



## EXECUTIVE SUMMARY

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# Pathways to regional housing recovery from COVID-19

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# Executive summary

## Key points

- **The effects of COVID-19 are unevenly distributed geographically, with regional areas likely to face different issues and therefore have different recovery needs in the wake of the pandemic. This research uses Tasmania as a case study to examine how COVID-19 has affected regional housing markets and communities.**
- **Regional populations differ from those in major cities, including hosting the most relatively disadvantaged socio-economic populations in Australia. Regions may be more reliant on government pensions, have higher levels of unemployment, higher prevalence of health risk factors, and be disproportionately reliant on local industries such as tourism, arts and culture, and higher education—all industries particularly affected by COVID-19. Our Tasmania-specific research found that:**
  - Our market data shows that regional housing markets have to date experienced few serious consequences as a result of the pandemic. Regional markets are experiencing increased demand, including from inward migration, and this has put upward pressure on prices, reducing affordability in these areas. These housing market circumstances may have been pre-existing, and were exacerbated by the COVID-19 crisis. Tasmania's housing market was experiencing substantial affordability pressures prior to the COVID-19 pandemic.
  - Housing impacts of COVID-19 have been uneven and challenging, especially for lower income tenants in the private rental market. This group is overexposed to income protections such as JobKeeper and the coronavirus supplement for income support recipients. Protections have buffered the effects of job and income losses; however, these supports are starting to taper off which will further expose this group to housing stress and risk.

- During COVID-19, private houses were co-opted as critical public health assets through physical distancing requirements and stay-at-home directives. Many households adapted their housing well to new accommodation uses such as working from home. Some households experienced affordability stress, financial pressure, and a number of participants lived under inadequate housing conditions.
- Young people, people with disability or chronic health conditions, and international students, have been particularly vulnerable to housing-related anxiety and stress, isolation, and financial hardship.
- **Recovery policies should be place-based, scaled appropriately, targeted to need, funded appropriately, and deliver long-term benefits for local areas. The Australian Government should provide leadership, engaging all three levels of government, community and private sectors in future, and intergenerational investment in Australian regions to address housing-related disadvantage.**
- **For Tasmania, specific recovery policy interventions should include:**
  - Ongoing, targeted income protection for households over-exposed to job loss and housing stress.
  - Diversification of employment opportunities to reduce over-reliance on specific employment industries.
  - National leadership to address housing supply gaps and market failure, including large-scale investment in secure, affordable housing (especially social housing) for low-income Tasmanians, and targeted support for households in housing stress.
  - Housing-related support for groups that are particularly vulnerable to housing stress and risk, including additional housing and support responses for young people and unaccompanied minors, people with health-related illness or disability who wish to remain at home, and the provision of adequate financial and social assistance to international students.

Australian regions are important to our national economic and social life: they are a significant economic driver through primary industry production and tourism, and regional living offers a range of lifestyle, cost, and employment benefits not always found in cities. Regionality can also exacerbate disadvantage due to geographical isolation and reduced access to services, opportunities and pathways associated with improved housing, health, employment or education outcomes. The COVID-19 pandemic and the range of measures to control the virus across Australia have intersected with these pre-existing factors, and as a result the significant economic and social impacts of the pandemic are also geographically uneven. Recovery strategies for regions are likely to vary from those implemented in cities, and recovery policy design will require deeper, nuanced understandings of regional need and the diverse economic and social contexts that shape them.

This final report outlines the findings of research on regional housing market outcomes and household experiences related to the COVID-19 pandemic. Tasmania is used as a regional case study to provide policy makers with deeper insight into the impacts of COVID-19 on regional areas. Regions vary in their distinctiveness and sub-markets and even across regions there is no 'one-size-fits-all' approach to policy development. Tasmania—although also a state—includes regions such as its capital city area which share some features common to other capital cities (such as an expensive housing market).

Data was collected over two research phases, the first during tight border and household restrictions in the state, and the second as restrictions eased and borders began to open. Consultation with an Advisory Group drawn from a range of stakeholders associated with the housing services sector provided important context as rapid policy changes and their impacts unfolded during the two research phases.

## **Key findings**

Tasmania's economy has grown strongly in the past few years (Commsec 2020), however the regional diversity in this state, its smaller economies of scale and distance from larger cities presents challenges. Tasmania hosts a range of geographical areas where populations are disproportionately older, sicker and poorer than city populations; housing markets are smaller and less resilient to economic shocks; and there is a reliance on sector-specific and casualised employment markets such as tourism and accommodation, profoundly affected by the pandemic. Further, Tasmanians are more likely than other Australians to be in part-time work, receive most of their income from a government pension, and have worse health risk factors (PESRAC 2020).

