

Private Rental Housing

Low-Income Tenants

Private rental housing is defined as *occupied private dwellings in which the household pays rent to either a real estate agent or a person not living in the same household.*¹ At the 2001 census, there were 99,387 households in private rental in South Australia, comprising 17% of total dwellings in South Australia.²

*The residential rental market has undergone some fundamental shifts in the last couple of decades. What was once viewed as a transitional tenure is now becoming lifetime tenure for low and middle-income households. Around 40% of Australian tenants have lived in rental housing for more than 10 years.*³

Due to declining social housing stock numbers and economic changes, the proportion of private renters on low-incomes (those households within the lowest 40% of income units, equivalent to a gross weekly income of less than \$629 in 2001) has increased substantially over the past 15 years. In 1986, 17.6% of private renters were low-income households and by 2001, this has grown to 47.2%. There are now more low-income households living in private rental accommodation than in social housing.⁴ Even with Commonwealth Rent Assistance, over 80% of low-income households renting in South Australia are in housing stress, (paying more than 25% of their income in rent).⁵

*The private rental market is really two distinct sub-markets: a largish and relatively successful sector of choice for those who have adequate income, and a sizeable low-cost low-income sector for those who cannot access anything more affordable or appropriate.*⁶

*While the flexibility of the private market may work well for those who choose this tenure, for others, particularly on low incomes or with special needs, private rental is their only choice due to decreasing social housing, stock availability and limited access to homeownership. The uncertainty and lack of affordability in private rental accommodation can increase problems associated with inequality and disadvantage, and lead to social exclusion and community instability. The highest levels of housing need and housing-related poverty are in the private rental market.*⁷

