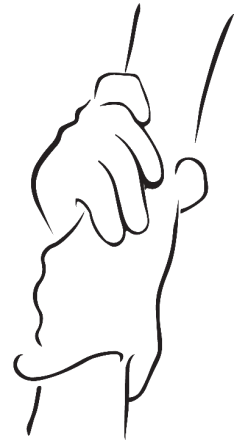


ANTI-POVERTY NETWORK

SOUTH AUSTRALIA



Submission To Senate Inquiry On The Worsening Rental Crisis In Australia

1. Executive Summary

Thank you for the opportunity to contribute to the Senate's review of the worsening rental crisis facing Australia.

For the past 10 years, Anti-Poverty Network SA (APNSA) has advocated for people directly affected by poverty, which we do from a critical and unique position: our members and supporters, who drive our work, largely are people living in poverty.

[Approximately one-third of Australians live in rental accommodation and these 'households tend to be younger, have lower incomes and less wealth than owner-occupiers'](#)

People living in poverty are more likely to be renters, and renters are more likely to be living in poverty. Renters on very low incomes experience many of the severe difficulties that renters face in the current, deeply competitive, stressful, unfair rental environment.

In particular, they are highly likely to be experiencing 'housing stress' (spending more than 30% of their income on rent), or 'housing crisis' (spending more than 50 percent of their income on rent), which has a profound impact on their health and wellbeing.

Homelessness continues to rise and is currently around 123,000 nationally, with significant increases evident since 2016. The current rental crisis pressure is directly responsible for over a third of all incidents of homelessness. The growing level of financial and personal hardship and insecurity faced by renters, especially renters living in poverty, has become a major advocacy

focus for APNSA.

We believe that the rental market should serve people's fundamental need for shelter. That is, we believe rental housing provides an essential service. At present, the rental market is treated as an industry where market forces drive outcomes in favour of landlords. This reflects the market failure at the heart of renting, which is the inherent power imbalance between landlords and tenants.

This situation has profound human consequences. The data we collected in South Australia highlights the depth of suffering caused. About 44% of people we surveyed are in 'housing crisis' and spend more than 50% of their income on rent, which greatly limits their ability to purchase essential items, like basic food.

This submission recommends that this Senate inquiry considers renters in poverty and people seeking rental options who are living in poverty and homeless and addresses these people with immediate strategies to alleviate their distress.

The submission discusses the rental crisis as an issue within the broader housing crisis facing Australians and recommends a range of strategies to address rental and housing stress.

APNSA recommends the introduction of a comprehensive and integrated housing policy. We advocate that policy needs to be designed to implement medium and longer-term measures to support affordable, sustainable and safe housing options which build and support vibrant communities where people want to live and work. We also consider that housing needs to be considered with regard to taxation to support reasonable expenditure, clear and fair regulatory frameworks, and nationally consistent urban planning with clear lines of accountability.

Summary of Recommendations

That the Senate inquiry recommend:

- 1. The introduction of a two-year rent-rise freeze immediately, followed by:**
- 2. The introduction of regulation which controls rent through realistic rent capping and control measures with reference to a broader national housing policy.**
- 3. That all income support payments are raised to the Henderson poverty-line, of \$88-a-day, to allow people on low incomes to better cope with enormous housing and rental costs.**
- 4. The harmonisation of jurisdictional tenancy regulations nationally to enshrine the rights of tenants, offering greater safety and security, particularly on:**
 - **Length of tenancy**
 - **Support for rent in arrears**
 - **Abolishing no cause evictions**
 - **Increasing the required notice of nonrenewal of lease**

5. Contemporary and comprehensive national minimum housing standards to ensure that renters are able to live in adequate, healthy housing, and are not disadvantaged by paying high financial and health costs for inadequate, substandard accommodation.
6. Significant corporate taxation reform to increase Australia's revenue base which can be redirected to building appropriate, sustainable housing.
7. Staged removal of tax rebates for investors who have more than one investment property.
8. The mass building of new public housing, which reflects current and projected demand in metropolitan and regional areas
9. Government investment in retrofitting existing public housing stock to meet contemporary housing standards and increase efficiency.
10. Increased availability of regional rental options by controlling the number of holiday rentals.
11. Strengthened urban planning requirements:
 - A. To improve integrity and quality of building by increasing accountability measures for developers which is effectively governed by jurisdictions and local government with national oversight.
 - B. Use contemporary and comprehensive national minimum housing standards to address appropriate housing design and tenancy options as well as access to services and amenities which allow effective development of sustainable communities.

