



The Australian Private Rental Sector: Changing Patterns and Processes

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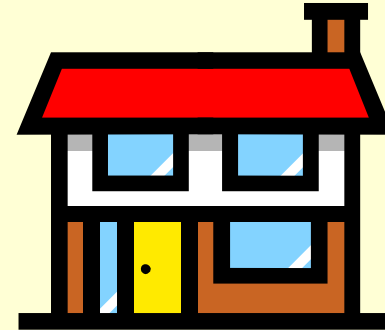
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Outline

- **Introduction**
- **Background of Australian private rental sector**
- **New data**
- **New analyses**
- **Conclusion**



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Introduction

- **3 year project (SPIRT scheme)**
- **Funded by Australian Government for projects of social and economic benefit to Australia which have an element of risk**
 - risk may be financial or practical (in this case both)
- **Commonwealth and State government contributions to cost of research**



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Background - Australian private rental sector

- Home ownership dominant but private rental sector increasingly important in Australian housing provision (see Table 1).
- Increasingly difficult for new households to gain entry to ownership and public housing
- Reliance on market (private rental) to provide housing
- Difficult to monitor



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Table 1. Australia: Tenure 1991, 1996, 2001

<i>Tenure</i>	<i>1991</i>	<i>1996</i>	<i>2001</i>
Owned	40.4	40.9	39.7
Being purchased	26.7	25.5	25.8
Total owned/being purchased	67.1	66.4	66.2
Rented publicly	5.6	5.1	4.5
Rented privately	20.2	22.0	21.5
Other and NS	7.0	6.3	7.5
Total	100	100	100



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**Table 2. Selected Demographic and Socioeconomic Indicators,
Selected States, Australia 2001**

State	New South Wales	Queensland	South Australia	Victoria	Western Australia
Total population (millions)	6.4	3.6	1.5	4.6	1.8
Per cent born overseas	23.4	17.2	20.3	23.4	27.0
Unemployment rate	7.2	8.2	7.6	6.8	7.5
Per cent employed manag., admin. & professional occupations	28.5	24.5	26.3	28.7	25.8
Per cent households with weekly incor exceeding AUD\$2000	10.2	5.9	5.2	8.4	7.0
Per cent renting privately	22.3	26.2	17	18.7	20.4
Per cent renting publicly	4.9	3.5	7.6	3.2	4.2
Per cent owners	41.1	36.6	39.8	42.9	35.9
Per cent purchasers	22.6	25.2	28.5	27.0	30.9
Median capital city house price* (\$AUC Mar 2003)	\$460,000	\$265,000	\$201,000	\$347,000	\$202,000

Source: ABS 2001 Census.

*Source: State based Real Estate Institutes



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Table 3. Percentage of Households Renting Privately by State: 1991, 1996 and 2001

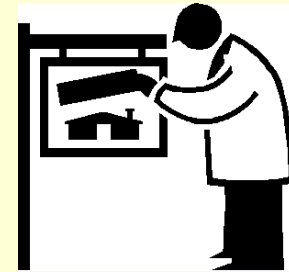
	1991	1996	2001
New South Wales	20	23	22
Victoria	18	20	19
Queensland	24	26	26
South Australia	16	17	17
Western Australia	21	22	20
Tasmania	17	17	17
Northern Territory	31	31	33
Australian Capital Territory	20	22	19
Total Australia	20	22	22



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Factors in increasing demand

- **Change in policy ideology**
 - shift to market based provision
- **Economic and social change**
 - restructuring of labour force
 - smaller households (demographic and social factors)
- **Changes in property markets**
 - very heated in largest capital cities



How well does the private rental sector respond to these changes?

