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EXECUTIVE SUMMARY

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The impact of the pandemic on the Australian rental sector

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Executive summary

Key points

- COVID-19 has radically changed the housing landscape, not only for tenants, but also for landlords, real estate agents, advocacy groups, and all levels of government.
- It is likely that many of the negative impacts of the pandemic on the rental market will persist for a considerable time, and may emerge to be near-permanent features of the tenure.
- Early in the pandemic, renters were particularly vulnerable to income and employment uncertainty.
- Government-provided emergency assistance measures, such as JobKeeper, were very effective in buffering vulnerable households. However, there is a challenge to policy of shifting from emergency response to a pandemic, to a more targeted and sustained response to an endemic.
- By the second year of the pandemic, tenants were increasingly concerned about cost of living increases, and how assistance for vulnerable groups might be more appropriately targeted.
- Future policy responses to the impacts of the pandemic will need to address the challenges of a rising housing market, complex government jurisdictional arrangements, and a construction industry at capacity.
- Intersectoral collaboration across health, housing, and welfare government portfolios represents the most promising opportunity to enact sector-wide reform.

Key findings

In this report, we follow the experiences of tenants during an evolving pandemic, in what was a rapidly changing policy environment. The research was undertaken in three distinct stages:

1. Policy Consultation Panel
2. Secondary data analysis
3. In-depth interviews with tenant households in the second year of the pandemic.

The research was guided by three questions, which are discussed below.

1. What are the pressing and emerging policy priorities for governments in the Australian rental sector?

In premising the response to this question, it is important to acknowledge that many of the challenges, policy priorities, and consumer preferences in the Australian rental sector were solidly established before the pandemic's arrival in Australia in early 2020. COVID-19 and the associated economic and social impacts amplified many of these challenges, altered some policy priorities, and reinforced a number of existing consumer preferences. Our policy consultation highlighted how 'nimble' the Australian policy community had been in response to COVID-19, and the success of many of their rapid interventions. The challenge that has developed since is how to sustain assistance as we move from quickly responding to a health emergency to maintaining (perhaps very long-term) assistance in a prolonged endemic. Policy stakeholders were keenly concerned with this shift to longer term responses, and what form they may take.

As the pandemic progressed, a series of challenges in the housing market emerged, and these have gradually come into focus as policy priorities. Rapid house price rises, construction industry capacity, and rental affordability and availability have perhaps been the unforeseen consequence of the pandemic. To date, policy responses to these challenges has been ineffective.

2. What have been tenants' experiences at different stages of the pandemic, and have policy responses helped?

In the early stages of the pandemic, a series of public health focussed measures were enacted, designed to quickly limit the spread of COVID-19. These measures had rapid and significant effects on many renters. Shutdowns and travel restrictions affected businesses and their employees, and many tenant households experienced both income and employment loss. Government-provided assistance, accumulated superannuation, and household savings buffered many renting households from the initial financial shock. As the pandemic progressed, assistance measures and protections (such as rent control and eviction moratoriums) were wound back. For some tenant households, the wind-back of assistance was appropriate. However, for many tenants, the broader effects of the pandemic on the rental market and the simultaneous increase in cost of living has worsened their position.

By the second year of the pandemic, tenants widely supported the effectiveness of the early income support measures (such as JobKeeper). Of note, many JobSeeker recipients experienced an income increase that improved their lives compared to pre-COVID-19, allowing them to afford medicines, better food and utilities. Among the non-income-based responses, eviction moratoria and rent controls were widely accessed. However, these responses were noted by many as piecemeal, and the lack of coordination across jurisdictions made their uptake and level of protection provided, uneven.

3. How have tenant housing plans and future housing aspirations changed?

Across the housing system, in both the ownership and rental sectors, Australian housing preferences appear to have changed. Regional housing markets, for example, have undergone a pandemic-led boom, driven by increased working from home, and preferences for less urban lifestyles. Interesting in this analysis is a measurable increase in the proportion of tenants who aspire to become home owners; this no doubt reflects an acknowledgement, or amplification, of the limitations of tenure security during the pandemic. Of concern, we note that many tenants in this study reported considerable uncertainty about the future, and the degree to which their housing needs might be met.

Key questions and findings of the research are summarised below.