SNAPSHOT 8

JULY 2004

Shelter SA
Torrens Building
220 Victoria Square
Adelaide
SA 5000

Phone: 08 8221 6488

Fax: 08 82216292

Email: sheltersa@sheltersa.asn.au

Web: www.sheltersa.asn.au



Shelter SA
Housing: a basic human right

Private Rental Housing

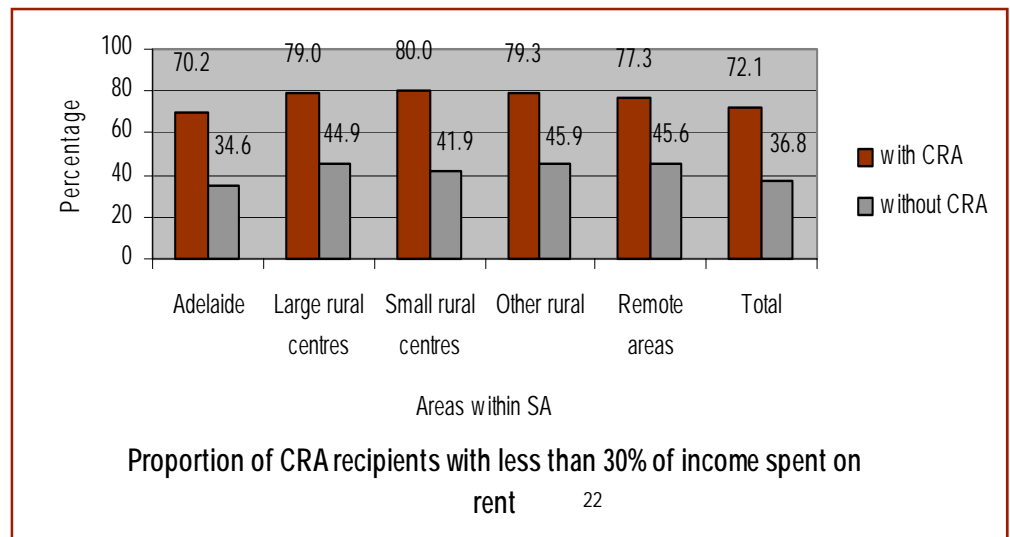
Advantages and Disadvantages

- ◆ In Adelaide, the number of low-income households in private rental accommodation rose from 21,416 in 1986 to 38,027 in 1996; a 78% increase. During the same time the low-cost private rental stock rose by only 14%, from 11,800 to 13,400.⁸
- ◆ Recent research indicates that low income households consume less than half of the low-cost housing available. In conjunction with low private rental vacancy rates, a situation exists in which low-income households compete with higher income households for low-cost housing.⁹
- ◆ For every three low-income households, there is only one rental property that is affordable for them.¹⁰
- ◆ There are many people who find it extremely difficult to access the private rental market, even if they do have sufficient income to do so. These include young people, single parents, Indigenous people, people of non-English speaking background, people with mental illnesses, people exiting institutions, those with pets, and those who receive Government benefits or bond assistance.¹¹
- ◆ Other barriers to accessing the private rental market include: lack of references, lack of sufficient money for bond, rent in advance, utility connections and moving costs, and special housing needs not being met by available properties.¹²
- ◆ *Mobility and flexibility have often been touted as positive features of the private rental market and evidence indicates that private renters move more often than those in other tenures. However, these moves tend to be largely involuntary and affect low income renters in particular, as high rents, poor affordability, and high and frequent mobility are disproportionately associated with being a continual long term renter.*¹³
- ◆ Using private rental as a 'stepping stone' to home ownership becomes problematic in the case of high rents and frequent involuntary moves, as tenants are forced to utilise credit or savings to meet bond payments and moving costs, and are therefore unable to save sufficient money for the required deposit and fees/charges related to buying a home.¹⁴
- ◆ Advantages of the private rental market include: not being responsible for maintenance and other costs associated with home ownership, such as rates, and some choice of location and type of accommodation. However, in many cases low-cost properties are not well maintained, and there is often a tolerance by renter of poor standards or even dangerous conditions as a trade-off for affordability. 30% of respondents to a Shelter SA survey indicated that they were *in their current accommodation because they were so desperate to find a place that they settled for the first one they could get.*¹⁵
- ◆ Disadvantages of private rental include: the lack of autonomy and control that tenants have over their housing, (lack of security of tenure, unable to personalise or make modifications to house, lack of privacy due to inspections by real estate agent or landlords, restrictions on pets) and the high cost of private rental (including rental increases over which the tenant has no control).¹⁶
- ◆ *For low-income households, life in the private rental market means that housing costs are high, security of tenure is low and the chances of changing to another tenure (such as home ownership or public rental) are decidedly small. So while short-term renters can benefit from the flexibility that comes with easy entry and exit from the tenure and choice of locations available in this sector, a substantial number of private renters are disadvantaged by the very same features. These are the people who will find it difficult, if not impossible, to improve their situation while in the private rental market.*¹⁷

Private Rental Housing

Housing Stress

- ◆ A household is said to be experiencing housing stress if it is a low-income household (within the lowest 40% of income units) and pays more than 25% of its gross income on rental housing costs.¹⁸
- ◆ In 2001, a low-income household had a gross income of less than \$629 per week (\$32,708 p.a.) A household at the top of this range, with a gross weekly income of \$629 per week could afford a home with a rent of less than \$156 per week. Rent higher than this amount would place the household in housing stress.¹⁹
- ◆ The SA State Strategic Plan (2004) reports that *the number of low-income private renter in housing stress (in SA) increased from 25,628 in 1996 to 27,966 in 2001 (ABS Census), which represents 83.4% of low-income private renters.*
- ◆ The SA State Strategic Plan (2004) set a target to *halve the number of South Australians experiencing housing stress within 10 years.*²⁰
- ◆ Data from Commonwealth Department of Family and Community Services shows that as of November 2001, 27.9% of Commonwealth Rent Assistance recipients in SA paid more than 30% of their income in rent.
- ◆ Without Commonwealth Rent Assistance, 73.2% of recipients would have paid more than 30% of their income in rent.
- ◆ 5.7% of recipients paid more than 50% of their income in rent, which would increase to 22.9% without Commonwealth Rent Assistance.²¹



