

Media Release

9 October 2018

Rental uncertainty and affordability problematic for private renters

**--- Over one-third of single parent renters reported discrimination ---
--- Tax incentives for landlords recommended to deliver subsidised rentals ---**

Private renters, particularly older and low-income households, say uncertainty over their leases and affordability pressures are a major issue in the private rental sector, findings highlighted in two new reports released today by the Bankwest Curtin Economics Centre (BCEC) show.

Both reports examine the state of the private rental sector in Australia by drawing on data from the latest BCEC Housing Affordability Survey and Australian Census.

Report author of *'The private rental sector in Australia: Public perceptions of quality and affordability'*, Associate Professor Steven Rowley, from the School of Economics, Finance and Property at Curtin University, said the Australian private rental sector appeared to be delivering quality and affordable housing for most renters, but was failing those on low incomes.

"The majority of private renters have a household income of \$78,000 or less, and more than half of respondents said they were in housing stress because they were being forced into unaffordable accommodation due to a lack of suitable alternatives," Associate Professor Rowley said.

"For Australians aged 55 and over, we see 63 per cent are paying more than 30 per cent of their income on rent. The situation isn't much better for the youngest age groups."

The report found some positives with dwelling quality generally perceived as good, the relationship between the landlord and tenant often excellent and strong feelings of home in the sector.

It also examined the rental application process, finding 36 per cent of single parents suffered discrimination when applying for a new rental property.

"Single parents often reported having to apply for multiple rental properties before being successful, and this same group was overwhelmingly the least likely to feel comfortable in their home once they found rental housing," Associate Professor Rowley said.

These findings are in line with a second report also launched by the BCEC today, which found older Australians reported facing a lack of tenure security despite 41 per cent looking to sign long-term leases and another 23 per cent open to a lease extension if it was available.

That report, *Older renters in the Western Australian private rental sector: Strategies to enhance housing security for WA's older renters*, also examined data from the BCEC Housing Affordability Survey to explore strategies to make tenancy agreements more secure for older people.

Report author Associate Professor Helen Hodgson, from the Curtin Law School, said it was important for older Australians to have the security to be able to age in place, particularly if the alternative was premature admission into an aged care facility.

"Our research found many older renters have only been in their current home for up to three years with 41 per cent of older Australian renters forced to leave their previous rental property due to factors beyond their control," Associate Professor Hodgson said.

“This insecurity is exacerbated by a lack of affordable, and suitable, housing options for older renters, coupled with an inadequacy of the aged pension and Commonwealth Rent Assistance payments.”

The reports suggest policy measures that could be introduced in order to make private rentals more affordable and leases more secure, such as through tax incentives to landlords.

“The delivery of a substantial supply of subsidised rental accommodation would ease the incidence of housing stress for low income earners. Such accommodation could be delivered through tax incentives and an appropriately structured build to rent sector,” Associate Professor Rowley said.

Associate Professor Helen Hodgson said many affordable rental properties require modifications to allow older tenants to be safe and secure in that property, and targeted tax incentives could encourage landlords to make the necessary modifications.

“Negative gearing, land tax exceptions and accelerated depreciation are measures that federal and state governments could introduce, in order to build a new tier of housing which is partly government funded but less costly than public housing,” Associate Professor Hodgson said.

Key findings from the reports include:

The private rental sector in Australia: Public perceptions of quality and affordability

BCEC Housing Affordability Survey – Australia’s private rental sector (PRS)

- The BCEC Housing Affordability Survey received 3,182 responses and was representative of the Australian private rental sector.
- Of respondents working part time, 50 per cent wanted to work more hours but those hours were not available.
- 34 per cent of respondents were in receipt of Commonwealth Rent Assistance (CRA) and of these recipients, more than 90 per cent stated it was very or extremely important.
- 29 per cent of respondents have been in the PRS for more than 10 years while a further 31 per cent have rented for between 5 and 10 years.
- Two-thirds of renters have been in their current dwelling for no longer than three years and, despite the high proportion of long-term renters in the survey, only seven per cent of renters, had been in their dwelling for 10 years or more.

Discrimination

- Almost half of respondents rented the first property they applied for while 18 per cent applied for four or more dwellings before securing a property. Those most likely to apply for more than one property were households containing children.
- Discrimination was highlighted as a factor by one in five respondents, rising to more than a third for single parent households with children.