- **We don't really know!**

- Lack of adequate data



- **Best indicator is Census, undertaken every 5 years**

- but this interval is too long to identify rapid change and to allow well timed policy response

- **Other small scale, piecemeal and cross sectional surveys**



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Rental Bond Authorities

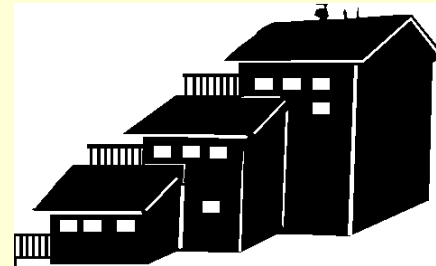
- Bonds are lodged with RBAs in most States (not NT and Tasmania)
- Unit record data with address identifier
 - large number of cases (almost entire pop'n of private rental dwellings)
 - temporally continuous
- Can construct 2 datasets:
 - dwelling history file (based on tenancies over time)
 - tenancy file (based on all tenancies over time)



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Validity of RBA data

- **Currently reflects approx. 90 per cent of total Australia private rental sector**
- **Coverage and availability of fields varies between States somewhat**
- **Data are consistent with other sources**
 - **Census**
 - **ABS Housing Surveys**



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New findings from new data

- **Focus on supply response to changing demand environment**
- **Supply response consists of:**
 - Additions to stock (and timing of additions)
 - Rent levels
 - Location of stock (esp. new stock)
 - Length of lead/lag time
 - Match between dwellings/rents supplied and household type and income



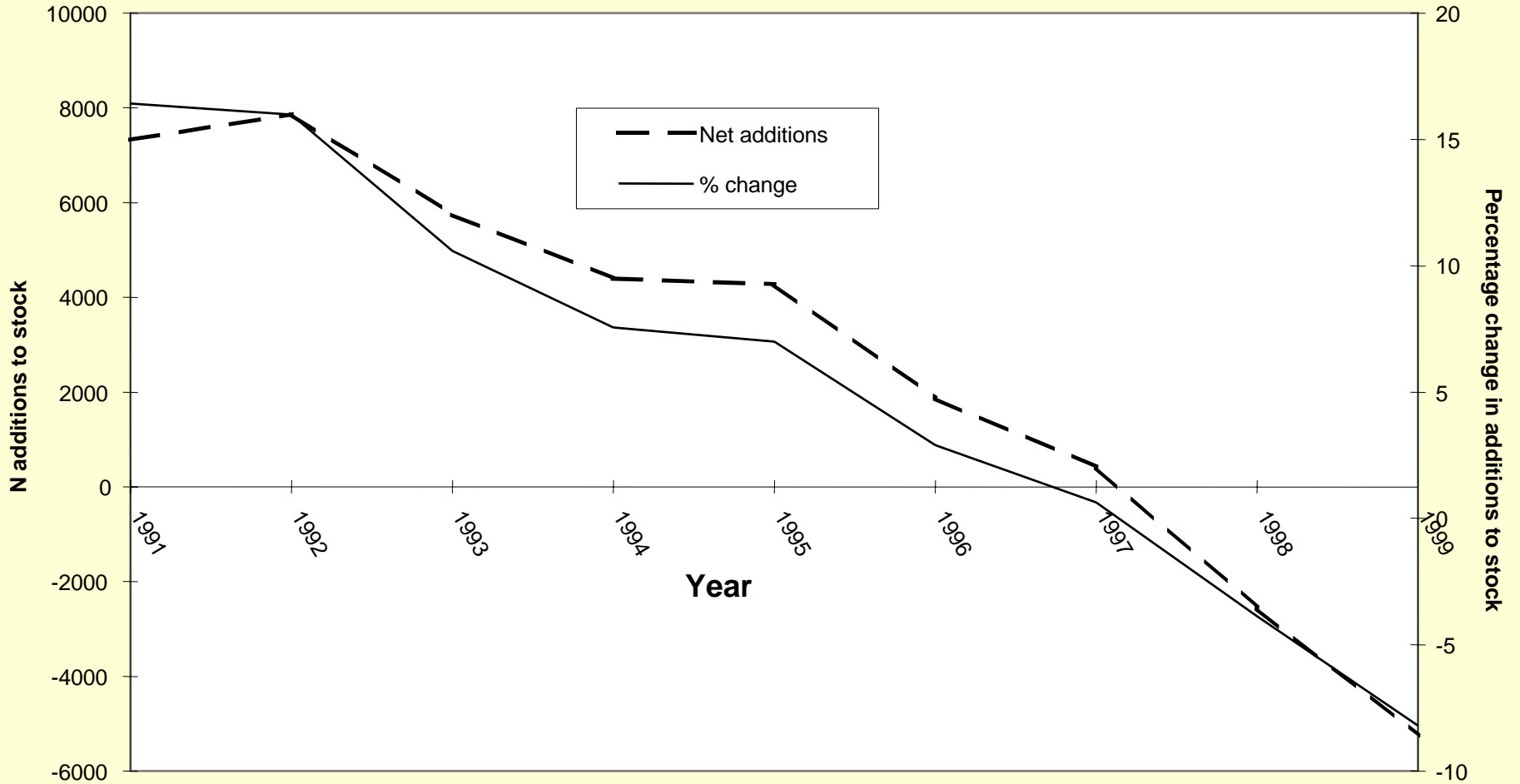
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Additions to stock

