



SACOSS' Submission to the Senate Standing Committee on Community Affairs Inquiry into the Worsening Rental Crisis in Australia

August 2023

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First published in August 2023 by the South Australian Council of Social Service

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Summary of Recommendations

This submission considers and makes recommendations in relation to four of the Committee's Terms of Reference as follows:

Rising rents and rental affordability

Recommendation: That the Committee recognise the importance of energy costs for rental affordability and that these costs would be alleviated by minimum energy efficiency standards for rental properties, and note the importance of the disclosure of energy efficiency ratings to tenants at the point of leasing so that tenants can know what the real costs of renting a particular property are likely to be.

Actions that can be taken by governments to reduce rents or limit rent rises

Recommendation: That the Committee:

- recommend that Commonwealth and state governments invest more in social housing; and
- find that limiting rent increases to CPI would be a useful measure to improve rental affordability.

Improvements to renters' rights

Recommendation: Reform of the Residential Tenancies Act is required to improve renters' rights and any national framework should hasten and not delay the urgent action required at the state level.

Recommendation: That the Committee acknowledges that concerns that improving renters' rights may force landlords to exit the market and reduce rental supply are largely misplaced or exaggerated, and that the rights of tenants need to be improved.

Any other related matters

Recommendation: That the Committee recommend that a review of CRA be undertaken by the Economic Inclusion Advisory Committee to ensure the payment is adequate, equitable and effective in reducing rental stress, including for those not currently eligible for other income support payments.

Introduction

The South Australian Council of Social Service (SACOSS) is the peak representative body for the non-government health and community services in South Australia, a sector which includes over 1,000 organisations with a combined revenue of \$4.7bn per annum and employing more than 50,000 South Australians.

SACOSS has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*, and seeks to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. Our membership includes charities, organisations and individuals working in a range of health and community services sectors, including community housing providers, organisations who provide support to and advocacy for tenants, as well as individual renters.

SACOSS undertakes policy and advocacy work in areas that specifically affect disadvantaged and low-income households in South Australia. The availability and affordability of housing is central to this focus, and in particular issues of rental affordability, the provision of public housing and the condition and thermal efficiency of housing. We also take a public health approach as health and housing are inextricably linked: if housing is inadequate (unaffordable, insecure, unsafe, of poor quality or poorly located) health will suffer, but equally, people experiencing health problems (including chronic health problems and disability) face additional barriers to accessing and retaining adequate housing that meets their needs.

SACOSS has made numerous submissions on government housing policies over the years, most recently to the South Australian parliament's Economic and Finance Committee Inquiry into Housing Availability. This submission draws on [that submission](#) where relevant and seeks to specifically address the Terms of Reference:

- (b) rising rents and rental affordability;
- (c) actions that can be taken by governments to reduce rents or limit rent rises;
- (d) improvements to renters' rights; and
- (h) any other related matters.

Terms of Reference

b. rising rents and rental affordability;

As with many housing researchers, SACOSS utilises a definition of housing stress as being where households with low to moderate income (the bottom two income quintiles) are paying more than 30% of weekly household income for housing.

Against this definition, SACOSS notes that the last ABS *Housing Occupancy and Costs* data ([Table 8](#)) showed that in 2019-20, 50.8% of private renters on low incomes in South Australia spent more than 30% of their income on housing costs. This obviously predated what have been substantial recent interest rate and rent hikes, which suggests that current levels of housing stress would be much worse.

SACOSS' most recent [Cost of Living Report](#) showed that in the December Quarter 2022, rental properties in Adelaide were unaffordable for those on low incomes. The median rent for a new tenancy for a two-bedroom apartment in the cheaper suburbs was \$340 per week, and \$400 for a three-bedroom house. The table below from that report shows these rental costs as a proportion of particular incomes.

