



EXECUTIVE SUMMARY

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Post pandemic landlord–renter relationships in Australia

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Executive summary

Key points

This report presents research into the lived experience of landlords and tenants during the COVID-19 pandemic. The primary research approach consisted of four week digital ethnographic diaries, where 38 participants sent updates of their lived experience during the COVID-19 pandemic once a week. The diaries were supported by a broader survey of 111 landlords and tenants. Key points include:

- Although some tenants were able to temporarily cope due to the JobKeeper and JobSeeker financial support packages provided by the government, many tenants had still requested financial assistance from their landlords. Overall, there was a lack of clarity for both landlords and tenants about how to approach rental negotiations.
- Landlords became more aware of finances, and most were able to manage the unexpected economic implications. However, there were landlords at risk of financial stress who relied on rent for mortgage payments, and/or those that lived with their tenant. There were also concerns from both tenants and landlords about what would happen after government financial support packages ended.
- The tenants who were concerned about their situation, but had not spoken with their landlords about rental assistance, explained they either did not need rental assistance at this stage, or were concerned by future repercussions, such as poor references or property defects not being fixed.
- In terms of wellbeing, the perceived stress levels of tenants were found to be higher than landlords in the qualitative diary data. This stress manifested from issues of paying rent, future uncertainty, and challenges associated with living in lockdown in share houses.

- These tenant challenges included working from home in small communal spaces, virus risks from housemates and in some cases, having to move during the pandemic. The higher stress levels were reinforced with the survey results, which found statistically significant differences between tenants and landlords.

Future policy on supporting the landlord–tenant relationship should consider:

- *A protective negotiation framework* to structure rent negotiations as a more formal process;
- *Clear government guidance* for real estate agents, to provide clarity, guidance, and information on acceptable and unacceptable practice in resolving landlord–tenant negotiations;
- *Centralised guidance* on tenant hardship, as to how to demonstrate hardship and how this is assessed;
- *Policy flexibility on moving*, that reduces stress and the risk of homelessness for tenants that give 28 days’ notice and commit to moving;
- *A landlord hardship fund*, or access to a package of assistance for landlords, for vulnerable landlords, such as those that have lost work, lost rental income and live with their tenant
- *Improved information and guidance in defining the end of support*, such as protocols for rent deferral repayment plans.

Key findings

In an attempt to resolve landlord and tenant issues concerning rental payments, half of the digital diary tenants reported they had spoken to the landlord or property agent about payment difficulties. However, only half of those discussions were completely resolved to the satisfaction of the tenant. This challenge was supported by the survey data which found that 60 per cent of tenants had immediate issues, or anticipated near future issues, with paying their rent. The mixed success of negotiation outcomes could be improved to support the government's aim to reduce short and longer term housing impacts for landlords and tenants. This study showed that negotiations lacked a set of protocols, understanding of acceptable practice, and there were high levels of uncertainty around what happens once initial (or continued) financial support ends.

Tenants explained that some of them did not ask for a rent reduction because of their preconceived expectations that it would not be granted. Instead they were more concerned with potential consequences, such as jeopardising needed repairs in their rental home, or getting a good reference for future rentals. The onus appeared to be more on the tenant side to initiate negotiations, with 93 per cent of tenant survey responses indicating they initiated conversations. While some landlords reported they did check on their tenant(s) by initiating conversations; others assumed 'no news was good news' and did not enter negotiations unless initiated by the tenants.

Some landlords were quick to respond to their tenant requests, and those who owned their investment properties outright were better placed to offer reduced rent rather than rent deferral. Those landlords with mortgages felt conflicted, wanting to ensure they also did not fall into financial hardship, while trying to be compassionate where they could. There was some suspicion that not all tenants asking for assistance were in genuine need, and that the government's ban on evictions gave landlords little power to address this. While banks have introduced a range of options like mortgage payment pauses to help landlords, this support was seen to sit outside of the official government support and linking packages of support could help improve access, and result in more landlords helping tenants during this time.

