



Submission

The Worsening Rental Crisis in Australia

Senate Standing Committee on Community Affairs

July 2023

Introduction

YACSA is the peak body in South Australia representing the interests of young people as well as the organisations, networks, and youth workers throughout the non-government youth sector. Our policy positions are independent and not aligned with any political party or movement. YACSA supports the fundamental right of young people to participate in all aspects of community life, particularly the decision-making processes that impact them and their lives and recognises the barriers young people experience when engaging with Parliamentary systems and inquiries.

As young people are disproportionately impacted by the housing crisis, and housing is a priority area of advocacy, YACSA welcomes the opportunity to provide information on young people and the youth sectors' experiences of the private rental market to the Senate Standing Committee on Community Affairs.

YACSA urges the Australian Federal Government to increase support for young people during this crisis and ensure policy decisions promote generational equity and respect fundamental human rights. YACSA believes a greater commitment to evidence-based policy decisions that mitigate the impacts of inequality experienced by young people are urgently needed, and that it is the Federal Government's responsibility to act.

Key points

- Most young people living independently rent via the private rental market.
- Young people experience discrimination in the private rental market.
- Unaffordability and low availability of rentals disproportionately impacts young people.

Young people in context

Australia has experienced a long-term multifaceted housing crisis that more recently has seen unprecedented increases in the cost of renting within the private rental market. Young people are experiencing the long-term effects of policy that prioritises housing as an investment opportunity above providing housing as a fundamental human right. The impacts of these policy decisions by successive governments are exceptionally far-reaching and deep-seated in the lives of Australian young people which will only progress without decisive action.

Owning a home is a significant driver of wealth in Australia. Decreasing rates of home ownership and increasing rates of young people renting, paired with other changes to the housing market, heavily contributes to Australia's widening intergenerational inequality. With young people essentially excluded from the housing market, their ability to build wealth is impacted and therefore so is the sustainability of Australia's tax and transfer systems that favour older cohorts¹.

Rental households in Australia are typically younger, have lower incomes and have less wealth. However, these households have previously been able to move to higher-paid employment as they age increasing their income and allowing them to shift to home ownership. This is not possible for young people today who enter the labour market into lower-paid employment and are less likely to experience upwards mobility compared to older age cohortsⁱⁱ.

Young renter's experience

Young people are the most likely age cohort to rentⁱⁱⁱ, the most represented age cohort in the lowest two income quantiles^{iv} and the most stressed about rental price increases^v. The common experience among young people of housing insecurity and rental stress is reflected in census data showing one in four people experiencing homelessness are aged between 12 and 24 years^{vi}.

Despite most young people living independently renting, they experience distinct discrimination within the private rental market^{vii}. Across Australia, there is a significant power imbalance between renters and landlords undermining young people's rights. Young people are distinctly affected by discrimination driven by bias concerning a perception of risk and the impact of this discrimination sees young people more likely to live in substandard and insecure rental properties. Especially as affordability and availability decrease and the number of informal shared tenancy agreements increases, young people continue to fall into 'informal tenancies' where they have fewer rights and more difficulty promoting their rights^{viii}.

Affordability

The Senate Select Committee on the Cost-of-Living Interim Report (2023) showed rental prices had increased by 12 per cent from February 2020 to 2022, putting rents at a record high^{ix}. That trend has continued in South Australia with Housing Authority data showing the median weekly rental price increasing by 20 per cent from March 2022 to 2023^x. In the March 2023 quarter, the weekly median rental price for a 2-bedroom unit increased to \$400 (from \$370 the previous year) and for 3-bedroom houses the median weekly rental price increased to \$500 (from \$445 the previous year). Given young people earn half what 25–34-year-olds earn on average^{xi} and their incomes have declined in the past decade^{xii}, the consistent increase in median rental prices impacts them significantly.

Share houses have also become significantly less affordable. A recent affordability analysis of available rental properties in South Australia found there were no affordable units, houses or share houses available to rent for a young person on Youth Allowance or JobSeeker payments^{xiii}. This lack of housing options for young people is demonstrated by the rate at which young people experience 'hidden' forms of homelessness like couch surfing, severely overcrowded housing, and unsafe living situations^{xiv}.

Housing is the largest cost of living factor for young people and while increases in rental prices alone demonstrate the impacts of recent events, to fully recognise the impacts experienced by young people, cost of living increases must be viewed within the context of young people's long-term economic disadvantage. Increasing rental prices are impacting other areas for young people with more and more forced to live week to week while sacrificing essentials like food, transport, medication, healthcare, and energy usage^{xv}. Given the rate young people are forgoing healthcare as well as the growing rate of stress over unaffordable housing, it is alarming that cost of living pressure has become the highest risk factor for suicide^{xvi}, which remains the leading underlying cause of death for young people^{xvii}.