2. Current Situation

The experience of renters and people seeking rental housing

In September 2022, APNSA released the results of a survey of 288 low-income renters in South Australia, a snapshot of renters' experiences across a wide range of rental issues, including:

- The impact of high rents and large rent increases on renters' health and wellbeing
- Renters' difficulties keeping themselves warm during winter, and cool during the summer
- Renters' experiences as pet-owners
- Renters' relationships with landlords and real estate agents

We have linked to our full report, '[Broke, Cold, Stressed](#)'; the summary of the key findings are as follows:

Broke:

- *78% were experiencing 'housing stress' – spending more than 30% of income on rent.*
- *44% were experiencing 'housing crisis' – spending more than 50% of income on rent.*
- *79% said the amount of rent they paid affected how much they could spend on food.*
- *68% said high rents impacted their ability to cover medical costs.*

“My rent is currently more than my income. I am surviving in savings which will soon run out. I am concerned about homelessness when I can no longer supplement my income with savings.” – Low-income renter.

“The cost of renting is now so high we would be homeless if we were forced to move. I often go without seeing doctors or medication due to no money.” – Low-income renter.

“Lost my home. I couldn’t afford the increase. I wasn’t offered a lease renewal. It was blatant. I was forced out of my home so the owner and land agent could make more money off from other tenants.” – Low-income renter.

“Struggling to survive. Rent is over 50%, and once you add in utilities it’s up to 80% of total income. Now add in school fees, uniforms, and internet. We’ll be lucky if we can afford the school excursion this year. Let alone how are we going to afford sports.” – Low-income renter.

Cold:

- *65% said their rental did not have adequate heating or cooling.*
- *74% told us they found it difficult to afford to stay warm in winter.*

“I moved in and the air-con didn’t work. I had to pay it out of pocket to replace it. The windows and doors don’t have fly screens so to open them to cool down in summer is not an option as living in an upstairs unit. If I open the windows the kids could climb out and fall several stories so windows have to stay shut. so I have to rely on the AC I bought but the landlord didn’t even want to let me install it in case they drilled holes.” – Low-income renter.

“It is very very very bad in summer. There is no ventilation and the apartments are tiny and on the top floor in summer it’s excruciating and unsafe. Anything over 22 degrees outside means the apartment is unbearable. Vitamins and medications become ineffective. If the night-time temperature doesn’t drop under 20 with a strong breeze in the right direction the room won’t cool.” – Low-income renter.

“Suffering from pneumonia regularly means high doses of antibiotics, more medications in regards to puffers and medical equipment, more down time where I’m trying to recover in the same environment that is making me ill, no desire to maintain self care (getting in the shower when it’s freezing cold inside already is a very hard task to maintain daily).” – Low-income renter.

“In winter it is so cold I find it hard to sleep at night. I give the kids all the blankets to keep them warm but I have none left for me. I wake up several times in winter because of the cold which makes me more tired throughout the day.” – Low-income renter.

Stressed:

- *1 in 3 offered to pay more than the stated bond, in order to secure a rental.*

- 64% felt they were discriminated against when searching for rentals, mostly due to receiving Centrelink payments.
- 70% said having a pet made it either 'much harder' (25%) or 'extremely difficult' (45%) to secure a rental.

3. Managing the rental market

Reduction in rents and limiting rent rises

The APNSA wants to emphasise the urgent need for regulatory change to control rent pricing. Rent controls will help reduce speculative investor behaviour, and have an anti-inflationary impact on housing prices.

An emergency, two-year rent-freeze, transitioning to a rent-cap scheme making unlimited rent rises illegal. It is also essential that an increase in the current Centrelink and rental support allowances is supported to ensure that people already in rental stress are able to afford existing rental arrangements.

Rent control mechanisms have been used by governments for over a century, and there are dozens of models of rent controls in place across the world. The introduction of rental control mechanisms is heavily criticized by investors and developers, arguing that it reduces supply however the evidence is that the impact on supply is marginal.

[The implementation of rental control mechanisms for time-limited periods as a mechanism to reduce the inflationary effect of rapid increase of rents has been demonstrated to have minimal impact on investors and developers to withdraw from the market.](#)

Where controls are put in place longer term, policy needs to be developed in a more nuanced manner which considers appropriate tax rebates to offset any demonstrated hardship for landlords, increased development of public and social housing stocks and support for more people to enter into affordable home ownership options.

The rents of about three million tenants in Sweden are set through collective bargaining between the national tenant's union and rental providers. In the Netherlands, all dwellings rented out at less than roughly €740 per month are regulated, and can only be increased by inflation-plus 1%.

