

MEDIA RELEASE

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Rental Crisis – Perfect Storm

The much-publicised rental crisis in Australia is easy to understand, and potentially reasonably easy to fix. There are two issues capturing most of the headlines, the first is a lack of houses for rent, and the second is an increase in the cost of rent, which in some cases has led to evictions. All of these are related as scarcity always drives up prices, and competition drives up standards.

Much of the underlying problem was created by the same group of people that are saying that it needs to be fixed – state politicians and tenant activists. Their hostility toward landlords over many years has resulted in many landlords leaving the rental market, which has subsequently reduced the availability of properties for rent. The hostility has been on three key fronts.

1. Increases in property related taxes (particularly land tax) – for example Victoria increased land tax revenue by over one Billion last financial year. But they are not alone, one third of the cost of new housing development is government related taxes and charges. Increased costs to suppliers (landlords) inevitably flow through to customers (tenants).
2. Increases in compliance obligations and related costs – once again Victoria leads the way with ludicrous legislation resulting in housing that is suitable to be sold to owner occupiers and holiday rental not being compliant with rental laws. Apparently, tenants deserve a better standard of accommodation than everybody else.
3. Increases in risks associated with rogue tenancy – while most tenants pay the rent on time and treat the property respectfully, some don't. While this risk has previously been covered by insurance, under proposed legislation the landlord could be exposed for hundreds of thousands of dollars. This is because landlords are being asked to declare any history of drug use, drug production, violence, or death at the property. Given that all these activities could be undertaken by the tenant without the landlord's knowledge or approval, it makes the selection of tenants the only means to manage this risk. But this is also under pressure from tenant activists for perceived discrimination.

Subsequently landlords have been moving out of the long-term tenancy market in two ways, the first is to simply sell the property on the open housing market. With two thirds of all properties purchased by owner-occupiers the odds are that this would result in a reduction in rental properties. The second way they are exiting the rental market to avoid the hostile tenant's legislation, is to move into the short-term-stays market. In some regional and coastal areas this has resulted in triple the annual revenue.

Temporarily adding to the Problem

Adding to this underlying problem are some temporary issues that have built up a perfect storm. The first of these was that many tenants took advantage of their domestic mobility and fled the lockdown prone cities, particularly Melbourne and Sydney and headed for the regions and interstate. This significant migration has placed significant stress on the regional rental markets driving up prices and displacing some locals less able to pay the rent. In Western Australia, the locked borders prevented the fly-in-fly-out workers from returning to their home's interstate, and subsequently placed unprecedented stress on the WA rental market. Many of these people have not returned to their pre-covid locations and behaviours.

Nature has also had a role to play, displacing tens of thousands of households due to fires and floods particularly in NSW. Once again this is temporarily increasing demand for rental properties.

The final contributor to the perfect storm are issues within the building industry. In any given year there are people renting while their house is under construction. Due to building delays and cost blowouts, many of these people are needing to rent for longer periods of time. With the issues in the building industry escalating, this problem is likely to get worse before it gets better.

Solution

There are over 2 million individual landlords in Australia, 15% of them are tenants themselves. As much as displaced tenant stories can make for dramatic news stories, no landlord has the means to solve the rental crisis. Sensible government policy can. The Australian Landlords Association recommends three things:

1. A national investigation into housing – ideally a royal commission – to ensure that housing policies are aligned to the needs of the people, not the politics and revenue raising of government.
2. State government immediately move to reduce the impediments to property rental that they have progressively built up over the last decade.
3. The Federal Government create a pool of portable temporary housing to be made available for victims of natural disaster. Seems appropriate in a land of fires and flooding rains.

Housing is too important for politics. The Australian Landlords Association published a [position paper](#) in February 2021, it was sent to all state and federal housing ministers and shadow ministers. We don't claim to have all the answers, however, to make policy on the assumption that there will always be landlords willing to accommodate strangers and pay ever higher taxes is foolish. The vast majority of landlords own a single investment property and half of all landlords lose money in any given year. If governments continue on their current course more landlords will sell and this rental crisis will get worse.

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