



Australian Government
Productivity Commission

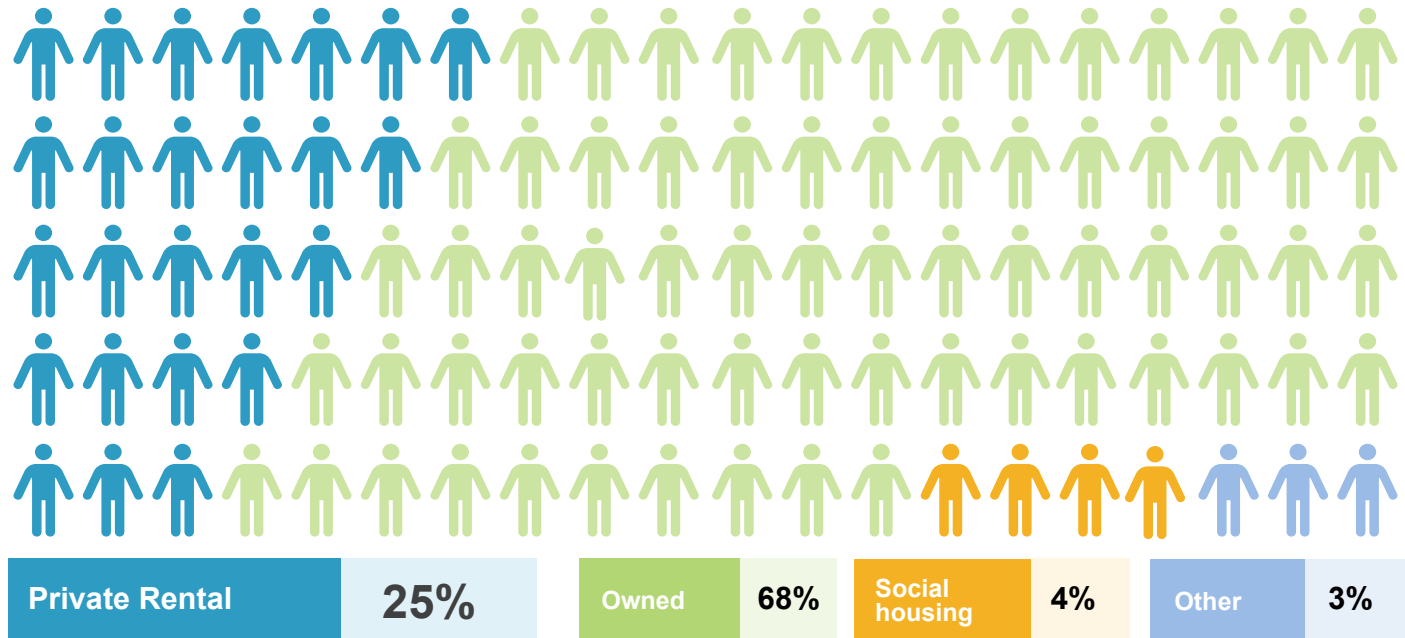
RESEARCH PAPER | SEPTEMBER 2019

Vulnerable private renters: evidence and options

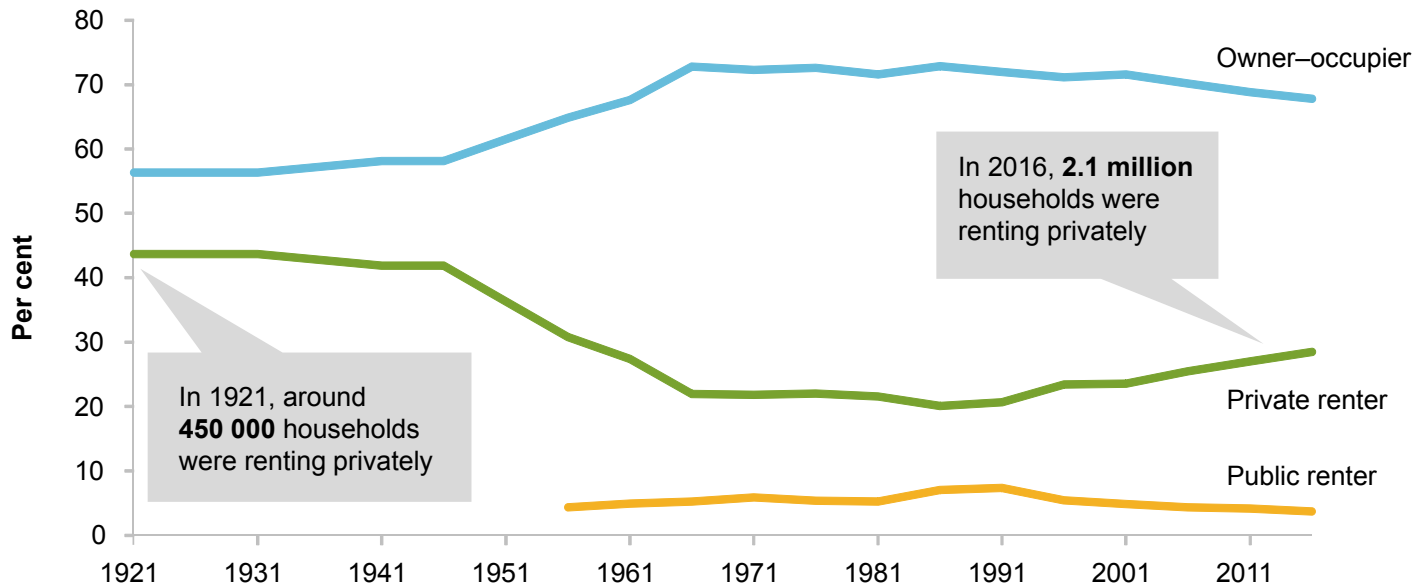
▶ *Visual summary*



▶ The private rental market houses a quarter of Australian households ...

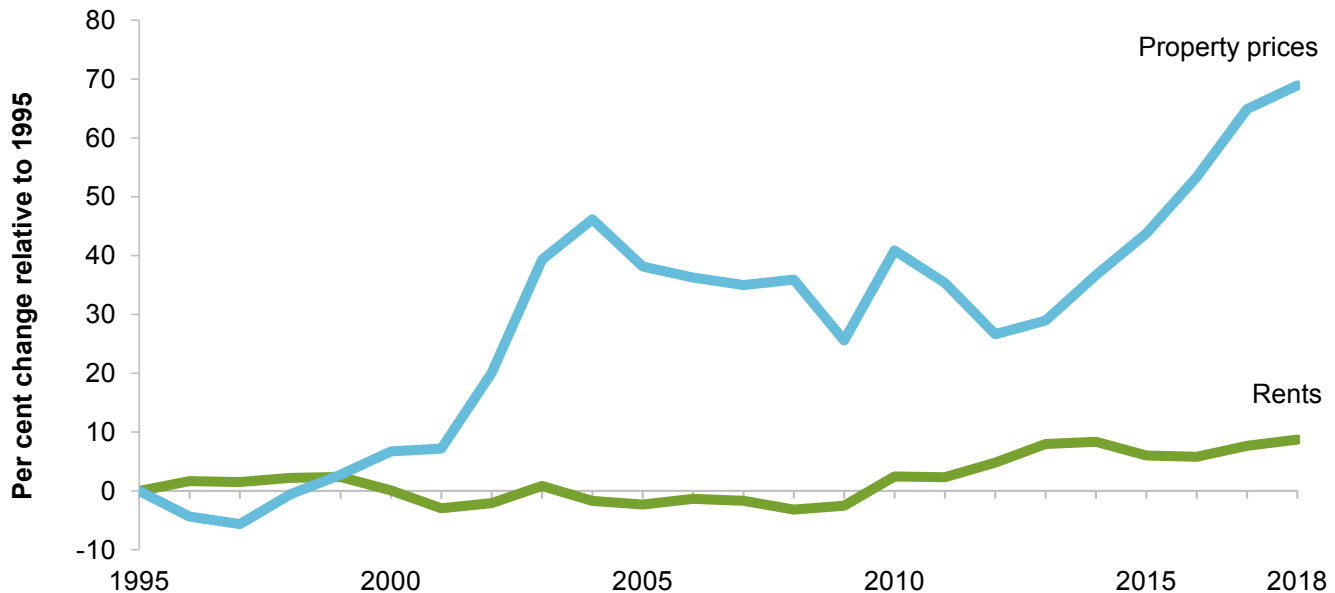


... and there has been a shift towards private rental housing



▶ Property prices soared above incomes, making saving for a home more difficult ...