	Total Income*	% of Income 2-bed unit	% of income 3 bed house
Single JobSeeker	\$414.40	82%	
Single Age Pensioner	\$589.50	58%	
Single Minimum Wage	\$812.60	42%	
Single Parent JobSeeker – 2 children	\$717.70	47%	56%
Single Parent Minimum Wage – 2 children	\$1,196.33	28%	33%

* includes where appropriate Centrelink Supplements, Commonwealth Rent Assistance and Family Tax Benefits based on children aged 10 and 14.

The data shows that ***there is a rental affordability crisis in South Australia and the market is clearly not providing sufficient affordable housing for those on low incomes.***

Further, the [latest CPI data](#) shows that the situation is not getting better. [Rents in Adelaide](#) increased by an average of 2.5% in Adelaide in the June Quarter this year (the biggest increase this century) and by 6.9% for the year.

However, rent costs are not the only things that make renting unaffordable. For many low-income households, there are hidden housing costs arising from the design, condition, and water and energy efficiency of housing, and from locational factors such as the extent of shade and tree canopies. In most instances, renters have few options or rights to modify housing to address these issues, but these factors contribute to lack of affordability of

housing through higher energy and water costs, and through health problems which lead to expenses or time off work.

While new housing has to meet some design standards, including some energy efficiency principles, for existing housing stock there is ample evidence of poor and unhealthy rental housing supply (See for instance, Better Renting's [Sweaty and Stressed](#) report, or the Anti-Poverty Network SA's [Broke, Cold, Stressed](#) report, or the evidence in the [Australian Rental Housing Conditions](#) dataset). Unfortunately, as a result of lack of action by successive state governments in implementing disclosure of energy efficiency standards of rental housing, we don't know the full extent of thermal inefficiency or the cost to renters – let alone have movement towards minimum standards. For this reason, [SACOSS has been calling for minimum energy efficiency standards for rental properties, and the disclosure of energy efficiency ratings to tenants at the point of leasing](#) so that tenants can know what the real costs of renting a particular property are likely to be.

SACOSS therefore asks the Committee to:

- ***recognise the importance of energy costs for rental affordability;***
- ***find these costs would be alleviated by minimum energy efficiency standards for rental properties; and***
- ***note the importance of the disclosure of energy efficiency ratings to tenants at the point of leasing so that tenants can know what the real costs of renting a particular property are likely to be.***

c. actions that can be taken by governments to reduce rents or limit rent rises;

SACOSS sees two major actions that could be taken to reduce rent and limit rent rises, one at the national level and one at the state level.

Increasing Rental Supply

At the national level, there is a need to increase the supply of public and social housing as this is the most direct way to put rental housing into the market and is also the most affordable form of rental housing.

While public housing has historically been a state responsibility, the vertical fiscal imbalance in the Australian federation means that the Commonwealth has an important role in financing new social housing. In this context SACOSS welcomed the recent announcement of \$2bn Social Housing Accelerator Program, and in South Australia this added to state government initiatives to reverse the decline of the public housing estate and build more social housing. However, even these two initiatives are unlikely to be sufficient to impact the market and reduce rents or limit rent rises.

The Social Housing Accelerator Program would see [\\$1358m invested by the federal government in South Australia and lead to 300-400 new social houses in the state](#). This would be in addition to the 564 net new houses over four years announced in the SA government's [Better Housing Future](#) plan. However, [SACOSS calculates](#) that simply in order to keep pace with population growth and maintain the public housing share of the SA housing market would require around 300 new public houses per year, so the state and federal government announcements to date may not even cover population growth. To begin to rebuild the South Australian public housing assets at the rate they declined over the preceding four years and to begin to put downward pressure on rents in the private market would require building around 1,000 per year, more than triple the current investment. This appears ambitious, but pales by comparison to the average of over 3,250 public houses and flats that were built each year between 1950 and 1967 ([A History of South Australia](#), p 135). Obviously though, such growth in public housing requires substantially more state and federal government investment.

