2024 South Australia Rental Affordability Snapshot

Introduction

Believe Housing Australia is one of the state's leading providers of social and affordable housing and tenancy services, including housing for older and younger people, Aboriginal housing services and specialist disability accommodation.

Believe Housing Australia was launched in March 2022 after more than 20 years of operation as AnglicareSA Housing. It is a fully owned subsidiary company of AnglicareSA and a nationally accredited Tier 1 Community Housing Provider, operating throughout metropolitan and regional South Australia.

About the Snapshot

The shape of the housing market is changing. Prices are increasing, and for many in South Australia, the acute shortage of genuinely affordable and social housing has made the right to a safe, stable and affordable home into a fiction.

Driving this change nationally is the slowing rate of supply[1] along with a rising cost of housing, and household incomes that are not keeping pace. Despite recent policy changes at the state level, there remains an acute shortage of social housing available for rent, which has increased competition at the bottom of the market, which applies upward pressure on private rents for ordinary South Australians.

To better understand these changes, Believe Housing Australia conducts the annual Rental Affordability Snapshot. The Snapshot provides insights on whether people on low incomes have access to affordable and appropriate homes in the private market, and the housing implications for South Australians living on low incomes.

Methodology and affordability thresholds

To test if a listing is affordable, we take a snapshot of the properties listed for rent on realestate.com.au on the weekend of 16th March 2024. We then assessed whether each property is affordable and suitable for fourteen types of households on low incomes:

- Single people receiving the Disability Support Pension, Youth Allowance, JobSeeker and the Age Pension, or earning minimum wage
- Single parents receiving the Parenting Payment or earning the minimum wage
- Couples without children on the Age Pension
- Couples with children on JobSeeker, Parenting Payment, earning the minimum wage, or a combination of these income sources.

A home is considered affordable if it follows the internationally-accepted benchmark that housing requires less than 30% of a household's income. Paying rent of more than 30% of

[1] https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23 accessed April 4, 2024

income puts the renter in housing stress and more than 50% is considered severe housing stress.

Recommendations

1. Invest in more quality social and affordable housing

All South Australians have the right to a quality and affordable home they can be proud of. South Australia saw social housing stock decline in the period 2006-2020 (down 11%) even as demand has soared – in the same period, we have seen an 11% increase in homelessness and a 99% increase in rental stress.

Current government policy prioritises home ownership instead of housing need. The state supports programs for South Australians who wish to purchase their own home. However, government has a duty to house vulnerable people, therefore policy and public expenditure must equally prioritise ordinary South Australians on low and middle incomes, and build housing in the number and scale the state needs.

Believe Housing welcomes the state government's decision to stop the sell-off of social housing units, as it is expected to create capacity for an additional 1,144 households in public housing. It remains clear that, with more than 175,000 households on social housing waiting lists across Australia[2], and more than 4,000 households on the state's public and aboriginal category 1 social housing waitlist, the few hundred proposed new social and affordable homes falls far short of current and future need.

We are simply not building - or planning to build - enough homes to meet demand[3]. The state must consider new ways to restore direct investment in public housing through upfront capital grants and programs for Tier 1 Community Housing Providers and Local Governments. The benefit over the medium term would be that some people in the private rented market would move to the more affordable housing market; reducing the upward pressure on rental prices at the lower end of the private market.

To support this there must also be appropriate infrastructure investment integrated into local and state government development plans, for example, schools, health and leisure facilities must be scaled to ensure existing facilities are not overcrowded.

2. Reform the tax system so investors aren't incentivised to remove housing stock from the market

Australia's current housing tax concessions contribute to the high costs of housing in Australia. They encourage capital-rich investors and developers to speculate on the property market, ensuring that people trying to buy or rent a home often can't compete.

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[2] https://www.abc.net.au/news/2024-02-10/social-housing-affordability-crisis-haff-policy-how-will-it-work/103288620 accessed 10 April 2024

[3] NIHFC predict a supply household formation balance of -79,300 in the 10 years to 2033 https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23 accessed 6 April 2024

Negative gearing and capital gains tax concessions cost the federal budget $14.85 billion per year, and overwhelmingly favour the wealthiest 20 percent of Australians. They also contributed to the staggering 33.9% rise in house prices in capital cities across Australia between March 2020 and January 2024[4].

