



## EXECUTIVE SUMMARY

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# Marginal housing during COVID-19

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# Executive summary

## Key points

- Overcrowded, marginal housing and informal housing tenures may increase health risks associated with the COVID-19 pandemic, because of the difficulties of physical distancing and potential for the virus to spread.
- Reflecting the chronic shortage of affordable rental supply in Sydney, demand for, and supply of, share and informal accommodation has continued during the pandemic. There were 402 advertisements for rooms or granny flats via ‘Gumtree.com.au’ in May 2020 and 4,731 share accommodation listings on the platform ‘Flatmates.com.au’ in April 2020. A further 2,923 people placed advertisements seeking accommodation via the Flatmates platform.
- People living in these informal tenures may face additional risks of contracting the virus because of the inability to social distance. They experience additional precarity because negotiated rental arrangements leave people more vulnerable to eviction and displacement, despite wider government efforts to protect tenants in the private rental market.
- Of people renting in share households during the 2016 Census, 8,476 were healthcare workers, and 12,743 included occupants working in food or accommodation sectors. There were 1,514 workers in healthcare or social assistance sectors living in crowded or severely overcrowded accommodation needing three or more additional bedrooms.

- There is evidence of a link between falling demand for Airbnb style short-term rental accommodation during the pandemic, and an increase in long-term private rental housing availability in case study housing markets of Sydney and Hobart. This suggests that the loss of residential units to Airbnb-style platforms affected private rental housing supply and affordability pre-pandemic.
- Some lower income earners have reportedly been able to use additional income support during the pandemic period to move out of marginal or substandard rental accommodation.

## Key findings

The COVID-19 pandemic has exposed underlying vulnerabilities in Australia's housing system. Overcrowding, share accommodation, and precarious tenures are rising in the major cities and some regional areas where permanent rental supply has been drained by short-term tourism platforms. With inadequate housing increasing the risk of disease transmission and other health impacts under the pandemic, it is critical to better understand these informal and largely unregulated sectors of the housing system.

This is the Final Report of an AHURI Scoping Project which examines these issues, focussing on the impact of the COVID-19 pandemic on the linked housing forms of marginal, informal and short-term rental (STR) accommodation. The aims of the Scoping Project were: to establish any health and housing risks of marginal and informal housing revealed or exacerbated during COVID-19; investigate any potential changes to the demand and supply of informal housing due to the pandemic; determine the change to demand and supply of informal short-term tourism rentals during COVID-19 and, finally, the related positive or negative affect on housing supply of these changes.

Through an initial literature review, building inspector interviews and interviews with health and housing professionals, the project finds that residents of 'informal' and marginal tenures—particularly those living in substandard or overcrowded rental accommodation—may face additional health risks in the context of COVID-19. These risks are largely because of the need to share bedrooms and facilities such as bathrooms and kitchens. Informal tenures include share households and other negotiated rental arrangements, which are often associated with fewer tenancy protections and a higher risk of eviction or displacement.

Exact comparisons between the numbers of people living in informal and marginal accommodation before the COVID-19 pandemic and at the time of the pandemic are unclear due to the difficulty in obtaining data on those in marginal and informal housing circumstances. However, drawing on data collected from Flatmates.com.au and Gumtree.com.au, key platforms used by those offering and seeking share accommodation, this project found that demand for, and supply of, share and informal accommodation has continued during the pandemic despite widespread disruptions to rental markets through the pause of international migration. In Sydney, where affordability pressures have forced increasing numbers of lower income earners to share or seek other informal rental options, there were 402 advertisements for rooms or granny flats via 'Gumtree.com.au' in May 2020; and 4,731 share accommodation listings on the platform 'Flatmates.com.au' in April 2020. A further 2,923 people placed advertisements seeking accommodation via the Flatmates platform.

Additional risk factors beyond housing circumstances to those living in informal and marginal housing were investigated by looking at demographic characteristics of those in multi-family and group households, and in marginal housing circumstances in Sydney from the Australian Bureau of Statistics (ABS) 2016 Census data. Around 142,600 people were renting in group households in 2016 (ABS 2016). Of these, many were working in public-facing roles, potentially putting them at higher risk of contracting or transmitting the virus; 8,476 were healthcare workers, and 12,743 included occupants working in food or accommodation sectors. There were 1,514 workers in healthcare or social assistance sectors living in crowded or severely crowded accommodation needing three or more additional bedrooms.

Through interview data, it was revealed that government and non-government action during the COVID-19 pandemic has improved the housing circumstances of people living in marginal accommodation. In particular, increased income support during the pandemic period, as well as some government programs targeting people experiencing homelessness, have reportedly enabled some lower income groups to improve their housing circumstances, exiting marginal or informal accommodation.