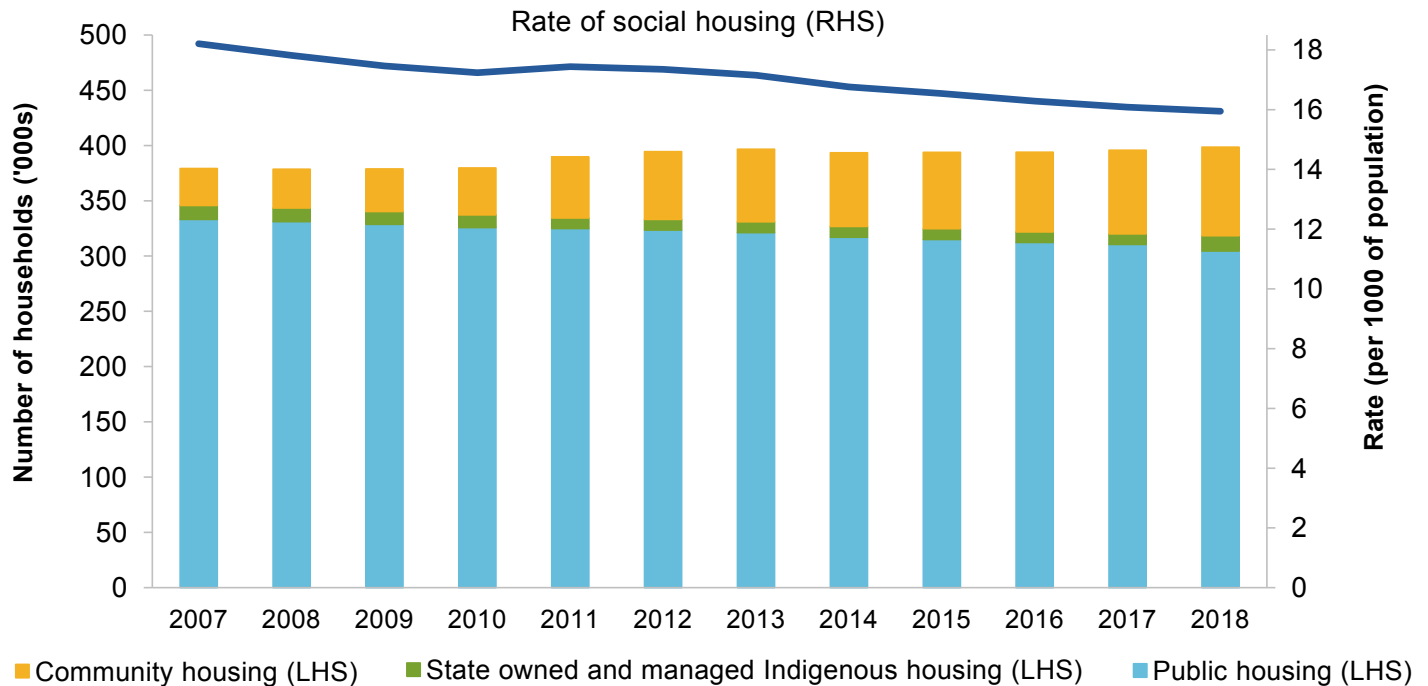
Ratio of property sales prices and rents to mean household disposable income, per cent change relative to 1995





... and the supply of social housing has not kept up with population growth

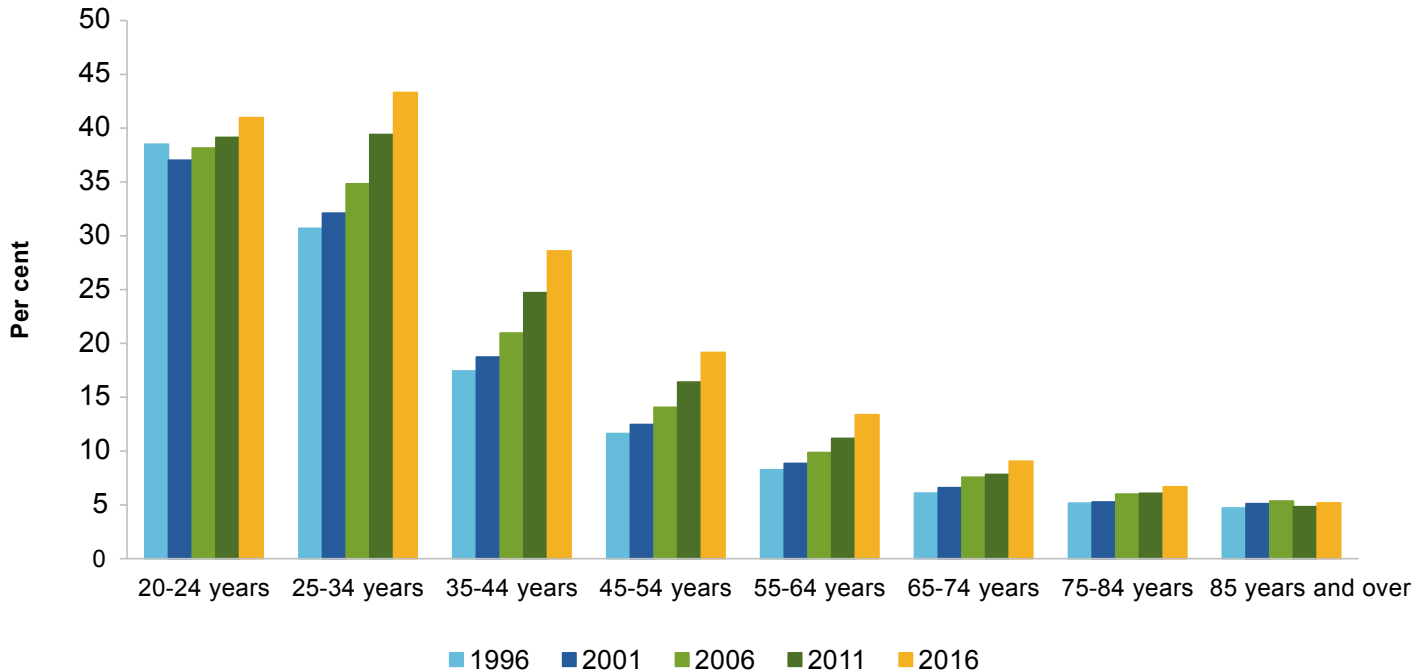
Households in social housing: number and rate per 1000 of the population





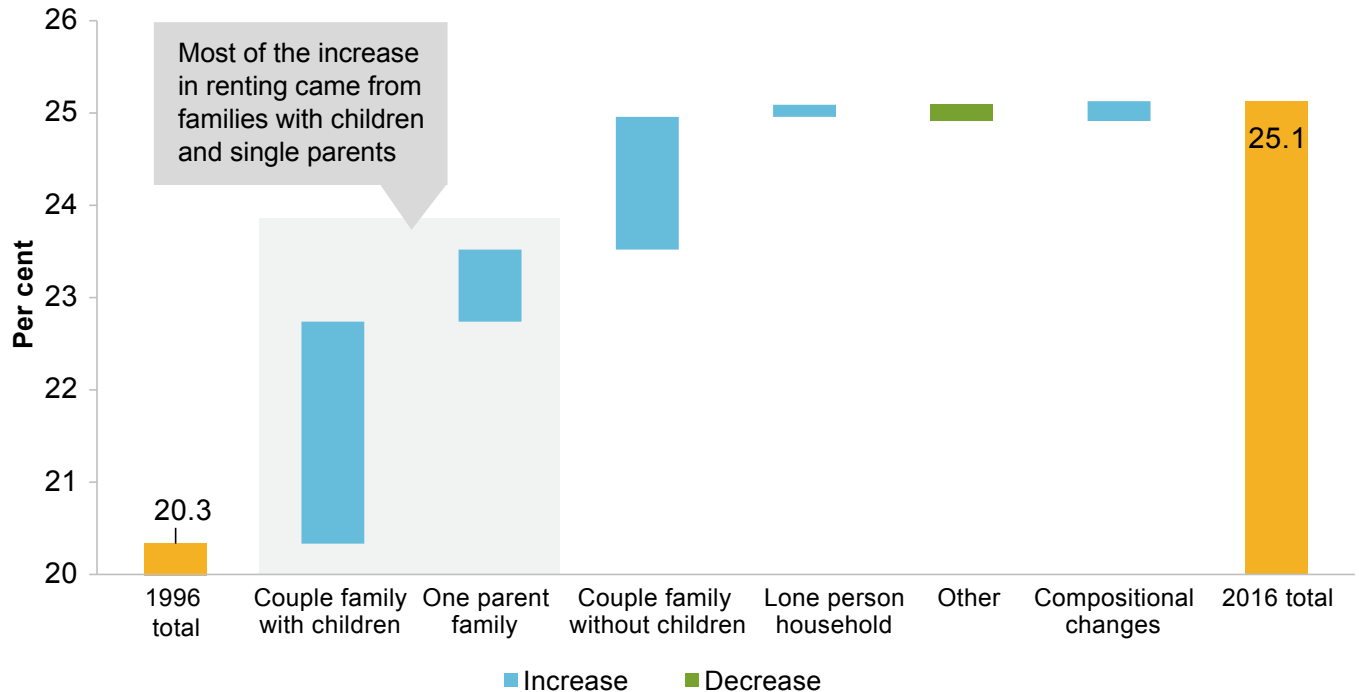
These forces have meant that the rate of private renting has increased across all age groups ...

