POLICY EVIDENCE SUMMARY October 2022

Examining the Australian rental sector after two years of the pandemic

Based on AHURI Final Report No. 389: The impact of the pandemic on the Australian rental sector

What this research is about

This research investigates the Australian rental sector during the second year of the COVID-19 pandemic and considers priorities for governments; tenant experiences and reflections on the effectiveness of assistance and interventions; changing tenant aspirations; and the priorities for emerging responses.

The context of this research

COVID-19 represents the biggest shock to Australia's housing system since the Great Depression. It is likely that many of the negative impacts of the pandemic on the rental market—where more than a third of Australians live and where 20 per cent of Australians invest—will persist for a considerable time and may emerge to be near-permanent features of the tenure.

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The key findings

The research 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 is how to sustain assistance as Australia moves from the health emergency to maintaining (perhaps very long-term) assistance.

What the pandemic revealed

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 have been ineffective.

Australian Government and state and territory government initiatives to support the housing sector were announced between March and June 2020, supported by $4 billion of new or expedited funding. Of this funding, approximately $1.2 billion was allocated for use to support the Private Rental Sector during the early stages of the crisis.

Although initially these responses were given six-month timeframes (March—September 2020), in almost all cases this was extended for an additional six-months as the impacts of COVID-19 continued to be felt around Australia.

These responses can be divided into four broad categories:

- **Income protection policies (Australian Government intervention):** JobKeeper and the JobSeeker supplementary payment. The JobKeeper scheme ended in March 2021. The initial JobSeeker supplement immediately lifted 425,000 Australians out of poverty, decreasing the poverty gap by 39 per cent and lowering the number of people in poverty by 32 per cent.

- **Renter protections and assistance (state and territory government interventions):** The primary policy intervention was the introduction of moratoriums on evictions and rent increases (announced in April 2020). However, evictions based on other reasons were possible. Most jurisdictions implemented a ban on rent increases for private tenants.
- **Landlord assistance:** In some jurisdictions, eligible landlords were exempted from land tax imposed by state and territory governments if rent relief was passed onto the tenant. In Victoria, Queensland, Western Australia, and Tasmania, a one-off relief payment of up to $2,000 to landlords or estate agents was available to eligible tenants. In New South Wales, the Rent Choice Assist COVID-19 program covered a percentage of the rental cost for up to six months for eligible households. These programs all ended by March 2021
- **Assistance contained in other smaller schemes:** Such as people were able to access up to $10,000 of their superannuation for each of the financial years of 2019–20 and 2020–21.

Vulnerability of renters and landlords

Renters were overrepresented in the industries most affected by lockdowns and business closures (such as 'retail trade' and 'accommodation and food services') and were often on lower incomes than owner-occupiers. All tenants were affected in some way (often multiple ways) with employment, ability to pay rent, and the risk of eviction. Many experienced increased stress and anxiety and broader financial hardship. Almost half of rental providers experienced mortgage stress as a result of COVID-19. The increased financial hardship experienced by both tenants and landlords during the pandemic also resulted in an increase strain on tenant—landlord relationships, with a lack of official policies put in place to formally mediate and mitigate negotiations around rental prices, repayments, and future uncertainties.

While some rents did drop during 2020, this predominately impacted high and middle-end rentals rather than lower end properties. While the COVID-19 supplement to payments temporarily increased the number of affordable rental properties available, this number had dropped by August 2020, indicating a rise in rents separate from the changes to JobSeeker and associated payments.

Worryingly, rental insecurity and poor housing affordability (both documented as early major housing effects of the COVID-19 pandemic) have been shown to be clear drivers of poor mental health and psychological distress.

Policy stakeholder responses

Despite the short-term accommodation of some people experiencing homelessness in hotels and other forms of emergency accommodation, stakeholders claimed that homelessness has not been fully addressed. They suggested that the funding used for short-term accommodation could have been better directed toward rental subsidies. Stakeholders also drew attention to the increased tensions in households caused, in part, by isolation and stay-at-home requirements. This, in turn, increased the need for both short-term and crisis accommodation. Related to this, COVID-19 highlighted and made pre-existing issues of overcrowding in Indigenous housing more pressing.

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A large driver of the tightening of the rental sector was attributed to investor-landlord activity, driven in part by low interest rates. Stakeholders suggested that while the governments were aware of problems within the private rental sector, they instead prioritised social housing and, in particular, returning old properties to service to deliver 'quick wins'.

Problems of housing availability and affordability in rural and regional areas was also noted. While market failure in remote places is a long running issue, the situation had been compounded by increased demand for regional housing.

Four overarching observations can be drawn from the consultation with policy stakeholders:

- The current challenges experienced within Australia's rental sector largely reflect problems that existed pre-pandemic.
- There is no central leadership, interest in, or mandate to guide overarching reform of the private rental sector, rather governments are focussed on smaller-scale social housing interventions.
- Government thinking appears to be primarily focussed on increasing supply. However, tight market conditions, and labour and material shortages within the construction industry represent major challenges.
- An awareness that COVID-19 has increased the importance of intersectoral links across governments, and the need to bring health, housing and welfare together—a point especially important for Indigenous communities.

Evolving tenant experiences

The Australian Rental Housing Conditions Dataset (ARHCD) captured a snapshot of the financial hardship, stress, and anxiety experienced by Australian tenant households in the early phase of the pandemic.