Despite house prices beginning to fall in several capital cities across 2022, Adelaide defied this trend with another 10.1% of growth. This means many renters who aspire to own their own homes simply cannot afford to exit the rental market. Better targeting negative gearing and capital gains tax exemptions would provide funding for homes for people on low incomes who are struggling to survive in the private rental market or need social housing.

3. Better Protections for Renters

For many, the private rental market is often insecure and unstable. South Australia's rental reforms delivered through amendments to the Residential Tenancy Act, are welcome. These included measures such as a ban on rent bidding in line with some other states, however landlords and agents can sidestep compliance by legally accepting higher rents offered freely by potential tenants. Another measure, which addressed a concern identified in the 2022 Youth Housing Outcomes Roundtable report, was to allow renters to have pets. On Snapshot day, more than 20% property listings included "no pets", or "pets not allowed", which contravenes the recent changes by actively discouraging renters with pets from applying for properties.

Renters must be protected with bolder measures, and compliance to existing measures should be better funded.

Findings

On the Snapshot weekend of March 16th, large groups of individuals and families competed for only 1615 private rentals advertised in South Australia.
As is the case across Australia, renters on low incomes are dealing with the grim reality that government payments have not kept up with the increase in housing costs.
There is an acute shortage of affordable homes, increasing dependence on temporary accommodation and government programs in order to access housing.

- On Snapshot day, only 17 properties (1%) were affordable for households on income support payments, and 243 properties (15%) were affordable for households on a minimum wage.
- More than 85% (1,372) of available properties were unaffordable to a working couple with two children, who were on minimum wage and Family Tax Benefit A.
- Single people are the most affected. The inclusion of shared houses and units in available properties is not enough to overcome the constraints placed on a single person on minimum wage and/or income support payments.
- 0% of properties were appropriate and affordable for a single person on parenting payment who have one or two children (2 properties)

[4] CoreLogic, 2024

- 0% of properties were appropriate and affordable for a single person on JobSeeker payment (0) or Youth Allowance (0).
- Remarkably, only 4 properties (0%) were affordable and appropriate for those on the government's most generous benefit, the age pension.

On Snapshot day, the number of homes that were affordable and appropriate for:

Households on income support payments	Households on minimum wage
17 (1%)	243 (15%)

Number and Percentage of Affordable & Appropriate Properties by Household Type

Household Type	Payment Type	# Affordable	% Affordable	# Appropriate	% Appropriate	# Affordable& Appropriate	% Affordable& Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	JobSeeker (both adults)	42	3%	1124	70%	5	0.3%
Single, two children (one aged less than 5, one aged less than 10)	Parenting Payment Single	20	1%	1124	70%	2	0.1%
Couple, no children	Age Pension	21	1%	1589	98%	10	0.6%
Single, one child (aged less than 5)	Parenting Payment Single	11	1%	1503	93%	1	0.1%
Single, one child (aged 14+)	JobSeeker	5	0%	1503	93%	0	0.0%
Single	Age Pension	4	0%	1612	100%	4	0.2%
Single aged over 21	Disability Support Pension	4	0%	1589	98%	0	0.0%
Single	JobSeeker	0	0%	1612	100%	0	0.0%
Single aged over 18	Youth Allowance	0	0%	1612	100%	0	0.0%
Single in share house	Youth Allowance	0	0%	1612	100%	0	0.0%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A	556	34%	1124	70%	236	14.6%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B + Parenting Payment[5]	126	8%	1124	70%	21	1.3%

[5] Single, two children - one aged less than 5, one aged less than 10 (Household 12) - may also be eligible for the Parenting Payment (Single). From 2024, the Snapshot includes this payment in our calculations.

Single	Minimum Wage	8	0%	1612	100%	8	0.5%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A&B	158	10%	1124	70%	27	1.7%
Total No of Properties	**1615**						

Discussion

This year's Rental Affordability Snapshot provides further proof of the extent of South Australia's housing crisis. For people on low incomes, it is clear they are at serious risk of being plunged into homelessness because a rental property is unaffordable.

