



# **WHY WON'T TENANTS EXERCISE THEIR RIGHTS? THE REALITIES OF THE CURRENT RENTAL MARKET IN PERTH**

**October 2006**

**Tenants Advice Service (Inc)**

**Prepared by  
Nicola Milsom**

## **Why Won't Tenants Exercise Their Rights?** The realities of the current rental market in Perth

### **Introduction:**

The demand for rental housing in Western Australia is currently so strong that many low and middle income families are experiencing considerable difficulties in primarily locating affordable housing and then in securing that housing. When they do gain a roof over their head, their fear of losing that accommodation is such that many will choose not to exercise basic legal rights they have as a tenant, such as asking for essential repairs. Instead they accept living in sub-standard, insecure and unsafe housing solely to guarantee their accommodation.

The reasons behind this situation can be found in the realities of the current rental market. Progressively reduced Commonwealth and State funding of public housing has restricted access to mainly low-income, high-needs clients with the result that waiting lists for limited public housing stock are very long. High demand for private rental accommodation is steadily forcing rents upwards, wages are not keeping up with increasing rents or house purchase prices, rent assistance is not sufficient to ensure all low income families remain out of housing stress and many groups in society deemed ineligible for public housing simply are not competitive in the private rental market. Whilst the resources boom is making many Western Australian households wealthy, the result for many other households throughout the State not involved in the mining sector is that rental housing is now beyond the financial reach of many and the chance to purchase a home has passed.

It is the view of the Tenants Advice Service (TAS) that until the Commonwealth and State Governments commit to a real and substantial increase in funding for public housing to ensure it has sufficient stock to meet the needs of low income households as well as those with additional needs and increases the level of Commonwealth Rent Assistance to alleviate the housing stress of those in the private rental market, more and more private tenants will continue to fear for their security of tenure. Given the current economic boom Australia and, in particular Western Australia, is enjoying, TAS argues that increased investment to assist its citizens is a feasible proposition. If we cannot provide sufficient assistance to those struggling to meet their housing demands at times of such prosperity then we can only assume that in an economic downturn an even larger proportion of our population will suffer greater housing need.

### **Aim:**

The aim of this paper is to illustrate the current realities faced by many low and middle income households in Western Australia in securing affordable and appropriate housing. It considers the results for people suffering in the current housing market and forecast trends for housing through the use of research data and individual case studies. The case

studies and anecdotal evidence of the difficulties being faced by low income tenants have been provided by tenant advocates working with tenants throughout the State.

The paper defines low income households as those households receiving either all or a large proportion of their income from government benefit payments or pensions as well as people earning the minimum wage. The minimum wage in Western Australia is currently \$504.40 or \$26,228.80 gross per annum.<sup>1</sup> Figures from the Chamber of Commerce and Industry of WA show that the State's seasonally adjusted full-time adult weekly earnings in May 2006 were \$1072.90 before income tax, or \$55,790.80 per annum. This is an increase of just \$2,163.20 since May 2005 when the average income for the State's full-time adult weekly earnings was \$1031.30 or \$53,627.60 per annum.<sup>2</sup>

Finally TAS offers some recommendations we believe will assist the growing number of people in housing need in this State. TAS argues the government must act on such recommendations in order to protect some of the community's most vulnerable citizens.

### **Tenant Case Studies:**

In recent months the Tenants Advice Service has received numerous calls from tenants unwilling to exercise their rights as a tenant under the *Residential Tenancies Act 1987* or to seek assistance from the Department of Consumer and Employment Protection (DOCEP) due to a fear of losing their accommodation. TAS has also heard anecdotal evidence of many tenants in similar positions. The fear is based on recognition of the difficulties currently facing tenants in both the private and public housing markets in securing accommodation.

The most common issues raised by tenants have been illegal rent increases and a failure by the owners to meet their legal duty to maintain the rental property. While tenants appear to want to have an understanding of their legal rights in such situations indicated by calling TAS for advice, they are subsequently unwilling to exercise these rights for fear of losing their accommodation. Under current legislation and within certain restrictions an owner can increase the rent to a point that the tenant will be unable to pay, simply in order to remove the tenant. Whilst the tenant may apply to the Magistrate's Court to have the rent reduced based on the claim it was increased simply to remove the tenant, this is notoriously difficult to prove. The owner may also make use of Section 64 which allows the owner to evict tenants on periodic agreements without giving a reason.

This paper offers six (6) case studies of people who have approached tenant advocates for advice on their legal rights as tenants yet have chosen not to pursue these rights due to the difficulties in the current rental market. They are aware of how hard it is to find somewhere to live and the expense involved and have made the informed choice to accept their current situation based on this knowledge. It should be noted that many

---

<sup>1</sup> Western Australia Industrial Relations Commission, *State Wage Order*, 2006 WAIRC 05339, 24 August 2006

<sup>2</sup> Chamber of Commerce and Industry of WA, figures supplied on request by TAS on 4 September 2006, *Seasonally adjusted full-time adult weekly earnings May 2004 – May 2006*.

tenants were initially fearful of allowing their stories to be used in case they were recognized and the owner took retaliatory action.

TAS wishes to acknowledge and thank the tenants who have agreed to their stories being used in this paper. We believe it provides a small but clear picture of the reality many tenants are facing in the private rental market in Western Australia.

TAS would argue that this should not be an acceptable state of affairs in Australia yet without appropriate and immediate action by both State and Federal Governments, the situation will not improve.

### **CASE STUDY**

The tenant is a single disability pensioner. The tenant had a 6 month fixed term lease which ended in December 2005 and subsequently the lease has become a periodic lease. There are numerous problems with the house that require urgent repair which the owner has refused to act on despite repeated requests by the tenant.

These include:

- A huge (5' x 5') hole in the kitchen ceiling;
- No handle or lock on the back door;
- No smoke alarms;
- The side fence broken allowing tenant's dog to escape;
- Broken doors to the back verandah and a leaking verandah;
- The toilet doesn't work properly;
- Broken windows.

The tenant has stopped paying rent in the vain hope of getting the repairs done. The tenant is scared as the owner has threatened eviction if she tries to force him to do the necessary repairs and she believes she would find it very hard to find somewhere else to live because she is a pensioner with an illness.

### **The Current Housing Situation:**

- **Public Housing Funding:**

Historically Western Australia has been a country of significant home ownership with some 70% of people owning their own homes.<sup>3</sup> Private rental has consistently accounted for approximately 20% of housing tenure and public rental for only about 4.9%.<sup>4</sup> In the past 15 years public housing stock throughout Australia has been in decline. In 1994

---

<sup>3</sup> Australian Housing Research Fund, Purdon Associates Pty Ltd, Twyford Consulting Pty Ltd, 2000, *Review of Additional Housing Needs for Low Income Renters Final Report*, December 2000

<sup>4</sup> Australian Housing Research Fund, Purdon Associates Pty Ltd, Twyford Consulting Pty Ltd, 2000, *Review of Additional Housing Needs for Low Income Renters Final Report*, December 2000

public housing accounted for 6.2% of national housing stock but by 2003 this had fallen to 4.9%.<sup>5</sup> This is indicative of national housing policies which are committed to increasing home ownership and the private rental market to the detriment of public housing.

In Western Australia the lack of any significant stock rebuilding has led to a reduction in public housing stock from 36,500 dwellings in 1995/1996 to about 35,000 in 2003/2004 and as a result the public housing waiting list has fluctuated between 12,500 and 16,000 households.<sup>6</sup>

Australian public housing is funded through the Commonwealth State Housing Agreement (CSHA), however the level of funding provided has been consistently reduced during the life of past agreements, forcing State Housing Authorities (SHAs) such as Homeswest to focus on stock consolidation rather than expansion and more efficient targeting programmes. Between 1993 and 2001 real capital funding for public housing in Australia reduced from \$1.8billion to \$1.4billion but in contrast funding for Commonwealth Private Rental Assistance increased by 66% to \$1.75billion per year.

As a result of these reductions the ability of SHAs to meet the cost of public housing provision is proving more and more difficult with the result being public housing is now a strictly targeted resource. The major focus for public housing now is to target households in greatest need for only as long as they remain in greatest need (Recital B, 2003 CSHA). This has implications for the long term viability of the sector as rental income from properties provides its main form of income revenue. As they target more low income, high-needs clients, the rental subsidies they shoulder will increase, leaving little ability to recoup losses. According to the State Housing Commission Annual Report 2004-05, only 17.4% of its tenants in public housing paid full rent.

- **Restricting Eligibility Criteria:**

Public housing historically focused on providing affordable housing to low income households who were likely to be within the workforce but on a low wage. Over the past thirty years this focus has changed, with housing increasingly being provided to very low income and disadvantaged people largely not involved in the labour market.<sup>7</sup> As a result of a continuing movement in the employment market toward part-time and casual work, the demand for housing assistance due to low income is expected to grow.<sup>8</sup> There are also many people outside the labour market or with particular needs who will similarly be in need of housing assistance and yet will not be accommodated by the public housing system, including newly arrived immigrants, sole parents, young people as well as people

---

<sup>5</sup> Australian Bureau of Statistics, 2005, *Australian Social Trends: Catalogue No. 4102.0*. ABS, Canberra

<sup>6</sup> Anthony, J & Milsom, N., February 2006, *Who Needs Housing Assistance in Western Australia?*, Housing and Urban Research Institute of Western Australia, [www.strongercommunities.curtin.edu.au/local](http://www.strongercommunities.curtin.edu.au/local)

<sup>7</sup> Dalton, T & Ong, R., June 2005, *Precarious employment in the urban context: the case of public housing*, @ [www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf](http://www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf), p.2

<sup>8</sup> Dalton, T & Ong, R., June 2005, *Precarious employment in the urban context: the case of public housing*, @ [www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf](http://www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf),

with a mental illness. A recent report released by the Australian Housing and Urban Research Institute in May 2006 estimated that demand for public housing in metropolitan Western Australia would increase 12% over the next five years while demand in regional areas would increase by 20%. In total this would equate to an additional 4,200 homes.<sup>9</sup>

Despite the current and forecast demand for public housing, the CSHA has both reduced public housing funding and placed a requirement on State and Territory Governments that they focus attention on providing housing assistance in ways other than simply through public housing. One result for public housing applicants is that eligibility criteria have changed. Although having a low income enables a person to be placed on the waiting list, the targeting policies of Homeswest means those with both very low incomes and special needs may receive priority on the housing waiting list. Those not considered in greatest need will face a wait of potentially years before being housed and in the interim they will be required to find alternative accommodation which may leave them in housing stress or force them into some level of homelessness.

The rates of benefit and pensions paid by the government are below the minimum wage, making it extremely difficult for many recipients to enter the private rental market. For those who do, the risk of suffering housing stress is high. For a single person in receipt of an aged pension the rate of benefit is \$499.70 per fortnight. For a disability pensioner under the age of 18 years and living away from home, they receive \$429.40 per week. For a single person less than 18 years of age with no children and living independently, their Youth Allowance payment is \$334.70 per fortnight.<sup>10</sup> Whilst many recipients of government pensions or benefits would be eligible for rent assistance, with the median rent of \$240 per week in Perth, housing stress in the private rental market is a very real likelihood.

- **The Financial Cost of Greater Targeting:**

Whilst labour force participation rates are about 93% amongst home purchasers and 81% for private market tenants, public housing has only a 30% participation rate. This is to be expected if eligibility criteria for public housing focuses on low income, however one result of this policy is, as stated earlier, a loss of revenue and reduced financial viability of Homeswest. The more public housing providers focus on households with low income and other needs as its only tenants the greater its financial liability and, in return, the less able it is to maintain and develop its services.