Respondents from low- and moderate-income households (<$90,000 per annum) reported higher rates of reduced work hours, temporary job loss, and reductions to overall income, than higher income households. Low-income tenants were also identified as more vulnerable to rental stress, with many reflecting in the qualitative responses that pre-pandemic they were perched only marginally above this threshold. Interestingly, higher income households were more likely to be retrenched, experience partial income loss, and around 40 per cent were asked to work from home. Younger tenants (18—29 and 30—49 years) were found to be disproportionately affected across all categories of employment change.

Roughly one in eight renters reported they had accessed their superannuation to meet living costs, and one-third reported having accessed savings.

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More than a third of low-income respondents reported that their housing was not adequate to meet their needs when working or schooling from home. In addition, poor dwelling conditions (that did not meet basic maintenance and health and safety requirements) were reported to negatively impact the mental health of some respondents. A quarter of respondents in separate or semi-detached houses, and almost one-third of those in flats and apartments, reported their housing to be inadequate for study or work.

Housing-related mental health issues attributed to COVID-19 proved significant among 10 per cent of the survey's respondents. Notably, tenants experiencing the longest periods of lockdowns were found to have the highest likelihoods of negative mental health effects. Decreased mental health was 30 per cent higher in respondents required to work from home. Such findings can be linked to the interpersonal and psychosocial challenges of social isolation and loneliness, which were identified as likely to hinder individual and household recovery across the short, medium and long-term.

One in 20 respondents reported receiving an eviction notice, and just under 30 per cent of respondents reported having either requested (16%) a rent reduction due to COVID-19 or plans to request (12%) an alteration due to hardships. The majority (60%) of these requests were met with either a rent reduction or deferment, but over a third of respondents (36%) reported that their landlord would not negotiate or had not yet responded.

Two common themes stand out: tenants felt a deal of uncertainty over the terms of rent deferrals (and subsequently, their ability to repay them in the future), and that there was significant responsibility required of tenants to source the adequate documentation to prove their hardship. The case-by-case basis upon which negotiations were made between landlords and tenants, saw variations to processes and outcomes, and despite many landlords appearing open to a temporary reduction, the proof of hardship was often an obstacle for tenants wishing to reach conclusions. Rent deferrals were identified as the most prevalent outcome from negotiations.

On average, younger individuals were more likely to indicate some need for rental assistance but older, very low-income tenants (aged over 50 and earning <$31,000 per annum) also reported significant vulnerability.

Tenant reflections in year two of the pandemic

More than half of research interview participants stated that they had struggled financially over the first eighteen months of the pandemic. Of this group, some attributed their hardship to issues that pre-dated the pandemic, and a similar proportion attributed their hardship to personal issues not related to COVID-19. Ten participants said that they struggled during COVID-19 due to income loss, and three said they had experienced recent financial hardship as government support has ended.

One-third of interview participants expressed concern over the increasing cost of living (rent, groceries, fuel), particularly those who relied on pensions for income. Participants had also accessed non-government support during times of hardship in the form of food relief from Foodbank or Vinnies.

More than two-thirds (41) of participants stated that their mental health had worsened over the past 18 months. This was attributed to lockdowns, limited social interactions, and financial and personal pressures. Additionally, half of respondents identified a worsening of their physical health as a result of COVID-19. Many attributed this to a reduction in activity and access to gyms or fitness facilities and equipment, while one participant linked a decline in their physical health to mental health and financial struggles.

The impacts of COVID-19 and the participants' financial situations on their perceptions of rental affordability were varied. The majority (52) considered their housing to be affordable or somewhat affordable. However, of these respondents a sizeable proportion only considered their rent to be affordable because they took on extra work, lived with family members, or went without essentials (including medical and dental care). Of the five participants that identified their rent as unaffordable, two paid more than 50 per cent of their income for rent. However, more than half (31) stated that their rent had become less affordable since COVID-19.

Participants also expressed a widespread concern in the ability to find and secure a suitable and affordable rental property in the current climate. Half of the participants suggested that the increase in prices made it harder to find suitable homes within their price range. Respondents in regional areas noticed an influx of people from city areas, and noted a related increase in competition and prices.

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Housing and home became increasingly significant for online learning, productivity, as a site of relations and social support, and a place to support health and wellbeing. Detached housing and housing located proximate to family and friends are now of higher priority for private tenants than prior to the pandemic.

What this research means for policy makers

The research shows there is an enduring need for policy action and innovation focussed on the rental market through all stages of a major event such as a pandemic. This includes the period during which the impacts are less acute or visible, and this intervention is needed to provide support in the face of second order effects, including increased demand for housing.

Second, there is a need for policies and strategies that build resilience in the rental market at all times. Key initiatives could include reform of tenancy legislation, the provision of a larger stock of affordable housing available through the social housing sector, and measures to sustain affordable entry into home ownership. There is scope also to consider ways in which affordable housing provision could be better integrated with national urban planning aspirations through the economic and housing market development of smaller regional cities.

Within the Private Rental Sector (PRS), protection from rent increases and retaliatory landlord behaviour, and longer and more stable lease arrangements are required. The policy response critically required in the short-term is a sustained increase in cost of living supports, including Commonwealth Rent Assistance (CRA).

Methodology

This research consulted with key policy stakeholders; reviewed a nationally representative survey of 15,000 Australian tenants; and interviewed tenants.

To cite the AHURI research, please refer to:

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