- **Change over time -**
 - decline in SA
 - erratic in NSW
 - stable in Qld
- **Additions usually not purpose built**
- **Relationship between new construction and additions**
 - varies by State and dwelling type

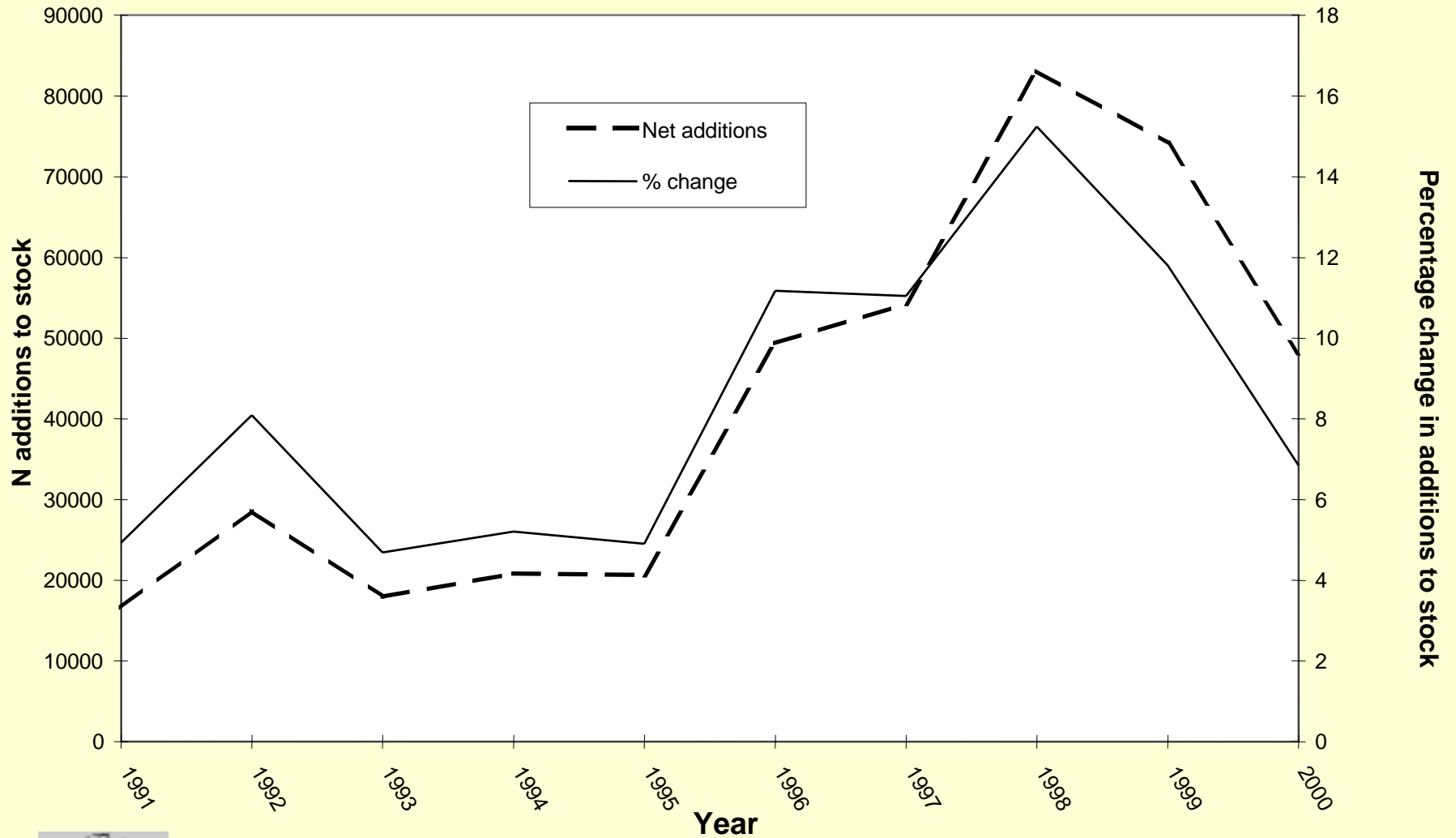


