credit. Such a package of incentives, although very costly, could be used by national and state governments in the future if the housing market once again requires stimulus.

However, it should be noted that such stimulus measures have consequences in terms of future demand and market volatility. Pulling forward market demand inevitably leaves a demand gap once grants are no longer available, resulting in a reduction in future building activity and problems for the construction industry. Governments can anticipate these supply patterns and increase public sector building activity during these periods to mitigate the impact on industry.

The speed of home ownership interventions by government was commendable, but generated a number of unforeseen outcomes. These outcomes, particularly regarding material and labour shortages, cost increases and project delivery timeframes, were largely due to the unanticipated level of demand for grants, and the design of the HomeBuilder scheme. Greater collaboration within industry in the development of policy settings could have avoided some of the supply and cost issues and spread the development activity over a longer period. Indeed, subsequent discussions with industry did deliver changes to the commencement requirements to support home buyers and industry.

Co-design of stimulus schemes from the outset could have avoided major timeframe issues, produced a more accurate assessment of scheme demand and delivered policy settings that benefited a broader cross section of the construction industry and not just those specialising in land and detached dwelling products.

Social housing and homelessness

The pandemic has once again highlighted the critical role played by social housing as essential infrastructure that provides relative stability, security and health for tenants and communities in times of crisis, as well as in periods of business as usual. However, the sector has not kept pace with demand in recent decades. Ramped-up new social housing construction pledged by four states and boosted renovation and retrofit programs elsewhere indicates both the importance of social housing and the potential contribution of social housing investment as an economic stimulus.

New investment in social housing supply programs provides scope for innovative delivery approaches, including metropolitan and regional supply of energy efficient, sustainable and health-promoting dwellings, as well as models of social housing tenure that include rental as well as hybrid shared-equity and rent-to-buy schemes to support a viable future housing sector. It is imperative that investment in and appreciation of the benefits of social housing as infrastructure becomes ongoing rather than solely a pandemic or crisis response.

Policy discussions that have formed part of this research project suggest that to sustain ongoing innovation, social housing resilience, and effectiveness of interventions, additional policy and evidence infrastructure must be put in place. This could take a variety of different forms, including:

- sharing of information between state and territory jurisdictions on a regular basis to underpin social housing resilience, and lead to better refinement of policy and practice
- better data sharing and linking within and across jurisdictions, as well as between and within government and not-for-profit sectors.

Learning the lessons from COVID-19 in both 2020 and 2021 is essential to deal with future crises, including the ongoing impacts of the current pandemic. The interventions to support social housing and homelessness responses to the pandemic are dynamic, evolving and effectively a 'test run' for future shocks. The establishment of an agile infrastructure to support information sharing about housing and homelessness policy and practice, in both crisis and non-crisis scenarios, will support more effective and innovative housing policy development in the future.

The state-to-state infrastructure and approaches that were rapidly developed and which supported jurisdictional responses to COVID-19 provide a template for a shelf-ready policy-sharing practice that warrants supported development across governments. This could usefully include local government as well as state, territory and national governments.

To meet the need for social housing in the short term, future research and policy directions could usefully include exploring how effectively head leasing of private rental properties can facilitate a rapid expansion of social housing supply. Such approaches could supplement homelessness interventions and policy developments made in response to COVID-19. Ongoing innovations that link social housing investment opportunities directly with homelessness programs are likely to be needed, to offset increasingly unaffordable housing nation-wide for the lowest income households.

Private rental markets

From the very beginning of the COVID-19 pandemic it was clear that job losses, reduced working hours and incomes, light regulation and housing insecurity would disproportionately affect Australians renting in the private sector. The economic shocks also disproportionately affected people with public-facing roles, notably in the tourism, hospitality, arts and leisure sectors. This ‘perfect storm’ of greatest economic harm targeting society’s already more vulnerable, living in a tenure with the weakest rights and safeguards of the three main tenures, had the potential to end in catastrophe. Yet, the research set out in this report showed that Australia’s policy interventions in this tenure were among the lightest, least co-ordinated, and inconsistent between jurisdiction or over time.