Despite the state's recent rental reforms, many young people, couples and families with young children are struggling to access safe, stable and affordable homes to live in. The scale of the problem extends beyond unemployed households or single, young renters unable to save for their bond; even working couples are finding themselves priced out of South Australia's rental market.

South Australia is a landlords' market. SQM Research[6] reports that February 2024's rental vacancy rate in Adelaide is a "stubbornly low" 0.5%, unchanged since the release of the snapshot a year ago. Adelaide recorded the second lowest rate of all Australian capitals, behind Perth. The low supply drives prices up, and as incomes fail to rise at the same pace as rent, more South Australians are looking to the government for help - to increase supply and support higher incomes.

Affordable private rents are disappearing at a rapid rate. Domain's quarterly rental report for March 2024 found the median price for a rental house in Adelaide at $590 per week (+5.4% on the previous quarter)[7]. The pace of the growth is most concerning, having tripled from the previous quarter, when it was 1.8%, to produce the steepest quarterly gain in 17 years. The median rental cost of a unit has also reached a record high of $460 (+2.2% on the previous quarter), demonstrating increased competition and cost-pressure at the entry-level of the rental market, where young and low-income South Australians would ordinarily seek housing.

Against this backdrop, the Snapshot findings are perhaps unsurprising, though sobering, for South Australians.

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[6] https://sqmresearch.com.au/graph_vacancy.php?region=sa%3A%3AAdelaide&type=c&t=1 accessed April 1, 2024
[7] https://www.domain.com.au/research/rental-report/march-2024/ accessed April 11, 2024

Young people
No homes were affordable and appropriate for a person living on Youth Allowance looking for a room in a share house this year (0%) or a one-or-two bedroom unit (0%). Young people remain consistently the worst-off in Snapshot findings because they are unable to sustainably fund housing if they depend on government benefits.

Youth Allowance is the lowest of all government payments, and this is exacerbated by policies such as those governing the Commonwealth Rental Assistance (CRA) program. With the average cost of a single unit now $450/week[8], this makes the tenancy unsustainable as they would be spending more than 100% of their income on rent to be able to afford a unit.

There is no end in sight for this cohort, with the most recent *State of the Nation's Housing 2023 report*[9] identifying that we are not building enough apartments to meet current or future demand. Net apartment additions in the projections over the five years to 2026-27 are at around 40 percent less than the numbers of apartments built in the late 2010s.

Without supply-side interventions, the government must consider an adequate Youth Allowance and private rental assistance for this cohort, young people cannot overcome the shortfall and become vulnerable to 'hidden' forms of homelessness such as severe overcrowding and couch surfing, or other undesirable living situations.

Income Support
Just one in one hundred (1.05%) of homes advertised were affordable to those on income support, particularly if they are out of work or live with a disability. 0% of rentals – not one of the listed rental properties – were affordable for a single, childless person on the JobSeeker Payment. This includes share houses and apartments in developments built primarily as student accommodation, but with policies that allow non-student tenants.

Families with children
Families on income support payments are particularly hard hit. Just 5 properties out of all those listed on the day of the snapshot (0%) were affordable and appropriate for out-of-work couples with two children. Single parents who are out of work are even further stretched, with affordability for this group also at 0%, or just 3 of the listed properties.

With an estimated one-in-eight adults and one-in-six children living in poverty, those living in homes that are dependent on JobSeeker or the Parenting Payment are at much greater risk. The rate of these payments is not indexed to the average affordable rent for an area, and therefore families are often packed into inadequate, small units or temporary accommodation

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[8] https://www.domain.com.au/research/rental-report/march-2024/ accessed April 12, 2024
[9] National Housing Finance and Investment Corporation, *State of the Nation's Housing 2022-23, accessed at https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23, April 4, 2024*

that traumatise young children because they often need to make decisions whether to compromise household food or heating/cooling bills to make up the growing shortfalls.

People with disabilities
People with disabilities face unique challenges in this market. On Snapshot Day, a single person on the Disability Support Pension could afford none of the rentals (0%), even before taking into account any individual needs regarding the suitability of properties.