Rate of private renting by age group, 1996 to 2016



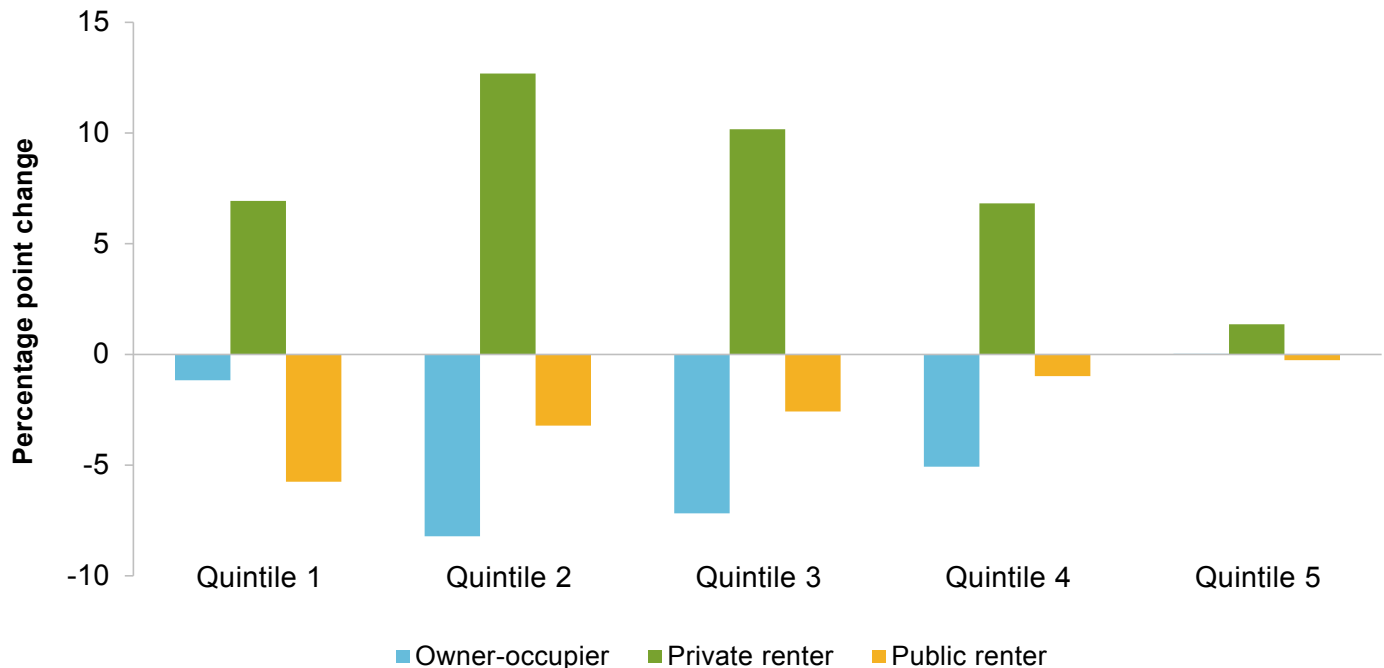
... and family types

Contribution to the overall increase in private renting by household type, 1996 to 2016



▶ These forces have also led to more low- and middle-income households moving into the private rental market

Percentage point change in the proportion of households in different tenures between 1994-95 and 1995-96 (averaged), and 2015-16 and 2017-18 (averaged), by equivalised household income quintile

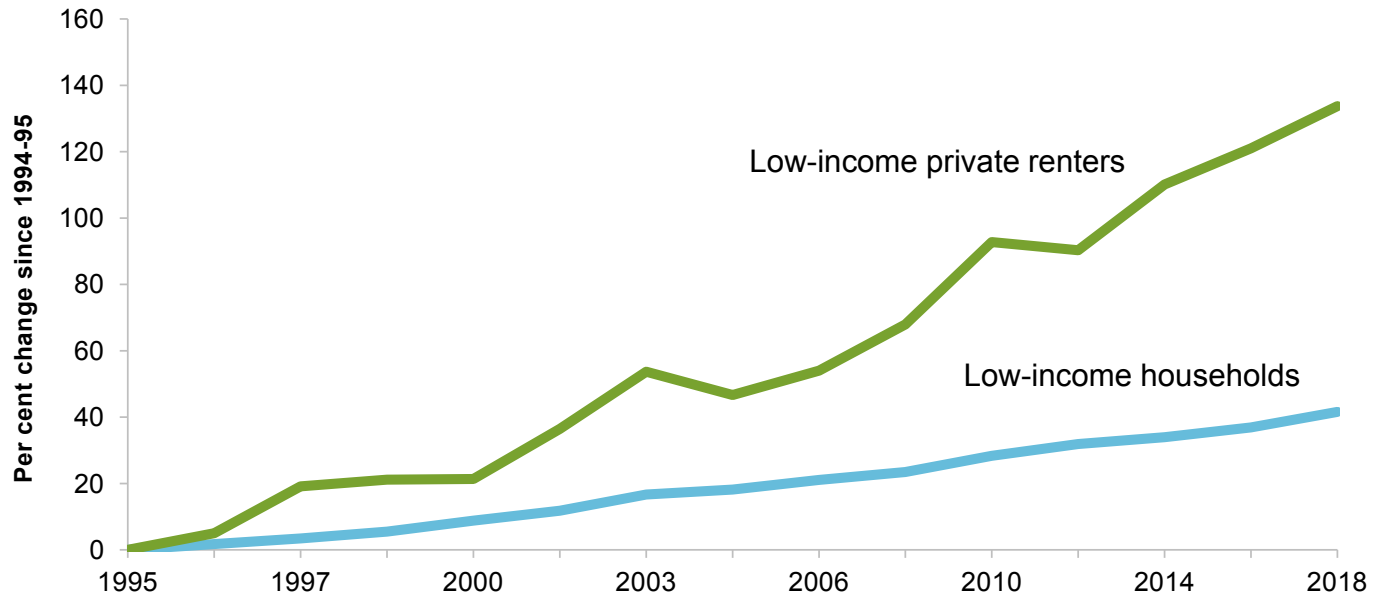


▶ Consequently, private renters are more likely than before to have low or middle incomes

Equivalentised income decile distribution of private renter households, 1994-95 and 1995-96 (averaged) and 2015-16 and 2017-18 (averaged)



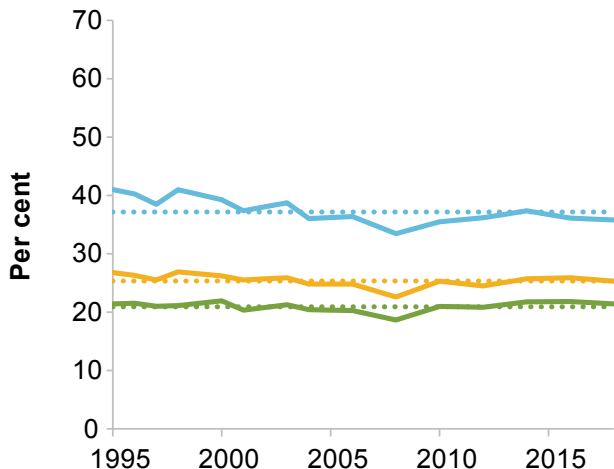
▶ The population of low-income households grew by 42 per cent since 1994-95, while the number of low-income private renter households increased by 134 per cent



Overall, the private rental market performs well. Affordability has been steady over the past two decades ...

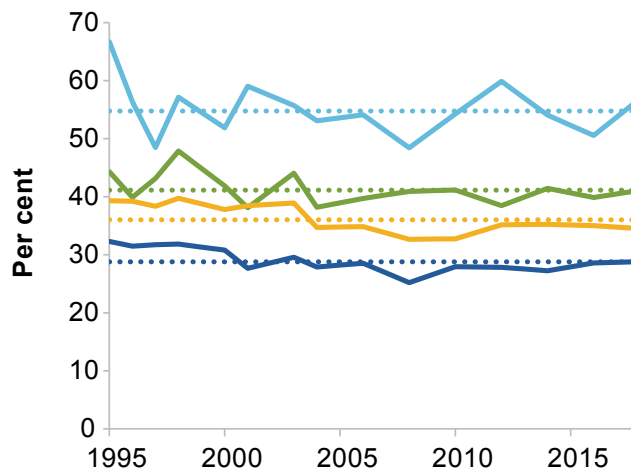
Median rent-to-income ratios (dashed lines indicate averages)

... for low- and higher-income households



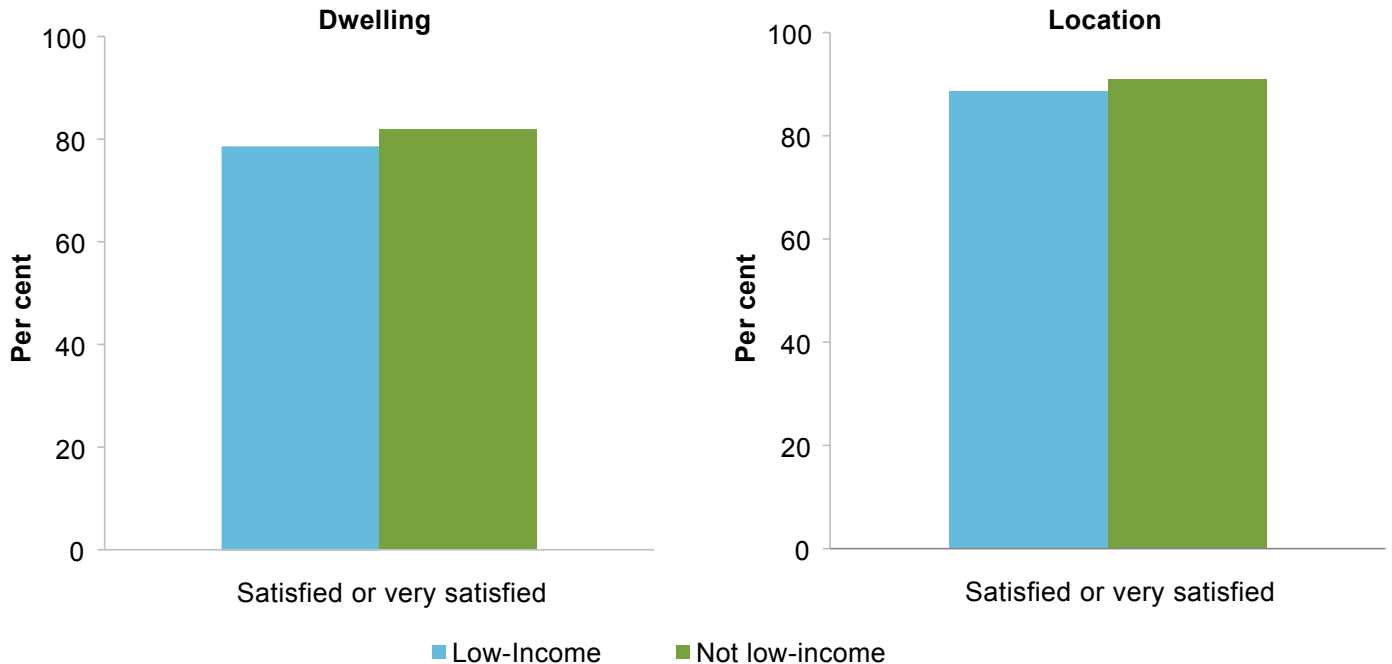
- Low-income households
- Higher-income households
- All households