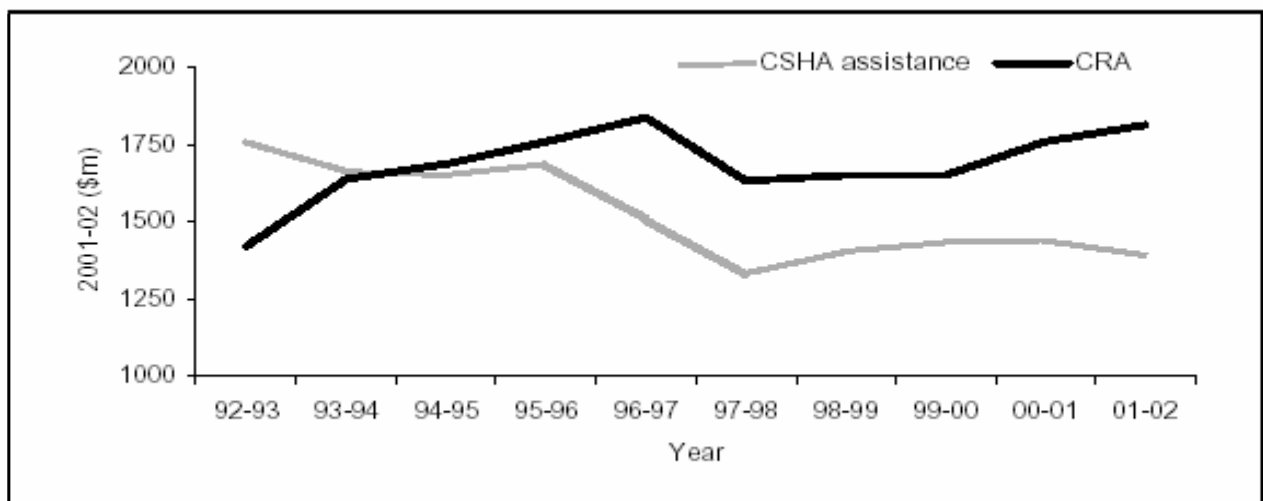
A survey conducted by Shelter SA in 2003 of people experiencing housing stress showed that many:

- ◆ struggled to meet everyday living expenses
- ◆ had no social life, which made them feel isolated and alone
- ◆ had very poor health
- ◆ were unable to adequately heat their home
- ◆ suffered mental anguish
- ◆ had difficulty paying the rent
- ◆ gave up meals or ate poorly in order to pay the rent
- ◆ needed to seek assistance from welfare agencies
- ◆ found it difficult or impossible for their children to participate in school excursions or camps, or to have parties or presents
- ◆ had a deep sense of hopelessness about their situation.²³

Private Rental Housing

Commonwealth Rent Assistance

- ◆ For well over a decade, the Australian Government has been relying on increased rent assistance as the primary means of ameliorating housing affordability problems, with a resultant increased reliability on the private rental market in meeting the needs of low-income households.²⁴
- ◆ As can be seen from the following graph, expenditure on Commonwealth Rent Assistance (CRA) has exceeded funding under the Commonwealth State Housing Agreement since 1994-95. CRA has increased from \$1.199 billion dollars in 1992-93 (equivalent to \$1.419 billion in 2001-02 dollars), to \$1.815 billion dollars in 2001-02. Over the same period Commonwealth State Housing Assistance (CSHA), which funds crisis, social and Indigenous housing, has decreased from \$1.485 billion dollars (\$1.758 billion in 2001-02 dollars), to \$1.392 billion dollars.²⁵



Expenditure on Commonwealth Rent Assistance and CSHA assistance, 1992-93 to 2001-02, (expressed in 2001-02 dollars) ²⁶