Expansion and Contraction in Supply of New Stock, South Australia 1991-1999



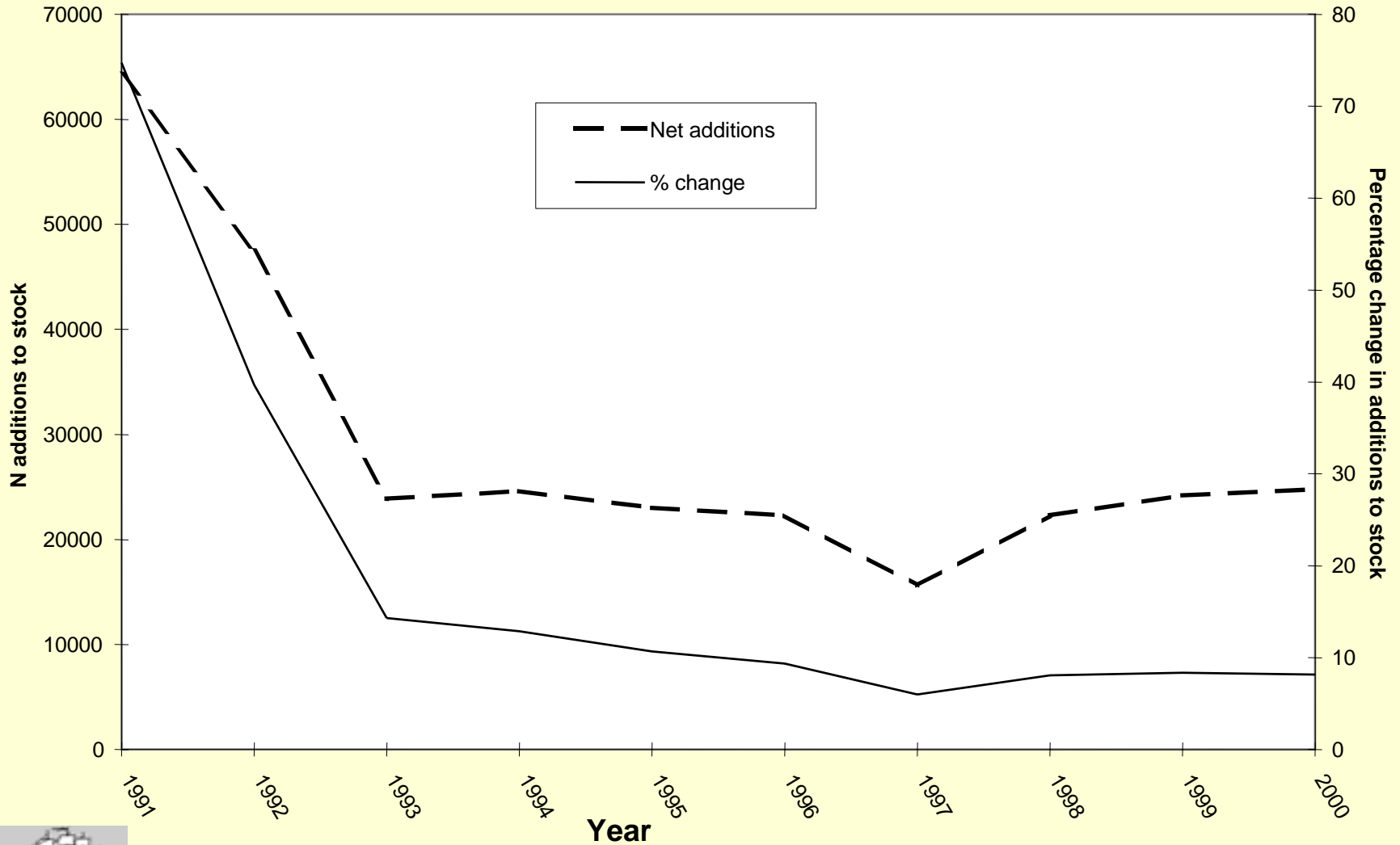
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Expansion and Contraction in Supply of New Stock, New South Wales 1991-1999