... by income decile



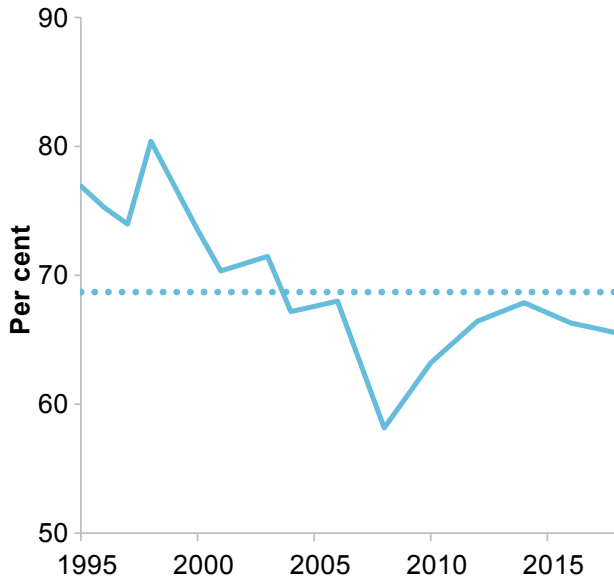
- Decile 1
- Decile 2
- Decile 3
- Decile 4

▶ ... and most renters are satisfied with their housing

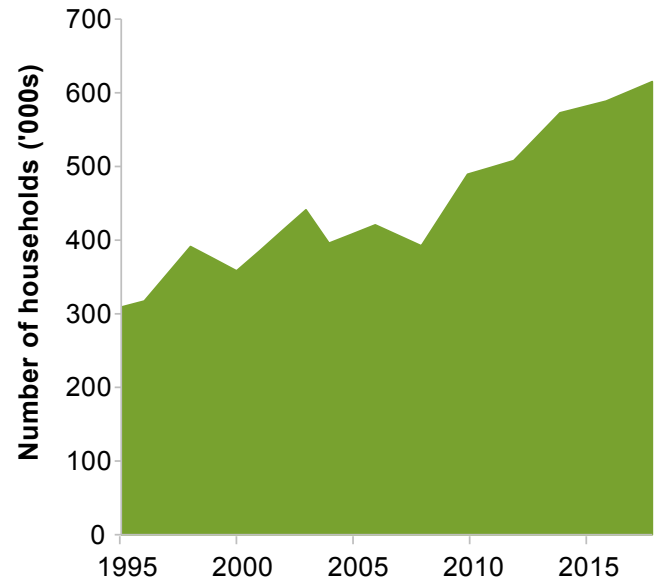


▶ Among low-income private renters, the *rate* of rental stress has declined over the past two decades but the *number* in rental stress has grown

Share of low-income private renters in rental stress

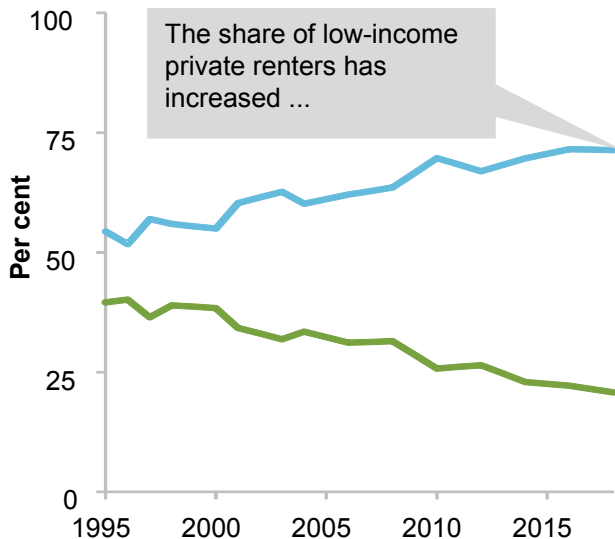


Number of low-income private renters in rental stress

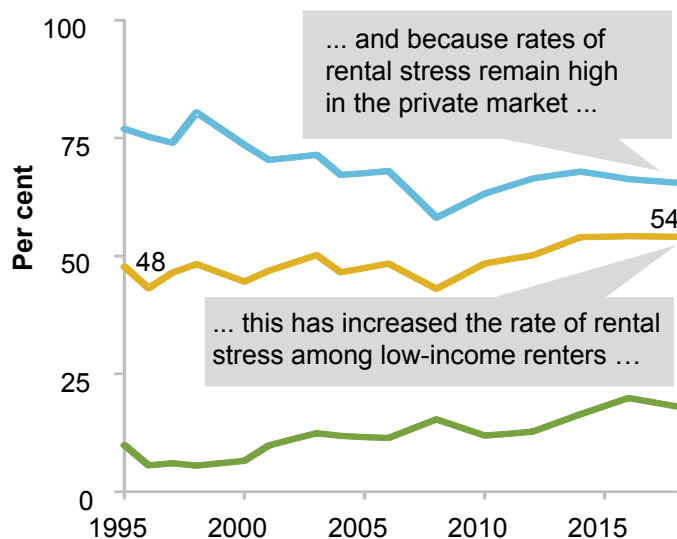


▶ The combination of a growing *share* of low-income private renters in the rental market and their high rate of rental stress has lifted the rate of rental stress among *all* low-income renters

Share of low-income renters by landlord type



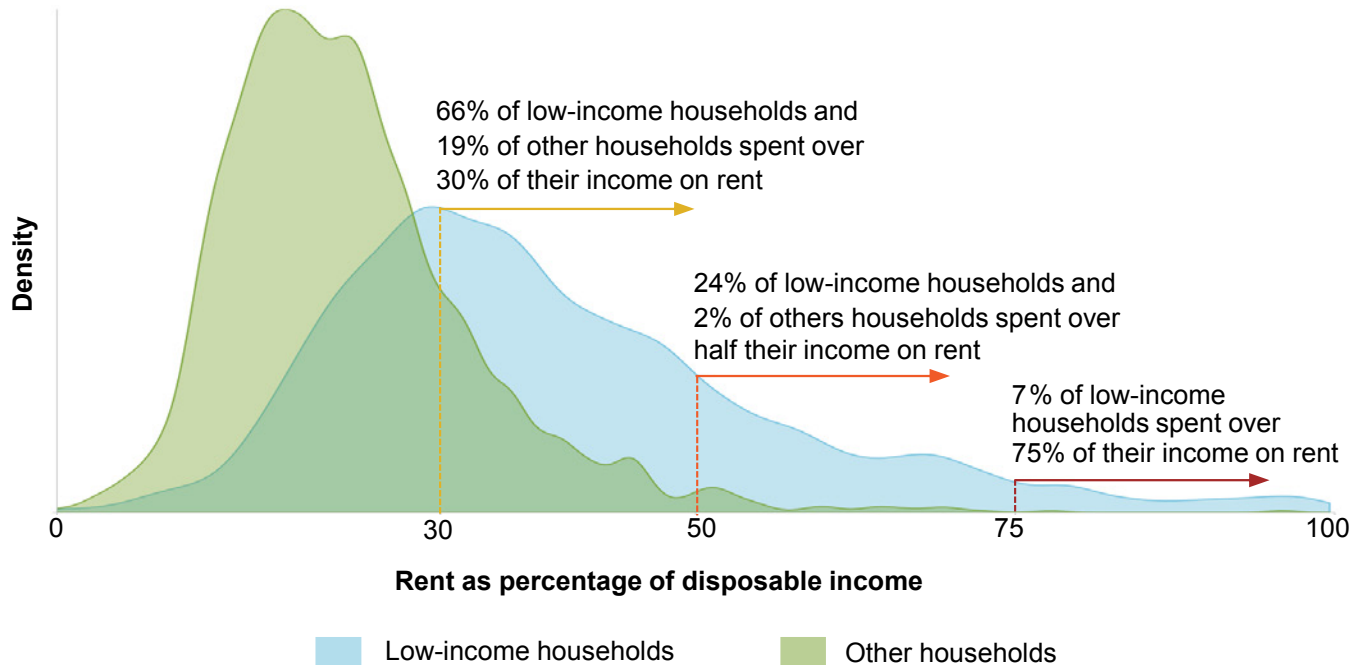
Rates of rental stress among private, public and all low-income renters



