

Inquiry into the worsening rental crisis in Australia

Community Affairs References Committee

September 2023

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metropolitan, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

Australia is facing a housing crisis, with shortages of affordable public, social and private housing. With little chance of securing social or public housing, tenants with low incomes have little housing security. Many must go without other necessities to find the money for escalating rents. Others move frequently, often further from family and friends and to lower quality housing, while those in the most precarious position become homeless.

This crisis has developed over several decades and will not be easy or quick to fix. The Commonwealth Government has acknowledged supply issues and has committed to some measures to improve housing security and costs. Further action, at scale, is needed to respond to the scale and severity of the crisis and should be included in the forthcoming National Housing and Homelessness Plan, including:

- Ongoing, substantial investment in social housing to deliver a minimum of 25,000 additional social housing dwellings per annum with a longer term target of 10% of housing stock being social or affordable;
- Boosting and indexing Rent Assistance payments to reflect actual rents paid, and substantially increasing income support payments and indexing to wage movements as well as price movements (Jobseeker and Youth Allowance);
- Setting national minimum standards to improve security and conditions for tenants (including energy efficiency) and constrain rent increases;

- Developing a new First Nations national housing strategy and intergovernmental remote housing funding agreement;
- Property tax reform, to reduce speculative investment and redirect incentives to encourage growth in social and affordable housing supply.

Introduction

Recent research paints a picture of inadequate supply of affordable housing for people with low incomes, particularly in the private housing market.

- There are approximately 19,300 people aged 55 years and older who are currently homeless in Australia, and predictions that by 2031, 440,000 older households will not be able to find or afford housing.¹
- 2021 Census data indicated a shortfall of more than 640,000 affordable homes across the country.
- The portion of income required to service new rents rose to 30.8 per cent in April 2023. This compares to 26.5 per cent in September 2020. Rents in regional areas rose to 33.1 per cent of income by March 2023, although the rate of increase was highest in 2020, and is easing.²
- SQM data showed that between August 2022 and August 2023, there was a 9 per cent increase in the cost of rentals in the private market.² Broken down by capital cities, the increase was significantly higher. Rents for units in Sydney rose 27.6 per cent in the twelve-month period between June 2022 and 2023, by 22 per cent in Melbourne, and 20 per cent in Perth.³
- In 2022, the Productivity Commission found that private renters in the two lowest income quintiles were spending 36 per cent of their income on rent – 20 per cent of this group spending over half their income on rent.³
- A recent cost of living survey conducted by ACOSS with 270 respondents receiving JobSeeker and related payments found that almost all (94 per cent) the respondents who rent privately are in rental stress, paying more than 30 per cent of their income in rent. Disturbingly, a majority (53 per cent) report paying more than 50 per cent of their income in rent. ACOSS found that 73 per cent of respondents have had a rent increase in the past 12 months, with nearly half (48 per cent) facing increases of more than \$40 per week, and one-third of increases more than \$50 a week.
- Anglicare Australia's 2023 Rental Affordability Snapshot, which collected data on research across Australia, found that:

¹ <https://www.ahuri.edu.au/research/final-reports/405>

² [AU24823_Housing_Affordability_Report_22_Digi_FA02B.pdf \(anz.com\)](#)

³ <https://www.pc.gov.au/inquiries/completed/housinghomelessness/report/housing-homelessness.pdf>

- 162 rentals (0.4 per cent) were affordable for a person receiving the Age Pension
 - 66 rentals (0.1 per cent) were affordable for a person receiving the Disability Support Pension
 - 4 rentals (0 per cent) all share houses, were affordable for a person receiving JobSeeker
 - 0 rentals (0 per cent) were affordable for a person receiving Youth Allowance.⁴
- The UNSW City Futures Research Centre found that, at the same time, public, community and Indigenous controlled housing has declined from over 6 per cent of households in the 1990s, to 4 per cent. In the same period, the annual number of lettings generated has declined from 52,000 to 29,000. Accounting for population growth, this represents a more than 60 per cent reduction.⁵

While the states have jurisdiction over housing supply policies, the Federal government is a partner through tied funding arrangements including investment in:

- Payments to states and territories to increase social and other affordable housing;
- investment in social housing through an affordable housing bond aggregator;
- infrastructure partnerships with states and territories to support new housing projects; and
- Rent Assistance payments to people who receive income support and live in private rental accommodation.