In Germany, where more households rent than own property, the rental market has been regulated for decades. In certain areas, a local authority sets a reference rent for different sized properties, and rents cannot exceed that level by more than 10%.

[Ireland and Scotland have introduced regulations to cap annual rent increases at 4% in areas designated as "rent pressure zones", while some Canadian provinces set a rate of allowable](#)

[annual rent increases.”](#)

Regulating rent increases will help create a more affordable rental market, reducing the need for renters to move, and improving their ability to maintain stable connections with the community, including school, health, and other services, as well as social connections.

The most common criticism of rent control by economists is that this regulatory approach will reduce supply. There is no clear evidence for this. It is important to note that landlords in European countries, where rent control is in place, experience steady growth. Rent control will also have a cooling effect on speculative buying of properties, which has driven up housing prices, and further increased the cost of rent.

Regulation to control rents through rent-capping is a realistic way of managing the current economic position facing many Australians in the housing market.

Experience of countries who have adopted regulatory control of rent indicates that rental providers are still able to securely grow investment. [Price-capping allows a steady more predictable housing market where rents are not determined simply by what the market can bear.](#)

Rent-capping as part of a housing policy that includes increasing public and community housing stock to meet unprecedented demand, will also stimulate economic activity, and in the longer-term assist to de-commodify housing. This will have the effect of stabilising housing prices, minimising the adverse effect of peaks and troughs in the housing market.

Regulating the maximum percentage increase in rent and the frequency of rent raises will allow renters to have improved capacity to plan for and financially manage rent increases in line with their income increases. Currently, renters who are unable to afford exorbitant rent increases imposed by landlords, have little choice but to move.

This results in the further cost burden of relocating including moving costs and lease end cleaning costs. Renters are also then faced with stress of finding suitable and affordable rental accommodation within a highly competitive rental market and then managing the associated changes associated with relocating.

Recommendations

That the Senate inquiry recommend:

- 1. The introduction of a two-year rent-rise freeze immediately, followed by:**
- 2. The introduction of regulation which controls rent through realistic rent capping and control measures with reference to a broader national housing policy.**
- 3. That all income support payments are raised to the Henderson poverty-line, of \$88-a-day, to allow people on low incomes to better cope with enormous housing and rental costs.**

4. Improvements to renters' rights, including rent stabilisation, length of leases, and no grounds evictions

There are notable differences between the state legislation regarding tenancy arrangements for renters. A national harmonising of legislation which offers contemporary and fair regulations for the third of all Australians who are renters is recommended.

[According to the OHCHR all people should have their rights enshrined in sound housing policy and regulation.](#) This includes:

- Security of tenure: Housing is not adequate if its occupants do not have a degree of tenure security which guarantees legal protection against forced evictions, harassment and other threats.
- Availability of services, materials, facilities and infrastructure: Housing is not adequate if its occupants do not have safe drinking water, adequate sanitation, energy for cooking, heating, lighting, food storage or refuse disposal.
- Affordability: Housing is not adequate if its cost threatens or compromises the occupants' enjoyment of other human rights.
- Habitability: Housing is not adequate if it does not guarantee physical safety or provide adequate space, as well as protection against the cold, damp, heat, rain, wind, other threats to health and structural hazards.
- Accessibility: Housing is not adequate if the specific needs of disadvantaged and marginalized groups are not taken into account.
- Location: Housing is not adequate if it is cut off from employment opportunities, health-care services, schools, childcare centres and other social facilities, or if located in polluted or dangerous areas.
- Cultural adequacy: Housing is not adequate if it does not respect and take into account the expression of cultural identity.

APNSA recommends a comprehensive overhaul of tenancy regulations be undertaken to enshrine the rights of tenants. Examples of changes required, include the following. That length of tenancy agreements be increased to reflect the living arrangements of renters. Security of tenure is important for people to maintain wellbeing, social cohesion and to prevent the financial impact of moving.

Also, we recommend that greater transparency regarding potential sale of properties and fair warning of open inspection and compensation for inconvenience be implemented nationally.

Homelessness due to rent in arrears, where renters experience personal crisis, or other unforeseen changes in life circumstances, is a catastrophic outcome for people already under stress. The human cost of homelessness to individuals and ultimately the financial cost of

reversing this for the state is significant.

Where renters are experiencing hardship to sustain their tenancies, support options should be made available to ensure that renters are able to retain safe and secure housing while recovering from adverse life situations.

There are a number of national and international examples where prescribed reasons are required to terminate a periodic lease, or choose not to renew a fixed term lease, and where landlords are obligated to support renters, where early termination of lease occurs. No-cause evictions should be abolished.