Capping Rent Increases

The other major action that could be taken to limit rent increases and improve rental affordability is to legislate to limit rent increases. This requires state legislation, and in South Australia would best be done through amendment to the *Residential Tenancies Act*.

The South Australian government is currently reviewing the Act, and in response to that review SACOSS has been working with 4 other key groups (Shelter SA, Better Renting, Uniting Communities and the Anti-Poverty Network) to identify major reforms required, one of which is to **limit rent increases to CPI**. The *Residential Tenancies Act* in South Australia currently prohibits raising rent more than once per year (in an existing tenancy), but it does not provide any limit on the amount of the rent increase – nor a limit on how much rent can be raised from one tenancy to the next. This allows for excessive rent hikes which cause significant hardships to renters and force the eviction (often into homelessness) of those who can't afford the increases.

The proposal to limit rent increases to CPI is fairly modest. It is a lesser intervention than freezing or capping rents, and simply seeks to limit *excessive* rent increases. It would allow landlords to increase rents and maintain the real value of rental income. Indeed, the most recent CPI data shows that even with the current rent price hikes many landlords would be unaffected by limiting rent increases to CPI. Over the last year (June Quarter 2022 – June 2023) the CPI for rent in Adelaide increased by 6.9%, as did the general Adelaide CPI. (The latter was 6% nationally). So, a CPI cap on rent increases would still allow for a 6% increase (or 6.9% increase if done on the Adelaide data), but this would still be beneficial because it would prevent more excessive rent increases. The CPI figures for actual rent increases over the last year is an average, meaning that the rent for many properties increased by more than that. These above-average (excessive) increases would be limited by a CPI cap. This

would be a direct benefit for those tenants and would also serve to bring down the average CPI rent figure because the below-average increases would no longer be matched by above average increases.

Further, given that key Commonwealth social security payments like JobSeeker and Youth Allowance are indexed to CPI, limiting rent increases to CPI would also mean that rent would be stabilised as a proportion of those household budgets. Other measures may still be needed where those households remain in rental stress, but limiting rental increases to CPI at least means the situation would not be getting worse.

SACOSS accepts that there would need to be some exception to allow for above-CPI rent increases where landlords have made significant improvements to the property or in exceptional circumstances where landlords could apply to the appropriate tribunal under the Act (SACAT), but these changes are easily legislated and do not change the fundamental arguments for implementing a limit on excessive rent increases.

SACOSS asks the Committee to recommend that Commonwealth and state governments invest more in social housing and to find that limiting rent increases to CPI would be a useful measure to improve rental affordability.

d. improvements to renters' rights, including rent stabilisation, length of leases and no grounds evictions;

As noted above, the South Australian state government is currently reviewing the *Residential Tenancies Act*, which is the major legislation defining renters' rights and tenancy conditions. Legislation to limit (but not ban) rent bidding was passed in June, and will come into effect later this year. However, the SA government has promised further reform with legislation being developed (to be introduced later this year). SACOSS, along with the groups noted above have proposed four key changes to improve affordability and renters' rights.

They are:

- Abolishing no-cause evictions
- Limiting rent increases to CPI
- Introducing minimum energy efficiency standards
- Ensuring landlords can't reasonably refuse a pet.

The rationale for each of these is set out in our [Joint Statement](#). The government has indicated that they are developing proposals to address the first and last of these, along with other changes to:

- Increase the minimum termination notice periods from 28 to 60 days;
- Allow tenants to make minor modifications to the property more easily;
- Reduce the number of routines inspections permitted to a maximum of 4 per year;

- Require new or replacement fixtures/appliances to meet energy efficiency or water saving standards;
- Prohibit additional fees on rental payment processes
- Change water and electricity billing to require landlords to provide tenants with copies of bills, and make the landlord the default party responsible for water supply fee and responsible for unrepaired or undiscoverable leaks.