Australia's public housing providers charge rents according to household income rather than rent based on the market value of the property. This rent setting policy ensures public housing tenants do not pay more than 25% of their income on rent and thus ensure affordability. The difference between the market rent and the household rent (the rent rebate) is largely borne by the housing provider. While this system ensures a majority of

---

<sup>9</sup> Kelly, S., Phillips, B. & Taylor, E., May 2006, *Baseline small projections of the demand for housing assistance*, Australian Housing and Urban Research Institute

<sup>10</sup> Centrelink website, [www.centrelink.gov.au](http://www.centrelink.gov.au)

tenants do not suffer housing related stress or poverty, providers face increasing financial burdens in meeting the costs of rebates. In 2001 rental revenue for public housing around Australia was \$1.24billion which met only 88% of the \$1.41billion operating costs of providing public housing. This was a deficit of about \$168million or \$468 per property.<sup>11</sup> Thus a combination of greater targeting in allocations together with a system in which most tenants pay household rents based on income reduces the rental income stream which SHAs receive and can ultimately jeopardize their financial viability.

In WA in 2004 approximately 85% of public households were in receipt of a rental subsidy, amounting to a total of \$1.741million being paid by the SHA.<sup>12</sup> It is likely that the number of households being subsidized will increase with targeting and thus the rebate being met by Homeswest will rise accordingly.

The household structure of public tenants in WA has altered over the last 10 years. Between 1986 and 1996 the main change in family composition has been in the proportion of lone person households which have increased from 6.3% (83,000) to 9.1% (142,000) over this period. Similarly there was an increase in sole parent households from 5.9% (77,000) in 1986 to 10% (155,000) in 1996. Both of these household types are generally in receipt of low incomes such as government benefits and will thus be paying low rents. There is no reason to believe that these demographics will not continue for the foreseeable future. In fact single person households and sole parents currently collectively represent 74% of all households on WA's waiting list.<sup>13</sup> The State Government has acknowledged this projection by building more one and two-bedroom units.<sup>14</sup>

The increasing financial burden being experienced by SHAs means they are being forced to look to alternative forms of assistance to distribute scarce resources and to meet their obligations under the CSHA. The result has been restricting who can access public housing and helping others in need through some basic assistance to enter the private market, either into rental or purchase.

- **Increased Reliance on Home Ownership:**

The State Housing Commission is a statutory authority operating under the umbrella of the Department of Housing and Works<sup>15</sup>. Part of the Commission's activity involves the operation of a number of schemes and programs aimed at assisting low income households to either enter the private rental market or to purchase their own home. According to its Annual Report for 2004-05, "it is a key strategy of the Commission to ease the pressure on the waiting list for public housing by offering low to moderate

---

<sup>11</sup> McNelis, S. & Burke, T, April 2004, *Rental Systems in Australia and Overseas*, Positioning Paper, AHURI

<sup>12</sup> Department of Housing and Works, 2004, *Snapstats 2003-2004*, DHW, Perth

<sup>13</sup> Department of Housing and Works, 2003, *DHW Housing Strategy WA, Issues Paper on Public Rental 2003*, DHW, Perth

<sup>14</sup> *The West Australian*, 20 June 2006, *Homeswest threat in leafy suburbs*, p.5

<sup>15</sup> Department of Treasury and Finance, *Budget Papers 2006-07 for the Minister of Housing and Works; Consumer Protection; Heritage; Land Information*, p.618, @ [www.dtf.gov.au/cms/bud\\_content](http://www.dtf.gov.au/cms/bud_content)

income earners the opportunity to purchase their own home, either through the purchase of a low-to-medium priced housing lot or through a home loan”.<sup>16</sup>

For eligible low income households wishing to purchase their own home, the Commission operates the Keystart program whereby the purchaser is able to gain a mortgage with a lower deposit than is required in the private mortgage market. The GoodStart Scheme is open to all eligible households currently either in public housing or on the waiting list for public housing while the Access Scheme is aimed at assisting people within the wider community with disabilities enter the home ownership market. As the title suggests the Aboriginal Home Ownership Scheme is aimed at assisting Aboriginal households into home purchase.<sup>17</sup>

The Commission has also commenced a pilot program, the Sole Parent Family Home Loan Scheme which aims to assist sole parents already purchasing their own home but who have lost a partner through either bereavement or separation. The Restart Scheme is available to eligible households already purchasing their home with a private mortgage who risk losing the home because of a drop in their income due to job loss.<sup>18</sup>

In the 2004/2005 financial year Keystart lent \$784million for 5,417 loans to eligible applicants. GoodStart assisted 85 HomesWest tenants and applicants in home purchase, the Access Scheme assisted 44 families and the Aboriginal Home Ownership Scheme helped 86 families to purchase a house. Restart refinanced loans for 13 families at risk of losing their home. The Commission currently has a total home loan portfolio of 19,243 loans including 2,176 with shared equity.<sup>19</sup> For the 2005/2006 financial year the Commission estimates that its loan schemes will lend \$661million to assist in excess of 5,200 families into home purchase with KeyStart expected to provide about 5,000 loans at a cost of \$651million. GoodStart, Access and the Aboriginal Home Ownership Scheme are expected to assist 80, 60 and 70 families respectively.<sup>20</sup>

Whilst home ownership is acknowledged as one way to assist low income households to increase their wealth as well as provide security of tenure, such households also run the increased risk of placing themselves in severe financial stress to meet the mortgage and other bills. TAS fears that this increasing focus on encouraging low and middle income households to buy their home may jeopardize the financial future of those households not sufficiently prepared for the true costs of home ownership, including the cost of maintenance and rates otherwise met by Homeswest or the owner in rental properties. TAS believes there is a need for greater financial education for low and middle income households to ensure they can realistically meet the cost of home purchase.

---

<sup>16</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia, p.66

<sup>17</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia

<sup>18</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia, p.66

<sup>19</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia

<sup>20</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia

- **Increased Reliance on Private Rental:**

While Australia provides more one-off support schemes to assist low income households with the costs of private rental than any other country, the type of assistance offered varies according to the State or Territory in which a person lives.<sup>21</sup> Western Australia, the Northern Territory and the ACT offers the most limited level of one-off support to eligible private tenants, limiting its assistance to bond loans and, in some very limited cases, in-going fee assistance. On the other hand Victoria offers tenants assistance with bond, advance rent, rent arrears, removal and utilities expenses and temporary accommodation.<sup>22</sup>

WA's Bond Assistance scheme provides interest-free bond loans to eligible households entering private rental. There are currently some 17,155 customers paying off bond loans with 12,021 new loans approved during the 2004/2005 financial year.<sup>23</sup> However according to the Policy Manual for Bond Assistance Loans on the Department of Housing and Works' website, policy number 5, the bond loan scheme cannot be accessed by public housing tenants for three months after vacating a public housing property.<sup>24</sup> These tenants are likely to face as much financial hardship as any other low income tenant entering the private rental market and TAS would suggest that this exclusion will not work to achieve the government's aim of encouraging as many people as possible into the private rental market.

Bond Assistance loans must be repaid in regular installments of at least \$15 per fortnight. Research undertaken by the Australian Housing and Urban Research Institute (AHURI) into the value of private rental support programs throughout Australia found that the average bond assistance loan (in 2005) took between 12 and 18 months to repay. In contrast the research noted that the average tenancy for people using bond assistance in Western Australia lasts only 8 months.<sup>25</sup> Applicants must meet current public housing income limits, asset limits and should be aged 16 years or over. The loans cannot be used for any other expenses such as advance rent or letting fees, cannot be more than 60% of the applicant's gross income and the bond must not have already been paid. Approval for Bond Assistance is also dependent on the repayment of any outstanding debts to the Department of Housing and Works.

---

<sup>21</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI)

<sup>22</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI), p.11

<sup>23</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia, p.66

<sup>24</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI), p.22

and Department of Housing and Works, *Bond Assistance Loan Policy (Private Rental Housing Assistance)*, @ [www.dhw.wa.gov.au/homes/manuals/bond](http://www.dhw.wa.gov.au/homes/manuals/bond)

<sup>25</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI), p.22

The current maximum levels of Bond Loan Assistance range from \$500 for a single person to \$950 for a couple with 3 or more children, however this amount is increased by 40% for remote and North-West areas of the State. According to the Bond Assistance Loan Policy of the Department of Housing and Works the maximum levels of available assistance as noted above “are set at 4 times the median weekly rent for the appropriate form of accommodation for the household type”.<sup>26</sup> This means that a single person will need to find accommodation for a maximum of \$125 per week if the \$500 bond assistance is to meet the full cost of the bond and a couple with 3 or more children need to find accommodation for \$237.50 per week for the \$950 loan to meet the full bond amount. Bond is not the only cost associated with renting a property and this money must also be found by households.

As will be seen later in the paper, the median weekly rents on which the bond loans limits were set are now far from reality and with the increasingly high rents being charged for even the most modest accommodation the current limits for bond assistance will not be sufficient in many cases to meet the full bond costs. This is particularly problematic in rural and regional areas such as Port Hedland where a two bedroom, one bathroom unit was for rent for \$500 per week.<sup>27</sup>

The Department provided ‘Ingoing Fees’ which include rent in advance and letting fees to some applicants on an ‘as-needs’ basis during the 2004/2005 financial year. Successful applicants were assessed as capable of undertaking a private rental lease and were either rough sleepers or at risk of becoming homeless with no other accommodation options suitable. As at 30 June 2005 some 355 customers had been assisted at a cost of \$95,608, comprising of \$83,253 for rent in advance and \$12,355 for letting fees.

Despite the availability of bond loans and, for a very few, ingoing fees, the financial cost of entering the private rental market is high and can result in tenants experiencing housing stress and ongoing difficulties in managing their tenancy. The costs of a new tenancy usually include application fees, connecting utilities, removal costs and sundry other expenses which all add to the financial difficulties low and middle income households face. All new tenant households accessing bond assistance will therefore enter their new tenancy with a debt to the government which must be repaid as well as possible debts for other costs. The likelihood of the tenancy being successful is thus substantially reduced.

AHURI research has found, and tenant advocate experience would support this, that the effectiveness of these one-off schemes are often undermined by tight rental markets which both limit the tenant’s ability to exercise their choice as to where they wish to live and burden them with higher (and rising) rental costs.<sup>28</sup> Additional difficulties are caused

---

<sup>26</sup> Department of Housing and Works, *Guidelines and Practice 14.1*, p.12

<sup>27</sup> Hedland First National Real Estate Agency website, downloaded Tuesday 5 September 2006.

<sup>28</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI),

by the unwillingness of some landlords to rent to people accessing these schemes<sup>29</sup> with reliance on bond assistance or other government assistance frequently being used as a tool of discrimination.

Within this research paper W.A. real estate agents acknowledged that participation by a tenant in the bond loan scheme is used by them as a factor to identify the least desirable applicants.<sup>30</sup> The standard REIWA application form for a residential lease asks, at question 6, “Do you intend applying for a Ministry of Housing bond?” Application to, and participation in, this and similar schemes indicates a lack of funds needed to maintain their tenancy. Where an agent is not concerned about reliance on bond assistance, the time it takes to access the funds can potentially lead to an unsuccessful application. In a competitive market, if one tenant has the money for a bond readily available and another has to wait for the government to process the application, it is likely the first applicant will be successful.<sup>31</sup>

It is thus clear to see why a tenant, currently within a relatively secure tenancy, will be unwilling to ‘rock the boat’ for fear of losing their accommodation and re-enter this marketplace. It is far better for many to accept illegal rent increases, dripping taps or broken locks and know they have somewhere to live.

