

By Shane Wright

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Nation's rental system is broken for tenants and landlords

Australia's housing rental system has broken down, with new research showing landlords would be better off putting money into superannuation while tenants face some of the worst conditions in the developed world.

Analysis released on Thursday by financial and property services companies LongView and PEXA shows 60 per cent of landlords are receiving lower returns on their properties compared to an ordinary balanced super fund.



The rental market has been broken for years, for both renters and landlords, a new report shows. PETER RAE

Many renters are stuck in ageing accommodation plagued by major structural issues and poor plumbing with more than half of tenants in properties built before the turn of the century.

Rental vacancy rates across the country have plummeted over the past two years to record lows. In Melbourne, it is now five times as difficult to find a rental property than it was in the early 2000s.

The collapse in vacancy rates is also driving up rent for many properties, making them increasingly unaffordable for the nation's lowest-income earners.

According to LongView and PEXA, both sides of the rental market are being let down by a complex system that is not working for the nation's 2.2 million property investors or the country's 2.9 million renting households.

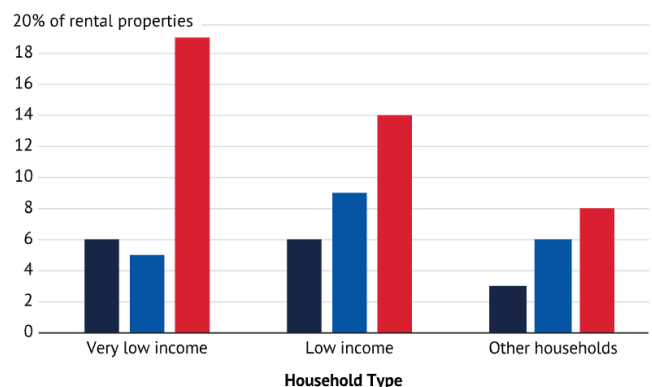
LongView executive director Evan Thornley said the current rental market was hurting tenants and landlords.

“There is a misplaced idea that a battle between landlords and tenants exists – in actual fact, the Australian rental framework has been broken for decades, and is not working for either party,” he said.

“Secure shelter provides people with the feeling of dignity and security, enabling us to build relationships and feel part of a community. So, the fact that we are facing the biggest rental crisis in a generation should be of concern to all of us.

“For landlords, investment is often more complex, stressful, and risky than originally anticipated. It can be much more time-consuming than expected, with a range of unanticipated maintenance costs.”

Percentage of rental properties not able to be kept comfortably warm in winter



Source: LongView, PEXA

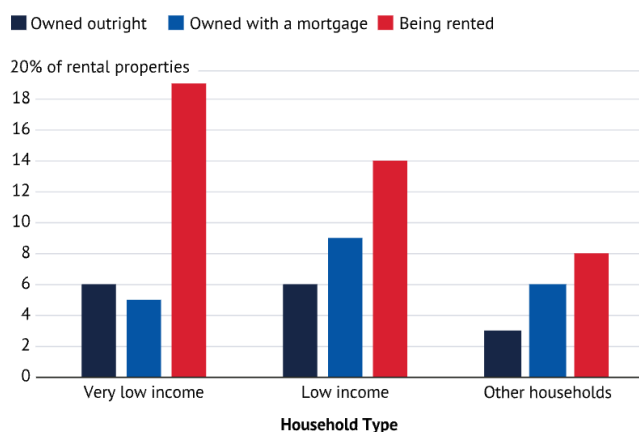
The report finds the falling affordability of homes has led to an increase in the number of households renting on a permanent basis. Security for renters is poor, with more than 36 per cent of people moving three or more times in the past five years and 21 per cent of those moves were due to landlords terminating the rental.

The quality of rental properties is a major problem for tenants and landlords. Half of all rentals were built between 1950 and 1999, and another 7.5 per cent are even older. Low-income renters have a near one-in-five chance of being in a property that is difficult to keep warm in winter.

Forty per cent of renters have cracks in the walls of their properties, a quarter have plumbing issues and mould, while more than 10 per cent deal with roof defects, electrical problems, sinking or moving foundations and dampness.

Landlords, who often have only one or two properties, also struggle with a system that is more involved and complex than most expect. Maintenance costs often surprise investors while there is a high rate of turnover among property management agencies.

Proportion of renters experiencing rental defects



Source: LongView, PEXA

Analysis for the research shows that between 1990 and 2020, the median total post-tax return on investment properties held for between four and 10 years was 6.3 per cent. Over that same period, returns on a balanced super fund were 7.4 per cent.

PEXA chief executive officer Glenn King said the Australian rental market was among the worst in the world.

“Australia is already one of the hardest places in the developed world to be a renter,” he said.

“The biggest problem is insecurity – long-term leases are rare and renters live with constant uncertainty about whether they will have to move. Maintenance is often a headache and there are few incentives for the landlord to improve properties, for example through energy retrofitting.”

The research shows rent is increasingly unaffordable for low-income people, putting them at risk of homelessness.

Figures released by the Australian Bureau of Statistics on Wednesday show that as of the 2021 census, more than 122,000 people were homeless, an increase of 5.2 per cent on the 2016 census.

While the proportion of people in homelessness fell, there was a 10 per cent increase in the number of women without proper accommodation to more than 53,000.



Homelessness increased between the 2016 and 2021 censuses but the proportion of Australians without adequate housing fell. KATE GERAGHTY

There was a small fall in the overall number of people sleeping rough, but the number in supported accommodation for the homeless (up 14.4 per cent) and those in boarding houses (up 26.4 per cent) lifted substantially.

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