Availability

As of February 2023, metropolitan Adelaide's rental vacancy rate was 0.5 per cent^{xviii}. Consistently low availability and the experience of discrimination within the private rental market results in young people being more likely to move frequently^{xix}. Although evidence shows that low-income renters are more likely to move more often, it is not by choice with the main reason given for moving between private rental properties is the current property no longer being available^{xx}. Each time a young person must move to a new rental property, they are forced to cover upfront costs like bond, 2 weeks rent, and associated moving costs^{xxi}.

Housing instability can significantly impact mental health and wellbeing. Research shows living in private rental properties and experiences of unaffordable housing puts people at most risk of developing mental ill health which is particularly relevant for young people who are experiencing a period of development for their social and emotional wellbeing which is the most common time for the onset of mental illness^{xxii}.

State and Federal Governments

Australia is one of the only OECD countries to have jurisdictions that allow 'no-grounds' or 'no-cause' evictions. Landlords and agents being able to evict tenants without grounds undermines tenants' rights, especially in relation to minimum standards of housing, repair requests, or in seeking temporary support during hardship as shown during COVID-19^{xxiii}. Under the current *Residential Tenancies Act 1995* (SA), a landlord can terminate a periodic tenancy agreement without specifying grounds when providing 90 days' notice or terminate a fixed tenancy agreement at the end of the term without specifying a reason when providing 28 days' notice. In a recent review of the Act, the State Government discussed increasing the required notice period for fixed tenancy agreements to 60 days^{xxiv}. The State Government has indicated their intention for further consultation including on amendments for rights to pet ownership and to no-grounds evictions. The Residential Tenancies (Protection of Prospective Tenants) Amendment Bill 2023 (SA) was passed in June 2023. However, this Bill did not increase the notice period as mentioned above. The Bill amended the Act to prohibit requests to a prospective tenant for prescribed information and established that a landlord or agent can only advertise rental premises at a fixed amount. The State Government has indicated it is 'taking action to ban the practice of rent bidding^{xxv} by disallowing rental ranges or rental auctions and by stopping landlords or agents from seeking offers higher than an advertised price. It is unclear whether this reform will have the desired effect of banning rent bidding as the amendments did not include provisions to stop landlords or agents from accepting higher offers of rent.

Lower rents and increased support payments for housing can reduce poverty and housing stress^{xxvi}. The latest Federal Government budget provided a small increase to Commonwealth Rental Assistance (CRA) and to income support payments. However, these increases were not reasonably in line with recent rental price growth. With the median rental price in wider-metropolitan Adelaide at \$389-430 per week^{xxvii}, a young person receiving the maximum rate of Youth Allowance and CRA will have just \$3 per week to live on after rent is paid. If a young person on Youth Allowance can secure a rental property, even paying the minimum possible median rent they will pay over 99 per cent of their income on rent, putting them into extreme rental stress.

During 2022-23, the Federal Government gave approximately \$1.6 billion to states and territories to improve access to affordable housing and committed \$10 billion to the Housing Australia Future Fund (HAFF) to possibly build up to 20,000 social houses and 10,000 affordable houses. Similarly, to other policies, this program predominately focuses support on social housing. Despite this increased focus and Australia's investment shifting from public housing into community housing over the last decade, social housing tenure has decreased to represent just four per cent of all tenures^{xxviii}. Also, it

is unclear how this support reaches young people as they rarely have access to social housing with CRA supporting young people at almost ten times the rate they access social housing^{xxix}. Given CRA rates have not kept pace with rental price increases, this suggests young people are not being adequately supported in relation to housing. Another indicator is the proportion of young specialist homelessness service (SHS) clients discharged into homelessness. Australian Institute of Health and Welfare (AIHW) data shows that about 40 per cent of young people discharged from SHS exit into homelessness, compared to 32 per cent of all SHS clients while only 15 per cent of young SHS clients exit into public or community housing compared to 21 per cent of all SHS clients^{xxx}.

Conclusion

To address intergenerational inequality and begin mitigating the scarring effects experienced by young people in relation to housing, especially via the private rental market, the Federal Government must prioritise reforms in key areas, particularly capital gains tax and negative gearing, and raise income support and CRA payments to lift people out of poverty and housing stress^{xxxi}.

State and Territory Governments must progress policy reforms relating to rental housing and tenancies. To better support young people and safeguard their rights in the private rental market reform should end no-grounds evictions, limit rental increases, provide additional income support for renters, improve enforcement of rental property standards as well as invest in improved data collection^{xxxii}.

Governments should also enhance tenancy support specifically targeted to young people. Non-government organisations like RentRightSA provide much-needed support services to young people to secure and maintain tenancies, however, these services need increased investment to meet growing demand.

Lastly, State and Territory governments must consider the underrepresentation of young people in social housing and implement reforms to ensure this type of housing is equally available to young people.

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