---

<sup>29</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI),

<sup>30</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI), p.38

<sup>31</sup> Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurran, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI), p.39

## CASE STUDY

The tenant is a disability pensioner who lives alone. The tenant has a periodic verbal lease with the property owner. The owner lives near to the rental property and for at least the past seven months has been arriving at the tenant's property unannounced to visit and pass comment on the state of the property (as if undertaking a property inspection). The owner also used the visits to complain about the tenant's neighbour, who is a friend of the tenant.

The tenant has tried to ask the owner "in a round-about way" if he could provide the tenant with some notice before he comes to undertake inspections of the property. The result has been that the owner will still visit when he chooses but has refrained from making comment on the state of the property.

The tenant feels unable to be more forceful or direct in his complaints to the owner about his visiting as the tenant is on a very low income and is fully aware of the lack of vacancies in the current property market and the cost of properties. Despite being given tenancy advice, the tenant is also afraid the owner may decide to try to evict him and that as a result the tenant would not get a reference for his next rental property.

Commonwealth Rent Assistance (CRA) is a non-taxable supplementary payment from the Commonwealth Government to help low income eligible households with the cost of the private rental market. The rate of assistance received is based upon the number of dependent children, whether the applicant is partnered or single, the applicant's age, the amount of rent paid, and if the accommodation is shared with other people.<sup>32</sup> The maximum payment per fortnight a single person living alone can receive is \$100.60, if their rent is more than \$223.73. For a couple without dependent children the maximum amount receivable is \$95.00 if the fortnightly rent is more than \$272.47. For a single parent with less than three children the maximum is \$118.30 if the fortnightly rent is \$275.61.

It has been claimed that unlike public housing, CRA enables households greater choice and mobility in their accommodation than public housing. However the realities of the present 'owners' market', where property demand is high and rents consistently increasing, makes a mockery of the notion that low or middle income household have choice. Indeed they are facing increasing competition for even the cheapest properties from double income households seeking to pay lower rents in order to help them save money to purchase their own home.

---

<sup>32</sup> Centrelink website, [www.centrelink.gov.au](http://www.centrelink.gov.au)

## CASE STUDY

The tenant is a single mother of two young children. The tenant has been renting her house for four years. The current owner purchased the house about three years ago as an investment property and since then the tenant has been unable to get the owner or estate agent to repair things around the house, despite promises to do so.

She was broken into about 8 months ago when the side gate and fence were broken. The gate has only just been repaired although due to the age of the gate it should have been replaced with a new one. The tenant has had problems with the sliding door at the back of the house coming off its runners and yet the owner will not repair it or replace it saying he can't afford it. The windows are also unsecured and allowed the burglar to enter the house yet the owner has not fixed these, leaving the tenant scared for her and her children.

When she first signed her lease the tenant was paying \$160 per week. When she renewed her lease one year ago the rent was increased to \$180 per week. Her new lease which she signed one month ago is for \$220 per week. The tenant states that \$220 per week is a lot of money for her to find yet she wants security for her and her children and, knowing how difficult it is to find decent and affordable accommodation in the current rental market she had no other choice but to sign.

The tenant receives rent assistance which she found very helpful when her rent was \$160 per week, however as the rent has risen the value of rent assistance has fallen and now the tenant will struggle to meet the new rent of \$220 per week. Rent assistance does not have the financial impact it once did.

Although the tenant could apply to the magistrate's court to require the owner to undertake the repairs, the tenant is concerned that the owner and estate agent will twist the facts and make her out as irresponsible and a bad tenant.

The financial implications of being required to move house due to the sale of the house or meeting increased rent for households on a low income are far more onerous than for households on even a middle income. The majority of rental properties in Perth are owned as investment properties and thus can be sold on a number of times if the owners are seeking short-term financial profit.

Furthermore, the calculation of CRA does not take into account the level of rent paid or the region in which the household lives. This has severe implications for households on low incomes living in high housing cost areas such as mining towns or holiday towns such as Kalgoorlie or Margaret River. The result is that many households remain in housing stress even after receipt of CRA whereas if they lived in public housing they would never pay more than 25% of their income on rent.

Households are defined as being in housing stress if their estimated housing costs exceed 30% of their disposable income and they are in the bottom 40% of the equivalised

income distribution.<sup>33</sup> In June 2004 some 20.8% of tenants in the private market in Australia experienced housing stress compared to 5.1% of public tenants, while 9.4% of home purchasers were experiencing housing stress. Some 33% or 17,342 CRA recipients in the Perth metropolitan area are said to be experiencing post CRA housing stress with approximately 85% of these being single people, single sharers or sole parents with 1 or 2 dependents. Research indicates a strong link between the growth in precarious employment changes and housing outcomes and that the majority of CRA recipients are not in the workforce.<sup>34</sup> For those who are in employment, there is a clear movement from full-time to part-time work which is more pronounced for CRA recipients than non-recipients.<sup>35</sup>

- **Less Options for Low Income Earners:**

In the current real estate market affordability and availability are the two most pressing issues facing consumers and there appears to be no relief on either front. The Real Estate Institute of WA (REIWA) reported that the median price for a home in metropolitan Perth had reached \$325,000 by 31<sup>st</sup> December 2005<sup>36</sup>, while the median mortgage by May 2006 was reported as more than \$300,000.<sup>37</sup> By the June 2006 quarter, median house prices for the Perth Metropolitan Area, as reported by REIWA in its Property Market Indicators, is \$395,000 while the median price for units and apartments is \$320,000.<sup>38</sup> Many newspaper reports however are stating that the median house price by late September 2006 was around \$410,000. According to BIS Shrapnel, housing affordability was one of the biggest issues in Perth's real estate market.<sup>39</sup>

While house prices have risen a record 28.8% in the past 12 months,<sup>40</sup> household incomes have not kept pace, rising only 15% over the past decade. Research by BIS Shrapnel found that in 2001 mortgage repayments in Perth took up about 23% of a household's gross income but by June 2006 that figure has risen to 41%.<sup>41</sup> The average amount of outstanding debt on homes has risen from \$71,000 to \$101,000.<sup>42</sup>

The WA Housing Centre Affordability Index found that in the three months ending in November 2005 there was a \$23,000 gap between the borrowing capacity of a first-time buyer and the cheapest house and land package.<sup>43</sup> According to a home loan affordability

---

<sup>33</sup> Harding, A., Phillips, B. & Kelly, S., 28 June 2004, *Trends in Housing Stress*, National Centre for Social and Economic Modelling (NATSEM) University of Canberra and other research

<sup>34</sup> Dalton, T & Ong, R., June 2005, *Precarious employment in the urban context: the case of public housing*, @ [www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf](http://www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf), p.4

<sup>35</sup> Dalton, T & Ong, R., June 2005, *Precarious employment in the urban context: the case of public housing*, @ [www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf](http://www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf)

<sup>36</sup> REIWA, *Booming WA real estate isolated from east coast slump*, 14 March 2006, [www.reiwa.com.au](http://www.reiwa.com.au)

<sup>37</sup> eChoice, *Perth's housing market*, eChoice.com.au, 5 May 2006

<sup>38</sup> REIWA, *Property Market Indicators*, June Quarter 2006 @ [www.reiwa.com.au/res/res-marketindicators](http://www.reiwa.com.au/res/res-marketindicators)

<sup>39</sup> eChoice, *Perth's housing market*, eChoice.com.au, 5 May 2006

<sup>40</sup> The West Australian newspaper, 26 May 2006, *Perth house prices skyrocket 29pc*

<sup>41</sup> Finance Nine MSN, *Housing affordability at its worst*, June 2006, [www.finance.ninemsn.com.au](http://www.finance.ninemsn.com.au)

<sup>42</sup> The Age, 13 March 2006, *Sharp rise in Australian housing costs*, [www.theage.com.au/news](http://www.theage.com.au/news)

<sup>43</sup> The Sunday Times, 16 April 2006, *Housing prices soaring*, [www.sundaytimes.news.com.au](http://www.sundaytimes.news.com.au)

report produced by the Real Estate Institute of Australia in conjunction with a loan deposit guarantee provider, home purchase affordability in Western Australia in the June quarter fell by 7.4% from the previous quarter and was down 15.5% over the year.<sup>44</sup> Historically home purchase has been considered affordable when a house is three times the median wage and a young couple can pay off the mortgage on one income.<sup>45</sup> In today's market, where the median house price in Perth for the June 2006 quarter was \$395,000 and the average annual income for a full-time adult in May 2006 was \$55,790, it now requires about 7.1 times the wage in order to purchase a median dwelling. Mike Nahan warns that if the WA housing market grows at the same rate it did in the past 12 months, it will require about 11.5 times the median salary to buy a median priced house.

House prices in Perth had risen 8.8% in the three months to the end of the March quarter, a considerable rise ahead of the next highest increase of 3.3% for Darwin. As prices increase, wages and government benefits cannot, and do not, keep pace and an increasing number of Western Australians are being locked out of home ownership as well as being forced further and further down the rental market to find affordable accommodation.

While house purchase prices have risen 33.9% over the year<sup>46</sup>, rents have jumped 25% which included a significant increase of 6% over the quarter to 31<sup>st</sup> December 2005. As rental costs rise, vacancy rates remained very low. According to REIWA, the vacancy rate for rental accommodation for the June Quarter 2006 was 1.8%. Vacancy levels of 3% to 5% are considered an industry accepted average.<sup>47</sup> Median weekly rents had risen from \$185 per week<sup>48</sup> last year to \$240 per week in the June 2006 Quarter.<sup>49</sup>

The lack of availability of affordable quality housing stock, whether in the public or private market, is one of the main acknowledged barriers to low income households accessing stable housing and thus ensuring they do not become homeless.<sup>50</sup> Research conducted in 2004 by both Hanover Welfare Services and the Brotherhood of St Laurence found that the "number of Australians unable to afford housing is increasing at an alarming rate and is contributing significantly to poverty in Australia".<sup>51</sup> The ability of rent assistance to alleviate the burden of high rents is limited with a 2003 report by National Shelter and the Australian Council of Social Services finding that "Rent assistance is severely limited in its capacity to provide housing affordability for low income households".<sup>52</sup> This ability will likely be significantly reduced in the three years

---

<sup>44</sup> WA Business News, 31 August 2006, *WA home loan affordability down by 7.4% in June quarter*, [www.businessnews.com.au](http://www.businessnews.com.au)

<sup>45</sup> The Australian – Opinion, 17 February 2006, *Sprawl the answer to home ownership crisis*, [www.theaustraliannews.com/story](http://www.theaustraliannews.com/story)

<sup>46</sup> <sup>46</sup> REIWA, *Property Market Indicators*, June Quarter 2006 @ [www.reiwa.com.au/res/res-marketindicators](http://www.reiwa.com.au/res/res-marketindicators)

<sup>47</sup> Australian Property Review, January 2006, *Australian Residential Property Review Report* from John Garmony & Associates

<sup>48</sup> The Sunday Times, 16 April 2006, *Housing prices soaring*, [www.sundaytimes.news.com.au](http://www.sundaytimes.news.com.au)

<sup>49</sup> Real Estate Institute of Western Australia, *Property Market Indicators, June Quarter 2006*, [www.reiwa.com.au](http://www.reiwa.com.au)

<sup>50</sup> Kolar, V., 2004, *Home First. A longitudinal study of outcomes for families who have experienced homelessness*, Hanover Welfare Services, Victoria, p.85

<sup>51</sup> Kolar, V., 2004, *Home First. A longitudinal study of outcomes for families who have experienced homelessness*, Hanover Welfare Services, Victoria, p.85

<sup>52</sup> Kolar, V., 2004, *Home First. A longitudinal study of outcomes for families who have experienced homelessness*, Hanover Welfare Services, Victoria, p.86

since that study as rent has increased but rent assistance has not kept pace. The same report found that although rent assistance does alleviate some low income households from housing stress, some 35% continue to suffer housing stress, paying more than 30% of their income on rent even after receiving the payment, while 9% of low income households endure extreme housing stress, paying 50% of their income on rent. Public housing, on the other hand, ensured affordability as no household in that tenure would pay more than 30% of their income on rent.

