



RENTAL AFFORDABILITY SNAPSHOT

SPECIAL UPDATE / AUGUST 2020

ABOUT THIS SNAPSHOT

The Rental Affordability Snapshot highlights the lived experience of looking for housing on a low income. It focuses on people who earn the least – those on government income payments or earning the minimum wage.

Each year, Anglicare Australia agencies use data provided by REA Group to analyse rental listings on realestate.com.au. Each property is assessed for its affordability and suitability for low income households.

This and previous reports are available on the Anglicare Australia website: www.anglicare.asn.au

ABOUT ANGLICARE AUSTRALIA

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. With a combined expenditure of \$1.82 billion, and a workforce of 20,500 staff and 9,000 volunteers, the Anglicare Australia Network contributes to more than 50 service areas in the Australian community. Our services are delivered to 450,000 people each year, reaching over 1.33 million Australians in total. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas.

Anglicare Australia has as its Mission to “partner with people, families and communities to build resilience, inclusion and justice.” Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia... informed by research and the practical experience of the Anglicare Australia Network.”

RENTAL AFFORDABILITY SNAPSHOT: SPECIAL UPDATE

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INTRODUCTION



In April, Anglicare Australia released our annual Rental Affordability Snapshot just as the reality of Australia's crash into deep recession was starting to bite. Since then, thousands of Australians have lost their jobs and whole regions have been forced to a standstill. We emerged from a national economic shutdown only to encounter a second pandemic

wave, with no end in sight. 1.6 million Australians are now locked out of work. Many of these Australians are renters.

Some commentators have focused on the plight of homeowners, while others have simply assumed that we have entered a 'renter's market'. Rents are going down, they reason, and the market will adjust to meet changing needs. Anglicare Australia has prepared this special update to test those assumptions.

We have found that there is a major disconnect between commentary on the rental market and how it's actually working for those who are hardest hit by the pandemic. Many will be surprised to learn that affordability has not improved for people on low incomes. Instead, it has crashed.

We have also found that government actions have not matched the scale of the downturn. Early on, the Federal Government was forced to plug some of the gaping holes in Australia's safety net in order to avoid a major collapse. But these actions were not permanent, and they were not structural.

Now, renters again find themselves on the brink. Rent deferrals and eviction moratoriums are ending soon, with many in arrears for thousands of dollars. Some are facing cuts to JobSeeker, while others – age pensioners, people with disability, and those earning the minimum wage – were left out of the Government's response altogether. This Snapshot update looks at how the rental market is working for them, and what is needed to protect them from crisis.

This is a historic pandemic, and it demands a historic and structural response. Increases to JobSeeker and other payments must become permanent, and they must be expanded to everyone in need.

And as governments plan to stimulate the economy back to health, investing in social housing as essential public infrastructure should be a priority.

It is time for governments to take real action, and ensure every Australian has a home.

Kasy Chambers
Executive Director

ABOUT THIS UPDATE

For most people low incomes, rent should not exceed 30 percent of a household budget to avoid financial stress. This is an internationally accepted benchmark drawn from years of study into the cost of living and how it affects people. This is the benchmark that Anglicare Australia uses.

To test whether a listing is *affordable*, we calculate the income for our household types. This is done using government information on rates of payment for the JobSeeker Payment, Youth Allowance, the Disability Support Pension and Aged Pension, Commonwealth Rental Assistance, Family Tax Benefits, and the minimum wage. We use these figures to work out the maximum affordable rent for each household type, and compare that against listed properties that are suitable.

Suitable means appropriate for the number of people or the family type. One area where we are likely to over-estimate the number of suitable properties that is for people on the Disability Support Pension. While not all people with a disability need modified housing many do, and this is another major barrier for them.

This special update to our Rental Affordability Snapshot analyses 76,962 listings from the weekend of 1 August 2020. These listings were surveyed from realestate.com.au. We are grateful to the REA Group for making this report possible and thank them for their ongoing support of the Rental Affordability Snapshot.