The Federal Government also sets Federal taxation laws relating to housing investment.

Current state and territory tenancy laws vary widely across the jurisdictions, and the current rental crisis demands a coordinated national approach to achieve fair and consistent treatment of private renters across Australia. The recent National Cabinet agreement to *A Better Deal for Renters* takes some steps in the right direction, but much more needs to be done to give tenants greater security and better quality, more efficient, affordable and accessible housing. An agreement for minimum standards across jurisdictions would also contribute to other Commonwealth policy objectives, including climate change and energy efficiency strategies.

As well as the recent National Cabinet agreement on renters, the National Cabinet has tasked state and territory housing ministers to work with the

⁴ <https://www.anglicare.asn.au/publications/2023-rental-affordability-snapshot/>

⁵ [https://cityfutures.ada.unsw.edu.au/documents/686/Waithood Final.pdf](https://cityfutures.ada.unsw.edu.au/documents/686/Waithood%20Final.pdf)

Australian Local Government Association to develop reforms to increase housing supply and affordability.

The Commonwealth Government is also developing a 10-year strategy to address housing and homelessness. The National Housing and Homelessness Agreement will provide for Commonwealth contributions to investments in public housing and homelessness services by the states and territories.

The development of the new 10-year National Housing and Homelessness Strategy is an opportunity for the Commonwealth Government to build on these foundations and set out an ambitious agenda to transform housing policy settings, including through:

- Substantially increased investments in the new intergovernmental housing agreement, Housing Australia Future Fund, and First Nations' housing;
- reviewing and increasing the rate and scope of Rent Assistance paid to people with low incomes; and
- continuing to work with states and territories to set minimum tenancy standards which improve rights and conditions for tenants.

Increasing supply of social housing to better support households with low incomes

ACOSS welcomed the Albanese Government's commitment to increase the supply of social housing through the Housing Australia Future Fund (HAFF) and supports its implementation. However, the scale of the challenge requires a bigger investment and more ambitious and long-term plan to meet existing and projected housing need (an estimated 500,000 dwellings are required to meet current need and projected population growth).⁶

Recommendation 2

The Government should build on its existing housing policy foundations by delivering a ten year, 25,000 dwelling per year pipeline of social housing investment, while pursuing of a social and affordable housing target of 10% of all housing stock.

Review of Rent Assistance, benchmarking to real rates

While the small increase in the rate of Rent Assistance delivered in the 2023 Budget is welcome, the 15 per cent increase will not compensate for the significant gap between income support payments and average rents in the private rental market. A single person paying more than \$175 a week in rent will receive a maximum increase of \$11 a week. Fewer than 40 per cent of

⁶ https://www.acoss.org.au/wp-content/uploads/2023/03/ACOSS_Budget-Priorities-Statement_2023-24.pdf

people receiving JobSeeker receive Rent Assistance and, of those who do, the median rent paid is \$230 a week. The vast majority pay well above 30 per cent of their income in rent, which is a marker of housing stress. It is likely that fewer than 5 per cent of people who receive Rent Assistance will find relief from this housing stress due to the increased payment.

The rate of Rent Assistance is arbitrary and is only increased with CPI. The payment should supplement income support payments so that people on very low incomes can afford private rent. To do this, it must bear a relationship to the actual costs of rent in the community. ACOSS proposes linking the maximum rent threshold to average rents paid in outer Sydney, Melbourne and Brisbane, as set out in the budget standards' work by the Social Policy Research Centre, UNSW.⁷

Linking the maximum rent threshold to average rents paid for outer Sydney, Melbourne and Brisbane which, together, comprise most rental dwellings across the country, would currently deliver a 50 per cent increase to that threshold, as shown in the UNSW Social Policy Research Centre's budget standards work.