Increasingly high rents translate into increasingly high bonds and the current limits on bond assistance are not commensurate with these high and rising costs. The ability to meet the repayments for the bond loans as well as paying everyday living costs add to the financial burden for all low income households. For example the bond required to rent a property for the median weekly rent of \$240 would be \$960, in addition the tenant would be required to pay two weeks' rent in advance, a further \$480, making a total of \$1,440. Repaying their bond assistance loan at an affordable rate each fortnight means the tenant will be repaying their loan for approximately 30.6 months, or more than 2 and a half years. These households have no ability to increase their debt repayments without leaving them and their families in severe financial hardship and greater poverty and as rents increase low income households are going to find themselves further in debt and taking longer to pay off bond loans.

Neither bond assistance nor rent assistance provides low income households with a level playing field in the private rental market.

- **Failure of the *Residential Tenancies Act 1987* to provide security of tenure:**

The *Residential Tenancies Act 1987 (WA)* fails to offer sufficient security of tenure to tenants. This is problematic for tenants at any time but is exacerbated in an owners' rental market such as Western Australia is currently experiencing. As an increasing number of households will remain in the rental market for decades if not forever due to rising house prices, it is important that tenants are granted greater consumer protection rights.

The Tenants Advice Service believes sections of the RTA need amendment in order to provide tenants with enhanced security of tenure and consumer rights. These include Section 64 evictions, termination on grounds of hardship, the right to representation for tenants in tenancy disputes, letting fees and Section 82 'contracting out'.

Section 64 allows owners to evict sitting tenants on a periodic lease without needing to provide a reason. While both Homeswest and private landlords make use of Section 64, the former, as a government agency, is required to conform to the rules of natural justice. One element of natural justice is that the tenant is given the reasons for the eviction and the opportunity to respond. Private owners are under no such obligation to follow the rules of natural justice and thus private tenants are not given the same opportunity to know why they are being evicted and to respond.

While owners can ask the Court to consider their current financial circumstances and order a termination of a lease on the grounds of hardship, tenants do not have this right. This failure is particularly problematic for victims of domestic violence who find themselves trapped in tenancies with the perpetrator, but can similarly affect low income tenants who lose their jobs or are employed only as casual or part-time employees. Such an opportunity to end their tenancy before falling into rent arrears may also prevent many from being blacklisted on tenancy databases and facing later difficulties securing other accommodation.

The *Residential Tenancies Act 1987* allows for owners to routinely have experienced Real Estate Agents represent them in court in case of a dispute with a tenant, while Homeswest is represented by Regional Recoveries Officers who are similarly experienced. Tenants, however, are required to find and secure an advocate and then gain permission from the Magistrate for the advocate to appear on their behalf. In consideration of both equity and the hardships of the current rental market this needs to be amended.

There are a number of costs associated with entering the residential rental market, for example letting fees, which add to the financial burden all low income and other tenants experience when entering a residential lease. Furthermore such costs are inequitable as the services provided by the estate agent are for benefit of the owner and not the tenant.

Section 82 allows landlords to “exclude, modify or restrict” the operation of the Act and in so doing many tenants agree to written tenancy agreements which effectively reduce or nullify their rights without fully appreciating what they have agreed to. Although tenants must be given a copy of Schedule 2, *Residential Tenancies Act 1987 Information for Tenant (A Statement of your Rights and Duties)*, in which it is stated that some parts of the Act may be contracted out of, many tenants will not fully comprehend which sections have been amended. The Act merely requires the landlord or agent list the sections of the Act they seek to modify or restrict without providing a clear description of what each section means for the tenant. In practice this means tenants may sign agreements which are not to their benefit without realizing this. Again this is exacerbated by the current market where many tenants will agree to detrimental agreements simply to secure accommodation.

Tenants have also expressed their concern with the lack of security of tenure offered to private tenants in Western Australia. One case study has raised the issue of standards of cleanliness: where the legislation requires a ‘reasonable standard of cleanliness’, the tenant feels estate agents and owners can exploit this definition to suit their own agenda and leaves the tenant vulnerable to the views of individual owners and estate agents.

## CASE STUDY

The tenants are in a 6 month fixed term tenancy in a country property with land in a tourist town in the south west of the state. They have lived in the property for almost one year, with the first tenancy agreement being for 9 months. Since moving into the property the estate agent has been undertaking property inspections every three months. The inspections have been followed by a letter from the estate agent with a list of cleaning instructions to the tenants, including instructions to clean the oven, clean all the windows, and to remove lint from the extractor fan in the bathroom.

The tenants cleaned the house fully at the time they moved into the property including the oven and windows and would do so again when they vacate the property. However in the interim they do not believe the windows need to be cleaned inside and out each month. The tenants believe they keep the property clean yet due to the open countryside around them dust does find its way into the house and onto the windows. Each letter from the estate agent has said that if they do not clean the property to the standards expected of the agent, the tenants would be fined a 're-inspection fee'. The tenants feel use of the term 'a reasonable standard' of cleanliness can be manipulated by the owners and agents to their own ends.

The tenants have also had difficulty with the owner calling up asking to visit the property at short notice or even arriving unannounced. One of the tenants has asked the owner not to arrive without calling first but this had not deterred the owner and he continues to visit. During a recent public holiday the owner arrived to undertake maintenance work with no notice of his visit, and spent a number of hours at the property fixing various items. The tenants felt unable to demand he leave the property and yet they had to spend many hours feeling uncomfortable in their home.

While the owner has always been friendly, the tenants feel that if they enforce their tenancy rights and demand the owner not visit until suitable notice has been given that the owner would retaliate and refuse to renew their lease. They feel that as long as they play by the owner's rules they will be allowed to remain in the property.

- **Mining Towns and Housing:**

Mining towns are facing housing difficulties similar to Perth but exacerbated by their own set of circumstances. The resources boom has fuelled the demand for property and increased the wealth of many, but in mining towns, those people not employed in the resource sector are struggling to find affordable or available accommodation. Community legal centres and financial counselors in these areas provide anecdotal evidence of the significant impact high salaries and inflated rents are having on long-term residents not working in the industry, older residents and the unemployed.

The growth of the resources sector and the subsequent skills shortage have seen resource companies and associated contractors offering considerable incentives to potential or current employees to move to mining towns. Such incentives include highly subsidized housing and tenancy agreements attached to the employment contract. To ensure sufficient housing for their employees, resource companies buy up or rent as many properties as possible in the town which they then make available to their employees. The result is a severe lack of housing for non-employees as well as severe affordability issues.

In Hedland in May 2006, one real estate company offered 22 dwellings for rent with the cheapest rent being \$200 per week for a one bedroom unit and the most expensive being \$800 per week for a three bedroom, one bathroom house. The majority are priced between \$300 and \$375 per week. To rent one of these properties a prospective tenant must find bond of four weeks' rent, the rent in advance comprising a further two weeks' rent, and the letting fee equal to one weeks' rent. Thus for a three bedroom, one bathroom home leased at \$350 per week a tenant must be able to provide the estate agent with \$2,450.00 cash in advance of gaining the home. This is a substantial sum of money for anyone on a low or middle income to find in one lump sum.

Anecdotal evidence from people living in this area assert that sitting tenants in Hedland are also facing the difficulty of landlords suddenly increasing their rent to such an extent the tenant can no longer afford to rent that property. One such example is a tenant renting a one bedroom unit who signed a tenancy agreement in January 2006 for \$170 per week but this was increased in May 2006 to \$220 per week. Although the increase was in accordance with the RTA the tenant could not afford the increase and faced imminent homelessness due to a severe lack of affordable and crisis accommodation.

Apart from the expense and lack of available stock, competition for accommodation is also problematic, placing high earning employees against low income and unemployed households. Anecdotal evidence from Hedland states that many real estate agents will turn down applications from people not involved in the mining sector, preferring to wait for a resource employee applicant. Such behaviour restricts the market to the detriment of local long-term residents.

Kununurra is facing very similar problems with housing at such a premium that any appeal to Homeswest for public housing no longer requires the applicant prove there is no other viable accommodation available. It is therefore acknowledged that finding private accommodation is almost impossible for low income households in this town and Homeswest is their only option. There is currently about a three year wait for Homeswest accommodation with many applicants on the waiting list forced to live in backpackers hostels or cabins at caravan parks in the interim. As for private rental, on 30 May 2006, one real estate agent in Kununurra had only four properties for rent in the town and two available in Wyndham. Of the four in Kununurra, three were one bedroom one bathroom units for \$150 per week.<sup>53</sup>

---

<sup>53</sup> Kimberley First National Real Estate, Rental Residential List, Tuesday May 30, 2006

Anecdotal evidence suggests that the difficulty in finding rental properties is in part due to a change in policy by some mining companies from using a fly-in fly-out workforce to one that is based in the towns. Resource companies have sought to purchase any form of accommodation for sale, from houses to caravans to house their staff.

The extreme case of the housing shortage in Karratha has recently been highlighted in The West Australian newspaper (*It's \$1000 a week or rent a tent in Karratha*, p.7). The article states that the average rent for a four-bedroom home in the town is now \$675 per week but even for those who can afford such prices the lack of available stock means many people are living in tents, caravans and even illegally in sheds on the industrial estate.

## **RESULTING ISSUES:**

- **Long Public Housing Waiting Lists:**

Data from the State Housing Commission Annual Report 2004-05 indicates that there was a decrease in the total number of housing assistance grants and a reduction in the public housing waiting list numbers from the previous year. It asserts that rental housing occupations have decreased due to a reduction in the number of people vacating rental accommodation. TAS would argue that people who may seek to leave public housing are unable to do so due to the inability to find appropriate and affordable housing in the private market. We would also argue that waiting list numbers have reduced because of an awareness of the extremely long waiting times expected for those households not qualifying as priority applicants as well as the Government's push to encourage those on the lists to either purchase their home through specialized mortgage packages or to move into private accommodation. The Annual Report found that there had been an increase in land sales and a significant increase in loans, with a surge in Keystart loans.

Data for the 2004/05 period indicates there were 13,125 applicants on the Commissions' public housing waiting list which was an increase from 12,788 the previous financial year although a reduction from 15,456 in 2000/01. Of this 13,125 total there were 7,459 families, 1,771 senior singles, 306 senior couples and 3,553 one-bedroom applicants.

In 2004/05 the average waiting time for an applicant on the public housing waiting list was 73 weeks, a rise from 65 weeks the previous financial year and an increase too on the target average for the year which was also 65 weeks. Thus applicants were waiting on average an extra 8 weeks before being housed in public accommodation. The Annual Report claims that the 8 week increase in average waiting times was due to the policy of targeting long term applicants. The percentage of applicants housed after more than three years increased to 17.35% from 12.46% five years ago."<sup>54</sup>

---

<sup>54</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia, p.68

- **Households Struggling to Find a Home:**

There are many households who will not meet eligibility criteria for public housing priority waiting lists although they will be placed on the general waiting list. The length of these lists requires such households find and secure adequate and affordable accommodation within the private rental market while waiting for a public housing placement. Due to their low incomes, family size or other circumstances and a very restricted rental market these households are not competitive in the private rental market and thus are at greater risk of homelessness. In a market where landlords and owners can pick and choose their tenants, those less able to compete financially or lack a suitable tenancy history such as the unemployed, recipients of government benefits and pensions, large families and single parents among others will find their applications for rental accommodation being rejected in favour of other applicants.