— Private renters — All renters — Public renters

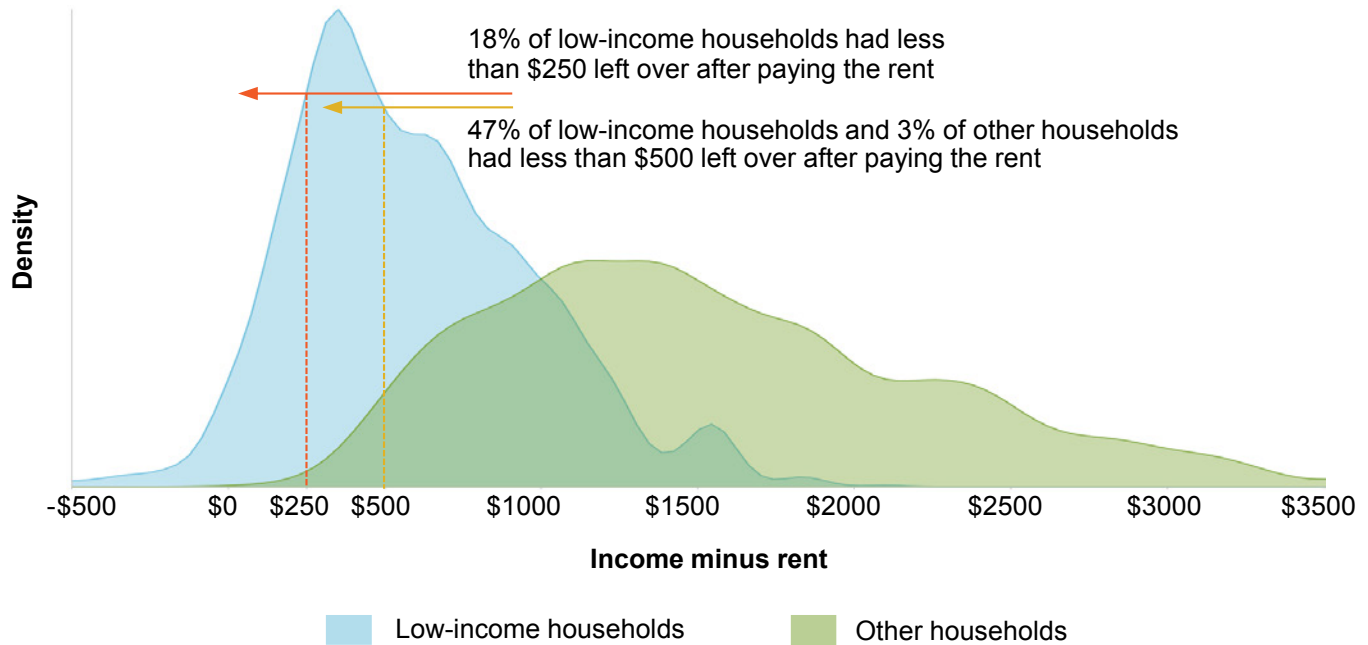
► In the private rental market, many vulnerable renters struggle with affordability, spending far more than 30 per cent of their income on rent ...

Distribution of rent-to-income ratios, 2017-18



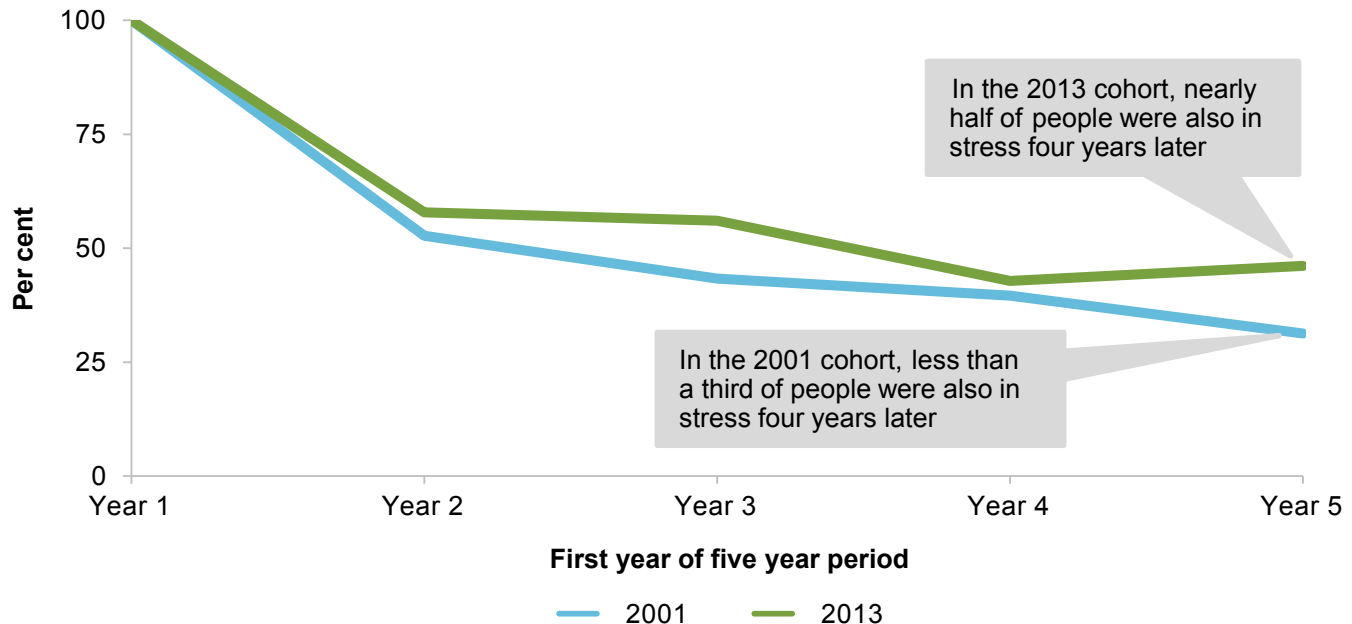
► ... and having little money left over to meet other expenses

Distribution of the amount of money left over after subtracting household rent from household income per week, 2017-18



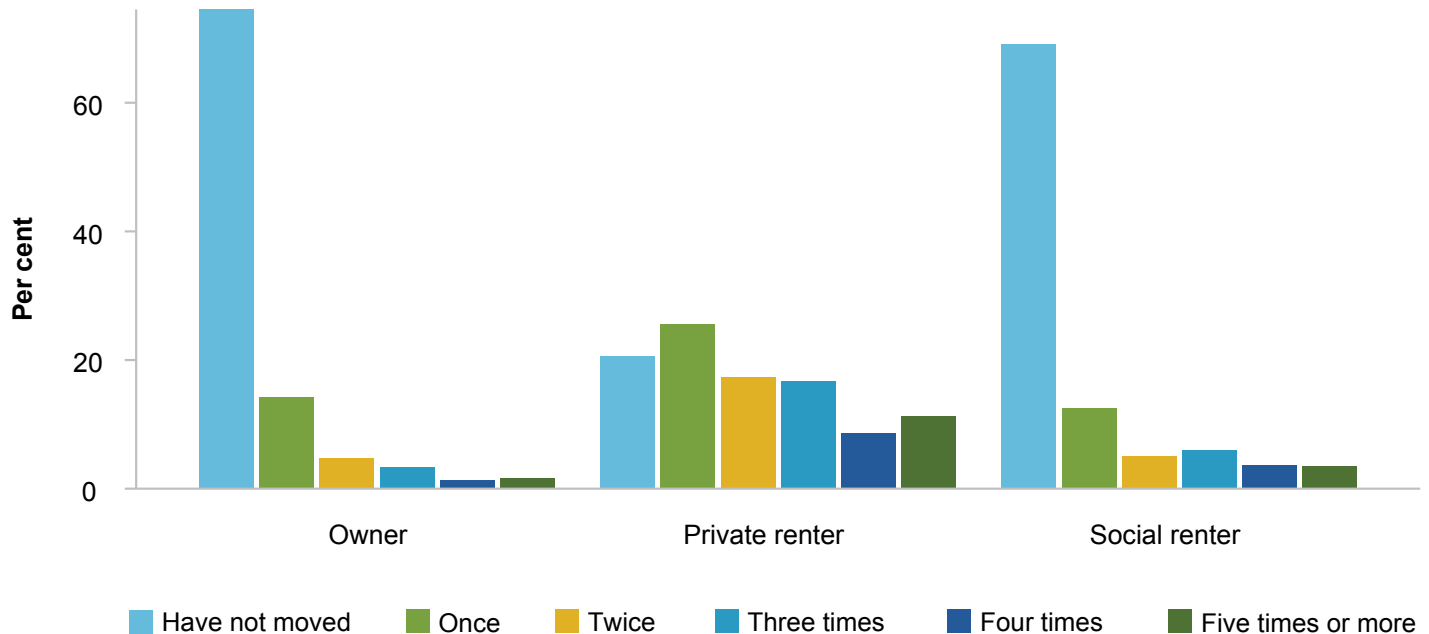
The 'stickiness' of rental stress has increased over time

While many people exit rental stress quickly, the proportion of private low-income renters in persistent rental stress has increased



▶ Private renters tend to move often ...

Distribution of the number of times moved in the past five years, by tenure, 2013-14.



▶ ... and mostly by choice ...