Dwelling quality, landlord relationships and lease terms

- More than 70 per cent of respondents stated their dwelling was suitable for their needs with only seven per cent stating it was not, with the balance rating their property as partly suitable.
- 31 per cent were forced to leave their last property while 56 per cent made a choice. The primary reason for a forced leave was the owner selling the property.

- 55 per cent of those with a lease had a 12-month term, with just under 11 per cent reporting a lease term of two years or longer. 12 per cent had a lease duration monthly or shorter.
- When asked if they would choose to sign a lease longer than one year, if available, 46 per cent stated they would while 39 per cent replied maybe. Only 14 per cent stated no.
- 48 per cent of respondents claimed a good understanding of their rights as tenants while 12 per cent stated they do not understand their rights very well.

Affordability

- Almost half of all renters are paying over 30 per cent of their income on rent. This figure rises to 63 per cent for older respondents (aged 55 and older).
- For those paying over 30 per cent of their income in rent, 57 per cent stated they were forced into this position with the remainder making a choice.
- Two thirds of respondents said they were planning to buy their own house at some point in the future, while 29 per cent said they did not intend to do so.
- A quarter of respondents (808) in the survey previously owned a residential property and a further eight per cent currently own an investment property but rent their dwelling. Of the 808, only 27 per cent chose to sell with the remainder being forced.
- Around 19 per cent of renters are in the PRS because they had been forced out of owner occupation.

Policy implications

- A replacement for the scrapped National Rental Affordability Scheme (NRAS), which delivers a supply of discounted rental accommodation, is essential.
- The findings highlight the importance of Commonwealth Rent Assistance. Without the subsidy, affordability pressures would be even greater.
- Aside from affordability, the lack of security in the sector remains an issue with almost a third of tenants forced to leave their last rental property.
- Policy reform around incentives for landlords such as capital gains tax and negative gearing could be tied to landlords offering long-term leases at below market rents for those in the PRS that are the most vulnerable.

Older renters in the Western Australian private rental sector: Strategies to enhance housing security for WA's older renters

BCEC Housing Affordability Survey – Australia's older renters

- 67 per cent of older renters had been homeowners at some point in the past.
- 63 per cent of older renters pay more than 30 per cent of their income as rent, and, alarmingly, 21 per cent of older renters pay more than 60 per cent of their income towards rent.
- 44 per cent of older renters in housing stress indicated they were forced into the scenario because of a lack of other affordable options.
- Commonwealth Rent Assistance (CRA) is very important to the 60 per cent of renters who receive it.
- 41 per cent of older renters were forced to leave their previous dwelling through circumstances outside their control, and 12 per cent were not confident the lease would be renewed.
- Most leases were for 12 months, but half of all tenants would choose to sign a longer lease, if offered, as it would offer increased security.

Enhancing the legal framework

- Although the existing legal frameworks seek to balance traditional inequalities between landlords and tenants, lease terms remain short and relatively easy to terminate.
- Legislative solutions to concerns around insecure tenure include introducing longer leases coupled with the elimination of “no-grounds” termination of leases.
- Due to landlord resistance and the cost of restoring the property to its former condition at the end of the lease, older renters are often prevented from installing age-friendly modifications or keeping a pet or reluctant to assert their rights due to concerns about retaliation.
- Tenants should have enhanced rights to request modifications to a property to provide them the security to age in place, as the alternative may be premature admission into the aged care system.

Financial models

- There is a shortage of affordable housing available for older renters and many older renters are only able to find accommodation in the private rental market, increasing the incidence of housing stress.
- The gap between market and affordable rents for recipients of pensions and allowances could be addressed with increased subsidies payable, either to the renter or the owner of properties in the private rental market.
- Subsidies to tenants should be through increased levels of CRA, which should be urgently revised and indexed to local markets on an ongoing basis.
- A similar scheme to the National Rental Affordability Scheme (NRAS), which was developed to build new accommodation, should be designed to improve the standard of existing rental stock through additional capital allowances on appropriate refurbishment, or land tax concessions.

Alternative housing models

- There is too much reliance on traditional models of housing that are inadequate in terms of age-specific accessibility and practicality.
- Existing forms of accommodation can be utilised in innovative ways to provide a sense of mutual support and community eg. through share housing, co-housing, rental retirement villages, ancillary dwellings and purpose-built developments.