In its report on the Commission's responsiveness to the housing needs of people in WA, the State Housing Commission Annual Report 2004-05 found that there was a decrease in the number of bond loans approved. It suggests that this decrease "may be attributable to a higher demand for limited properties in the lower rent range with rental supply shortening and rents rising".<sup>55</sup> AHURI research indicates that in 2001 there was an overall shortage of affordable and available private rental housing suitable for low income households in Australia equal to 134,000 dwellings. Many low cost dwellings were occupied by households whose incomes indicated they could afford to pay more and as a result those households unable to afford paying more rent were deprived of affordable accommodation.<sup>56</sup>

The reliance on private rental and rent assistance is similar to the current housing policies operating in the US, Canada, Britain and New Zealand and research has indicated that over the same period all these countries have experienced increasing numbers of homelessness.<sup>57</sup> The fastest growing sub-group among homeless groups in Australia is women with dependent children. The risk of homelessness is linked to inadequate income and, with most current social security payments remaining below the poverty line, it is understandable that many recipients will face housing stress and possible homelessness. About 27% of single parents and 18% of single people suffered affordability problems in relation to their housing.<sup>58</sup>

Some 38% of people accessing SAAP services are aged between 15 and 24 years and face the difficulty of having limited access to any form of accommodation. Some private real estate agents are wary of offering leases to young people for a number of reasons based on their age and income. Notwithstanding this fact, the terms and conditions of a tenancy agreement may be enforceable against the young person if it is for a necessary of life, which housing may be. People under the age of 18 can access public housing but it

---

<sup>55</sup> Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia, p.66

<sup>56</sup> Chapman, P., February 2006, *Housing Affordability in Australia*, AHURI Research & Policy Bulletin, Issue 68 @ [www.ahuri.edu.au](http://www.ahuri.edu.au)

<sup>57</sup> Incerti, K., & Matthews, L., 2003, *Persons-Bricks-Homes: Partnerships to realizing Housing as a Human Right*, AASW National Conference 2003 "Co-operating for Social Justice" downloaded 12 April 2006

<sup>58</sup> Robinson, C., *Living at Risk. Breaking the cycle of homelessness*, Society of St Vincent de Paul, 2000

is difficult to achieve and is granted at the discretion of the Manager. Of concern is that people under the age of 15 are unable to access crisis housing.<sup>59</sup> The inevitable result of these difficulties in accessing housing by young people for many is homelessness.

- **Groups with Particular Difficulties In The Current System:**

Whilst the problems facing low and middle income households in the current private rental market are considerable, particular groups of people in WA are significantly over-represented in the list of those requiring housing assistance. These households include Indigenous people, culturally and linguistically diverse people (CALD), youth, single mothers, people with disabilities, people with a mental illness, unemployed and under-employed.<sup>60</sup> While many should be able to access emergency accommodation or similar services, advocates find on a regular basis that there are no beds available in such services. Many of these people literally have no where to go and thus end up homeless.

In recent years government policy has been to move people with mental illness out of institutions and into the general community with an emphasis on independence, however the low level of funding available for crisis accommodation as well as the declining funding for general public housing has meant that many people with mental illness have become homeless. In 2001-2002 some 88.5% of people with a mental illness applying for crisis accommodation received no assistance.<sup>61</sup> Evidence shows that for people with a mental illness, appropriate and secure housing is critical to their wellbeing and recovery, yet such accommodation cannot be guaranteed for the majority.<sup>62</sup>

According to the Western Australian Association for Mental Health (WAAMH), people with a mental illness experience higher rates of discrimination and housing based poverty in the private rental market. With an estimated one in five people suffering some form of mental health problem, the number of people potentially affected by discrimination in the housing market due to their health is significant. Their ability to locate suitable, affordable and secure housing is further undermined by blacklisting on tenancy databases and the expansion of good behavior agreements. Blacklisting is often the result of behaviour brought on by the tenant's condition which they cannot control and not through malicious intent. Once listed as a 'difficult' or problematic tenant, trying to find accommodation in the private market will be even more complex. Acceptable Behaviour Agreements similarly place people with mental illness at risk of eviction from public housing as a result of behaviour triggered by their illness yet misunderstood by Homeswest.

---

<sup>59</sup> Incerti, K., & Matthews, L., 2003, *Persons-Bricks-Homes: Partnerships to realizing Housing as a Human Right*, AASW National Conference 2003 "Co-operating for Social Justice" downloaded 12 April 2006

<sup>60</sup> WA Council of Social Services, *WACOSS Housing Discussion Paper*, Shelter WA newsletter, December 2004, p 2-4

<sup>61</sup> Western Australian Association for Mental Health (WAAMH), February 2006, *Submission for Housing Strategy WA 2006*, downloaded from [www.waamh.org.au](http://www.waamh.org.au)

<sup>62</sup> Western Australian Association for Mental Health (WAAMH), February 2006, *Submission for Housing Strategy WA 2006*, downloaded from [www.waamh.org.au](http://www.waamh.org.au)

While the DHW does play a significant role in housing people with mental health problems through general housing, disability housing, the Independent Living Program and Community Disability Housing Program, the waiting lists are very long and in the interim they must rely on the private market. For some who have been on the lists for years, they may miss their turn due to hospitalization and are then forced to start again at the bottom of the list.<sup>63</sup>

Whilst housing is in short supply and rents rising, the recent Welfare to Work reforms will mean an estimated 80% of Disability Support Pension recipients will receive \$40 per week less income.<sup>64</sup> For private tenants the burden of meeting the rent will increase. Whilst currently one third of CRA recipients are believed to be in post-CRA housing stress this number is likely to rise on the back of these reforms. The financial viability of the DHW will similarly suffer due to their policy of charging rent according to household income. As public housing now targets only the neediest, a decline in tenant's income will mean a decline in the rent they can charge.

People with disabilities find difficulties in securing suitable housing within the private market as it can often be unsuitable or inappropriate due to a lack of modifications to suit their disability as well as facing discrimination by owners and agents.<sup>65</sup> They also have very low incomes which in the current market make it extremely difficult to find suitable accommodation which they can afford. The result is that many live in housing stress and, once they have secured accommodation, will be unwilling to jeopardize that home through complaints.

The correlation between low income and high housing costs as the cause of housing stress is clear and has been reported upon by many researchers (PILCH 2002, Chapman/AHURI 2006, WACOSS 2004). Women make up the majority of low income earners in Australia. As indicated by the ATO data for the 2003-04 financial year, while men earned an average income of \$43,653 for that year, women earned an average of only \$29,641.<sup>66</sup> Women are thus disproportionately affected by the lack of affordable housing and thus one of those groups more likely to suffer housing stress.

Domestic violence can, for many women, lead to homelessness due to the lack of suitable accommodation options available to women and children in these circumstances. Women are usually the party forced to leave their home if they wish to escape the violence and yet many will be faced with severely limited accommodation options for emergency or crisis housing and in trying to re-enter the rental market. There is insufficient emergency accommodation to meet the demand and there is limited accommodation outside the high security refuge or shelter model, which themselves can

---

<sup>63</sup> Western Australian Association for Mental Health (WAAMH), February 2006, *Submission for Housing Strategy WA 2006*, downloaded from [www.waamh.org.au](http://www.waamh.org.au)

<sup>64</sup> Western Australian Association for Mental Health (WAAMH), February 2006, *Submission for Housing Strategy WA 2006*, downloaded from [www.waamh.org.au](http://www.waamh.org.au)

<sup>65</sup> Public Interest Law Clearing House (PILCH) Homeless Persons' Legal Clinic, October 2002, UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission

<sup>66</sup> Australian Taxation Office, 4 May 2006, Taxation Statistics 2003-04: A summary of tax returns for the 2003-04 income year, [www.ato.gov.au](http://www.ato.gov.au)

be hard to access due to the strict eligibility criteria and rules. When trying to enter the private rental market many will face discrimination for being a sole parent, benefit recipient or for not having a rental history. In his Preliminary Observations during his mission to Australia, the United Nations Special Rapporteur on adequate housing noted the “ lack of affordable housing, lack of timely access to public housing, and inadequate government provisions for long term safe housing, particularly in rural areas means that many women are forced to either remain or return to situations of domestic violence, and continue to live in adequate housing where they risk the safety of their children and themselves.”<sup>67</sup>

Indigenous women face racial discrimination as well as discrimination due to their sex and/or status as sole carer for extended families in both the private and public rental markets.<sup>68</sup> Indigenous people regularly face discrimination within the private rental market as well as experiencing affordability issues as such problems are exacerbated by the fact many live in rural and remote areas where private accommodation is severely restricted and expensive and public housing does not exist.<sup>69</sup> The difficulties faced by Indigenous women, as well as women from refugee asylum seeker groups, in securing adequate housing in Australia was also noted by the UN’s Special Rapporteur in his observations.

Racial discrimination in the private rental market is similarly faced by migrant women and is widespread. Many migrants to Australia at the moment come from Muslim countries sometimes as the sole parent to large dependent families. Their dress, religion as well as preconceived notions of cultural differences mean their applications for accommodation in the private market are often rejected. Many will experience multiple rejections.

Women also head the majority of sole parent families in Australia. This group has the highest poverty rate of any group in the country with 46% on less than \$300 per week in 1996<sup>70</sup> and one of the largest groups receiving rent assistance.<sup>71</sup> This low level of income and their position as sole carer of their child(ren) make them susceptible to discrimination by real estate agents who make assumptions about their reliability and/or financial capacity to meet rental costs. It is estimated that 34% of sole parents with dependent children live in the private rental market.<sup>72</sup>

Australia is experiencing an increase in the number of people entering the country as asylum seekers on three-year Temporary Protection Visas (TPVs). Such households are

---

<sup>67</sup> United Nations Special Rapporteur on adequate housing, Miloon Kothari, *Mission to Australia 31 July – 15 August 2006, Preliminary Observations*, Canberra 15 August 2006, p.9

<sup>68</sup> Public Interest Law Clearing House (PILCH) Homeless Persons’ Legal Clinic, October 2002, *UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission*

<sup>69</sup> Public Interest Law Clearing House (PILCH) Homeless Persons’ Legal Clinic, October 2002, *UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission*, p.27

<sup>70</sup> Public Interest Law Clearing House (PILCH) Homeless Persons’ Legal Clinic, October 2002, *UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission*

<sup>71</sup> March 2005, 24% of CRA recipients were sole parents with dependent children – Year Book Australia, 2006, ABS

<sup>72</sup> Public Interest Law Clearing House (PILCH) Homeless Persons’ Legal Clinic, October 2002, *UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission*, p.33

considered temporary residents by the government and as such are not eligible for public housing. They are also ineligible for on-arrival accommodation and settlement support services from the government, making them solely reliant on ad-hoc assistance from voluntary groups and State government departments. Many asylum seekers are from non-English speaking countries with a different religion and culture to the majority of Australians as well as having large families and thereby endure discrimination in the private rental market.