Prior to the pandemic, Tasmanians were experiencing a pressured housing market, including the most unaffordable capital city in Australia (SGS Economics 2020) and increasing numbers of low-income households experiencing housing stress and facing housing risk (Jacobs, Flanagan et al. 2019). The literature on global economic shocks and natural disaster indicates that crises can precipitate decreases in house prices, as well as population migration to less affected areas. Emerging research suggests that COVID-19 housing and income support policies established by the Australian Government have reduced the number of households living in housing affordability stress (Leishman, Ong et al. 2020) and have been effective in keeping many people securely housed (Verdouw, Yanotti et al. 2020). Research also shows that COVID-19 impacts have been uneven, and particularly challenging for tenants in the private rental market (Baker, Bentley et al. 2020).

Our housing market data shows that regional markets have to date experienced few serious consequences as a result of the pandemic. Rather, they are now experiencing an increase in housing demand, most likely due to changing household preferences towards regional living, perceived as 'safer' than cities in a pandemic. This demand is increasing dwelling prices, lowering vacancy rates, and reducing affordability in these areas. Enough short-stay rental properties have been reintegrated into the longer-term rental market to reduce some housing market pressure (especially in Hobart). Those that became 12-month leases may be returned to the short-stay rental market by mid-2021. Data also indicates there has been a slowing of investor activity; mostly likely reflecting lower investor confidence in the wake of fewer incentives to invest in property; increased numbers of tenants who owe arrears, policy which has protected tenants, and lower migrant housing demand.

During COVID-19, housing became an important public health asset through physical distancing requirements and stay-at-home directives. Survey and interviews highlighted varied household experiences for different tenures, including: mortgagees who needed to adapt household budgets, or draw on savings or superannuation to cover housing expenses; renters who faced affordability pressures (some due to loss of income); landlords who faced financial challenges, particularly those who rely on income from property investments, and a number of participants living in dwellings quite inadequate to their needs.

Household experiences included a range of adaptations to housing to accommodate working or learning from home. Many households adapted well, while some struggled with a range of issues from lack of adequate physical space, technological issues related to work or education connectivity, isolation due to movement restrictions, or financial hardship related to employment loss or relying on family support. For many respondents, confidence in their own and/or their housing futures have been undermined due to the severity of the effects of the pandemic.

The Advisory Group included members in proximity to housing frontline services. Through a series of housing-related discussions, this group assisted in contextualising research findings in a rapidly changing policy environment. These included identifying the additional policy risks related to pre-existing disadvantage and regional variations and exploring future consequences of tapering income support (e.g. JobKeeper) and housing protections (e.g. rent freezes or evictions moratorium) earmarked to end in early 2021.

People in regional areas may rely on income supports in higher numbers due to the higher prevalence of relative socio-economic disadvantage compared with cities (ABS SEIFA 2018), and there is a policy risk that the inadequacy of these payments will precipitate housing stress and risk for more people. In particular, the private rental market is a vulnerable tenure for low-income tenants who also face income loss. Renter precarity may exacerbate if future market changes—such as changed landlord investment preferences or return of long-term private rentals to the short-stay rental market—eventuate. With a shortage of social and affordable housing as a safety net, there exists a real policy risk that some people, especially young people, un/underemployed people, or students, may enter housing stress and precarity.

## **Policy development options**

Variations in regional need means that recovery policies must address both approaches to regional recovery, as well as engage in specific (place-based) pathways to recovery.

### **Approaches to regional recovery**

While regional communities are distinct, often with unique social and economic drivers, there are features common to regional areas. These may include higher levels of socio-economic disadvantage, including lower incomes, higher unemployment rates, reliance on small business or dependence on a small number of larger industries.

The impacts of COVID-19 will interact with the variety of regional areas and populations in different ways, and these are mediated by state or local policy settings established in those areas as pandemic response measures. Consequently, policy must take a place-based approach to recovery through a framework that can be applied across a variety of regions. These include understanding local employment, income and housing needs specific to local supply and demand drivers and implemented in line with local community needs, resources, and strengths. Such place-based approaches should be scaled appropriately, but if targeted well can act as significant levers to improve housing affordability and availability in regional areas. There may be larger infrastructure projects, but funding should target a range of responses focussed on local employment and income pathways and should deliver long-term and intergenerational benefits to the local area.

