



National Shelter submission to the Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Act 2018

Tuesday, 18 September 2018

About National Shelter

National Shelter is a non-government peak organisation that aims to improve housing access, affordability, appropriateness, safety and security for people on low incomes.

Since 1976, National Shelter has worked towards this goal by influencing government policy and action, and by raising public awareness about housing issues.

National Shelter's aim is to work towards every Australian having access to housing that is:

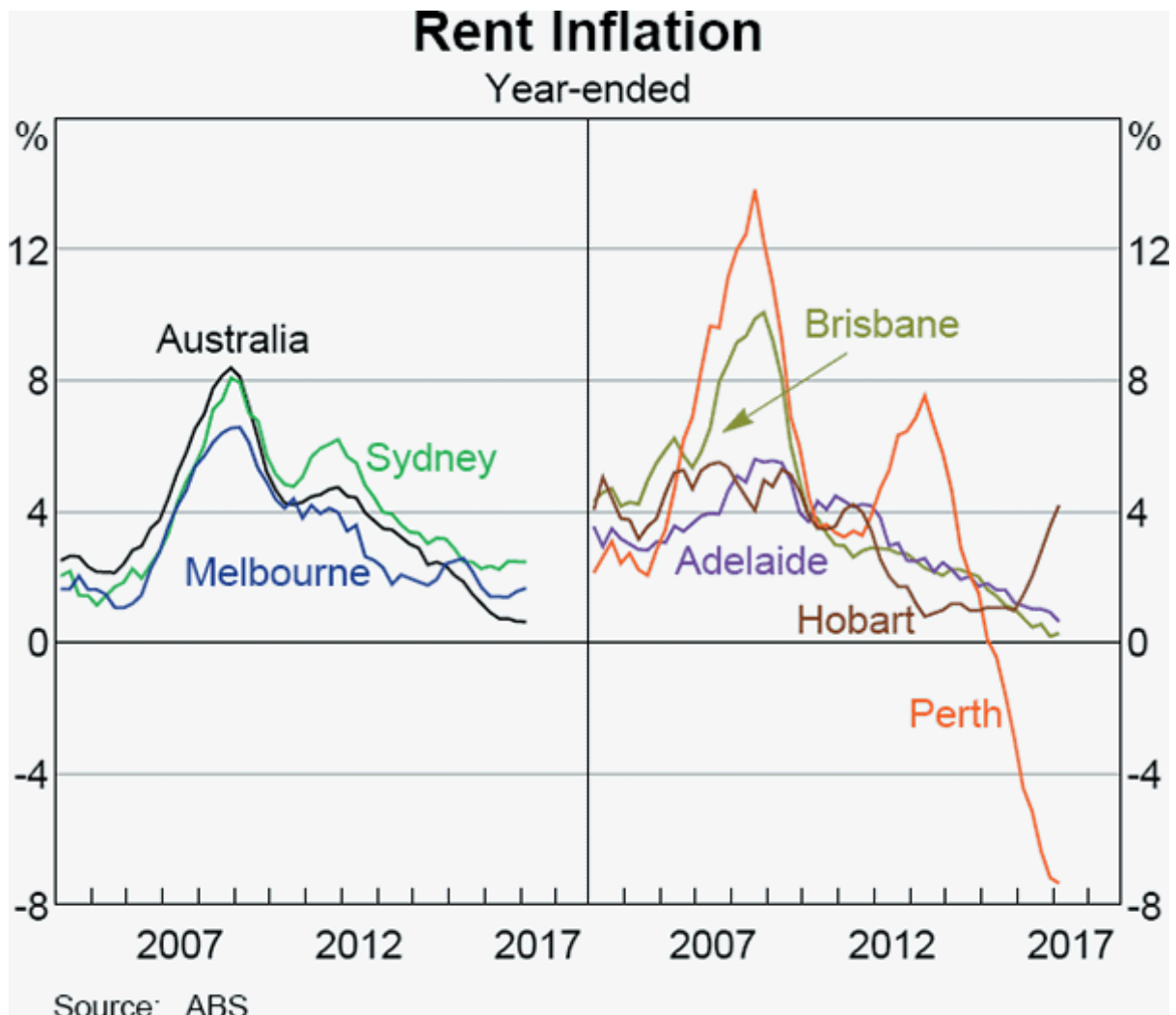
- affordable — people should not be left in poverty after they have met their housing costs
- adequate — everybody is entitled to housing that meets basic standards of decency and their own basic needs
- secure — people should not live under threat of loss of home and shelter
- accessible — access to housing should be free from discrimination
- in the right place — housing should be located close to transport, services and support networks, job opportunities, and social and leisure activities

- able to meet their lifecycle needs — people have different housing needs at different stages of their lives, and housing should be available to meet these changing needs.

Introduction

National Shelter recognises that renters are often the last to benefit from efficiencies and the saving they represent to Australian household budgets. While home owners benefit from lower interest rates, rebates and subsidies for energy efficiency provided by state and federal governments, renters are faced with steadily increasing costs both for their housing and the costs associated with their housing like energy and water.

Rent Inflation



Rent inflation has been averaging above CPI for the past decade, the only relief being in Perth where rental markets have experienced declines since 2012. ¹

¹ <https://www.rba.gov.au/publications/bulletin/2017/jun/1.html>

The proposed Legislation

National Shelter appreciates and supports the objects of the Bill: “The Bill amends the Income Tax Assessment Act 1997 to allow landlords to claim a tax offset of up to \$2000 per year during a three-year trial period for energy efficiency upgrades to rental properties leased at \$300 per week or less, which is roughly 30 per cent below national median market rent.