The results revealed that the tenant's employment situations had deteriorated the most. During this challenging period, some tenants relied on their support networks, including family, friends, and partners, to help. For example, some could meet financial demands because of their partner not losing employment, while others returned to family homes or received money from family. If these networks could not be accessed, there was concern about what this meant for tenants future living arrangements.

Table 1: Mean perceived stress for each item. The higher the value the greater the perceived stress¹

	Item 1: lack of control	Item 2: personal problems	Item 3: things not going their way	Item 4: difficulties overwhelming
Tenants	3.06	1.89	2.47	2.62
Landlords	2.47	1.56	2.04	2.13

Scale: 1.0 minimum to 4.0 maximum.

Source: Survey data.

In terms of wellbeing, the perceived stress levels of tenants were statistically significantly higher than those of landlords. Their lived experience also revealed that they were at greatest risk in terms of economical and mental wellbeing. It was clear that the pandemic had changed life for many tenants, in different ways, that were particularly challenging.

¹ Item 1 measures levels of control of important things in life. Item 2 measures confidence in ability to handle personal problems. Item 3 measures whether things are going your way. Item 4 measures whether difficulties are piling up too high to overcome.

Some tenants were working from home, in small apartments with other housemates, finding it challenging in terms of managing home and work demands, as well as the additional unforeseen expenses related to home office costs. There were also building defects and property issues not being addressed, allegedly because of the pandemic. This played a greater role in deteriorating mental health, with people spending more time at home. These defects, previously manageable to live with when spending lots of time outside of the home, were becoming difficult or unbearable for some tenants.

There were also tenants that moved during the pandemic for a variety of reasons. Many of these relocating tenants felt they risked homelessness, especially if their employment situation or sector was perceived as precarious. Landlords that were most at risk, both financially and mentally, were those that relied on rent for mortgage payments and/or those that lived with their tenant.

In these situations, a loss of a tenant increased the risk of financial stress, and potential wellbeing issues, especially if the landlord was left in isolation during lockdowns. The key difference here perhaps is that landlords who lived with their tenants did not have the option of selling their property, without having to find a new home for themselves. Other landlords had the option of selling their investment property, if under financial stress, and continuing to reside in their separate home, although it should be noted that very few landlords discussed the possibility of selling, even when speaking of financial issues.

The housing situations, particularly of tenants, were dynamic, complex and specific to individual circumstances. This makes developing policies which can address a wide range of situations challenging. Overall, there was broad agreement that government support was well received, although there was acknowledgment it was geared towards the tenants and not landlords.

Tenants believed government support they had received (especially JobKeeper and JobSeeker) had largely been effective, although few mentioned specific rental support. Landlords, on the other hand, thought government support had not adequately considered them and gave tenants too much power, without enough checks on whether tenants were in genuine financial hardship.

Policy development options

There was a spectrum of different outcomes from the financial tension that emerged between landlords and tenants during the pandemic. While some landlords were quick to reduce rent, others were unable, or unwilling, to offer this support, meaning many tenants remained in a precarious financial situation. This tension was compounded by the uncertainty about what the future held in relation to government support. From the findings in this study it is recommended that future policy on supporting the landlord–tenant relationship should consider:

- *A protective negotiation framework* to structure rent negotiations between tenants and landlords that enables tenants to request reductions without fear of poor tenant references or refusal by the landlord to fix defects. It could be worth considering an independent assessor, that evaluates whether the tenants are in a position to request a rent reduction. This more formal and robust structure, with independent assessor involved, may help remove scepticism about the tenant's situation. In turn, a reduction of landlord suspicion may eradicate concerns from tenants that landlords would retaliate, by not addressing property defects and/or providing a poor reference in future.
- *Clear government advice for real estate agents*, to provide clarity, guidance, and information on acceptable and unacceptable practices in resolving landlord–tenant negotiations. For example, whether it is acceptable to suggest tenants should attempt to access their super funds, or whether they should allow tenants to speak directly with the landlord. This advice should also provide transparency during the negotiation process, with some tenants stating that they did not believe their information or requests were passed on to the landlord.