Main reasons for most recent residential move by private renters, 2013-14

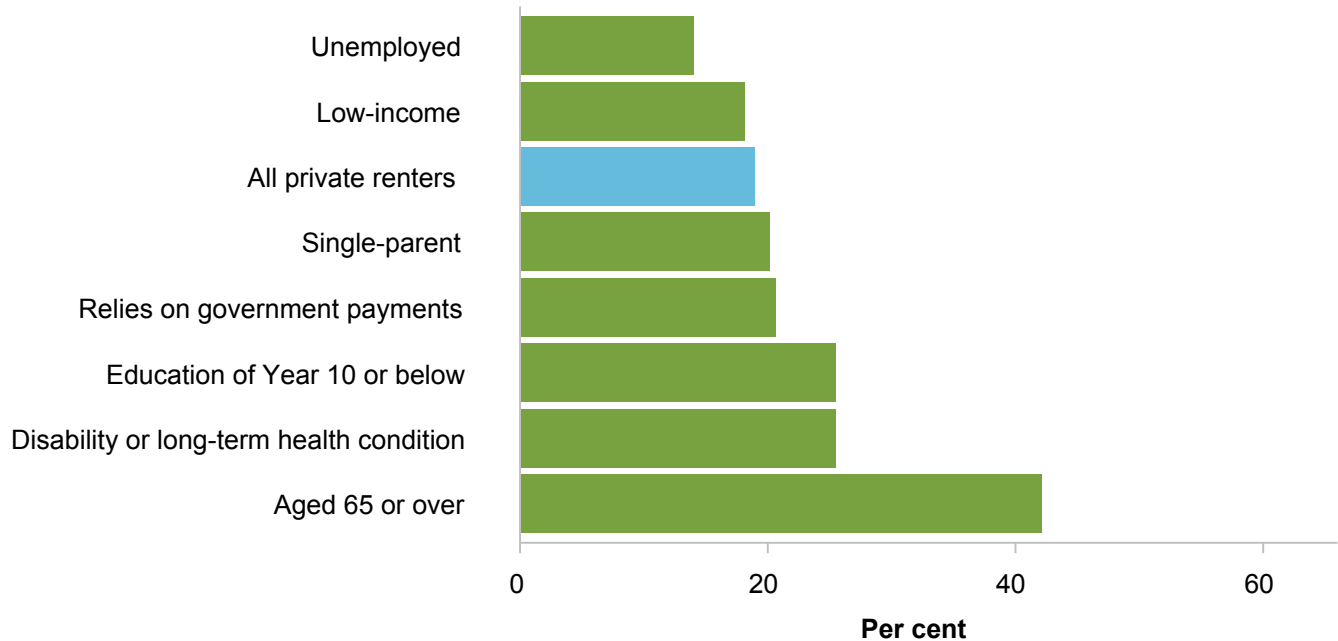


Voluntary 74%

Involuntary 20%

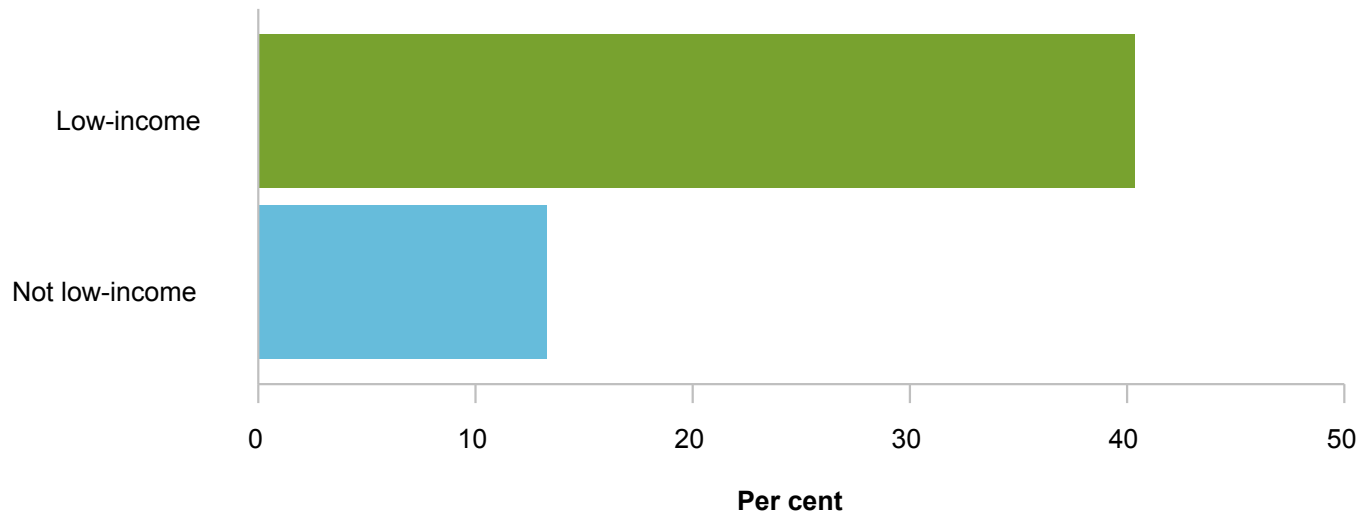
Unclear 6%

▶ **... but a material proportion move involuntarily ...**
Share of private renters who most recently moved due to a notice from a landlord, by various household characteristics, 2013-14



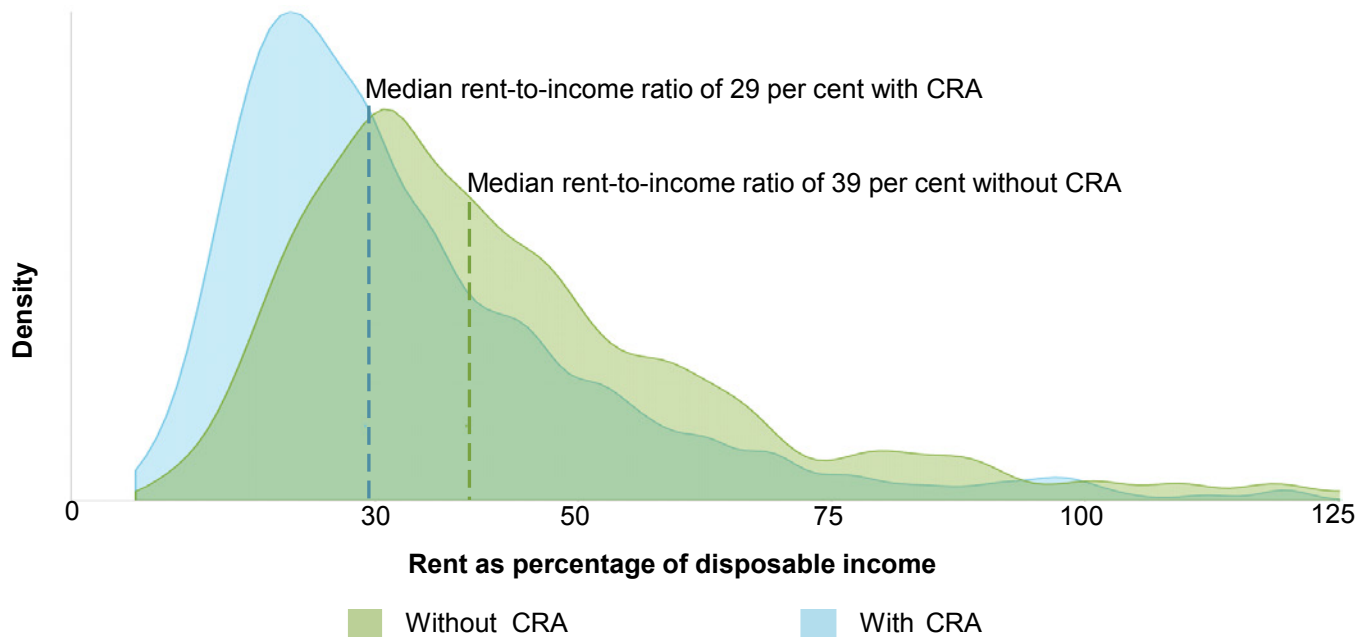
▶ ... which can impose great financial stress on low-income households