This research revealed considerable disagreement between investor and tenant advocates in terms of how targeted interventions were, or should have been. The previous published evidence shows that a very small minority of tenants received rent variations, and that nearly three times as many were refused one. Our new evidence is consistent on the refusal statistic, but suggests that a much higher proportion of tenants received a rent reduction—although it is important to reflect that our survey collected data from landlords only (not tenants).

Perhaps the most powerful evidence collected by this research, though, lies in its diversity. Private renting is a ‘sector’ in name only. In reality, it is highly fragmented, mainly consisting of many thousands of individual landlords, investors and their agents. Aggregating and making sense of the decisions of such a diverse, and lightly regulated, set of interests does not amount to having a coherent or systemic policy response. Indeed, the evidence shows that income support interventions were far more effective in safeguarding homes (as well as incomes) than direct interventions, for example through eviction moratoriums or rent relief measures.

Concluding remarks

It is important to accept that successful housing interventions require both Australian and state governments to take proactive roles in addressing inequality. No long lasting intervention to address the housing crisis is possible without also putting in place measures to tackle inequality. Future Australian Government interventions should therefore prioritise the supply side in order to boost public housing, rather than seeking to further stimulate consumer demand in the private residential market.

The study

The rapidly evolving circumstances of the COVID-19 pandemic in early 2020 called for immediate housing policy (and related) interventions that were generally designed and introduced very quickly. Interventions occurred at national, state/territory and local levels or jurisdictions, and took many different forms, ranging from broad sweeping income supports through to non-binding advice or advocacy approaches. Given Australia’s federated system of government, considerable differences quickly emerged between intervention approaches across states and territories. This was also driven by the extent to which different jurisdictions were impacted by the spread of the virus, the extent and frequency of lockdowns and damage to state/local economies. The result is that the period from early 2020 to mid 2021 is arguably one of the most rapidly moving and innovative periods for Australian housing policy experimentation seen for a generation.

The research underpinning this report was designed to address three specific research questions which, in turn, constitute a review of interim evaluation of Australia’s COVID19 housing policy responses.

1. How can the full range of Australian housing policy interventions seen during the pandemic be categorised in terms of their intervention approach, underlying logic, short and long term goals, target groups and jurisdiction?
2. How successful (and how can we define successful) have the most prominent Australian interventions been?
3. What are the best policy options as we move through the next phases of the pandemic?

The research was undertaken as a rapid response or 'priority brief', and involved an extensive research team and a mix of research methods. Desk based literature and policy reviews assembled evidence from Australia, with a small number of international comparator policies also studied. Research activities were generally organised along broad tenure lines (housing and construction interventions, social housing and homelessness, and private rental interventions). The methods included two online surveys (one of landlords, and the other focusing on economists and other expert housing commentators). Three Investigative Panel sessions were also held (one for each broad tenure grouping). An econometric analysis of labour market data (from ABS) and the Household Income and Labour Dynamics Australia (HILDA) dataset were also undertaken, and used to estimate labour market shock effects on housing affordability stress. The latter was used to assess the range of possible impacts of national lockdowns on housing affordability stress.

It is important to note that the research was carried out in April through November 2021—a period beginning approximately 18 months after the beginning of the pandemic and ending while the pandemic was still ongoing. Indeed, the severity of the pandemic in Australia increased significantly during the main fieldwork stages, and the Omicron variant outbreak occurred during final production of the report. As such, it should be remembered that the scope of the project was to carry out a review, or interim evaluation, of interventions that occurred from the beginning of 2020 to October 2021.



Australian Housing and Urban Research Institute

Level 12, 460 Bourke Street

Melbourne VIC 3000

Australia


+61 3 9660 2300

information@ahuri.edu.au

ahuri.edu.au

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