- ◆ Commonwealth Rent Assistance (CRA) is an income supplement paid to income-support (social security) recipients in recognition of the additional costs of private rental housing.
- ◆ As of June 30th 2002, almost one million income units were receiving CRA across Australia. 50,795 of these were in Adelaide and 13,791 were in the rest of SA. The average entitlement was \$72 nationally, \$70.50 for Adelaide, and \$68 for the rest of SA. ²⁷

Concerns have been expressed over the effectiveness of CRA, including:

- ◆ Over the past decade the Private Rental Market has provided low-income households with a decreased range of options. As a result a policy of relying solely on rent assistance as a means of expanding affordable housing needs to be supplemented by some form of supply-side measure (e.g. direct provision of social housing).²⁸
- ◆ Anecdotal evidence suggests that at least in some cases, CRA goes straight into the pockets of private landlords in the form of increased rents rather than contributing to increased affordability.²⁹

Private Rental Housing

State Private Rental Assistance Program

- ◆ The South Australian Housing Trust (SAHT) provides assistance to low-income households experiencing difficulty in securing or maintaining private rental accommodation via its *Private Rental Assistance Program*, which includes loans for bond guarantees, and in some circumstances, grants for rent in arrears or rent in advance.
- ◆ 14,886 bond guarantees were provided in 2002-03. The value of this bond assistance was \$6.90 million (an average of \$463 per bond).³⁰
- ◆ 13,626 grants for Rent in Advance or Rent in Arrears were provided in 2002-03, at a cost of \$2.20 million.³¹
- ◆ SAHT bond guarantees accounted for 27% of all bonds lodged with the Office of Consumer and Business Affairs in 2000-2001.
- ◆ During 1995-2002 the SA Housing Trust issued \$45.99 million in rental bond guarantees, which assisted 106,306 low-income households in the private rental market.
- ◆ 82,853 of these tenancies had ended by June 2002, resulting in the release of bonds worth \$34.78 million.
- ◆ Almost half this sum (\$15.83 million) was lost to private landlords who were awarded payments from the bonds as they were released. (If the bond is 'lost', the tenant accrues a corresponding debt with the SA Housing Trust, which may preclude the person from being eligible for other SA Housing Trust services.)³⁴
- ◆ Some of the 'lost bonds' are due to tenants being required to break their private rental lease, in order to move into public or community housing. As statistics are not maintained as to why the bonds are lost, it is not possible to state what percentage of lost bonds are due to this reason.
- ◆ In a research paper titled *Housing Evictions in South Australia*, Slatter and Beer commented that: *The Trust's Private Rental Assistance Program may assist these customers into the private rental market. However, it is highly probable that they will be in housing stress and may find their tenancies extremely difficult to maintain.*³²

The Residential Tenancies Act

Tenants in the private rental market have legislative protection under the *Residential Tenancies Act 1995*. Bonds are lodged with the *Residential Tenancies Fund*, and there is a *Residential Tenancies Tribunal* to deal with disputes between tenants and landlords.

On November 27th 2002, the Attorney General announced that the State Government was embarking on a comprehensive review of the Residential Tenancies Act. A public consultation period followed, with written submissions closing on February 28th 2003. To date, there has been no official communication about any aspect of the Review.

- ◆ Improving Coverage of the Residential Tenancies Act
- ◆ Security of Tenure
- ◆ Quiet Enjoyment
- ◆ Affordability
- ◆ Standards of Rental Housing
- ◆ Tenants' Advice and Advocacy Service
- ◆ Operation and Administration of the Residential Tenancies Branch
- ◆ Tenant Databases.³³

Private Rental Housing

Tenants' Advice and Advocacy Service

South Australia is the only state in Australia that does not have an independent, non-government Tenants' Advice and Advocacy Service to assist *all* renters. Such a service is vitally important and is urgently needed to assist all tenants to obtain and sustain their tenancies

Information, Advice and Advocacy services are closely associated with the alleviation of housing stress, dislocation and homelessness. Such services assist individuals and families to maximise the housing opportunities available to them and to resolve issues that may compromise the quality or security of their housing. The success and continued funding of tenants' advocacy services in all other states demonstrates that everyone – tenants, landlords, and the wider community - benefits from a service that educates tenants about their rights and responsibilities. It is also evident that this is more effective and less costly than relying solely on Residential Tenancies Tribunal hearings to resolve disputes.