The failure of Australia to adequately address the housing needs of all vulnerable groups in this country perpetuates and exacerbates the problems these groups face within the wider community and result in an ongoing difference between those with the means to secure adequate housing and those without. One result can be a lack of belonging and a feeling of being in a divided country of the haves and have-nots.

### **Forecast Trends for Housing:**

The State Housing Strategy WA Discussion Draft of 2005 illustrated the proposed path of government policy in attempting to provide affordable housing options for Western Australians. TAS submitted a response to the Discussion Draft in which we clearly outlined our concerns with the proposed policy.

The core of government policy is to reduce funding to public housing and so reduce its capability to deal with the housing needs of low income households, making it the housing provider of last resort. In its stead the focus is on the role of private investors to meet the demand for low cost rental housing and to encourage more people to enter home ownership.

Entry to public housing will continue to be based on strict eligibility criteria, where all but the neediest will be required to seek accommodation within the private rental market. Now there is no longer security of tenure in public housing, with public tenants instead being offered security of assistance through a fixed term lease which will depend on the term of their need only, as well as placing greater restrictions on tenants in the form of behaviour agreements and income limits.

The government intends to offer increased financial incentives to the private sector to encourage investment in housing for the rental market. Tenants in receipt of government pensions and benefits will continue to be offered rent assistance and bond loans to assist with the cost of private rental. However as is clear from the current situation, housing stress due to high rents and associated set-up costs, will continue for a growing number of low income households due to the failure of rent assistance to accurately reflect the true cost of rental housing in this State and indeed in this country. Private rental cannot provide low income households with either the same security of tenure or the same level of housing affordability as can public housing.

The case study below clearly illustrates the vulnerability any tenant in the private market will experience where properties are bought as investments. While all tenants will suffer when a property is sold on for profit, the elderly and other vulnerable groups, including all households on low incomes are particularly vulnerable. Not only is there the difficulty of finding another property but the cost associated with moving and starting a new tenancy. As stated earlier, research by Hanover Welfare Services found that difficulties in securing long term accommodation could lead to homelessness for low income households. TAS argues it is unlikely the government could act to restrict private investors from selling their rental properties and so the only way to ensure stability for such vulnerable groups is through greater investment in public housing.

#### **CASE STUDY**

The tenant is currently in a fixed term lease paying \$205 per week for a house which includes a very small above ground swimming pool.

The owner has recently made a request that the tenant employ someone to come onto the property and clean the pool. This term was not part of the original lease agreement signed by the tenant and the tenant has maintained the swimming pool in perfect condition since moving into the house. It will cost the tenant approximately \$70 per month for someone to clean the pool.

The tenant feels that this request is unreasonable but is willing to comply only because she fears the owner will increase the rent when the lease is renewed in October or that the owner will refuse to renew the contract. The tenant has since been advised, verbally, that her rent will be increased by \$30 per week when she signs a new tenancy agreement in October and a condition of the renewed lease will be that the tenant meet all the costs of the maintenance and repair of the swimming pool and its equipment in addition to engaging the services of a pool cleaner on a weekly basis.

The tenant perceives the current rental market in Perth to be highly competitive and for this reason fears losing her current lease and having to find somewhere else suitable and affordable.

The owner has additionally entered the property without notice on a number of occasions during the term of the lease but once again the tenant fears for her tenancy if she complains and asserts her legal rights.

An associated issue with encouraging private investors to purchase houses to rent out is the ability of these people to meet the financial demands of investment properties. Discussions with tenants suggest some rental property owners invest in property yet do not have the financial capabilities to meet the cost of maintaining their rental properties.

It is the belief of some tenants that this is why there are often long delays in having repairs completed, with some being told outright that the owner simply doesn't have the money to do the repairs.

#### **CASE STUDY**

A couple has been renting an old house in a wealthy suburb for 3 years with a periodic tenancy agreement in place. The tenants have had broken floorboards and faulty electricity in the house for several months and have been asking for the appropriate repairs to be made.

The tenant and owner came to an agreement that the owner would fix the floorboards and the electricity faults in return for a rent increase of \$30 per fortnight. The agreement was documented in emails between the tenant and owner. The tenant agreed to the increase as the tenant believes the owner does not have the ability to meet the cost of repairs on this investment property without a rent increase. The tenant is aware of the difficulties of finding and securing accommodation in Perth's private rental market and was therefore willing to pay the increased rent to continue to live in the property.

The owner fixed the electricity problem in return for a \$15 per fortnight increase which the tenant agreed to, although this was not in writing.

The owner then advised the tenant that he wanted the tenant to sign a document authorizing the increase of the rent by another \$15 per fortnight, applicable immediately, but the owner did not have to fix the floorboards until April 2006 (some 4 months away). The tenant disagreed and refused to sign the document.

Shortly afterwards the tenant received from the real estate agent an email giving the tenants had 60 days notice to vacate the property.

The tenant believes this was done in response to their refusal to sign the new agreement.

The tenant has since signed a new agreement at the higher rent but with a set date for repairs to be undertaken. The tenant has done this in the belief the owner does not have the money to afford repairs without receiving the rent increase and they do not wish to have to find a new property in the current market.

An added burden for many low income households relying on working age payments is the Federal Government's Welfare to Work program which came into operation on 1 July 2006. All working age payments will be impacted in some way by the Welfare to Work changes despite those already in receipt of certain payments continuing to qualify for payments which would be denied to new applicants after 1 July 2006 in certain circumstances. The full extent of the impacts on different client groups including parents (both sole and partnered), people with disabilities, the older unemployed and the long

term unemployed cannot be captured within the scope of this paper although most will be required to complete participation and activity requirements to retain eligibility for payments. As a result of the Welfare to Work changes many of the country's most disadvantaged claiming new payments will be placed on Centrelink entitlements which are paid at a lower rate than they would have previously been entitled to. This reduced rate of payment will make it even harder for them to afford to live in private rental accommodation.

Under the new program, Newstart Allowance and Parenting Payment recipients committing certain participation failures may receive a temporary or 8 week suspension of payments. Where a recipient has three participation failures in a 12 month period or has one "serious" participation failure their payments may be suspended for 8 weeks. For those whose payments are suspended for 8 weeks and are deemed to be "exceptionally vulnerable" or have "vulnerable dependents" there may be access to financial case management whereby the essential expenditure of the person is paid during the suspension period. Access to financial case management is only available on one occasion and so for subsequent suspension periods this assistance will not be available despite the individual's necessitous circumstances. Periods where a person does not receive their regular income support payments from Centrelink will surely put at jeopardy both private and public rental accommodation due to non payment of rent.

Another concern with this program is that sole parents whose youngest child is over six at the time of their claim who undertake full time study in order to later join the workforce will not be eligible for Newstart Allowance and will receive Austudy payments which is paid at a lower base rate than both Parenting Payment Single and Newstart Allowance. Rent assistance continues to be paid as a component of Family Tax Benefit for those with dependent children, however Austudy recipients do not receive rent assistance as a component of that entitlement. For those housed in public accommodation, the rent charged may be less due to the lower rate of Newstart Allowance or Austudy, which in turn will further restrict the income Homeswest will receive for its operation and upkeep of properties.

The Australian Council of Social Services has estimated that about 300,000 people will be worse off under the new program. Sole parents whose youngest child has turned eight and people with disabilities assessed as capable of working will be required to seek 15 - 25 hours of work per week. New applicants with a child aged over six or eligible Disability Support Pension claimants will be placed on an 'enhanced' Newstart payment rather than the previous pension, a reduction of \$29 per week. The National Centre for Economic and Social Modelling (NATSEM) has estimated that sole parents will be up \$90 per week worse off under the new program and people with a disability who can partake in some work will be up to \$122 per week worse off. The 2006 State of the Family – Life on a Low Income report by Anglicare Australia, launched on September 25 2006, also criticizes this program for the heavy financial burden many families will experience if their benefits are reduced or suspended. With more than two million families already relying regularly on emergency relief to meet the daily costs of living including feeding their families and paying the rent, this new scheme will force many

more into greater financial distress before they can find work.<sup>73</sup> Such reductions in the level of payments to vulnerable households will lead to greater difficulties in paying their rent in the private market, greater instances of housing stress and the prospect of even more people becoming homeless.

More detailed information on the operation and likely impacts of the Welfare to Work program can be found on the National Welfare Rights website at [www.welfarerights.org.au](http://www.welfarerights.org.au).

Governments will continue to encourage households to enter the home purchase market through a range of financial schemes and products focused on particular household types. Whilst home ownership can assist many low income households to gain secure housing as well as a financial investment for their future, there is the need to ensure that any unintended negative outcomes are avoided. Households, where needed, should be offered sound financial counseling to ensure they are aware of the real costs of home ownership and whether their financial situation can meet these obligations. Without these added supports, the government may inadvertently be causing greater hardship and homelessness for households unable to meet their mortgage liabilities.

The availability of housing for low income households is likely to remain a problem.

### **What has happened overseas?**

The findings of a Research Paper undertaken by the Australian Parliamentary Library examining the result of increasing the emphasis of cash assistance for low income renters in favour of reducing the reliance on public housing in other countries highlighted the very issues low and middle income renters are now experiencing in this country.<sup>74</sup> The paper warned that Germany, New Zealand, the United Kingdom and the USA had all amended their housing policies to emphasize a reliance on the private market supported by cash rent assistance and while not all countries had the same problems, most shared similar social issues.

The paper warned that any policy that relies on cash payments instead of the provision of public housing needs to be backed by the assurance there is an adequate supply of rental accommodation for low income earners. Experience in Germany and the UK showed that the private market cannot be relied upon to increase supply to replace the provision of public or social housing.<sup>75</sup> It found that rent assistance payments must be carefully designed to ensure financial hardship does not result from cash payments or that increased reliance on rent assistance does not lead to private rent increases. New Zealand's experience has been one of increased financial hardship for some tenants while

---

<sup>73</sup> The West Australian, *Millions are in crisis: Anglicare*, Tuesday 26 September 2006, p.35

<sup>74</sup> Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98)

<sup>75</sup> Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98), p.20

the UK market has experienced increased rents.<sup>76</sup> Furthermore, low income recipients with special needs could face difficulties due to the private market generally failing to cater for their needs.

Overseas experience has shown that the private rental market is not able to deal with the needs of the very poor and those households with specific needs and, as a result they become concentrated in the available public housing. If the private market is to assist these people policy would need to be developed to ensure their needs are met and discrimination is discouraged.<sup>77</sup> Additionally it warned of the increased danger of social problems if public housing is increasingly tenanted by people with special needs. This has been an area of considerable concern in the USA where public housing estates are now home only to very low income and special needs tenants. Policies of targeting scarce public housing resources to only those in greatest need were considered likely to lead to similar anti-social problems<sup>78</sup>.

Whilst the paper argued that the structure of Australia's rent assistance scheme as well as our culture are different to the other countries examined and that the problems described will not necessarily arise in this country, it does state that these issues must be considered. In the light of the current problems besetting our low income rental market, it would seem the government has failed to heed these warnings.

### **United Kingdom:**

Introduced in its 1980 Housing Act, the Thatcher Government's 'Right to Buy' scheme encouraged sitting public housing tenants to buy their home through access to considerable financial discounts on the purchase price of their home. By the mid-1990s in excess of 1.5million dwellings had been bought by tenants and the stock of public housing had fallen from about 33% of total housing stock in the country to about 20%.<sup>79</sup> The second Thatcher Housing Act of 1988 introduced the policy of transferring local council dwellings to housing associations. Housing associations are able to borrow directly from banks and other private lenders, with private sources free to supply up to 50% of the cost of new stock<sup>80</sup>.