This project also investigated the change in demand and supply of informal STR accommodation by analysing the change in Airbnb property listings. There has been growing concern that housing pressures in high demand capital city markets have been exacerbated by the rise of Airbnb-style STR platforms, which enable residential units to be advertised for tourist accommodation. Examining the impacts of falling demand for tourist accommodation in Sydney and Hobart, this project found evidence that returning residential units back to the permanent rental market was associated with higher vacancy rates and reduced rents. These impacts are apparent even controlling for wider demand-side changes. However, this increased overall permanent rental supply has not yet addressed the underlying need for affordable rental units.

In tight regional markets such as Shoalhaven on the NSW South Coast, already impacted by the 2019–20 bushfires, rental availability remains severely restricted. By contrast, the quantity of STR accommodation in Shoalhaven is equivalent to around 20 per cent of the housing stock. There may be some potential to use vacant STR accommodation as a source of emergency housing, but this has not demonstrably occurred in the context of the COVID-19 pandemic.

## **Policy development options**

The difficulties of monitoring and regulating marginal and informal sources of accommodation mean that policy interventions must address underlying drivers of supply and demand. Given that dependence on substandard and informal housing reflects affordability pressures, adequate income support, such as that provided with the increased JobKeeper and JobSeeker payments, is a primary policy priority.

Expanding the supply of affordable rental housing (for instance, through social housing construction or headleasing) is a critical strategy for reducing dependence on informal and potentially substandard rental options. Existing NSW government planning policies intended to increase the supply of low-cost and affordable rental accommodation, such as through new boarding house and secondary dwelling developments, should be more effectively targeted to lower income earners and offered at affordable rents.

There are particular difficulties in addressing the needs of international students and temporary migrants who currently lack access to government income support, and who may have experienced loss of employment due to the pandemic as well. To avoid the risk of disease spreading in overcrowded or substandard accommodation used by these groups, such as occurred in Singapore's migrant dormitories, governments and education providers need to play a stronger role in ensuring that adequate housing is available for students and temporary visa holders.

Tenant advice and advocacy services play a crucial role in assisting residents of marginal and informal accommodation and adequate resourcing for this sector remains critical. Providing clear advice and information about residential tenancy rights and alternative housing options, is also critical for international students and temporary visa holders.

Overall, the emergency housing system established for rough sleepers and certain boarding house residents should be expanded to ensure suitable accommodation for anybody living in inadequate circumstances during the pandemic period.

Building on actions already demonstrated in the public health response to the pandemic in Australia (for instance, the use of hotel accommodation for returning travellers and homeless persons), the study concludes that STR accommodation that is not currently used might provide a resource to serve priority groups awaiting emergency housing assistance.

When demand for tourist accommodation resumes in Sydney and Hobart, it is likely that pressure on permanent rental housing will also increase. For this reason, it is important that state governments enable local authorities to implement appropriate local regulations to preserve permanent rental housing supply.

Preventing short-term renting of permanent residences in high demand local housing markets, and/or a permit system for STR units that caps the number of permits at a proportion of the existing rental market, would help preserve rental supply. These approaches would have the advantage of better regulating and monitoring tourism within residential housing and neighbourhoods as well.

## The study

This project builds on recent research efforts by members of the research team who have assembled unique data sets relating to Australia's marginal, informal and unregulated rental markets. Still poorly understood, this sector includes share houses, room and share room rentals, and informal lodging arrangements serving lower income earners (Gurran, Pill et al. 2019), as well as Airbnb-style STR platforms (Gurran and Phibbs 2017; Gurran, Zhang et al. 2020).

Using three locations (Sydney, Hobart and the NSW South Coast) as case studies, all affected by severe rental housing pressures prior to the COVID-19 pandemic, the project asked:

1. What particular impacts and risks arising from COVID-19 emerge within Australia's informal rental housing market, and what are the implications for understanding potential health risks within this largely unregulated sector of the housing system?
2. Are there indicators of changing patterns of supply and demand within informal rental markets, reflecting wider economic and or population trends precipitated by COVID-19?
3. How have short-term and residential tourism accommodation intersected with rental housing markets pre- and post-COVID-19, and how could this sector support greater housing supply flexibility during emergency periods?

The project used a mixed methods approach to investigate the impact of COVID-19 on marginal and informal rental housing markets and their occupants. Existing sources of information available to the research team in the light of the COVID-19 pandemic were investigated, as well as new qualitative and quantitative datasets. Our empirical focus to understand risks in the marginal and informal housing market was on Sydney, as Australia's largest city, and which has experienced a growing shortage of affordable rental housing supply. We also examined rental trends in two other markets: the South Coast region of NSW, and Hobart in Tasmania, both of which have experienced significant rental pressures in the period leading up to the COVID-19 pandemic.

The outcomes of this research enhance understandings of Australia's rental housing market and in particular health risks around disease spread and containment within informal and share rental sectors and provide a set of research and policy priorities for further development.



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