The recent legislative changes in New Zealand provide clear direction regarding healthy housing standards.

Another example is the Victorian changes to minimum standards, which have included rental properties being required to have a range of standard inclusions such as, fixed heater, appropriate curtains/blinds in bedrooms and living rooms. Air-conditioners in need of repair, mould, and damp issues are now treated as urgent matters requiring immediate resolution.

Recent changes within these jurisdictions provide examples of more comprehensive and coherent directions to implement modern, effective residential tenancy arrangements.

A review by the Australian Housing and Urban Research Institute indicates that the tenancy law reforms in NSW and Victoria have had very little impact on landlords and investors' decisions to invest in, or stop investing in, private rental housing.

[We fully-support the recommendations outlined in Healthy Homes for Renters' Community Blueprint.](#) This document was prepared by over 100 community sector advocacy organisations who support renters and people on low incomes. The Blueprint outlines a national framework for the implementation of mandatory minimum energy efficiency requirements for rental homes.

Discrimination on a range of grounds is an experience frequently and strongly voiced by people who are seeking rental accommodation. To support renters and to harmonise with existing anti-discrimination legislation renters must be given information about unlawful discrimination.

Recommendations

That the Senate inquiry:

4. Support the harmonisation of jurisdictional tenancy regulations nationally to enshrine the rights of tenants, offering greater safety and security, particularly on

- **Length of tenancy**
- **Support for rent in arrears**

- **Abolishing no cause evictions**
- **Increasing the required notice of nonrenewal of lease**

5. Advocate for contemporary and comprehensive national minimum housing standards to ensure that renters are able to live in adequate, healthy housing, and are not disadvantaged by paying high financial and health costs for inadequate, substandard accommodation

5. Rising rents and rental affordability

Cost of rent

[The cost of rents far exceeded the rate of mortgage increases over the last two years. Core Logic noted that, “Australian rent values increased a further 0.7% in June, taking the national annual increase to 9.7%. Annual growth in rent values remains elevated on the decade average \(which was 3.0% per year\), but has shown signs of easing after peaking at 10.2% over the 2022 calendar year.”](#)

The current rental market cost rises are becoming prohibitive for all renters to enter or re-enter the market. Renters are experiencing difficulty in being able to secure a rental property, facing a highly competitive market and rent bidding. For those in rental accommodation facing exorbitant rent increases it is becoming difficult to maintain tenure. As rents increase, particularly within inner metropolitan areas, workers will be forced to seek affordable options on the city fringe. Increasingly these people will seek work opportunities locally rather than commuting long distances to service areas which are too costly and too far from their communities. This will create widening gaps in the service industries.

Public Housing

[From the 1940s – mid 1970s public housing was, in Australia and in most developed countries, direct housing provision, that is public housing, was seen to be the key plank of low to moderate income housing policy.](#) By 1976 the public housing system in Australia had grown from almost zero to 204 000 dwellings, being 5% of stock.

There was an ongoing reduction of funding between 1981 and 2008 when the CSHA ceased. This coincided with the GFC and the Labor government invested in social housing as part of their economic stimulus package. Since this initial injection of funds funding has progressively reduced to now only 3.8% of total housing stock. This housing is seen as a last resort rather than a vital component of affordable housing.

Regional Australia

Regional Australia is severely impacted by lack of rental properties and high rental costs. There is an urgent need to create housing stock in regional areas which meet the needs of renters/workers in these regions. A short-term measure to increase availability of regional rental options in some areas could include controlling the number of holiday rentals. Another short term strategy could include safe demountable housing which is adequate for the Australian climate, where housing stress and/or workforce shortage is most acutely experienced.

Private Rental Market

Today the Australian housing market is an industry that is driven by commercial interests. Market forces govern renting in Australia, which favour landlords and create inequality. Furthermore, minimal tenancy regulation generally strengthens landlord interests. The current rental situation is the result of intrinsic market failure caused by a major power imbalance between landlords and tenants.

Taxation Reform

Negative gearing provides investors in the housing market with government funded relief offering significant tax incentives for people with means to own and rent out multiple properties. To further entrench this power imbalance, the pivotal economic actor that our system entrusts to deliver rental outcomes is the Australian real estate agent who are serving the interests of the landlord.

APNSA advocate that significant taxation reform is required targeting the massive profits experienced by large corporations and redirecting these funds to building appropriate, sustainable housing, rather than the current piecemeal approach which will not impact on the current rental shortage.