Successive governments in the UK have attempted to encourage the growth of the private rental sector which, by the early 1990s, had fallen to less than 7% of total housing stock. However despite two separate schemes over the life of two different governments to

---

<sup>76</sup> Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98), p.20

<sup>77</sup> Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98), p.20

<sup>78</sup> Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98), p.21

<sup>79</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.16

<sup>80</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.16

attract private investors to enter the private rental market, barriers continued and private investment in the rental market remains low.<sup>81</sup>

### **Netherlands:**

Private rental accounts for 15% of national dwelling stock in the Netherlands, owner occupation accounts for about 45% while housing policy has historically favoured public or social housing. Of its social housing, some 33% is owned and managed by Housing Associations and other non-profit associations with local government being responsible for about 6%.<sup>82</sup>

Dutch government housing policies aim to limit the growth of the fiscal cost of housing subsidies by government while encouraging private investment. Banks and other institutional investors have a history of investing in social housing with private bank loans being secured on the asset base of the housing association. By 1997 around 90% of the cost of new social sector dwellings was being financed by bank loans.<sup>83</sup>

Investment in the private rental sector is divided almost evenly between private and institutional investors with some rental dwellings subsidized by government. Where landlords receive subsidies, rents charged must be in line with central government policy while unsubsidized dwellings can be rented at full market value. The government has been reducing subsidies over the past 30 years in favour of one-off capital grants on the construction of low cost dwellings. Investment in the private rental market has fallen, especially by individual investors. Subsequently a division in the market has occurred whereby individual investors tend to own lower quality and lower cost accommodation while institutional investors own the better quality accommodation that rents at higher prices.<sup>84</sup>

### **Germany:**

In January 2002 housing support legislation came into force in Germany which ended traditional social housing policy.<sup>85</sup> Political reform of housing has moved the focus from supplying social housing for large sections of the population to supporting households with a lower income, families with children and single parents. Government subsidies are concentrated on existing housing stock and modernization, rather than building new stock and home ownership is encouraged, with the sale of former social rented accommodation to the sitting tenants.<sup>86</sup>

---

<sup>81</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.17

<sup>82</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.17

<sup>83</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.17

<sup>84</sup> Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre, p.18

<sup>85</sup> Rips, Dr. Franz-Georg & Litke, B., August 2004, *Social Housing in Germany – the end of times of growth and public responsibility?*, German Tenants Union for the IUT-Congress Birmingham, The future role of social and rental housing

<sup>86</sup> Rips, Dr. Franz-Georg & Litke, B., August 2004, *Social Housing in Germany – the end of times of growth and public responsibility?*, German Tenants Union for the IUT-Congress Birmingham, The future role of social and rental housing

### **The United States of America:**

The United States of America's federal government supports three types of subsidized rental housing assistance assisting approximately 5 million households.<sup>87</sup> However it is estimated that this number is only one quarter of the number who actually qualify for housing subsidy assistance based on the number of families paying more than 30% of their household income on rent and/or live in overcrowded or substandard housing.<sup>88</sup>

The first scheme is Section 8 or rental vouchers which assist about 2 million people. These rely on landlords accepting these vouchers and they pay the landlord a guaranteed amount for rent while tenants pay 30% of their household income. Section 8 vouchers are not available to any eligible person applying, as is the case with Australia's rent assistance scheme, and as demand often exceeds supply long waiting lists are common. Public housing subsidizes the operating costs for approximately 1.3 million dwellings built and owned by Local Housing Authorities in each major city. Tenants are generally on very low incomes with most earning less than 30% of the median income in the areas and some 40% to 50% being elderly or disabled.

The third type of subsidized housing is privately owned but subsidized by the Department of Housing and Urban Development. Such developments receive operating and/or capital subsidies and guarantees as incentives for private owners to build and maintain affordable housing for lower income people. About 1.7million households are assisted in this manner with most earning less than half of the area's median income but some do earn up to 95% of the median.<sup>89</sup>

The National Coalition for the Homeless in the USA estimates that as a result of the government's program of unregulated markets and reduction of social housing, more than 3.5million families are homeless in that country. The problems have been exacerbated by the lack of rent controls which make much of the rental stock beyond the reach of low income households.<sup>90</sup>

### **New Zealand:**

The main goal of New Zealand's housing policy since the Labour Government took power in 1999 has been to reverse the market-oriented policies of the previous National Government and return to the policy of the 1980s. Provision of housing assistance has, therefore, moved from providing a demand-side subsidy (the accommodation supplement) and market rents for state housing to supply-side assistance which includes income related rents and a system of housing allocation based on housing need. The government has introduced a new Social Allocation System which assesses the need of

---

<sup>87</sup> Kane, M., April 2004, *USA Tenants Fight to Save Social Housing*, National Alliance of HUD Tenants @ [www.saveourhomes.org](http://www.saveourhomes.org)

<sup>88</sup> Kane, M., April 2004, *USA Tenants Fight to Save Social Housing*, National Alliance of HUD Tenants @ [www.saveourhomes.org](http://www.saveourhomes.org)

<sup>89</sup> Kane, M., April 2004, *USA Tenants Fight to Save Social Housing*, National Alliance of HUD Tenants @ [www.saveourhomes.org](http://www.saveourhomes.org)

<sup>90</sup> Kane, M., April 2004, *USA Tenants Fight to Save Social Housing*, National Alliance of HUD Tenants @ [www.saveourhomes.org](http://www.saveourhomes.org)

new applicants against set criteria. Under the system of income related rents, state housing tenants pay no more than 25% of their total income in rent.<sup>91</sup>

While successive New Zealand governments encouraged and actively promoted home ownership between World War II and the late 1980s which produced a high home ownership rate, between 1991 and 2001 this rate has fallen 6%. The fall is most acute among the younger age groups and sole parent households.<sup>92</sup> There are a number of reasons for this fall including house prices rising faster than household income and changing labour dynamics towards part-time and casual employment.

The government funds community groups and organizations as well as councils to set up and run social housing projects to provide affordable housing to eligible applicants. The government's Housing New Zealand Corporation offers various lending options to low income people wanting to buy or build a home.<sup>93</sup>

## **Recommendations:**

As this paper hopes to illustrate, the current situation for low and even middle income households renting accommodation in Western Australia is dire. There is also little likelihood either the availability or affordability of rental stock will improve in the short to medium term. Some housing analysts predict the current housing market boom will continue for at least another 18 months to 2 years but this may be a conservative estimate. If this is the case, then the price of rental properties will continue to rise and low cost rental stock will remain at extremely low levels. However long this boom does last, house prices are unlikely to fall at the end of it and affordability will continue to be problematic for many households.

### **1. Increase assistance payments to better reflect the current market**

TAS believes that the state government must take responsibility for assisting a larger proportion of the low income households unable to compete in the current housing market. The existing rates of rent assistance and bond loans are not sufficient to enable low income households to engage in the private rental market on a par with higher income households, even for low cost housing. Whilst the payments do provide some assistance, the higher the cost of housing increases the less these payments can genuinely assist households in need, leaving them vulnerable to debt, housing stress and possibly homelessness on some level. It is an unfortunate fact of the current property boom that even the receipt of such government payments makes them vulnerable to discrimination by real estate agents.

---

<sup>91</sup> Centre for Housing Research, Aotearoa New Zealand, May 2004, *Changes in the Structure of the New Zealand Housing Market. Executive Summary*, CHRANZ, New Zealand

<sup>92</sup> Centre for Housing Research, Aotearoa New Zealand, May 2004, *Changes in the Structure of the New Zealand Housing Market. Executive Summary*, CHRANZ, New Zealand

<sup>93</sup> Government of New Zealand, Housing New Zealand Corporation, [www.govt.nz](http://www.govt.nz)

## **2. Increase investment in public housing in the short term**

Both the State and Commonwealth Governments have proudly displayed large budget surpluses for the past financial year and TAS argues that part of this financial surplus should be used to assist those in our society most in need through an immediate and substantial increase in funding for public housing.

Currently funding for public housing in Western Australia is sourced from land development and sales by Land Corp as well as rental revenue gathered from public housing tenants. No revenue is received from the general revenue of the State Government and as such WA is the only state to finance its public housing in this manner.

## **3. Both State and Commonwealth Governments make a long term commitment to rebuilding a strong public housing sector**

Whilst increased investment in public housing in the short term is vital to assist the many low income households in housing need, it is just as important that the State and Federal Government make a long term commitment to rebuilding a strong and thriving public housing sector. TAS believes recent events have indicated the private sector is not able to provide an adequate alternative to public housing, and thus it is a responsibility of the wider community through the operation of government that housing is made accessible and affordable to all Australians. This can be achieved by providing increased investment to public housing through the Commonwealth State Housing Agreement.

Public housing is the only way in which low income households have the chance to gain secure and affordable housing, thus reducing the incidence of housing stress, associated debts and possible homelessness.

## **4. Commonwealth Government to Revise the Welfare to Work Program**

The newly introduced Welfare to Work program has been strongly criticized by many welfare agencies concerned over the significant financial impact this program will have on all people in receipt of working age payments. Already struggling to meet the cost of daily life including their rent, food and utility bills, many of these families will find themselves in greater financial stress under the new program, particularly if faced with suspension of their payments. This will undoubtedly lead to an increase in housing stress and even the very real possibility of more families facing homelessness.

TAS would urge the Commonwealth Government to revise the new harsh penalty regime in the Welfare to Work program to ensure it does not lead to some of the nation's most vulnerable families becoming further entrenched in poverty and homelessness.

## **5. Research the feasibility incentives to private investors who target low income housing provision**

The current expectations placed on private investors, whether individual or institutional, should be altered. The private sector is not an altruistic provider of low cost housing: the aim of private investors is to make profits but as state housing providers would be aware,

housing low income households does not readily ensure profits. Germany's experience offers a prime example of where large sections of social housing are being sold by government to private institutional investors in order to wipe out public debt. While there are restrictions on how long the housing must remain available for public tenants at low cost, the fact is that in the long term these investors will want to see a profit from their investment. The provision of affordable housing should be shared by all sectors of the community.

#### **6. Examine the benefits of housing assistance schemes from other states**

The issues of low income households needing assistance securing accommodation within the private market and sustaining these tenancies were considered during the 4<sup>th</sup> National Homelessness Conference held in Sydney in March 2006. The Governments of South Australia and New South Wales have introduced, between them, three pilot schemes aimed at improving the housing outcomes of low income households at risk. Whilst all or any of these may not prove suitable or possible for the housing problems currently being faced in WA, they are worth considering. The schemes indicate that many sectors of the community can work together to help those in housing need rather than placing all the responsibility on either the public or private sectors alone.

The South Australian Government's plan is based on acknowledgement of the complex issues in relation to homelessness and, in particular, "the barriers restricting low income households from accessing and maintaining accommodation in the private rental market".<sup>94</sup> The Government's plan implemented two projects within the South Australian Housing Trust – The Supported Tenancies Program and the Private Rental Liaison Project. The Government of New South Wales has introduced the Tenancy Guarantee based on the acknowledgement that many low income households have the ability to maintain a tenancy but difficulty accessing the private market.

In Western Australia the Department of Community Development currently operates the Private Rental and Support Advocacy Services which assists people in private rental having difficulties maintaining their tenancy. This service and other similar services assisting people into private rental are very useful in assisting people in housing need into secure and adequate accommodation and TAS is of the opinion they need to be expanded to meet the growing demand for such assistance.

