

Briefing Note



Rental Affordability and Residential Tenancies Act Reform

A decent affordable home is essential for wellbeing. Stable, secure and safe homes provide not just shelter, but also underpin employment, social and physical and mental health outcomes. For many people, particularly those on low incomes, the only path to housing is through private rental, but there is a crisis of rental affordability in South Australia.

Median rents for new tenancies in the *cheapest* Adelaide suburbs in the December Quarter 2021 were \$300 per week for a 2-bedroom unit and \$400 for a 3-bedroom house. These prices are unaffordable for people on low incomes, in many cases representing more than 30% of their income and more than 50% for some people on JobSeeker or the Age Pension.

The affordability crisis has deepened over the last year, with median rents for a newly tenanted 2-bedroom unit in Adelaide in the September Quarter of 2022 being 12.1% higher than at the same time last year, while rents for 3-bedroom houses were 15.8% higher. By comparison, the general inflation rate for Adelaide was 8.4% for the year.

Against this background, in December 2022 the state government issued a Discussion Paper on potential changes to the *Residential Tenancies Act* (RTA)– the main state legislation that governs rental arrangements between landlords and tenants.

Rental Affordability Reforms

While many of the proposals in the Discussion Paper would provide a modest benefit to renters and are supported by SACOSS, very few of the proposals deal with the fundamental issue of rental affordability. The two proposals that do address affordability (the proposed prohibition on rental bidding, and limitation on rental bonds) only apply at the point of leasing and do not address the week-to-week price of rents.

The *Residential Tenancies Act* needs to be reformed, but the reforms must address issues of affordability. Without this, all the other changes proposed become irrelevant to tenants who can't afford to rent in the first place.

SACOSS is calling for:

- amendment of the RTA to enable the government to introduce rent price controls by regulation;
- the government to use this amendment to cap rent increases at no higher than CPI (All Groups) for a two-year period;
- amendment of the RTA to empower renters by ending no-cause evictions, and
- a regime to be established (either in the legislation, regulations or by government policy) to ensure that the use of prescribed reasons for evictions or non-renewal of leases is genuine (and not a mechanism for extraordinary rent increases).

Other amendments to the RTA are required to ensure that tenants can not only afford the rent, but also afford the other costs of their housing – specifically, energy and water.

Energy

With few incentives for landlords to invest in thermal efficiency and energy-saving devices, many tenants live in energy inefficient housing. This results in disproportionately high energy bills, and in many cases, tenants not being able to properly heat or cool their houses – which in turn carries significant adverse health impacts. Further, fear of eviction and low rental vacancy rates prevent renters from asking for energy efficiency improvements.

Government regulation is required to drive energy efficiency improvements in rental stock in South Australia, and SACOSS is calling for major reforms to the RTA (and/or other legislation) to mandate:

- minimum energy efficiency standards for rental properties to require landlords to ensure their properties meet a certain level of energy efficiency before they can be rented; and
- disclosure of energy efficiency ratings for all rental properties at the time of leasing to give tenants a clear indication of how much energy their home will use and to make it easier to understand likely future energy bills and the full costs of renting.

Water

Responsibility for paying water supply charges in South Australia is unclear, out-of-step with other jurisdictions, and may place undue burdens on tenants. SACOSS is calling for the RTA to be amended to:

- revert the default position to landlords being responsible for water supply charges [s73(2)(b)];
- avoid possible misinterpretation by explicitly stating that statutory charges on the property for which the landlord is responsible include both sewerage and water supply charges [s73(1)];
- relieve a tenant of any requirement to pay rates and water supply charges if the landlord fails to provide a copy of the account to the tenant (rather than requiring the tenant to request the bill) [s73(3)(b)];
- mandate minimum water efficiency standards for all new tenancies;
- provide clarity on landlord responsibility for excess water charges resulting from water leaks that remain unrepaired; and
- relieve a tenant of any requirement to pay rates and water supply charges if the property fails to comply with minimum water efficiency standards [s73(3)].

The details and rationale for these proposals are outlined in the SACOSS Submission on the RTA Review Discussion Paper.

For background data on the rental affordability crisis, see SACOSS' *Cost of Living Updates, December Quarter (Adelaide) and June Quarter (Regional SA)*

<https://www.sacoss.org.au/reports/cost-living-updates>

SACOSS' Submission to the Residential Tenancies Act Review Discussion Paper is at

<https://www.sacoss.org.au/submission-RTA-review>