Ends.../

About the Bankwest Curtin Economics Centre (BCEC):

BCEC is an independent economic and social research organisation located within Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest, a division of the Commonwealth Bank of Australia.

The Centre’s core mission is to deliver high quality, accessible research that enhances our understanding of key economic and social issues that contribute to the wellbeing of West Australian families, businesses and communities.

Notes to the Editor:

Copies of the reports are available upon request.

Interviews with the report authors are available to be pre-scheduled on Monday 8 October, including morning radio and television. Interviews will also be available following the report launch on the afternoon of Tuesday 9 October.

Media Enquiries:

Yasmine Phillips, Manager, Media Relations, Curtin University

Tel: (08) 9266 9085; Mobile: 0401 103 877; Email: yasmine.phillips@curtin.edu.au
 Web: www.news.curtin.edu.au/media-centre Twitter: [@CurtinMedia](https://twitter.com/CurtinMedia)

Associate Professor Steven Rowley, School of Economics, Finance and Property, Curtin University

Tel: (08) 9266 7721; Mobile: 0431 658 081; Email: Steven.Rowley@cbs.curtin.edu.au

Associate Professor Helen Hodgson, Curtin Law School, Curtin University

Tel: (08) 9266 5620; Mobile: 0418 906 162; Email: Helen.Hodgson@curtin.edu.au

Selected figures and tables:

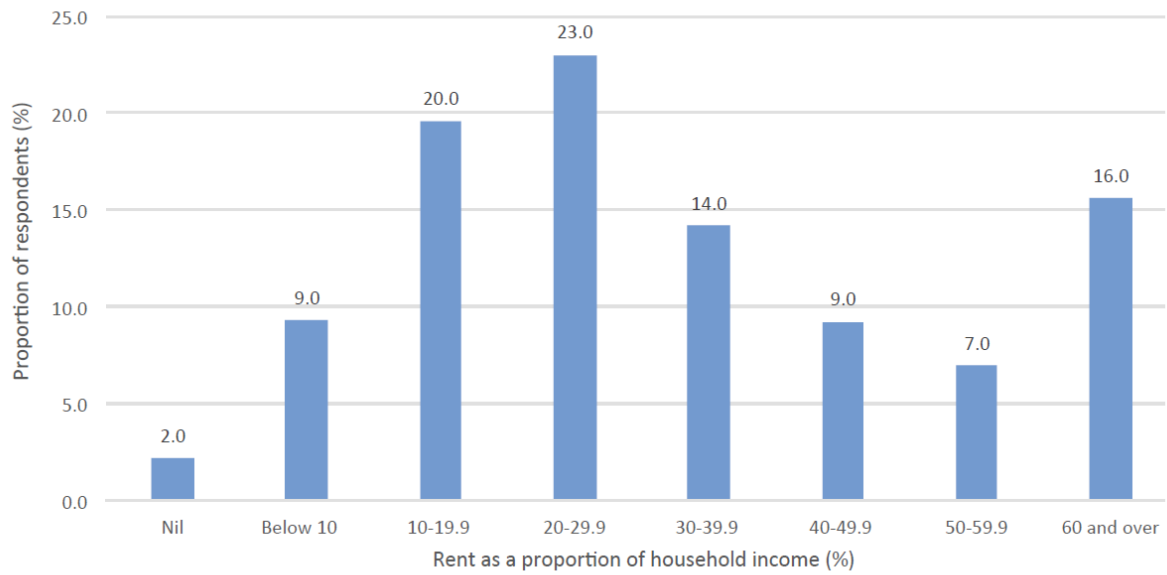
The private rental sector in Australia: Public perceptions of quality and affordability

Table 9 Reasons for leaving previous dwelling

Reason for leaving previous dwelling	Proportion (%)
Forced - Owner was selling	15.5
Forced - Owner did not renew lease as they wanted to move back in	4.5
Forced - Violence/other incident	4.4
Forced - I was given no reason why the lease was not renewed	1.7
Forced - Rental increase was unaffordable	4.9
By Choice - To access a more affordable dwelling	19.3
By Choice - To access a more appropriate dwelling for my household	24.1
By Choice - To access better services (Schools, employment etc.)	12.6
Other	13.0
Forced	31.0
Choice	56.1

Source: Bankwest Curtin Economics Centre | Private Rental Sector Survey.