A Tenants' Advice and Advocacy Service can assist people by taking up cases of blatant discrimination, helping people to be better informed about accessing the private rental market, and assisting tenants with advice about a range of topics including:

- ◆ starting a tenancy
- ◆ bond/ deposit issues
- ◆ share accommodation
- ◆ privacy and access
- ◆ rent
- ◆ repairs and maintenance
- ◆ termination of tenancy
- ◆ evictions.³⁴

Footnotes

1. ABS, cited in Yates, Wulff & Reynolds, 2004, p.i
2. ABS Census Data, 2001.
3. *Private Renters Households: who are the long term renters?*, Wulff, M. 1997
4. *State Housing Plan Issues & Options Papers*, p.99
5. *SA Strategic Plan*, Vol. 2, p. 54
6. Hulse & Burke, 2000, cited in *Housing Evictions in SA*, p. 11
7. *State Housing Plan, Issues & Options Paper*, p.100
8. *The Tenants Verdict*, p.1
9. *Ibid*, p.1
10. *State Strategic Plan*, Vol. 2, p.56
11. *Shelter SA submission to the State Housing Plan*, p.80.
12. *The Tenants' Verdict*, p. 13.
13. *Ibid*, p.4.
14. *Ibid*, p.60
15. *Ibid*, p. 6,7,60
16. *Ibid*, p.7
17. *Ibid*, p.4
18. *State Housing Plan, Issues & Options Paper*, p.117
19. *Ibid*, p.100
20. *SA Strategic Plan 2004, Volume 2*, p.57
21. *Productivity Commission Report into Government Services 2004*, Chapter 16, Tables 16A.56. p.1
22. *Ibid*, Chapter 16, p.1
23. *'Barely Existing, Barely Surviving: Housing Stress in Adelaide*, Sheltashortz, Sept. 2003.
24. Yates, Wulff, Reynolds 2004, p.1
25. King, Melhuish, 2003, p.2
26. *Ibid*, p.2 (Data Source: *Productivity Commission Report into Government Services 2004*, Table 16A.71)
27. *Ibid*, p.2 & *Productivity Commission Report into Government Services 2004*, Table 16A.56
28. *Is Rent Assistance Enough?*, Yates & Wulff, 2000 (www.onlineopinion.com.au/May00/Yates.htm)
29. *Rebuilding the Australian Dream: National Shelter Policy Platform 2003*
30. SA Housing Trust Annual Report 2002-03, p.16
31. *Ibid*, p.16
32. *Housing Evictions in South Australia*, p.9
33. *Shelter SA submission to Review of the Residential Tenancies Act*.
34. *Shelter SA submission to Review of the Residential Tenancies Act*, p. 21-23