Age Pension
The most generous of government payments is the Age Pension. Yet only 10 (1%) of properties were affordable for couples, and 4 (0%) for single retirees. With home ownership declining among older Australians, and more people entering retirement with a mortgage, it is easy to see how older people have become more vulnerable to housing stress and homelessness.

Households on minimum wage
The situation remains dire for working people on a minimum wage. A single person working full-time on the minimum wage will find that only 8 properties (0.5%) were affordable to them, and a single parent of two children would only have a marginally better opportunity to find an affordable home with 21 properties (1.3%) affordable to them.

For households with two parents in full time work and two children (Minimum Wage + FTB A), they had the best opportunity to find a home with 236 (15%) available and affordable to rent.

A properly funded and functioning housing market, where supply meets demand and workers can live in homes near their families and workplaces is essential to the future growth of the state. Yet, the promise of housing delivery - accelerated by the Commonwealth's Housing Australia's Future Fund (HAFF) and the National Housing Accord, and the state's recent land releases under the *Better Housing Future* strategy - will be realised more than five years from now.

The recent decision by the government to protect existing housing stock for current and future generations and end the privatisation of social housing is welcome. Moving a proportion of these properties to CHPs for management, and increasing the state's new building programs would open doors to additional funding for renovations.

As the economy starts to soften in 2026/7, homebuilding will provide an important and proven form of counter-cyclical investment - one with clear social benefits for all South Australians. **Therefore, now is the time to plan and fund new projects, yet there seems to be a lack of urgency when it comes to releasing appropriate government funding to invest in new, affordable homes.**

The closure of the first round of funding under HAFF, provides a new opportunity for sensible investment in construction with a medium-to-long-term view of stabilising property prices through increased supply, should the type of building increase affordability for South

Australians. **It is therefore critical that HAFF proposals, particularly those received from Tier 1 Housing Providers and Local Government planning departments, are fully funded.**

A great deal is required from Local Government planning departments. Therefore the new Office for Regional Housing (RenewalSA) is a welcome business partner, which can provide support in the form of data, business partnering and active grant collaboration, to ensure limited resources or expertise do not impede the progress of essential housing developments across the state.

South Australia has never been in such need of new housing. For the state to meet the challenge, it must invest in the housing workforce.

The strong demand for housing has put pressure on the state's construction market, and we welcome the government's decision to increase investment in trades though both fee-free TAFE and school-based apprenticeships. This investment has the potential to stabilise construction costs and reduce delays to build in the short term**. However, there is a further opportunity to be found in this program, which is the ability for youth to undertake valuable skills training, particularly for youth who are post-care or those who are particularly vulnerable to unemployment and homelessness.**

Conclusion

Today's Snapshot confirms what many renters feel every day - that when large rental costs go hand-in-hand with other cost of living rises, ordinary South Australians will be forced to make financially unsustainable choices between a roof over their heads and essentials such as food, warmth, and bathing.

Every level of government has a renewed emphasis on housing – and this is welcomed. Crucially it will require the prioritisation of both state resources and funding released through the Housing Australia Future Fund. Much weight has been given to the effect of construction on inflation, which is seemingly slowing capital investment in major building programs via HAFF. However, Housing Australia's (formerly NHFIC) modelling in the State of the Nation's Housing 2022-23 suggests there will be a recovery in supply on the back of changing macroeconomic conditions in 2025-26. Therefore, now is the time to plan and release funds for new investment in social and affordable housing.

South Australia is a growing state and an increasing opportunity for developers and investors to buy-up available properties and remove rentals from the market. The return on investment for investors is clear, however we must ensure that encouraging investment via tax incentives is not at the cost of ordinary South Australians.

We recognise and acknowledge the work already underway to tackle the housing crisis. However, the crisis today, demonstrated by families are living in cars, tents and motels, has a long-term effect on the strength of our state. Children are suffering trauma, being raised not knowing where their next meal is coming from; and adults carry the shame and guilt of being unable to protect their families from a situation that is no fault of their own. These are generational challenges; therefore, stakeholders must now come together and use market interventions as well as demand and supply-side levers to address the crisis head-on.

There is much to be done. Now is the time for action.