Figure 7 Rent as a proportion of gross household income



Source: Bankwest Curtin Economics Centre | Private Rental Sector Survey.

Table 15 Reasons for paying a high proportion of income in rent

	18-24	25-34	35-44	45-54	55-64	65+
	(%)	(%)	(%)	(%)	(%)	(%)
By choice - to access a preferred location	35.2	28.1	21.6	9.4	16.1	22.1
By choice - to access a preferred house type/size	18.1	19.2	17.3	20.5	9.5	16.9
Forced - to access a suitable location	15.0	13.2	8.6	10.3	8.3	11.0
Forced - to access a suitable house type	7.3	7.9	10.8	12.8	15.5	9.6
Forced - no other options available	24.4	31.5	41.7	47.0	50.6	40.4
Choice	53.3	47.3	38.8	29.9	25.6	39.0
Forced	46.7	52.7	61.2	70.1	74.4	61.0

Source: Bankwest Curtin Economics Centre | Private Rental Sector Survey.

Table 18 Rental dwelling as a home

Age Group	0-4	5-7	8-10
	(%)	(%)	(%)
18-24	17.0	38.0	46.0
25-34	19.0	38.0	43.0
35-44	19.0	42.0	39.0
45-54	25.0	35.0	41.0
55-64	22.0	35.0	44.0
65+	10.0	25.0	64.0
Living arrangements			
One person	18.0	34.0	49.0
Living with a friend or relative in a group/shared house	19.0	44.0	37.0
Living with Parents/family (in the family home)	15.0	34.0	50.0
Couple, no children living at home	17.0	35.0	48.0
Couple with children living at home	18.0	40.0	42.0
Single person with children living at home	28.0	32.0	40.0
Multi-generational household (for example a couple with children living with their parents)	17.0	37.0	46.0
How many dwellings have you rented?			
1	13.0	39.0	47.0
2	17.0	36.0	46.0
3-5	20.0	37.0	44.0
6-10	23.0	35.0	42.0
10 or more	25.0	38.0	37.0
How long have you lived in your current dwelling?			
Less than one year	22.0	41.0	37.0
1-3 years	21.0	37.0	43.0
3-5 years	15.0	35.0	50.0
5-10 years	13.0	33.0	53.0
10-15 years	9.0	43.0	49.0
More than 15 years	9.0	28.0	63.0

Note: Columns represent ranking from 0 to 10 of how much their rental dwelling felt like home. 0 meant the dwelling did not feel like home at all with 10 meaning the dwelling feels completely like home.

Source: Bankwest Curtin Economics Centre | Private Rental Sector Survey.

Older renters in the Western Australian private rental sector: Strategies to enhance housing security for WA's older renters

Table 4 Median rent as a proportion of income

Proportion of income paid to rent	%
0	3
Below 10%	6
10 to 19.9%	9
20 to 29.9%	19
30 to 39.9%	15
40 to 49.9%	15
50 to 59.9%	12
60% and over	21

Table 5 Reason for selling a purchased dwelling

Reason	%
It was sold as part of a relationship breakdown	39.18
I was forced to sell because I could no longer afford the mortgage	19.01
I chose to sell because I was moving to another location	16.67
I was forced to sell because I needed the capital	7.4
I chose to sell to release capital	6.94
I was forced to sell due to illness	5.5
I chose to sell because I wanted to rent instead	2.75
I was forced to sell due to family pressure	2.57
Forced	73.6
Choice	26.36

Table 16 Number of dwellings rented in the private rental sector by number of years in the private rental sector

Number of years in the private rental sector	Years in current dwelling						Total
	1-3 houses	4-6 houses	7-10 houses	11-15 houses	15 or more	Unsure	
	%	%	%	%	%	%	
10 years or less	69	23	6	0	0	3	100
More than 10 years	24	30	16	6	17	7	100

Table 17 Support of property managers and landlords in modifying rental properties

Reasons	%
Forced – Owner was selling	19
Forced – Owner did not renew lease as they wanted to move back in	7
Forced – Violence/other incident	5
Forced – I was given no reason why the lease was not renewed	1
Forced – Rental increase was unaffordable	9
By Choice – To access a more affordable dwelling	17
By Choice – To access a more appropriate dwelling for my household	19
By Choice – To access better services (Schools, Health services, employment)	2
Other	21
Forced	41
Choice	38

Figure 6 Importance of factors relating to home