Many people with low incomes living in private rental accommodation are not eligible for Rent Assistance or only receive small payments. ACOSS calls for a review of the supplementary payment by the Economic Inclusion Advisory Committee, or other suitable body, so that its design, eligibility, rate and indexation settings best support low-income households with the costs of renting private housing.⁸

Recommendation 4

Rent Assistance for private tenants with low incomes should be benchmarked to actual rents and indexed to rent price movements. Jobseeker and related payments should also be increased to parity with pensions and indexed to wages as well as price movements.

Recommendation 5

A review of Rent Assistance should be undertaken so that its design, eligibility, rate and indexation settings best support low-income households with the costs of renting private housing. This could be done by the Economic Inclusion Advisory Committee.

Strengthening tenants' rights around the country

Australia has a patchwork quilt of inconsistent tenancy protections around the country. The key features of these regimes are set out in the table below. The

⁷ Saunders et al (2017) Healthy living budgets for unemployed and low paid workers, Social Policy Research Centre UNSW Sydney.

last row sets out the commitments made recently by National Cabinet, noting that no timeframe has been provided for the delivery of these commitments.

Table: Key features of private rental tenancy protections by jurisdiction

	Restrict rent rises	Rent rate bids	No cause evictions	Keeping pets	Protect personal info	Other
NSW	Permitted every 12 months, no cap. Further restrictions being considered	Permitted	Being considered, currently 30 or 90 days	Being considered	Being considered	Transfer of bonds, other reforms being considered
Vic	Permitted every 12 months, no cap	Prohibited	Only at the end of first fixed term. Otherwise, must have reason	Landlord discretion	No restriction	Minimum standards Allowable modification Right to reasonable repairs
Qld	Permitted every 6 months, no cap	Permitted	End of lease 60 days Otherwise not permitted	Landlord discretion	No restriction	Personal modifications , fees and charges, bond transfer being considered
WA	Announced restricted to one a year No cap	Announced	Permitted 30 days before end of fixed term, 60 days periodic lease	Announced allowing pets with reasonable refusal only	No restriction	Announced allowing modifications Announced streamlining bond release Announced dispute process
SA	Permitted every 12 months, no cap Announced restriction on excessive/ disproportionate increases	Soliciting bids prohibited (tenants can initiate)	Legislating prescribed reasons during lease, allowed at end of lease	Legislating allowing pets with reasonable refusal only	Prescribed application form and restrictions on info collected/ stored/ destroyed	Longer leases being considered Bond limit to 4 weeks' rent

	Restrict rent rises	Rent rate bids	No cause evictions	Keeping pets	Protect personal info	Other
Tas	Permitted every 12 months, no cap	Advertising price range not permitted (tenants can initiate)	End of lease 42 days Otherwise not permitted	Landlord discretion	No restriction	Basic minimum standards required
NT	Permitted every 6 months with 30 days' notice, no cap	Permitted	Permitted 42 days during lease, 14 days at end of fixed term lease	Landlord discretion	No restriction	
ACT	Capped, every 12 months	Prohibited	Permitted 26 weeks	Landlord discretion	Landlord discretion	Growing food Compost
National Cabinet commitments	Move towards national standard of max 1 rent increase p.a, but no caps proposed (no timeframe for implementation provided)	Implement ban on soliciting rent bidding (no timeframe provided)	Develop nationally consistent policy to require genuine reasonable grounds for eviction (no timeframe provided)		Prescribe application form, limit docs to be provided, limit length of time personal info is stored and prohibit collection of certain info	Phase in min quality standards (no timeframe provided)

While the measures announced by National Cabinet would provide some significant improvements in those states and territories with weaker tenancy protections, National Cabinet failed to agree on a limit to the quantum of rent increases, which leaves the ACT as the only jurisdiction with rent caps in place.

