The Australasian private rental sector; A tenure under severe stress

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Overview. Institutional Context

• Australia and New Zealand as market Liberal societies.
• Home Ownership societies (but in decline arguably because of growth of private rental)
• Policy environment not targeted at housing outcomes
• Private rental as an accidental tenure.
• Urban form; Low density detached housing cities in both countries
• Rapid household growth much of it from lower income households.
Distinctive Features

Supply.
Pre dominantly small (one or two properties) investors (see figure 1)
Investor decision making intuitive rather than informed. (Seelig Burke 2007)
Little large scale or institutional investment (much more 30 years ago)
Most investment in existing not new stock
Growing numbers of renter landlords (15%)
Mix of Housing type (45% detached dwelling 55% apartment town houses NZ mainly detached housing)

Demand
Three key segments:
• Younger Households (singles and couples)
• Tertiary students particularly international
• Lower income households (45% of total Aus)
Historically a transitional sector but increasingly long term (41% more than 10 years)
High rates of Mobility. (39% moved at least 3 times in last five years)
Figure 1. Internal Rates of Return: By type of investor, houses and units 1998 – 2009 Melbourne. Source: Wood 2011
## Private Rental Policy Settings

### Australia

**Taxation;**
- negative gearing
- Capital gains tax (50 percent at marginal rate)
- Land Tax

**Income Support**
- Pensions and Benefits low
- Commonwealth Rent Assistance

**Security of Tenure** (short term leases, no just cause provisions, minimum rent increase provisions)

**Supply- National Rental Affordability scheme**

**Planning** – No inclusionary Zoning, resistance to multi unit development

### New Zealand

**Taxation;**
- negative gearing
- Capital gains tax (50 percent at marginal rate)
- No land tax

**Income Support**
- Pensions and Benefits low
- Accommodation supplement

**Security of Tenure** (short term leases, no just cause provisions, minimum rent increase provisions)

**Supply No policy**

**Planning** – No inclusionary Zoning, resistance to multi unit development
Why Problematic?

Affordability.
- 47.7% of all renter households below the 40th percent income decile have an affordability problem. For singles over 65 it is 84%. (Burke et al 2011)
- A growing submarket affordability problem (see Table 1) Given size of cities a problem different to UK or Europe.

Supply. National shortfall of affordable dwelling units (298000 units equivalent to 900000 UK) (Wulff et al 2011)

Secure Occupancy. Poor by International standards (Hulse et al 2011)

Policy Levers inappropriate to changing role of sector; no performance requirements attached to policy

Emergent Quality problems. Growth of marginal private rental sector (rooming houses, caravans), sustainability problems with no reason for landlord to act

Home Ownership Displacement. First home buyers can’t compete with investors; driver of house price inflation.
Table 1: Percentage of affordable rental properties by region, Low and moderate cost budget standard. Melbourne, couple, 2010

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The Lessons from Australasia.

• The positive lessons to be learnt from Australian and New Zealand are from the past, ie, the 1960s and 1970s when an affordable and available sector was sustained alongside ownership and public housing and meshed well with both.

• It is now a negative lesson. Poorly targeted policy settings and outcomes opposed to a sustainable housing system; The private rental sector is the Australasian housing Problem.
References