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Expansion and Contraction in Supply of New Stock, Queensland 1991-1999



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Relationship with new building

- **Need to consider separate houses and medium density dwellings separately**
 - **separate houses in high demand but medium density is (generally) supplied**
 - **Decline in both dwelling types in South Australia but no clear relationship with additions to private rental stock**
 - **Close relationship between construction and additions in New South Wales for both dwelling types**
 - **Lagged relationship in Queensland**



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Rent levels

- **Dwellings entering the stock (new supply) tend to have higher rents than the rest of the stock (ie. new tenancies do not represent all tenancies)**

Table

- **The gap has widened in New South Wales and Queensland but narrowed in South Australia**
- **New rents not a good indicator of affordability in whole sector but do affect access for households seeking to enter the tenure**



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**Table 4. CPI Adjusted Median Rents for Dwellings Entering Sector and
Dwellings Already in Sector**

	NSW			Qld			SA		
	New Stock	All Current Stock	% Difference	New Stock	All Current Stock	% Difference	New Stock	All Current Stock	% Difference
1990	207	200	3.5	175	168	4.2	157	135	16.3
1991	203	194	4.8	166	162	2.5	154	135	16.3
1992	200	191	4.6	163	161	1.2	150	145	6.2
1993	192	188	2.2	173	161	7.5	147	142	5.6
1994	195	188	3.8	175	162	8.0	144	141	4.3
1995	200	188	6.3	174	163	6.7	140	139	3.6
1996	195	186	5.1	167	158	5.7	135	135	3.7
1997	208	187	11.4	170	157	8.3	134	134	0.7
1998	208	187	11.3	174	157	10.8	135	134	0.0
1999	225	194	16.1	172	158	8.9	138	133	1.5



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Landlords - structure of ownership



- **3 main types of landlord**
 - private individuals
 - firms
 - other (churches, trustees, community organisations etc)
- **Private individuals form vast majority of landlords in all States but more firms in NSW than anywhere else**
- **This structure relatively stable over time**



Table 5. Landlord Type by State, SA, NSW and WA, Various Years

	SA (1990-2000)	NSW (1997-2000)	WA (1993-July 2000)
Private individuals	93.0	89.9	94.5
Firms	4.7	8.5	3.3
Other	2.3	1.6	2.2
Total	100	100	100
N	157328	376058	40635



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Size of holdings

- **Most landlords own only one property**
- **Firms most likely to own multiple properties**
- **Consistent with existing knowledge of structure of ownership in private rental sector**



**Table 6. Size of Holdings by State,
Landlords Entering Sector Since 1997**

N properties owned	SA	NSW	MSJ Keys & Young (1991) NSW	WA
1	89.2	77.6	82.6	68.9
2-4	10.0	19.5	13.8	23.3
5-10	0.7	2.4	2.7	5.4
11+	0.1	0.4	0.9	2.3
Total	100	100	100	100
Mean	1.5	1.5	na	2.3



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Conclusion

- **Private rental housing is increasingly important in Australian housing provision**
- **Historically difficult to monitor but analysis now aided by assembly of new database**
- **Investigations of length of tenure, turnover of stock and the location of new stock also conducted**



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Conclusion (cont.)

- **Market operations can only meet demand where conditions are profitable**
- **At the State level, this means NSW and Victoria only**
- **Supply in other states based on motives other than profit**
- **Need for policy aimed at supply side which is tailored to local housing market**
 - **contradiction between Commonwealth responsibility for housing policy (on national basis) and State based housing markets**



Maps

- <http://www.ssn.flinders.edu.au/geog/staff/spirtmaps>



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