## Regional pathways to recovery

This research has identified issues specific to Tasmania as a regional case study.

### Targeted income protection

The tapering off, and eventual cessation of income protections in Tasmania will be coupled with higher than average exposure to industries experiencing high job losses and heightened vulnerability to financial—and consequently—housing stress. It is difficult to overestimate the importance of the need for ongoing, targeted income protections for these households, and the need for government to establish longer term certainty around income and housing.

### Employment and income security

GDP growth will likely fall in 2021, with effects in regional areas such as Tasmania including lower average incomes, lower employment, and higher reliance on income support from the government. The current over-reliance in Tasmania on some industries including food and accommodation which includes high rates of casualised employment is a point of risk. This should be addressed through the diversification of employment opportunities in Tasmania, in region-specific ways, through government and private sector investment across a range of employment sectors.

### Access to secure, affordable housing

As a health response to the pandemic, housing has been a critical measure of protection for Australians. Housing stress has been a significant point of vulnerability for Tasmanians prior to the pandemic. While housing pressures eased slightly at first, affordability pressures are building again and extending further into Tasmania's regions. A robust housing recovery response in Tasmania should include:

- strong national leadership including funding provision to address gaps in social and affordable housing
- large-scale investment in the supply of secure, affordable housing, especially social housing for low-income households
- targeted support for households in housing stress—especially in the private market, including income support
- targeted regulation of short-stay rental markets to ensure that returns of these properties to the short-stay rental market does not reduce vacancy rates, push up rental prices and create additional affordability challenges, particularly in the south of the state.

### Supporting disadvantaged groups

This research identified that some groups of people in Tasmania are more exposed to disadvantage due to the pandemic, including young people, disabled people or those with chronic illnesses and international students. Policy should address issues that respond to these groups in the following ways:

- Young people are highly exposed to the risk of low incomes, high unemployment, temporary or transitory living arrangements, and a lack of financial independence. A range of additional housing responses should be implemented to address the needs of young people, ranging from independent housing through to supported accommodation models.
- For disabled people and people vulnerable to health complications from COVID-19, home continues to be an important haven. Because our regions are still vulnerable to second or third waves of the pandemic, many disabled people still remain home when possible, due to heightened health risk to themselves in public spaces. Policy should ensure ongoing access to telehealth services, as well as facilitation of social connections to reduce loneliness, for people who wish to stay home.

International students are important contributors to Australian social, cultural, economic, and intellectual landscape. Our research finds that many who have stayed in Australia have experienced rejection, isolation, financial hardship and discrimination during the pandemic. Policies should provide adequate levels of support, comparable to Australian residents, for students who choose to live and study in Australia.

## The study

This research was part of the AHURI rapid-research round funded to provide housing policy development advice in the context of COVID-19 pandemic. This project focussed specifically on understanding the experiences of households in regional areas. The following research questions (RQs) guided our investigation:

1. What has changed in regional housing markets over the period of the COVID-19 pandemic?
2. How have individuals experienced the housing-related consequences of COVID-19?
3. From these experiences, what needs and issues must be accounted for in efforts to improve regional housing opportunities during the COVID-19 recovery?

The research, conducted over two phases, explored these research questions through four data collection methods:

- A range of secondary data to explore changes in regional housing markets, including CoreLogic data for Tasmania and selected comparable regions and cities; Inside Airbnb to track short-stay rental listings, and a range of additional analyses including from the Real Estate Institute of Tasmania (REIT), the Australian Bureau of Statistics (ABS) and the Reserve Bank of Australia (RBA) among others. These sources addressed RQ1.
- Surveys through The Tasmania Project (TTP), an initiative of the University of Tasmania's Institute for Social Change, including a housing-specific themed survey generated for this research that ran between 23 June and 2 July, which included up to 850 participants. The survey addressed RQ2.
- In-depth interviews with 42 participants across Tasmania, living in a range of tenure types. The interviews addressed RQ2.
- An Advisory Group, drawn from a range of stakeholders across the housing services industry met regularly throughout the project to provide high level advice and to guide interpretation and contextualisation of the data. These meetings addressed RQ2 and RQ3.

The study was framed around two phases. The first phase drew on all four data collection methods over June to August 2020 to provide a rapid account of the implications of the pandemic (see Verdouw, Yanotti et al. 2020). The second phase deepened the inquiry across all four methods, with analysis and findings presented in this final report.





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