OUR FINDINGS

In response to the Coronavirus pandemic, the Federal Government temporarily doubled the rate of JobSeeker and related payments through the Coronavirus Supplement. It has since announced plans to cut the supplement from 25 September 2020 by \$150 per week. From 31 December 2020, the supplement will be removed altogether. The impact of these cuts to the Coronavirus Supplement is illustrated at Figure 1, using the single rate of JobSeeker as an example.

Figure 1. Impact of Coronavirus Supplement cuts on the weekly JobSeeker rate

Current rate of payment	Rate from 25 September 2020	Rate from 31 December 2020
\$557.85	\$407.85	\$282.85

This Snapshot update models the number of affordable and appropriate rentals under each of these scenarios.

Table 1. Number and percentage of affordable rental listings

Household Type	Payment Type	Current Payment Rates		From 25 September 2020		From 31 December 2020	
		Number	Percentage	Number	Percentage	Number	Percentage
01. Couple, two children One aged less than 5, one aged less than 10	Jobseeker Payment (both adults)	3,971	5.2%	1,137	1.5%	273	0.4%
02. Single, two children One aged less than 5, one aged less than 10	Parenting Payment Single	591	0.8%	274	0.4%	114	0.1%
03. Couple, no children	Age Pension	1,304	1.7%	1,304	1.7%	1304	1.7%
04. Single, one child aged less than 5	Parenting Payment Single	909	1.2%	391	0.5%	201	0.3%
05. Single, one child aged over 8	Jobseeker Payment	505	0.7%	184	0.2%	43	0.1%
06. Single	Age Pension	625	0.8%	625	0.8%	625	0.8%
07. Single aged over 21	Disability Support Pension	192	0.3%	192	0.3%	192	0.2%
08. Single	Jobseeker Payment	808	1.0%	168	0.2%	13	0.0%
09. Single aged over 18	Youth Allowance	625	0.8%	52	0.1%	4	0.0%
10. Single in share house	Youth Allowance	473	0.6%	52	0.1%	4	0.0%
11. Couple, two children One aged less than 5, one aged less than 10	Minimum wage + FTB A	8,980	11.7%	8,982	11.7%	8980	11.7%
12. Single, two children One aged less than 5, one aged less than 10	Minimum wage + FTB A&B	999	1.3%	999	1.3%	999	1.3%
13. Single	Minimum wage	1,277	1.7%	1,279	1.7%	1279	1.7%
14. Couple, two children One aged less than 5, one aged less than 10	Minimum wage + Parenting payment (partnered) + FTB A&B	5,358	7.0%	3,520	4.6%	1852	2.4%
Total number of listings surveyed		76,962					

Table 2. Comparison with March 2020 results

Household Type	Payment Type	Current Payment Rates, August 2020 Results	Current Payment Rates, March 2020 Results
01. Couple, two children One aged less than 5, one aged less than 10	Jobseeker Payment (both adults)	5.2%	10.8%
02. Single, two children One aged less than 5, one aged less than 10	Parenting Payment Single	0.8%	2.1%
03. Couple, no children	Age Pension	1.7%	2.6%
04. Single, one child aged less than 5	Parenting Payment Single	1.2%	2.4%
05. Single, one child aged over 8	Jobseeker Payment	0.7%	1.3%
06. Single	Age Pension	0.8%	0.9%
07. Single aged over 21	Disability Support Pension	0.3%	0.4%
08. Single	Jobseeker Payment	1.0%	1.3%
09. Single aged over 18	Youth Allowance	0.8%	0.7%
10. Single in share house	Youth Allowance	0.6%	0.6%
11. Couple, two children One aged less than 5, one aged less than 10	Minimum wage + FTB A	11.7%	21.2%
12. Single, two children One aged less than 5, one aged less than 10	Minimum wage + FTB A&B	1.3%	3.3%
13. Single	Minimum wage	1.7%	2.1%
14. Couple, two children One aged less than 5, one aged less than 10	Minimum wage + Parenting payment (partnered) + FTB A&B	7.0%	13.9%
Total number of listings surveyed		76,962	69,960

