

Challenges in marginal and informal housing tenures during the pandemic



Based on AHURI Final Report No. 348: Marginal housing during COVID-19

What this research is about

This research examines the impact of the COVID-19 pandemic on marginal and informal housing and short-term rental (STR) accommodation to establish any health and housing risks, and investigate any changes to the demand and supply of informal and STR housing during COVID-19.

The context of this research

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.

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The key findings

The research 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, with accommodation or tenures that violate ‘formal’ building or rental tenancy legislation and/or that offers residents lower levels of protection under those laws. Marginal housing’ describes rental accommodation that relies on shared facilities, and/or offers limited tenancy rights. This accommodation—for instance, boarding/rooming houses, and rental accommodation in residential/caravan parks—is also used by people who meet Australia’s statistical definition of homelessness.

The chronic shortage of affordable rental housing meant that lower income earners have been increasingly dependent on marginal and informal housing in the pre-COVID-19 period. Despite international travel restrictions and the reduction in overseas arrivals during the pandemic, there has been an ongoing demand for, and supply of, these housing types in Sydney. These range from accommodation supplied directly by a landlord (such as secondary dwellings or rooms within the landlord’s home) through to boarding house and share houses.

Health risks in marginal housing

Emerging research in the US indicates that housing quality affects incidence of COVID-19. Preliminary research suggests that with every 5 per cent increase in the percentage of households with poor housing conditions, such as overcrowding, incomplete kitchen facilities, or incomplete plumbing facilities (characteristics of marginal and informal housing), there was a 50 per cent higher risk of COVID-19.

Overcrowding

Household crowding is a condition where the number of occupants exceeds the capacity of the dwelling space available. In their recently released guidelines on Health and Housing, the World Health Organisation (WHO) demonstrate that crowding has an adverse effect on physical and mental health. In addition, there was strong evidence to show that a reduction in crowding would reduce the risk of infectious diseases. Recent research has highlighted that the odds of COVID-19 infection increase in neighbourhoods with higher incidence of household crowding.

Shared facilities

Accommodation in which residents share facilities—such as bathrooms, kitchens, laundries, recreational rooms, and even lifts or stairwells—may increase the risk of disease transmission through contaminated surfaces.

People who are marginally housed in boarding houses, hostels for the homeless, improvised dwellings, or residential caravan parks may be at particular risk due to larger numbers of people sharing facilities.

Inadequate standards

Housing that is poorly maintained or does not comply with building code standards poses particular risks to occupants. Risks associated with substandard dwellings such as secondary units not meeting contemporary building or planning requirements may include:

- damp and mould due to a lack of damp proofing (which non-residential structures such as garages and sheds are not required to include)
- inadequate storm water and sewerage provisions
- hazards from non-residential building materials or inadequate electrical work; lack of smoke detectors
- increased fire risk due to inadequate separation between structures and between property boundaries.

More broadly, there is growing awareness of poor dwelling standards in the private rental sector, particularly at the lower end of the market.

Precarious tenure

Risks arising from the nature of informal rental arrangements relate to the increased insecurity associated with negotiated agreements made directly between landlords and tenants, or between members of group/share households. In the specific context of the COVID-19 pandemic, there have been reports of international students and migrants being evicted from share houses, resorting to rough sleeping and facing housing discrimination due to fears of virus transmission.

There may be additional mental stress for residents of share accommodation during the pandemic period. For those required to work or study at home, insufficient facilities, such as access to a full kitchen or bathroom, and privacy in share accommodation may make this difficult.

At risk groups

Indigenous people are at risk through higher levels of overcrowding and inadequate access to facilities for clean water, which have been linked to a number of poor health outcomes such as childhood kidney disease, eye diseases and respiratory diseases. Inadequate access to potable water and poor sanitation facilities can impact personal hygiene, and thereby impact the ability to prevent the spread of viruses (such as COVID-19) through laundering and hand and face washing.

Healthcare workers have an especially high risk of contracting COVID-19. For those workers maintaining roles that require contact with others and who also happen to be living in marginal or overcrowded housing, this risk of exposure to the virus is then shared among their other household members where the ability to physically distance is impeded. These workers have in some instances needed to source alternative accommodation because of household concerns relating to the risk of disease transmission.

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Age is a known risk factor in relation to the COVID-19 virus, with people over the age of 60 at greatest risk of adverse health outcomes if they become infected. People over the age of 60 who are also living in substandard housing therefore have multiple vulnerabilities. Residents of boarding houses can be relatively concentrated based on their age, with research identifying 33 registered boarding houses in NSW where two-thirds or more of the residents were over the age of 60

Group households and multi-family households were also identified as being at higher risk of being vulnerable to COVID-19 outbreaks.