We recognise that private investment in residential real estate will continue to be a major contributor to Australian rental options. However, it is important to note that although the current tax rebates are an important incentive for investors, this arrangement is distorting the market and offering greatest benefit to the owners of property. Investors are able to pay for the major part of their investment by using rent to contribute to, or fully pay their mortgage repayments.

Staged removal of tax rebates for residential investors and reallocating these funds to public, social and affordable housing models would assist in redressing the inequities currently created through the housing market. Contrary to current rhetoric, the evidence is that changes to housing rebate taxes will not create a major dip in capital investment, based on experience of investment patterns internationally. Investors will continue to seek the surety of tangible investment in real estate.

The cost of housing in Australia has been driven significantly by investors, however for owner occupiers any capital gain in an inflated market is negated by the cost of their next owner-occupied home purchase. It is feasible to allow market value to drop.

To achieve this, governments would need to establish programs to support owner occupiers through the transition. Where required and funds provided to be recouped back to the government when property is sold.

APNSA recognises that this is politically sensitive and a long-term program to create an affordable housing stock in Australia can only be achieved through a planned and integrated strategy. This includes allowing housing prices to drop, increasing public and social housing stock and increasing regulation significantly in the market.

Recommendations

That the Senate inquiry recommend:

- 6. Significant corporate taxation reform to increase Australia's revenue base which can be redirected to building appropriate, sustainable housing.**
- 7. Staged removal of tax rebates for investors who have more than one investment property.**
- 8. To build appropriate public and social housing which reflects current and projected demand for secure housing options in metropolitan and regional areas.**
- 9. Investment in retrofitting existing Public Housing stock to meet contemporary housing standards and increase efficiency.**
- 10. Increased availability of regional rental options by controlling the number of holiday rentals.**

6. Other Relevant Matters

Helping people living in poverty must be the first and most urgent priority of the Senate's inquiry into the rental crisis. People living in poverty are more likely to be renters, and renters are more likely to be living in poverty.

However, Australia needs a comprehensive national housing policy for all Australians. We believe that housing is a basic human right.

A clear, nationally coordinated housing policy with a firm regulatory framework and realistic funding commitment is required to manage the Australian housing and rental crisis. Examples of policy directions which could offer a fairer and more robust housing and rental market are discussed in the OECD housing Policy Toolkit. This toolkit suggests that sound housing policy is predicated on sustainability, inclusiveness and efficiency. [The toolkit recommends 22 strategies to be divided across four policy fields of Taxation, Spending, Regulation and Urban Planning.](#)

This toolkit offers a broad framework from which to consider policy reform. It is worth noting that

this is designed to provide direction to multiple countries and some of the directions reflect the experience of OECD countries with very different regulatory environments to Australia, which has very low levels of public and social housing, high levels of private rental, medium levels of home ownership and weak housing and rental regulation and policy.

APNSA recognises that support is required to ameliorate the immediate symptomatic suffering caused by inadequate rental stress.

However, it is essential that a national policy agenda be developed to address the long-standing root causes of this situation. A number of the policy fields identified as part of the OECD toolkit have been discussed in earlier sections of this submission. Some further comments are provided here to be considered within the context of broader housing issues impacting on housing for Australia.

Urban Planning

Urban planning in Australia has been an issue which is strongly advocated to be loosened, particularly by investors and developers. Loosening of urban planning regulation is resulting in numerous examples of poor and unsustainable buildings with short lifespans, inadequate design, establishment of heat sinks in metropolitan areas, poor infrastructure and community development.

Regulation needs to be put in place to address urban planning standards which reflect a society and structural environment which is liveable now and into the future. Examples of these reforms include a regulatory framework which ensures that developers (natural persons) remain accountable for building integrity and environmental impact is urgently needed.

APNSA recommends that national regulation which compels jurisdictions and local governments to ensure durable, safe, environmentally sustainable homes which include green spaces and prevent urban heat sinks need to be addressed immediately before further damage is done. This would require clear and strong national oversight to support consistent and fair application.

APNSA also advocates that housing development be designed with communities, not profits, as the primary driver. Urban planning for any new housing development needs to include a mix of options such as purchase, rental and social housing and is only built in communities where there is service, transport and commercial and retail infrastructure to sustain the residents.

Recommendations

That the Senate inquiry recommend:

11. Strengthened Urban Planning requirements:

A. To improve integrity and quality of building by increasing accountability measures for developers which is effectively governed by jurisdictions and local government with

national oversight.

B. To use contemporary and comprehensive national minimum housing standards to address appropriate housing design and tenancy options as well as access to services and amenities which allow effective development of sustainable communities.

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