Private Rental Housing

Shelter SA Policy Statement 8 Private Rental Accommodation

- 8.1 Shelter SA believes a National Housing Policy should be developed and include taxation and planning incentives that will specifically increase the supply of low-cost private rental dwellings in a range of housing options.
- 8.2 Shelter SA believes the State government, through the State Housing Plan, should facilitate the supply of low cost private rental housing in locations close to employment opportunities, public transport, shops, health and education services.
- 8.3 Shelter SA believes the State government through the State Housing Plan should improve supports for households in the private rental market, through a State Rent Relief scheme and programs to help people at risk of eviction to sustain tenancies.
- 8.4 Shelter SA believes a Tenants' Advice and Advocacy Service needs to be established as a matter of urgency.
- 8.5 Shelter SA believes the Residential Tenancies Act should be amended to offer greater security of tenure and increased rights to private renters (Refer to Shelter SA's Submission to the Review of the Residential Tenancies Act, 2003).
- 8.6 Shelter SA believes that provisions should be introduced to the Residential Tenancies Act in South Australia:
- prohibiting tenant database listing without reasonable excuse
 - requiring the landlord to ensure that any information provided to tenant database services is correct
 - requiring that the landlord notify the tenant of any listing, and the reason
 - providing that the tenant may seek orders under the Act to remove their name from a database or to correct wrong information on a database.
- 8.7 Shelter SA believes the Residential Tenancies Act should be amended to offer more effective protection against discrimination in private rental.
- 8.8 Shelter SA believes the capacity for the Housing Improvement and Rent Control section of the South Australian Housing Trust be restored to previous levels to allow for constant monitoring to ensure basic minimum standards of the Private Rental Market.



Shelter SA
Housing: a basic human right

Private Rental Housing

References and Further Information

*Barely Existing, Barely Surviving: Housing Stress in Adelaide.** (Sheltashortz, Sept. 2003).
Available at www.sheltersa.asn.au

Changes in the supply of and need for low rent dwellings in the Private Rental Market.
(Yates, J; Wulff, M; Reynolds, M; AHURI, March 2004, positioning paper).
Available at: www.ahuri.edu.au/global/docs/doc592.pdf

Housing Evictions in South Australia
(Slatter, M; Beer, A; Flinders University and SA Housing Trust, Feb. 2003)
Available at: www.flinders.edu.au/accsr/monograph.pdf

Is Rent Assistance Enough? (Yates & Wulff, 2000).
Available at www.onlineopinion.com.au/May00/Yates.htm

*Productivity Commission Report on Government Services 2004.**
Available at: www.pc.gov.au/gsp/reports/rogs/2004/index.html

*Rebuilding the Australian Dream—National Shelter Policy Platform 2003.**

*Renting: No way out?**
(Parity Magazine, Council to Homeless Persons, May 2000).

*Residential Tenancies Act (1995).**
Available at: www.austlii.edu.au/au/legis/sa/consol_act/

*Round My Place: Examining the experiences of young people in the Private Rental Market in South Australia.** (Roland, J; Shelter SA, 2000).

*State Housing Plan, Issues and Options Paper.** (SA Department of Human Services, March 2003).
Available at: www.health.sa.gov.au/statehousingplan/DesktopDefault.aspx?tabid=25

The Regional Impact of Commonwealth Rent Assistance.
(King, A; Melhuish, T; AHURI, August 2003, positioning paper).
Available at: www.ahur.edu.au/global/docs/30147_pp_regionalimpact.pdf

*The Tenants' Verdict: South Australian Tenants' Experiences of the Private Rental Market.**
(Cod, S; Shelter SA, Oct. 2001).

*Shelter SA's Submission for the Review of the Residential Tenancies Act.** (Shelter SA, Feb. 2003).
Available at: www.sheltersa.asn.au

*Shelter SA's Submission for the State Housing Plan.** (Shelter SA, June 2003).
Available at: www.sheltersa.asn.au

*Shelter SA's Submission into the Inquiry into Residential Tenant Databases.** (Dec. 2003)
Available at: www.sheltersa.asn.au

*South Australian Housing Trust Annual Report 2002-03.**
Available at: www.housingtrust.sa.gov.au

*South Australian Strategic Plan 2004, Volumes 1 and 2.**
Available at: www.stateplan.sa.gov.au/pub/SA_Strategic_Plan_volume1.pdf
www.stateplan.sa.gov.au/pub/SA_Strategic_Plan_volume2.pdf

(* denotes that this reference is available in the Shelter SA library).

