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# How has the private rental sector changed in recent decades, particularly for long-term private renters?

**THE PRIVATE RENTAL SECTOR HAS GROWN IN SIZE AND SIGNIFICANCE IN THE LAST 30 YEARS IN AUSTRALIA AND NOW PROVIDES A LONG-TERM TENANCY FOR A GROWING AND DIVERSE NUMBER OF AUSTRALIAN HOUSEHOLDS.**

## KEY POINTS

- Between 1981 and 2011 the private rental sector almost doubled in size and grew as a share of all Australian housing from 20.3 per cent (1981) to 23.4 per cent (2011).
- Once dominated by singles and young people (many of whom would transition to home ownership), the private rental sector increasingly houses older people and families with children.
- The affordability of private rental properties has declined. Median rents as a percentage of median income rose from 19 per cent of income in 1981 to 26.9 per cent in 2011.
- Rates of housing mobility are high in the tenure and around a third of all renters who move house do so involuntarily.
- A third of all private renters are long-term renters, defined as renting for periods of 10 years or more continuously (although not necessarily in the same dwelling). Nearly half of all long-term renters are on lower incomes, face

*This bulletin is based on research conducted by* ***Dr Wendy Stone****,* ***Professor Terry Burke****,* ***Professor Kath Hulse*** *and* ***Ms Liss Ralston*** *at the AHURI Research Centre—Swinburne University of Technology.* *The research examined changes in the private rental sector over the past 30 years.*

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housing affordability stress and have poorer outcomes in terms of satisfaction with their financial situation and social connectedness.

- The reality for policy-makers is that many households renting in the private rental sector will not make the transition to home ownership. Assistance to make private rental more affordable, as well as greater provision for secure occupancy, might reduce some of the negative economic and social outcomes for this group.

## CONTEXT

Historically, the Australian private rental sector has been thought of as a brief 'tenure of transition' between moving out of home and into home ownership or public or community housing. To function effectively in this role, private rental housing needs to be available, affordable and facilitate residential mobility. However, there is evidence that affordability in the tenure has worsened, younger people are not making the transition to home ownership and more people are renting long-term in the private rental sector.

This is changing the way the housing system works and could affect welfare outcomes. This project documented trends over the last 30 years in the private rental sector, identified who is experiencing long-term private rental and traced links between long-term private rental and economic, social and health outcomes.

## RESEARCH METHOD

The research drew on a range of data sources to analyse different dimensions of the private rental sector, including the ABS Census of Population and Housing between 1981 and 2011, the ABS Survey of Income and Housing and a longitudinal analysis of 10 waves of the Household, Income and Labour Dynamics in Australia survey (HILDA).

## KEY FINDINGS

### *Characteristics of the private rental sector and tenant households have changed over time*

The private rental sector declined from 44 per cent of all occupied dwellings in 1947 to a low of 20.3 per cent in 1981. Since then the sector has traced a slow but steady increase, with 23.4 per cent of all Australian households renting their housing in 2011.

Over the 30-year period 1981–2011 the number of private rental households almost doubled from 918 250 to 1 801 464. Growth in private renter households has been greatest in Queensland (174%) and ACT (148%). The high demand in Queensland might be attributed to the high demand for private rental amongst low paid households, as Queensland's population is more dispersed in regional centres reliant upon low paid industries, such as tourism and agriculture.

Between 1981 and 2011 the number of private rental properties that were high density housing grew by 79 per cent, while the number of private rental properties that were flats grew by 400 per cent. Even so, 80 per cent of all growth in private rental housing has been in detached and semi-detached housing, much of which is in the suburbs. As a result, the proportion of private renters in multi-unit housing actually fell over that period from 48.9 per cent to 44.8 per cent. There is clear evidence that, with the exception of Adelaide, low-cost private rental properties are now disproportionately in outer suburbs and urban fringes. Investment in private rental properties in outer suburbs may be more attractive since rates of return on investment for these properties are much higher than for inner suburbs.

In 1981 the biggest single group in the private rental sector was lone person households (40.4% of all private renters), but this proportion decreased to 25 per cent by 2011. There has been an increase in the share of family households (i.e. one-parent families or couples with children) to 40.4 per cent, with 16 per cent of these being one-parent families. Group households have also increased from 4.2 per cent to 10.5 per cent of all private rental households.