Research question	Key findings
RQ1: What are the pressing and emerging policy priorities for governments in the Australian rental sector?	• The fundamental challenges and priorities associated with the rental sector have not changed due to COVID-19, but have become considerably worse. • Emergency income and housing responses have been the most visible policy intervention. • The rapidly rising housing market and stretched construction industry represent significant challenges in the ongoing supply of affordable rental housing. • Piecemeal rental reform is inadequate for addressing the long-running and further entrenched problems within the sector.
RQ2: What have been tenants' experiences at different stages of the pandemic, and how have they evolved?	• Income and employment insecurity was the major challenge for many tenant households in the early stages of the pandemic. • Government-provided assistance, superannuation withdrawals and use of savings buffered many from the initial financial shocks. • Access to rental supports was hampered by application processes perceived to be intrusive and poor tenant—landlord relationships. • While eviction moratoria and pandemic-related tenant protections tempered housing insecurity early on in the pandemic, withdrawal of these measures in conjunction with very low vacancy rates have increased housing insecurity in year two. • The success of early assistance measures reveals an opportunity to provide tenant households with longer-term cost of living support.
RQ3: What policy responses have helped (across a series of identified outcomes, such as affordability, health, security, eviction) and how?	• Tenants widely reported the effectiveness of the income supplement support measures. • Income supplements were often used on essential, but previously inaccessible, items that improved tenants' quality of life (such as medication and better food). • Rental caps or deferment were useful but, in many cases, difficult to access. • Eviction moratoria provided only temporary security.
RQ4: How have tenant housing plans and future housing aspirations changed?	• There was a marked increase in the proportion of tenants who would prefer to own their own home, reflecting a desire for stability and security. • Housing amenity—including house and land size, and location—has become more important to tenants. • Living close to family and friends increased in significance as social isolation worsened in year two of the pandemic. • Many tenants reported considerable uncertainty about the future and their housing support needs.
RQ5: What are the priorities for policy response?	• More affordable housing options, over and above a much needed increase in social housing. • Protection from rent increases, and longer and more stable lease arrangements within the private sector. • An ongoing increase in government support, particularly for people on income support payments, or disability or older age pensions. • Simpler and more easily navigable service systems.

What are the priorities for policy response?

In the immediate term, a rapid redoubling of support for those most at risk is required. Support should be targeted toward, and easily accessible for, the most vulnerable tenant households. This would entail a reorientation of current support service systems to models that are simpler, personable, and person orientated. Within the Private Rental Sector (PRS), protection from rent increases and retaliatory landlord behaviour, and longer and more stable lease arrangements are required. Policy interventions from early in the pandemic provide useful exemplars for developing ongoing tenant protections and strengthening of tenant rights. The final policy response critically required in the short-term is a sustained increase in cost of living supports, including Commonwealth Rent Assistance (CRA). Tenant experiences of the income supplements provided at different times during the pandemic have uniquely demonstrated the importance of greater welfare support in accessing living essentials, particularly for people on income support payments, or disability or older age pensions.

In the longer term, the COVID-19 pandemic has shone a light on the need for policy to immediately consider more diverse housing options. The pandemic-led shift to regional areas (as an aspiration for both renters and home owners), provides a rare opportunity for governments (and individuals) who have been challenged by high land and dwelling prices in the urban parts of Australia. Capitalising on this shift in Australian consumer preferences should be a longer-term policy focus. The long run Australian conversation about housing affordability has almost certainly been restricted by a previously narrow set of housing aspirations. The significant social, aspirational, and economic changes brought about by the pandemic may well provide the impetus and ability to address housing affordability in the longer term.

The study

This study reflects on the Australian rental sector during the second year of the COVID-19 pandemic. Through a 360-degree analysis, it establishes the pressing and emerging rental sector priorities for governments; tenant experiences and reflections on the effectiveness of assistance and interventions; changing tenant aspirations; and the priorities for emerging responses. In Stage 1, we undertook a series of 'Policy Panel' consultations with key policy stakeholders. Stage 2 reflected on secondary data describing tenant experiences before, early in the pandemic, and later. It explored changing tenant preferences and aspirations, the effectiveness of interventions, and broader tenant experience of the pandemic. In the final Stage of this work, we undertook a series of qualitative interviews with tenants. These interviews focused on their evolving experience of renting, as well as government and other forms of assistance.

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