- *Centralised guidance on tenant hardship*, that defines the evidence required for tenants to demonstrate financial hardship. Currently landlords are unclear what evidence they should, or could, ask for legally and morally. For example, landlords were unsure if they could ask to see bank statements, or other forms of proof that a rent reduction was required. Ideally, the assessment of financial hardship should not be undertaken by individual landlords.
- *A landlord hardship fund*, or access to a package of assistance for landlords unable to meet mortgage payments during the pandemic. While the majority of landlords were able to cope with the financial implications of the pandemic, there were landlords that relied on the rent income, and those that lived with their tenants, meaning that they did not have the option to sell their property, without having to find a new place to live. In these situations, where landlords cannot make ends meet with their mortgage, and have limited options financially, a landlord hardship fund should be considered.
- *Policy flexibility on moving*, that reduces risk of homelessness for tenants that give 28 days' notice and commit to moving. The flexibility length could be reduced, or flexibility could be in the form of an intent to move notice, instead of a firm commitment. This could help reduce financial and mental stress for tenants needing to move during the pandemic. During challenging financial times, tenants that moved were concerned about additional upfront costs such as bond payments and moving fees, as well as potential double rent for a month.

They were also concerned that if they committed to moving, they may not be able to find a new rental home within the 28 day period before their current lease ended; especially if employed in a precarious sector, as they may be an unappealing choice for landlords. It was noted in the study that while there were more apartments available, this did not necessarily mean that tenants had more choice, as landlords remained selective. Also, the advertised apartments were often empty, meaning landlords preferred tenants that were ready to move immediately, rather than in 28 days.

- *Improved information and guidance in defining the end of support*, such as protocols for rent deferral repayment plans. Landlords did not see repayment deferral plans as an option that provided much clarity about how tenants would repay costs, and what would happen if they could not. They were concerned that tenants would remain at a much reduced rent for an extended period of time, and that there would be no repayment in the end. Tenants also did not want to carry the additional burden of owing large sums to their landlord, and therefore tried to negotiate a better deal or considered other options. Further clarity on key questions that arise for the end of support period would help relieve uncertainty and provide more clarity during negotiations.

The study

This research is part of a wider AHURI COVID-19 Research Program informing policy response to the COVID-19 pandemic. The Research Program will help governments at all levels make the best housing policy decisions during and following the coronavirus pandemic. During the COVID-19 pandemic, uncertainty and inequalities have become key features of the landlord–renter relationship. This report presents research which has investigated the mental and economic wellbeing of landlords and tenants affected by the COVID-19 pandemic. Three research questions are addressed:

- What are the lived experiences and social relationships of landlords and tenants during the COVID-19 pandemic?
- What has been the experience of tenants and landlords of the various packages of housing interventions developed in response to the pandemic—from their lived experience, what has worked, what has not, and why?
- What are the priorities for government action and intervention?

States and territories across Australia have provided rapid government support in response to the pandemic. The research will investigate how useful these approaches have been for landlords and tenants. A mixed methods study surveyed landlords and tenants across all states and the Australian Capital Territory (excluding NT). The quantitative and qualitative data was collected in June and July 2020.

In the first phase, a survey was used to capture demographic data and perform statistical analysis on the perceived stress levels of landlords and tenants. In addition to the survey, a sample of landlords and tenants shared a narrative of their lived experience during COVID-19. The survey was also used to recruit participants for the last component of the research, which comprised digital ethnographic diaries, where participants shared photo, video, audio and/or written diary inputs, once a week, for four weeks.

Following thematic analysis, a series of key themes emerged, including: landlord–tenant conversations, landlord economic wellbeing, tenant economic wellbeing, mental wellbeing, government support effectiveness and government support limitations. The original research conducted in this study was undertaken for this report.



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