WHAT THIS MEANS

Across Australia, renters are on the frontline of the Coronavirus pandemic. Many are losing their incomes, and some are scared of losing their homes. This special update aims to show how the rental market is working for these renters – especially those on low incomes – in the wake of a historic collapse. It reveals a disconnect between commentary on the rental market and how it's working for those hardest hit by the pandemic. For people on the lowest incomes, rents have become even less affordable than they were in March.

Some commentators and government representatives have pointed to declines in average rents, saying the market will self-correct. But clearly, these changes are not benefiting people who are most in need. Price drops are being driven by higher and middle-end rentals, with almost no change at the lower end. At the same time, more and more people are competing for cheaper housing as they try to reduce their costs. That's putting pressure on people who were already at the bottom of the market. With 1.6 million people locked out of work, the new rate of JobSeeker is the only thing keeping many renters afloat.

These welfare increases have given some people badly needed relief, but the rental market continues to fail them. Our findings show that a person who is out of work can afford just 1 percent of rentals – and that's with their payments doubled. If the Government goes ahead with its plan to cut rates by \$150 a week in September, affordability will plummet to 0.2 percent. If payments are halved in December, a person

out of work will find that 0 percent of rentals (13 listings out of 77,000) are affordable.

This drop in affordability is hurting low income households across the board. An out-of-work couple with two children can afford 5 percent of rentals, down from 11 percent in March. If rates are cut in September, these families would be able to afford just 1.5 percent of rentals. If rates are slashed by half, they will be forced to compete for just 0.4 percent of rentals in their budget. Single parents out of work face an even more dire situation, with affordability crashing to 0.1 percent for some single parent households. This reinforces the role of the new JobSeeker rate in protecting children and families from poverty – around one million children now have a parent who relies on JobSeeker.¹

Many parents have kept their jobs, but even they have not been protected from the impact of this recession. A couple on the minimum wage with two children can afford 11.7 percent of rentals, down by almost half since March (21.3 percent). This highlights how intense competition for affordable rentals has become.

Payment increases have made a difference to people on Youth Allowance, but they also show how brutal the rental market is for young people. Even with rates more than doubled, a person on Youth Allowance looking for a sharehouse can afford less than 1 percent of rentals. Across all of Australia, just 4 rental listings out of 77,000 (0 percent) would be affordable on Youth Allowance from December.

Age pensioners and people with disability have been left out altogether. A person on the Age Pension can afford less than 1 percent of rentals, while a person on the Disability Support Pension can afford 0.2 percent. Instead of looking after them in the midst of a pandemic, we are leaving many of our most vulnerable citizens to the mercy of the market.

In looking at these results, it's important to remember that asylum seekers, international students and temporary migrants do not have any access to income support such as JobSeeker, JobKeeper, or Medicare. Some have been turning to Anglicare Australia member agencies and other services to make the rent. Others are being pushed into homelessness. This is a huge concern and one we urge the Federal Government to act on immediately by extending income support to asylum seekers, temporary migrants and international students.

Finally, Anglicare Australia expects major disruptions to the rental market as payment cuts are phased-in and protections for renters expire. Rent deferrals and eviction moratoriums are ending soon, and some people are in arrears for thousands of dollars. Many are facing cuts to JobSeeker at the same time. This is a ticking time bomb that threatens to push many renters to the brink, with effects that will echo throughout the economy. For example, landlords often have mortgages on their rental property and higher JobSeeker rates are protecting them from defaults on rental payments. Unless serious action is taken, Australia's entire housing system could be rocked.