Share of renters unable to raise \$2000 within a week for an emergency



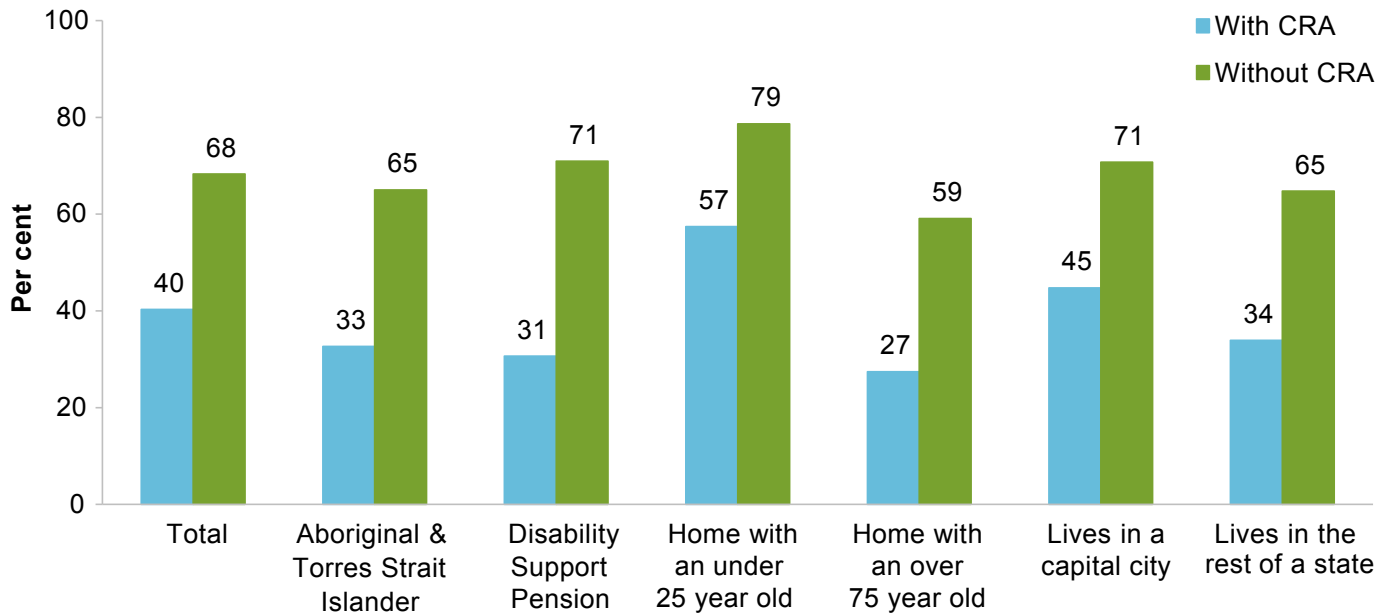
Commonwealth Rent Assistance (CRA) improves affordability.

Distribution of rent-to-income ratios for low-income households receiving CRA, 2017-18



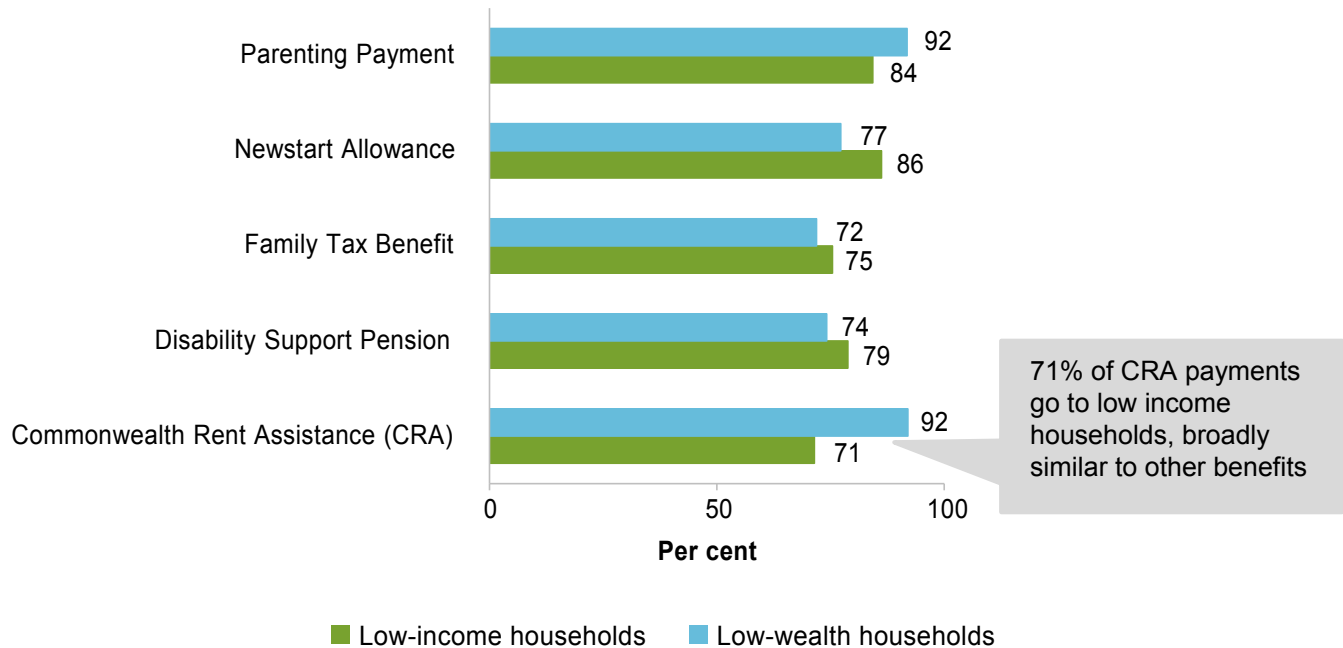
CRA is the clearest path to lowering rental stress ...

Per cent of households in rental stress within selected groups, 2018



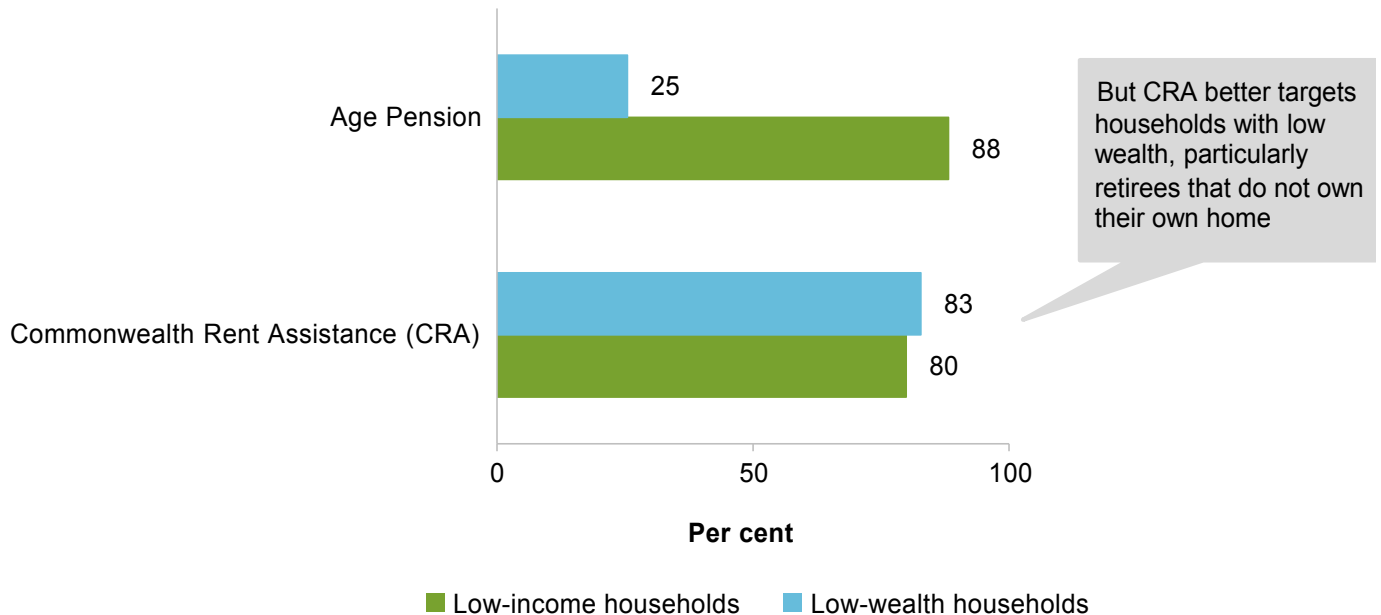
▶ ... and is well targeted to low-wealth and low-income households ...

Share of payments made to low-wealth and low-income households in 2018 among working-age households

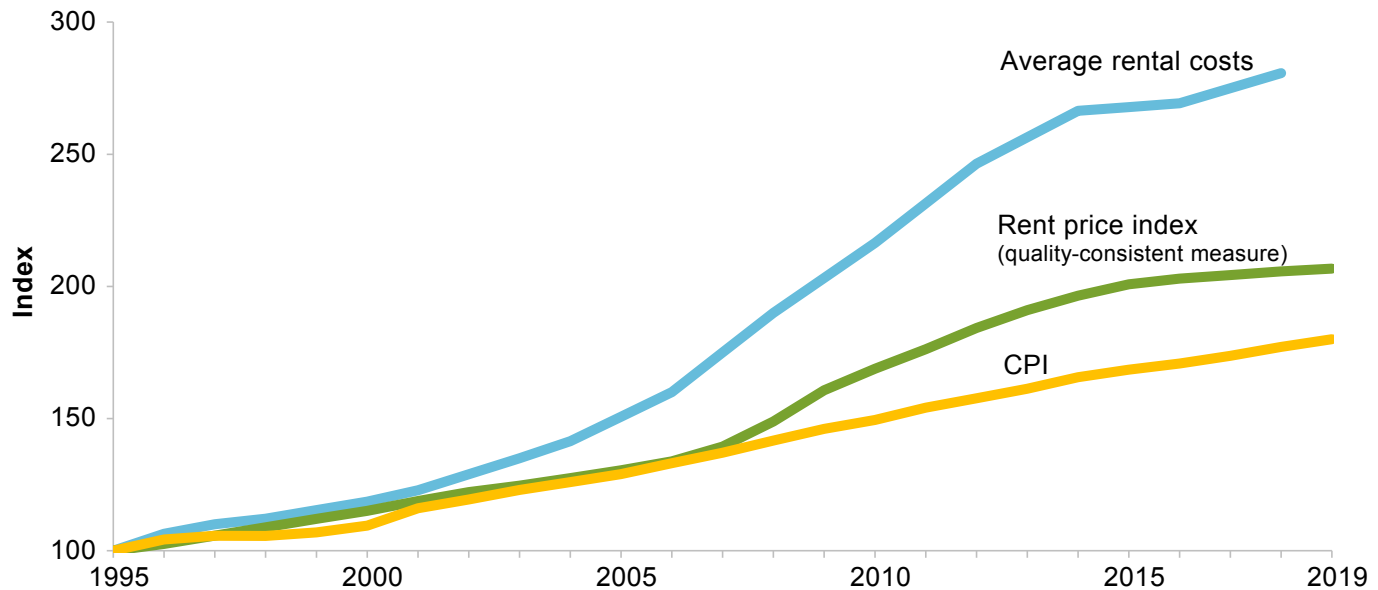


▶ ... particularly older households who do not own their home ...

