Families flock to rental market as they're priced out of home ownership

By Shane Wright
September 24, 2019 — 11.50pm

Decades of skyrocketing house prices have driven the highest proportion of Australians into the private rental market since 1960, with up to 7 per cent of poor households paying three-quarters of their income to landlords.

In a report that found the private rental market worked well for most people, the Productivity Commission said the entire market was changing rapidly, in part due to the surge in house prices that was leaving families, the disabled and those over 65 most at risk.

Families are increasingly being forced into the private rental market, the Productivity Commission has found.

Between the end of World War II and the mid-1980s, the proportion of Australians renting a home fell sharply on the back of a nationwide building boom and strong wages growth for low and middle-income earners. But over the past 30 years, the proportion of people who rent has grown, accelerating over the past two decades in line with soaring house prices.

The commission found there were now at least 2.1 million households, covering 6.3 million people, in the rental market, which was once considered a short-term housing choice for young people.

"Rising house prices over recent decades have extended the period needed to save for a deposit
on a home," the report said. "There has been little growth in supply of social

housing (that is, public, community and state-owned or managed Indigenous housing) over the same period and waiting lists are long.

"For these reasons, while rates of private renting have risen among households across the income distribution, the strongest growth has been among low-income households, especially those with families."

Between 1994-95 and 2017-18, the total number of low-income households grew by 42 per cent but the number in the private rental market exploded by 134 per cent. And while rents themselves increased over the same period, house prices climbed close to seven times faster, locking a growing number of Australians out of home ownership.

The commission found a quarter of low-income households spent more than half their income on rent, with 7 per cent spending more than 75 per cent. Almost one in five low-income households were left with less than $250 a week once they paid rent.

Where traditionally renters might have suffered rental stress for a short period before buying a house or getting a pay rise, the commission found half of renters were "stuck" paying more than 30 per cent of their income on rent for at least four years.

Commissioner Jonathan Coppel said more low-income households than ever were renting privately because home ownership and public housing had become less attainable.

New research shows Sydney residents are better off renting instead of buying a home to live in.

"The needs of renters are changing. More families with children are renting as well as people with a disability and retirees. The costs of eviction can be particularly high for these households," he said. "In a wider discussion on the adequacy of income-support payments, there is merit in examining options that raise the maximum level of rent assistance."

The commission found the Commonwealth rent assistance program was helping to offset the growing cost of rent for many people. But it found the maximum payment under the scheme was not keeping pace with rents, which were growing faster than overall inflation.

The share of people on the program able to claim the maximum payment had grown to 80 per cent, from 57 per cent in 2001. State and territory governments had failed to increase public housing supply, effectively pushing the cost of supporting low-income households on to the federal government.