In addition to high and increasing rates of rent, tenants in the private rental market face other costs and barriers to feeling like they have a home. These include:

- Insecurity of tenure due to relatively short (six or twelve month) leases;
- insecurity of tenure, and high costs of moving, due to rights of landlords to serve notices to vacate for certain reasons, or no reason at all;
- fear of seeking necessary repairs for the reasons above;
- higher utility bills where there is inadequate heating/cooling, insulation or solar power;
- lack of rights to fair use of rental properties, for example to have pets, make improvements; and

- lack of privacy, with frequent inspections and onerous demands exceeding those that affect the condition of properties when they are vacated.

Recommendation 1

Commonwealth, state and territory ministers should work together to develop minimum standards for private rental properties as a priority and set out a timeframe for implementation, including:

- Limits on the quantum of increases, not just their frequency;
- Minimum standards for climate appropriate housing including energy efficiency; and
- Greater amenity for tenants, such as for keeping pets and making improvements.

Investing in First Nations' housing

While there are proven benefits of culturally appropriate housing around the country, including for the large Aboriginal populations in urban centres, there is no dedicated Commonwealth funding for Aboriginal and Torres Strait Islander housing supply outside of remote areas, with services increasingly mainstreamed. Dedicated funding should be provided through the Federal-State Housing Agreement to improve the viability of Indigenous Community Housing Organisations in urban, rural, regional and remote locations.

The Government's increased investment in remote housing in the Northern Territory in the May Budget is welcome. However, ongoing funding should be allocated for another 5,500 needed houses, and to maintain existing housing, preserve functionality and increase the life of housing assets, to continue efforts on Closing the Gap on First Nations' disadvantage.

Recommendation 3

The Commonwealth Government should develop a new national First Nations Housing strategy, supported by a boost to funding for Indigenous Community Housing Organisations (ICHOs) and a new inter-governmental remote housing funding agreement.

Reforming property and investment taxes

The Australian tax system encourages over-investment in housing and other assets that increase in value at the expense of more productive investments. Capital gains from investment in housing, shares and other assets are taxed at half an individual's marginal tax rate, and these increases in personal wealth are only taxed when the assets are sold. This tax bias encourages speculative investments in assets, inflating their value and detracting from long term economic development. The 50 per cent Capital Gains Tax discount

overwhelmingly benefits the top 10 per cent of taxpayers, who receive two-thirds of all capital gains.⁹

While people with low incomes are facing the worst rental housing crisis in decades and thousands are at risk of homelessness, many rental properties are vacant for much of the year, and a growing share is rented to tourists (for example through Airbnb). Landlords may claim income tax deductions for expenses (especially interest payments on housing loans) for the portion of each year that a rental property is “genuinely available for rent”. This restriction is notoriously difficult to enforce where the dwelling is used as a holiday home by the owner. The law was recently tightened to deny deductions for vacant land on which the owner planned to build a dwelling for rent. The same logic should apply to dwellings that are reported as “available for rent”, but not currently leased. This would both ease the rental housing crisis and simplify and improve compliance with the income tax law. Deductions should be denied for any portion of a year in which an entire dwelling is rented on a short-term lease as tourist accommodation, as a temporary measure to ease the rental crisis (especially in coastal tourist regions). This would support efforts by local councils to ease housing shortages for local residents and workers by discouraging landlords from renting entire dwellings to tourists.

Recommendation 6

Reduce the Capital Gains Tax discount for individuals and trusts by half (from 50%-25%). This could be phased in over five years (by 5 per cent each year).

Recommendation 7

Restrict deductions for personal investment expenses (negative gearing) so they can only be offset against income from the same class of investments.

Recommendation 8

Ease the rental housing shortage and improve compliance with tax law by restricting deductions for investment properties while they are not on long-term leases.

Acknowledgements

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⁹ Australian Taxation Office (2022), 'Taxation Statistics'.