These proposals are all welcome and, given the current rental crisis, ***legislation to enact the changes needs to be passed as a matter of urgency.***

In this context, SACOSS is aware of the submission headed by a range of national housing groups and co-signatories calling for “national, state and territory governments to work together to develop a consultative framework and national plan for rental reform”. There has long been a national framework trajectory in relation to energy efficiency reform, and in early iterations it included a committed to minimum standards in rental properties (as called for by SACOSS and others). However, the standards do not appear in [2019 version](#) and overall the trajectory has delivered little or no improvements for renters. Accordingly, in evidence to the SA parliament’s Economics and Finance Subcommittee Inquiry into Housing Availability on 1 June this year, SACOSS urged the state government to implement minimum energy efficiency standards without waiting for the national framework.

Similarly, ***any national framework for renters’ rights should hasten and not delay the urgent action required at the state level, and SACOSS continues to urge the South Australian state government to move quickly on its reform of the Residential Tenancies Act and to implement the additional reforms in our joint statement.***

In the context of recommendations to improve renters’ rights, it is worth [quoting from AHURI](#), one of the leading housing research bodies in the country, who believe that the current system is currently so biased against tenants that the “overarching principle” of law reform should be “to unapologetically centre the rights of tenants” (p83).

While such an approach to renters’ rights may raise concerns that this would force landlords out of the market and limit rental supply, the AHURI study’s empirical research found little evidence that changes to tenants’ rights impacted on investment decisions. Further, the report concluded that:

Where landlords or their representatives say it is too difficult and they will disinvest from existing private rental system dwellings, this should not be taken as a threat, but as a good thing: that is, the incapable and the unwilling exiting the sector, and thereby opening up prospects instead for new owner-occupiers or for differently oriented landlords—especially non-profit rental housing providers.

Indeed, following AHURI's argument, SACOSS suggests that concerns that reforms such as limiting rent increases or improving renters' rights would drive landlords out of the market and thereby reduce rental supply, are misplaced. This is basically because the vast bulk of landlords do not add to housing supply – they buy existing properties. If they sell the property, the total housing supply is unchanged as the house is either bought by another landlord or by a home-buyer. This is argued more fully in a private blog by one of our senior researchers: [The Landlord Myth and Housing Supply](#).

SACOSS urges the Committee to acknowledge that concerns that improving renters' rights may force landlords to exit the market and reduce rental supply are largely misplaced or exaggerated, and that the rights of tenants need to be improved.

e. factors impacting supply and demand of affordable rentals;

See comments above in relation to the provision of public and social housing. While this is not the only factor impacting the market, it is the one most directly amenable to government action.

h. any other related matters.

Commonwealth Rent Assistance

As part of the social security system, the Commonwealth provides rent assistance (CRA) payments to eligible Centrelink recipients who rent properties. While this is not an alternative to investing in social housing, the CRA provides an important assistance to renters in the private market. In the 2023-24 Federal Budget the CRA payment was increased by 15%, but as the [ACOSS submission to this Committee's Inquiry into the budget changes legislation](#) noted, the level of CRA is still inadequate and needs to be benchmarked to actual rents.

[SACOSS' submission to the same inquiry](#) endorsed ACOSS' submission, and further noted that CRA is only available to people in receipt of Centrelink payments. Our research into waged poverty shows that there are many households living below the poverty line whose main source of income is wages (accounting for around 1.2m Australians according to [ACOSS data](#)), and around half of these households do not receive any Centrelink payment.

Accordingly, we refer to and repeat here our recommendation that ***the Committee recommend that a review of CRA be undertaken by the Economic Inclusion Advisory Committee to ensure the payment is adequate, equitable and effective in reducing rental stress, including for those not currently eligible for other income support payments.***

Conclusion

We are living in a rental affordability crisis, driven in part by a lack of renters' rights but also by the lack of availability of properties following years of underinvestment in social housing. In this context, we welcome the Committee's inquiry, and ask the Committee to consider and make recommendations in line with those highlighted in this submission.