The Bill is a response to the fact that low income people who rent are acutely vulnerable to energy poverty.”²

National Shelter view

National Shelter supports the intent of the proposed Bill to provide an incentive for landlords to claim a tax offset against investment in energy efficiency upgrades. We note that this could include an as yet undefined set of energy efficiency measures. These are outlined in the Bill’s sections 381-10 and 381-15.

We also note the memorandum identifies that a higher threshold would have a “stronger impact” and that this is intended to provide for greater take up.

National Shelter supports the Bill but would prefer a higher threshold in relation to “rental properties leased at \$300 per week.”

The use of median market rents is not sufficiently fine grained to ensure this benefit is realised and will apply to very few properties in most capital city markets.

Rental Affordability Index

The Rental Affordability Index (RAI) is produced twice yearly by National Shelter in conjunction with SGS Economics and planning and Community Sector Banking and enjoys the sponsorship of the Brotherhood of St Laurence.

Chapter 4 of our May release demonstrates the levels of rent paid by a range of low-income households, most of which would be paying more than \$300 per week and whose Landlords would therefore not be eligible for this benefit.

We attach the May RAI for the consideration of the Senate however a couple of examples are used here to illustrate our point.

Single pensioner

\$27,100 p.a., 1 bedroom

Extremely unaffordable rents in metropolitan areas across all states

The single pensioner household is 65 years or older and is assumed to rent alone in a 1 bedroom dwelling. Retired and/or no longer active in the workforce, this person lives on the age pension for older Australians with income or assets below certain limits, with consideration for super, investments and earnings. Assumed to have no additional income from paid work, the single pensioner receives an estimated gross annual income of \$27,100.

² http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/s1134_ems_259da832-4de7-4c93-a433-7011103272d7/upload_pdf/18175em.pdf;fileType=application%2Fpdf

TABLE 1. RAI FOR SINGLE PENSIONER HOUSEHOLD

	RAI score	Rent as a share of income
Greater Sydney	32	94%
Rest of NSW	78	38%
Greater Melbourne	45	67%
Rest of VIC	87	35%
Greater Brisbane	46	65%
Rest of QLD	56	54%
Greater Adelaide	66	46%
Rest of SA	99	30%
Greater Perth*	45	66%
Rest of WA*	47	64%
Greater Hobart	68	44%
Rest of TAS	92	33%
ACT	42	71%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 4 2017 have been presented, with the exception of NSW, which shows Quarter 3 2017 scores due to data unavailability.

*RAI has been calculated using median rents for all dwellings rather than 1 bdr due to data unavailability

Across the nation, the single pensioner household is facing Severely Unaffordable and Extremely Unaffordable rents. For the most part, locating in metropolitan areas (which is where one bedroom dwellings are generally available) would require 60 per cent or more of the pensioner's income to be spent on rent. Housing pressures on this household type are likely to be compounded by a range of other pressures, including healthcare costs associated with ageing.

For the single pensioner, Greater Sydney is the least affordable location to rent of all Australian capital cities. This household faces a RAI of 32, indicating rents are Extremely Un-Affordable, accounting for 94 per cent of total income.

This is followed by the ACT as the second least affordable metropolitan region for a single pensioner household, with a RAI of 42, and then Greater Melbourne with a RAI of 45.

While still Severely Unaffordable, Greater Adelaide is marginally more affordable for this household compared with all other Australian cities, with a RAI of 66

On average the single pensioner would be paying 60% of \$27,100 which equates to a weekly rent of \$312.00 which is outside the threshold for this measure.

Single part-time worker parent on benefits

\$38,700 p.a., 2 bedroom

Severely Unaffordable to Extremely Unaffordable across most metropolitan areas

The single parent household is comprised of a parent and one child under 5, and is seeking to live in a 2 bedroom rental dwelling. This household receives income support in the form of a parenting payment, supplemented by casual or part time paid employment. It has an estimated gross annual income of \$38,700.

Rents are almost entirely Severely Unaffordable to Extremely Unaffordable across all metropolitan areas where data is available for the single part-time worker parent on benefits household. Childcare and healthcare costs may potentially compound the financial stress on this rental household.

With a RAI of 43, the single part-time worker parent on benefits faces Extremely Unaffordable rents in metropolitan Sydney. This is followed closely by the ACT as the second least affordable location for this household, with a RAI of 52.

In metropolitan Melbourne, the RAI for this household is 53, indicating that this household would be required to pay 56 per cent of their income on rent. In regional Victoria the RAI is 89 and rents are Unaffordable.

The single part-time worker parent household also faces Severely Unaffordable rents in the metropolitan areas of Adelaide, Brisbane, Perth and Hobart.

TABLE 2. RAI FOR SINGLE PART-TIME WORKER PARENT ON BENEFITS

	RAI score	Rent as a share of income
Greater Sydney	43	70%
Rest of NSW	84	36%
Greater Melbourne	53	56%
Rest of VIC	89	34%
Greater Brisbane	57	52%
Rest of QLD	72	42%
Greater Adelaide	75	40%
Rest of SA	113	27%
Greater Perth*	65	46%
Rest of WA*	67	45%
Greater Hobart	72	42%
Rest of TAS	99	30%
ACT	52	58%

Source: SGS Economics and Planning (2018)

Note: RAI scores for Quarter 4 2017 have been presented, with the exception of NSW, which shows Quarter 3 2017 scores due to data unavailability.

*RAI has been calculated using median rents for all dwellings rather than 2 bdr due to data

The single part-time worker will be paying 56% of the income on rent or \$416.00 per week. This is also outside the threshold.

Conclusion

National Shelter is willing to share the full data of the Rental Affordability Index to assist the Senate understand more appropriate thresholds to apply to this Bill. We would suggest a threshold of up to \$450 per week rent across a range of dwelling types as a more appropriate threshold which would provide greater benefit to low income households and encourage a far higher take up of the measure.

Further Contact

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