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The results of
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WHAT NEEDS TO BE DONE

Raising the rate of payments

In spite of welfare increases, the results of this Snapshot update make it clear that the private rental market is still failing people on the lowest incomes. If cuts to payments are phased-in – and if those who are most vulnerable are left out – people will be pushed even deeper into poverty and homelessness.

The payment increases for people out of work must become permanent. They must be extended to people with disabilities, age pensioners, and everybody who needs them. This will help people keep a roof over the heads and buy essential supplies – and in a time of hardship, it will stop people from having to make unfair choices.

More affordable rental homes

The shortfall of affordable homes across Australia is massive. The Australian Housing and Urban Research Institute has shown we that we need 433,400 social and affordable rentals just to make up for that shortfall.² To get ahead of that shortfall for the future, the Everybody's Home campaign is calling for 500,000 social and affordable rentals.

Ending our social housing shortfall would be the most powerful way to tackle the rental crisis and boost regional economies. With the economy reeling from the recent bushfires and people struggling to pay rent in the wake of the pandemic, we need to invest in projects that are shovel-

ready. There is no time to waste. Social housing projects can get off the ground much more quickly than road or rail infrastructure. They also brings longer-term benefits. For every dollar invested, social housing boosts GDP by up to \$1.30.³

We urge the Government to back the social housing pledge put forward by the Everybody's Home campaign, and use housing investment to boost the economy.

A better deal for renters

Earlier in the year, State and territory leaders agreed to a 'moratorium' on evictions – but in most parts of the country, renters were still being evicted. We have stories from frontline services trying to help people who are being evicted with nowhere to go. Tenants have even been evicted from public housing in the midst of a national health emergency. Governments should be leading private landlords by

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example, instead of making a mockery of the eviction moratorium. The moratorium must be extended, and it must be taken seriously. This may involve providing support to renters, or to their landlords, to avoid a mass-default.

The National Cabinet has already agreed to rent relief for commercial tenants and a Code of Conduct, helping them avoid a debt trap. Residential renters trying to keep a roof over their heads deserve the same assistance. Mounting debts for renters would be a recipe for disaster.

In the wake of unprecedented hardship, we need a real, extended moratorium on evictions and debt relief for renters.

Help for people sleeping rough

At the beginning of the pandemic, some governments acted to get people sleeping rough off the street using hotels and AirBnBs. Now, those early actions must be matched with funding for shelters, including funds for cleaning and infection control.

Australia does not have a plan to provide accommodation for rough sleepers in the long-term. This pandemic has made a plan urgent. Governments should work with the sector to make accommodation and funding available as soon as possible

CONCLUSION

The decisions of government to walk away from social and public housing, to freeze income support payments, and to leave renters to the mercy of the private market have been hurting people on low incomes for years. In the midst of a pandemic, and a historic recession, Australians are feeling the impact of these decisions more deeply than ever before.

Renters have found themselves on the frontlines of the economic collapse wrought by the Coronavirus. They are much more likely to be in low-paid or insecure work, and many of now face an impossible situation: Not only losing income, but at risk of losing their homes.

Payment increases have provided crucial support to many households, but this support is drying up soon – and the private rental market is still failing people on the lowest incomes. Age pensioners and people with disability are particularly vulnerable in the midst of this downturn.

It is clear that we must invest in affordable housing. The shortfall of affordable rentals must be tackled. The events of the past six months – and the sobering results of this Snapshot update – show that this is truly urgent.

Nobody should be squeezed out of the market during a health emergency. It's time to make sure that everyone has a place to call home.

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REFERENCES

1. Australian Council of Social Service (2020) [Taking the Temperature: COVID-19 Update from ACOSS and its Members](#).
2. Australian Housing and Urban Research Institute (2018) [Social housing as infrastructure: an investment pathway](#). See Appendix 4.
3. Australian Council of Social Service (2019) [How to reduce homelessness and boost incomes and jobs: Social housing as infrastructure](#).

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