The circumstances of international migrants is not well known, and many international migrants may be resorting to informal and marginal housing due to less access to government support and a lack of support networks.

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.

Changes in the low-cost and short term rental markets

The Sydney, Hobart, and Shoalhaven (NSW South Coast) rental market were characterised by rental affordability pressures prior to the pandemic, potentially exacerbated by the diversion of housing units to short-term Airbnb-style tourist accommodation.

During the pandemic we find a marked easing of rental vacancy rates in Hobart, which appears linked to a release of short-term Airbnb-style units back to the long-term rental market. Between March and April STR listings decreased by 22 per cent in Hobart and by 14 per cent in Sydney.

In Sydney rental vacancy rates have stabilised over the past 12 months, but median rents remain unaffordable for lower income earners. The release of some STR accommodation into the permanent rental and informal rental market has increased supply but not demonstrably at the affordable end of the market.

In Hobart it would appear that most of the change in STR listings (assumed to be about 70% of previous STR properties) are moving to the permanent rental market.

Table 1: Examining rental markets and Airbnb interactions in Hobart LGAs

	LGA	Glenorchy	Clarence	Hobart	Kingborough	Total
Private rental dwellings 2016 census*		4,804	3,726	6,397	2,434	17,361
Estimated number of Airbnb properties moving to the PRM		13	36	113	38	200
Airbnb Density March		2%	6%	12%	11%	
Change in vacancy rate from reduction in Airbnb		0.3%	1.0%	1.8%	1.6%	1.1%
Change in vacancy rate from demand reduction**		0.2%	0.8%	0.8%	1.4%	0.7%
Change in median rents March to June Quarter#		-2%	-7%	-9%	-9%	
Estimate from Phibbs (2018)		-2	-7	-10	-9	
Airbnb share of change		46%	55%	65%	65%	58%

Notes: *Inflated at 1% per annum to provide a 2020 estimate & VR is the Vacancy Rate

**Based on loss of demand for 125 dwellings

Sourced from (TUTAS 2020b) 3-bedroom dwellings

Source: Compiled by authors from listed data.

In Shoalhaven on the NSW South Coast, by June 2020 the vacancy rate had fallen to 0.7 per cent and rents had risen by 2.7 per cent. It is likely that some of this increased rental demand was driven by displaced households affected by the summer 2019–20 bushfires. Around 20 per cent of the housing stock is second or holiday homes.

What is clear is that relatively small changes in the availability of dwellings can have very significant impacts on rents. Rents will decrease if a change in supply can increase the vacancy rate. We have observed that even a modest reduction in Airbnb listings (about 17%) is associated with a significant reduction in rents. In tight rental markets it is clear that small changes in supply can make a significant difference for long-term renters.

Using STR accommodation for priority housing

There is little evidence to suggest that STR accommodation has been used as an emergency housing resource during the pandemic period in Australia. Rather, hotel accommodation has been offered to homeless people (particularly rough sleepers) during the pandemic period, including residents of boarding houses who test positive for COVID-19. An important finding is that initial assistance with accommodation, combined with increased welfare payments, has supported efforts to secure longer term housing. In very tight rental markets, such as the Shoalhaven LGA, there may be opportunities to use residential tourist stock as medium-term transitional accommodation for those with priority housing needs.

What this research means for policy makers

Falling demand for STR accommodation during the pandemic has improved overall rental availability in case study markets of Hobart and Sydney. These improvements should be encouraged by more effectively preventing the loss of residential units to tourist accommodation in high demand housing markets.

Long-term increases in affordable rental housing are needed to address the underlying problems facing Australia's lower income renters, particularly those who are homeless or at risk of homelessness. Intermediate solutions such as increased income support for more appropriate housing, and assistance with accessing private rental units, should be further explored.

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.

Governments and education providers need to play a stronger role in ensuring that adequate housing is available for students and temporary visa holders.

Many healthcare and other essential workers are living in marginal and informal housing circumstances. This is an immediate concern during the pandemic, where frontline and public-facing workers are living in circumstances that may be substandard or overcrowded, increasing the risk of disease spread. This is also a long-term concern, due to the threat of the re-emergence of COVID-19 and other future pandemics.

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, particularly essential workers exposed to the public and who cannot work from home, as a public health measure.

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. Limiting short-term rentals in high demand local housing markets to permanent residences only (ie. when the primary occupants are away), or a permit system for STR units capped at a proportion of the existing rental market, would address affordability concerns while also better regulating and monitoring tourism within residential accommodation.

Methodology

This research reviewed ABS 2016 data; low-cost rental, informal, and share housing advertisements; STR platform data; and interviews with building compliance officers, public health experts and homelessness service providers.

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