In 1981 most renters (58.9%) were aged under 35, but this has fallen to less than half. While the age profile of households in private rental housing remains young relative to all households, the median age of household heads is growing more rapidly than for households in general. This is likely to lead to the private rental sector being home to larger proportions of elderly households in the future.

Affordability for private renters has declined over the last 30 years, with median rents as a percentage of median income rising from 19 per cent of income in 1981 to 26.9 per cent in 2011. This is partly attributable to the fact that the private rental sector now houses 53.4 per cent of households in the lowest 50 per cent of median household income.

Private renters move house more often, with only 13.3 per cent of private renters not moving over the last five-year period. However, many moves (around 32%) in the private rental sector are forced rather than by choice, compared to only 11 per cent in other tenures.

### *Long-term renter households*

The private rental sector is now a long-term tenure for an increasing number of households. In 2007–08, a third of all private renters were long-term renters (defined as renting for periods of 10 years or more continuously) compared to just 27 per cent in 1994. Long-term renters amounted to around 569 000 households in 2007–08.

Close to half of all long-term renters (45.5%) are low–moderate income households (i.e. in the bottom 40% of all household incomes based on equivalised household income), suggesting that long-term renting may be a result of financial constraint.

Around a third of long-term renters are single person households, which is partly explained by increased numbers of single person households in the general population. A further 30 per cent of long-term renter households include dependent children. Long-term renters have a much older profile than general private renters, with half aged 30–44 years and a further 30 per cent aged 45–64 years. They are also more likely to be Australian born.

It appears that long-term renters are more likely to remain stably housed in the same dwelling in the previous five-year period compared to medium and shorter-term tenants. Even so, almost a third of long-term renters have moved three times or more over the last five years, which shows long-term renters still might face instability in their housing.

### *Poorer outcomes for long-term renter households*

Households who rent in the private market long-term are more reliant on government pensions and allowances compared to other private renters. Close to two-thirds (62.6%) of low–moderate income households renting long-term pay more than 30 per cent of their income on rent, a rate above that for low–moderate income households who rent medium-term (54.0%) and marginally higher than that for low–moderate income households who rent short-term (61.6%). A sizeable proportion of low–moderate income households (20.3%) are paying over 50 per cent of their income on rent.

Long-term renting is associated with lower than average (for all households) satisfaction with financial circumstances and employment opportunities. Although 40 per cent of all long-term renters claimed they would be able to raise $3000 in an emergency, 26 per cent claimed they would not. This was greater than the 18 per cent of renters overall who claimed they could not raise $3000, but lower than for people living in public housing (43%).

Private renters have significantly lower levels of satisfaction in feeling part of their local community compared with outright owners, purchaser owners or people living in public housing, perhaps reflecting higher rates of mobility for private renters. In addition, long-term renters have the lowest rates of satisfaction in feeling part of their local community when compared with other private renters. The impact of housing tenure (living in private rental or not) and factors such as age have stronger relationships with these outcomes than the number of years households have lived continuously in private rental housing.

Long-term renters do not report substantially lower rates of satisfaction with their health than other renters or other housing tenures.

## POLICY IMPLICATIONS

- The private rental sector is growing as a tenure and many tenants are renting for extended periods. If tenants are to find properties they can rent with stability, policy-makers need to know what motivates Australia's landlords to commit to the rental market or to sell up, and what incentives are needed to offer longer term leases.
- Policies geared towards assisting long-term private renters could include specific supports for vulnerable groups (e.g. single persons, single parent families and ageing households) to ensure they can access appropriate longer term housing arrangements. A focus on minimising housing affordability stress needs to be a priority.
- Increasingly the private rental sector is being used to house families with children. Regulatory change in favour of more secure occupancy of private rental dwellings (and less forced or unwanted mobility) is likely to enhance economic and social outcomes.
- The trend towards long-term renting, and reduced entry to home ownership, has future implications for security of tenure in later life, especially for low–moderate income earners. If large numbers of long-term renters aged 45–64 years remain in the sector they could swell the number of long-term private renters aged 65 years and above quite substantially in the coming decades. This could impose larger costs for Commonwealth Rent Assistance and lead to affordability problems for older people in retirement. A large scale policy support response may be required.

## FURTHER INFORMATION

This bulletin is based on AHURI project 50683, *Changes in the private rental system and the effects of long-term private rental*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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