#### **7. Financial counseling to be integrated with housing purchase assistance schemes**

The financial and long term housing interests of some low and middle income families may be best served by purchasing their home and the availability of the various borrowing schemes operated by the state government offer them this chance. However there comes with this opportunity a responsibility for the government to ensure prospective borrowers have enough financial advice and planning knowledge that they do not place themselves in danger of losing their home and savings due to an inability to

---

<sup>94</sup> Telford, A., March 2006, *Achieving Sustainable Tenancies in the Private Rental Market for Low Income Earners – A Government, Private Sector and Community Partnership, South Australian Government response to Homelessness*, presentation to the 4<sup>th</sup> National Homelessness Conference, 1-3 March 2006, Sydney

meet their mortgage. Financial counseling should be made readily available to ensure these households are aware of all the costs of home purchase.

**8. The Residential Tenancies Act be amended to address a number of identified inadequacies**

These inadequacies are fully explained in TAS' response to the Residential Tenancies Act review of December 2002, however TAS believes the most important of these include:

- Contracting out of minimum standards to be prohibited;
- Tenants not to be charged letting fees by agents;
- Property Condition Reports to be on prescribed forms;
- The term "fair wear and tear" to be clarified;
- Excessive rent increases to be prohibited by linking maximum increases to the CPI;
- A more prescriptive definition of "urgent repairs" to be developed;
- Time limits on repairs to be introduced;
- The operation of tenant databases to be reviewed and controls to be introduced;
- The owner's right of entry to tenanted properties to be reviewed.

**9. Removal of Homeswest's Acceptable Behaviour Agreements**

TAS is of the opinion that Acceptable Behaviour Agreements are not beneficial to the general operation of public housing in this State and as a result should be removed. These Agreements fail to acknowledge that behaviour may be due to mental illness or other illness and as such is not malicious and beyond the control of the person with this difficulty. The operation of these Agreements simply highlights the differences between tenants in public housing and private market tenants.

It is important to remember that while many people in this state are reaping the benefits of a strong economy and booming housing market, there are similarly many people being left behind. Public housing is restricted to the neediest and everyone else on low incomes or not deemed 'in greatest need' is required to cope as best they can in a private rental market with high prices and low availability. Without a substantial increase in government funding for public housing and an acknowledgement that the private investment sector cannot be viewed as an altruistic provider of low cost housing, low income and other in-need households will continue to suffer from a lack of suitable, secure and affordable housing.

\*\*\*\*\*

## **REFERENCES**

- Anthony, J & Milsom, N., February 2006, *Who Needs Housing Assistance in Western Australia?*, Housing and Urban Research Institute of Western Australia, [www.strongercommunities.curtin.edu.au/local](http://www.strongercommunities.curtin.edu.au/local)
- Australian Bureau of Statistics, November 2005, *Average Weekly Earnings. Australia*, Cat. No. 6302.0, [www.abs.gov.au](http://www.abs.gov.au)
- Australian Bureau of Statistics, 2005, *Australian Social Trends: Catalogue No. 4102.0*. ABS, Canberra.
- Australian Housing Research Fund, Purdon Associates Pty Ltd, Twyford Consulting Pty Ltd, 2000, *Review of Additional Housing Needs for Low Income Renters Final Report*, December 2000
- Australian Parliamentary Library, Research Paper 6 1997-98, *Public Rental Housing Policy: Learning the Lessons from Overseas*, Social Policy Group, Parliament of Australia, [www.aph.gov.au/Library/pubs/rp/1997-98](http://www.aph.gov.au/Library/pubs/rp/1997-98)
- Australian Property Review, January 2006, *Australian Residential Property Review Report from John Garmony & Associates*
- Australian Taxation Office, 4 May 2006, *Taxation Statistics 2003-04: A summary of tax returns for the 2003-04 income year*, [www.ato.gov.au](http://www.ato.gov.au)
- Berry, M., May 2002, *New approaches to expanding the supply of affordable housing in Australia: an increasing role for the private sector*, AHURI, RMIT Research Centre
- Centre for Housing Research, Aotearoa New Zealand, May 2004, *Changes in the Structure of the New Zealand Housing Market. Executive Summary*, CHRANZ, New Zealand
- Centrelink website, [www.centrelink.gov.au](http://www.centrelink.gov.au)
- Chamber of Commerce and Industry of WA, figures supplied on request by TAS on 4 September 2006, *Seasonally adjusted full-time adult weekly earnings May 2004 – May 2006*
- Chapman, P., February 2006, *Housing Affordability in Australia*, AHURI Research & Policy Bulletin, Issue 68 @ [www.ahuri.edu.au](http://www.ahuri.edu.au)
- Dalton, T & Ong, R., June 2005, *Precarious employment in the urban context: the case of public housing*, @ [www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf](http://www.arts.monash.edu.au/wage/pdfs/Dalton-and-Ong.pdf)

Department of Housing and Works, *Bond Assistance Loan Policy (Private Rental Housing Assistance)*, @ [www.dhw.wa.gov.au/homes/manuals/bond](http://www.dhw.wa.gov.au/homes/manuals/bond) downloaded Tuesday 5 September 2006

Department of Housing and Works, *State Housing Commission Annual Report 2004-05*, Western Australia

Department of Housing and Works, 2004, *Snapstats 2003-2004*, DHW, Perth

Department of Housing and Works, 2004 & 2005, unpublished data

Department of Housing and Works, 2003, *DHW Housing Strategy WA, Issues Paper on Public Rental 2003*, DHW, Perth

Department of Treasury and Finance, *Budget Papers 2006-07 for the Minister of Housing and Works; Consumer Protection; Heritage; Land Information*, p.618, @ [www.dtf.gov.au/cms/bud\\_content](http://www.dtf.gov.au/cms/bud_content)

Ditch, J., Lewis, A. & Wilcox, S., 2001, *Social Housing, Tenure and Housing Allowance: An International Review*, In-house report 83, Department for Work and Pensions, UK, [www.dwp.gov.uk](http://www.dwp.gov.uk)

eChoice.com.au, 5 May 2006, *Perth's Housing Market*, [www.echoice.com.au](http://www.echoice.com.au)

Finance Nine MSN, *Housing affordability at its worst*, June 2006, [www.finance.ninemsn.com.au](http://www.finance.ninemsn.com.au)

Government of New Zealand, Housing New Zealand Corporation, [www.govt.nz](http://www.govt.nz)

Harding, A., Phillips, B. & Kelly, S., 28 June 2004, *Trends in Housing Stress*, National Centre for Social and Economic Modelling (NATSEM) University of Canberra and other research

Hedland First National Real Estate Agency website, downloaded Tuesday 5 September 2006

Hyde, J., March 2006, *The Role of the Private Market in Delivering a Social Housing Solution to Homelessness*, presentation to the 4<sup>th</sup> National Homelessness Conference, 1-3 March 2006, Sydney

Incerti, K., & Matthews, L., 2003, *Persons-Bricks-Homes: Partnerships to realizing Housing as a Human Right*, AASW National Conference 2003 "Co-operating for Social Justice" downloaded 12 April 2006

- Jacobs, K., Natalier, K., Slatter, M., Berry, M., Stoakes, A., Seelig, T., Hutchinson, H., Greive, S., Phibbs, P., & Gurrán, N., September 2005, *A Review of Private Rental Support Programs. Final Report*, Australian Housing and Urban Research Institute (AHURI)
- Kane, M., April 2004, *USA Tenants Fight to Save Social Housing*, National Alliance of HUD Tenants @ [www.saveourhomes.org](http://www.saveourhomes.org)
- Kelly, S., Phillips, B. & Taylor, E., May 2006, *Baseline small projections of the demand for housing assistance*, Australian Housing and Urban Research Institute
- Kimberley First National Real Estate, Rental Residential List, Tuesday May 30, 2006
- Kolar, V., 2004, *Home First. A longitudinal study of outcomes for families who have experienced homelessness*, Hanover Welfare Services, Victoria
- Landler, M., 5 May 2006, *Germany: Public Housing in Private Hands*, The New York Time, [www.corpwatch.org](http://www.corpwatch.org)
- McNelis, S. & Burke, T., April 2004, *Rental Systems in Australia and Overseas*, Positioning Paper, AHURI
- Ottawa Chamber of Commerce and Toronto Board of Trade, Joint Submission, Canadian Chamber AGM 2005, *Affordable Housing and Portable Housing Allowances*
- Public Interest Law Clearing House (PILCH) Homeless Persons' Legal Clinic, October 2002, *UN Special Rapporteur on Adequate Housing: Questionnaire on Women and Adequate Housing. An Australian Submission*
- Real Estate Institute of Western Australia, 14 March 2006, *Booming WA real estate isolated from east coast slump*, [www.reiwa.com.au](http://www.reiwa.com.au)
- Real Estate Institute of Western Australia, *Property Market Indicators, June Quarter 2006*, [www.reiwa.com.au](http://www.reiwa.com.au)
- REIWA, *Property Market Indicators, June Quarter 2006* @ [www.reiwa.com.au/res/res-marketindicators](http://www.reiwa.com.au/res/res-marketindicators)
- Rips, Dr. Franz-Georg & Litke, B., August 2004, *Social Housing in Germany – the end of times of growth and public responsibility?*, German Tenants Union for the IUT-Congress Birmingham, *The future role of social and rental housing*

Robinson, C., *Living at Risk. Breaking the cycle of homelessness*, Society of St Vincent de Paul, 2000

Shelter WA & Western Australian Association for Mental Health, August 2001, *Housing Needs of People Affected by Mental Health Problems – Perth. Final Report*, @ [www.shelterwa.org.au](http://www.shelterwa.org.au)

Telford, A., March 2006, *Achieving Sustainable Tenancies in the Private Rental Market for Low Income Earners – A Government, Private Sector and Community Partnership*, South Australian Government response to Homelessness, presentation to the 4<sup>th</sup> National Homelessness Conference, 1-3 March 2006, Sydney

The Age, 13 March 2006, *Sharp rise in Australian housing costs*, [www.theage.com.au/news](http://www.theage.com.au/news)

The Australian – Opinion, 17 February 2006, *Sprawl the answer to home ownership crisis*, [www.theaustraliannews.com/story](http://www.theaustraliannews.com/story)

The Sunday Times, 16 April 2006, *Housing prices soaring*, [www.sundaytimes.news.com.au](http://www.sundaytimes.news.com.au)

The Weekend Australian, 6-7 May 2006, *Rate rise ‘enough to ease prices’*

The West Australian, 26 May 2006, *Perth house prices skyrocket*

The West Australian, 17 June 2006, *It’s \$1000 a week or rent a tent in Karratha*, p.7

The West Australian, 20 June 2006, *Homeswest threat in leafy suburbs*, p.5

The West Australian, Thursday 7 September 2006, *Waking up to the Great Australian Nightmare*, p.6

The West Australian, *Millions are in crisis: Anglicare*, Tuesday 26 September 2006, p.35

United Nations Special Rapporteur on adequate housing, Miloon Kothari, *Mission to Australia 31 July – 15 August 2006, Preliminary Observations*, Canberra 15 August 2006

WA Business News, 31 August 2006, *WA home loan affordability down by 7.4% in June quarter*, [www.businessnews.com.au](http://www.businessnews.com.au)

WA Council of Social Services, *WACOSS Housing Discussion Paper*, Shelter WA newsletter, December 2004, p 2-4

**Western Australian Association for Mental Health (WAAMH), February 2006,  
*Submission for Housing Strategy WA 2006*, downloaded from  
[www.waamh.org.au](http://www.waamh.org.au)**

**Western Australia Industrial Relations Commission, *State Wage Order*, 2006  
WAIRC 05339, 24 August 2006**