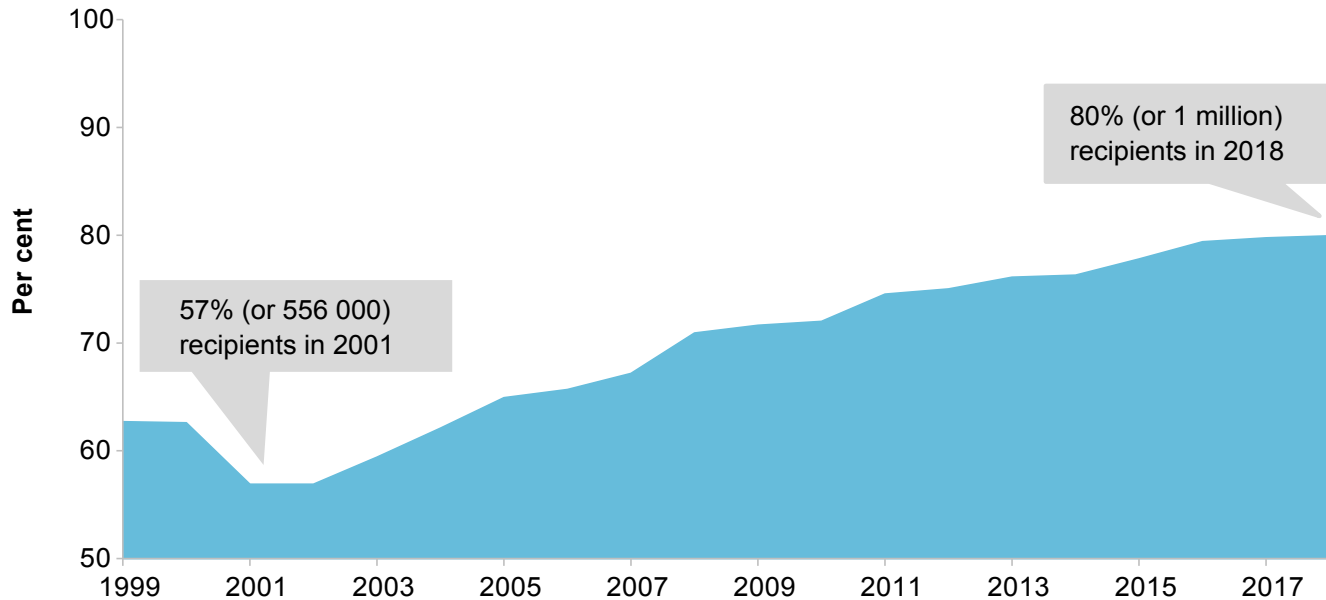
Share of payments made to low-wealth and low-income households in 2018 among non-working age households



▶ ... but CRA, which is indexed to consumer price inflation, has not kept up with rents ...

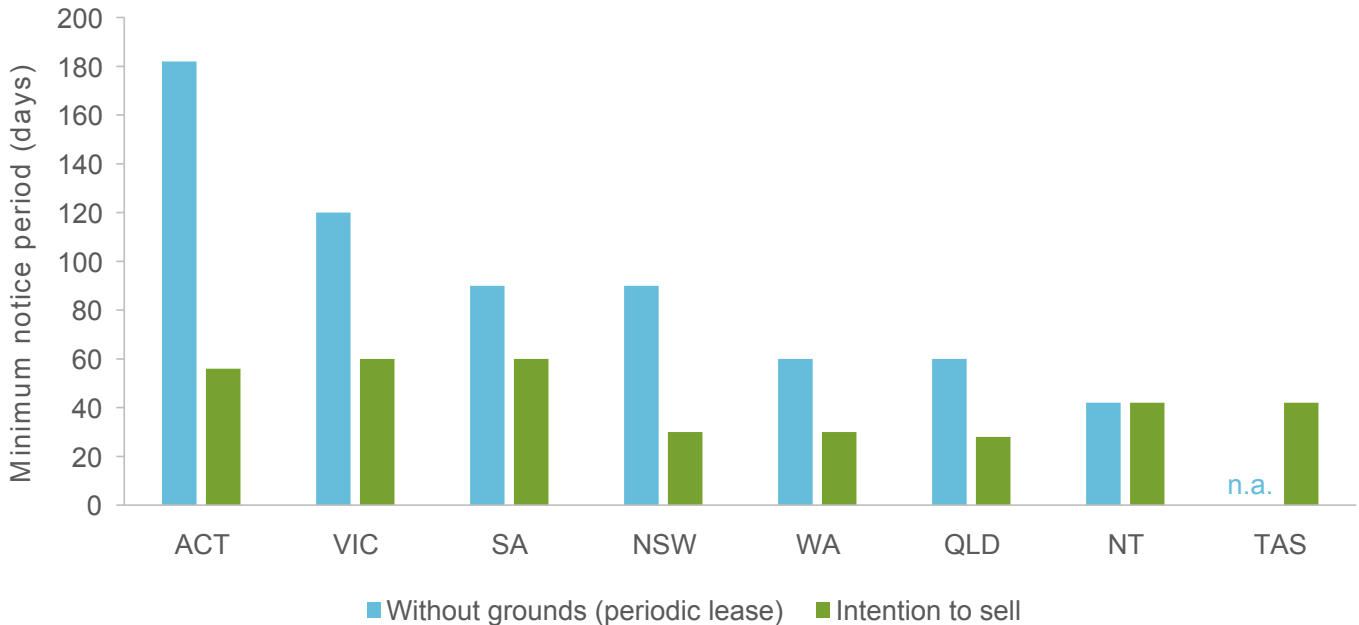


▶ ... which has resulted in the number of recipients receiving the maximum (capped) payment rising steadily since 2000



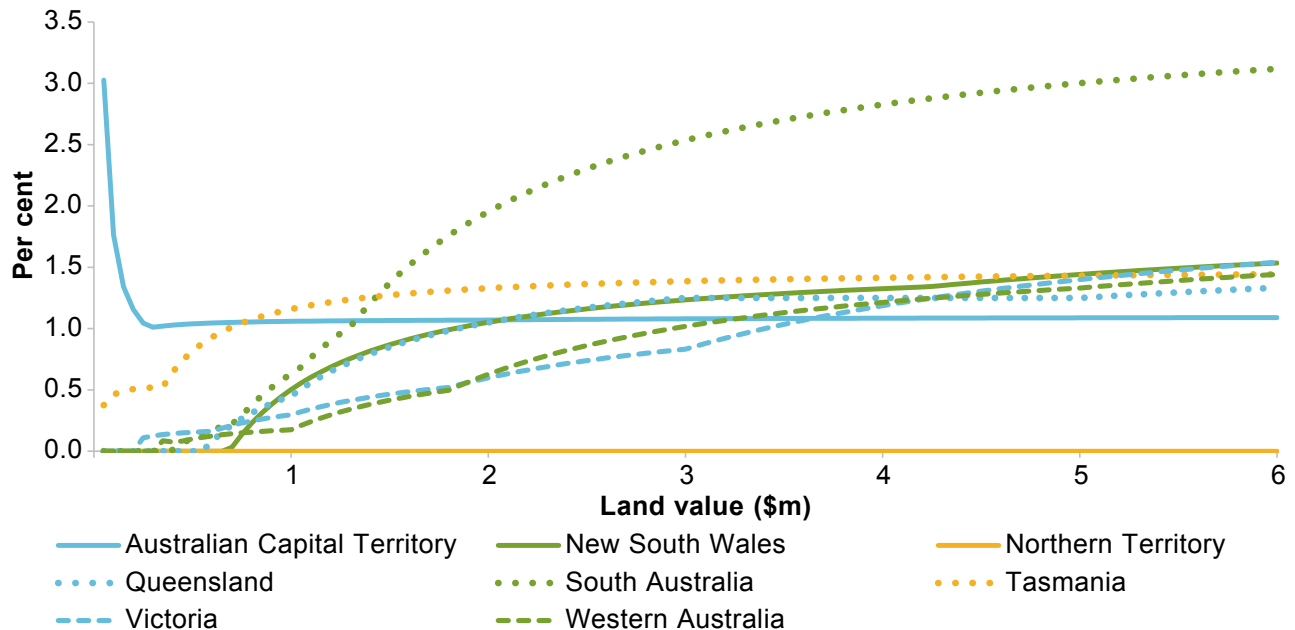
▶ Notice periods for landlord-initiated, 'without grounds' or 'no fault' terminations vary across states and territories

Minimum notice periods for evictions without grounds and where the owner is intending to sell the property



▶ Land taxes lower yields and discourage institutional investment

Annual rate of land tax applied based on an investor's aggregate land holdings



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